

## Crawley Borough Council

### Audit Committee

Agenda for the **Audit Committee** which will be held in **virtually - Microsoft Teams Live**, on **Tuesday, 22 September 2020 at 7.00 pm**

Nightline Telephone No. 07881 500 227



**Head of Legal, Democracy and HR**

Membership:  
Councillors

J Millar-Smith (Chair), M Flack (Vice-Chair), M G Jones, T G Belben  
and J Purdy

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Switchboard: 01293 438000  
Main fax: 01293 511803  
Minicom: 01293 405202 DX:  
57139 Crawley 1  
[www.crawley.gov.uk](http://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)

	<b>Pages</b>
<b>1. Apologies for Absence</b>	
<b>2. Disclosures of Interest</b>	
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.	
<b>3. Minutes</b>	5 - 8
To approve as a correct record the minutes of the Audit Committee held on 30 September 2019.	
<b>4. Public Question Time</b>	
To consider any written questions that were submitted in advance and accepted in-line with the Constitution. These will be read to the Committee and be followed by a response. The questioner will receive an emailed copy of the response given at the meeting. There will be no supplementary questions.	
<b>5. Progress Report and Risk Management</b>	9 - 32
To consider report FIN/503 of the Audit and Risk Manager.	
<b>6. Audit and Risk Manager's Annual Report 2019/2020</b>	33 - 38
To consider report FIN/504 of the Audit and Risk Manager.	
<b>7. Fee Scale for the Audit 2020/21 and Update on 2019/20</b>	39 - 42
To consider the Fee Scale for the Audit 2020/21 and the Update on 2019/20 which has been provided by Public Sector Audit Appointments.	
The answers to frequently asked questions in relation to the Fee Scale can be found <a href="#">here</a> .	
<b>RECOMMENDATION</b>	
That the Fee Scale for the Audit 2020/21 and the Update on the 2019/20 be noted.	

	<b>Pages</b>
<p><b>8. Audit Results Report: Year Ended 31 March 2020</b></p> <p>To consider Ernst and Young’s Audit Results Report for the year ended 31 March 2020.</p> <p><b>RECOMMENDATION</b></p> <p>That the Audit Results Report for the year ended 31 March 2020 be received and noted.</p> <p><b>This report will be included in a supplementary agenda as agreed in consultation with the Chair and Vice-Chair.</b></p>	
<p><b>9. Approval of the 2019/2020 Statement of Accounts</b></p> <p>To consider report FIN/507 of the Head of Corporate Finance.</p>	43 - 218
<p><b>10. Supplemental Agenda</b></p> <p>Any urgent item(s) complying with Section 100(B) of the Local Government Act 1972.</p>	

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## Crawley Borough Council

### Minutes of Audit Committee

Monday, 30 September 2019 at 6.30 pm

#### Councillors Present:

M W Pickett (Chair)

J Millar-Smith (Vice-Chair)

R D Burrett, M G Jones and K Sudan

#### Officers Present:

Gillian Edwards                      Audit and Risk Manager

Karen Hayes                              Head of Corporate Finance

Mez Matthews                            Democratic Services Officer

Stuart Small                              Investigations Officer

#### 1. Disclosures of Interest

The following disclosures of interests were made:

<b>Councillor</b>	<b>Item and Minute</b>	<b>Type and Nature of Disclosure</b>
Councillor Burrett	Progress Report and Risk Management (Minute 4)	Personal Interest – He was a West Sussex County Councillor
Councillor Jones	Progress Report and Risk Management (Minute 4)	Personal Interest – He was a West Sussex County Councillor
Councillor Sudan	Progress Report and Risk Management (Minute 4)	Personal Interest – She was a West Sussex County Councillor

#### 2. Minutes

The minutes of the meeting of the Audit Committee held on 23 July 2019 were approved as a correct record and signed by the Chair.

## 3. Fraud and Investigation Team Report

The Committee considered report FIN/480 of the Operational Benefits and Corporate Fraud Manager, which focused on activity for the period from 2 July 2019 to 11 September 2019. The Investigations Officer presented the report and advised that the Team had continued to perform successfully.

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 and the role they played in deterring fraud. The Committee sought and received clarification on a number of points raised, including the restrictions in place regarding the Right to Buy Scheme.

The Committee discussed the Corporate Management Team's response to the Committee's request for another Housing Amnesty. The Committee received clarification regarding the ongoing work being undertaken around the five year tenancies and tenancy renewals as well as the Country-wide campaign which was due to take place in the next six months. Whilst the Committee was pleased to be informed that Crawley Borough Council would be involved in the County-wide initiative, it was suggested that the Council issue a press release regarding housing fraud to remind the public of the criteria regarding housing related discounts/policies, and encourage them to report suspected fraud. It was moved by Councillor Jones (seconded by Councillor Millar-Smith) that such a press release be issued.

The proposal upon being put to the Committee, was declared to be CARRIED.

### RESOLVED

1. That the Investigation Team Report be noted.
2. That a press release be issued regarding housing fraud to remind the public of the criteria regarding housing related discounts/policies and encourage them to report suspected fraud.

## 4. Progress Report and Risk Management

The Committee considered report FIN/481 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 2019/2020 Audit Plan. The report also included an update on the Council's Strategic Risks.

The Committee discussed and noted 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 the work as detailed in the report and, in relation to the following areas, the Committee:

### Work Completed in the Current Period:

- Received background information relation to the Publication Scheme Review Audit.

### Progress Report (Appendix A to the report):

- Noted that information relating to the Business Impact Assessments Audit, Business Continuity Audit and Procurement Audit would be brought to the Committee meeting in November.
- Received clarification regarding the remit of the Business Impact Assessment Audit.

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Audit Committee (8)  
30 September 2019

The Committee raised some queries regarding the Community Grants Follow-Up Audit which had been considered by the Committee at its previous meeting (report FIN/475 and Minute 4 of the 23 July 2019 Audit Committee refer). The Audit and Risk Manager informed the Committee that due to unforeseen staff absence it had not been possible to provide this Committee with a further update on this follow-up audit. Information would however be brought back to the Committee meeting in November, and would include the results from an investigation of a select sample of grants, how systems had been changed to ensure their robustness and information regarding the segregation of duties. The Audit and Risk Manager confirmed that Cabinet Members would receive a copy of any final report following an audit review relating to their portfolio, not just those which identified high priority findings.

The Committee discussed the update provided on Strategic Risk Management. Following queries from the Committee relating to the following areas, the Committee:

#### Disaster Recovery and Business Continuity:

- Noted that the Audit and Risk Manager had worked with the Head of Digital and Transformation regarding the level of controls needed. The Head of Digital and Transformation understood the problems which had occurred during the 1<sup>st</sup> Phase of the works and had put in place controls to ensure that those issues were not repeated during the 2<sup>nd</sup> Phase.
- Was informed that an audit would be undertaken in the future, if appropriate, to review the work.
- Noted that members of the Audit Team attended the Corporate Project Assurance Group and the Town Hall Board to ensure that any risks associated with works undertaken were managed.

#### Recruitment, Retention and Succession Planning:

- Was informed that, the Head of Corporate Finance did not have the exact percentage of staff turnover to hand, and therefore that information would be provided to the Committee via email.
- Noted that since there was no longer a prescribed retirement age, the age at which each staff member retired was determined on an individual basis.
- Succession planning was in place to combat the ageing population of the Council's workforce.

### **RESOLVED**

That the Committee receive the report and note progress to date, as at 6 September 2019.

#### **Closure of Meeting**

With the business of the Audit Committee concluded, the Chair declared the meeting closed at 7.05 pm

**Chair**

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## Crawley Borough Council

### Report to the Audit Committee

22<sup>nd</sup> September 2020

### Progress Report and Risk Management

Report of the Audit and Risk Manager – FIN/503

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#### 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 31<sup>st</sup> August 2020.

#### 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

##### 4.1 Work Completed

Since the last report, as at 30<sup>th</sup> September 2019 the following work has been completed/undertaken:

Audit Title	Audit Opinion
Housing Repairs – Gas Servicing	Satisfactory
Housing Rents	Substantial
Procurement	Satisfactory
Housing Repairs Tender	Substantial
NNDR	Substantial
Creditors	Substantial
Council Tax	Substantial
Housing Benefits	Satisfactory
Cash and Bank	Satisfactory
<b>Throughout the year:</b>	
Attendance at Corporate Project Assurance Group	
Attendance at Town Hall Board	
Member of Information Governance Project Board	

##### 4.2 Work in Progress

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

We were on target to complete all of the Internal Audit Plan on or around 31<sup>st</sup> March 2020, however due to the impact of COVID-19, we were unable to do this. The reasons are threefold:

- Access to staff, records and the Town Hall was curtailed on 23<sup>rd</sup> March 2020 due to lockdown;
- The workload of staff who would have assisted us was increased or they were working outside of their usual;
- The staff in the Audit and Risk section were working outside of their usual role, with one in the Community Hub for five weeks, the others undertaking reactive work to support the Council's changed priorities.

## 4.3 Revisions to Internal Audit Plan 2020/2021

I will be working with the Head of Corporate Finance –and S151 Officer –to look at the current internal audit plan and assess whether and how it should be revised to cover areas that are of highest risk to the Council, and use the Audit and Risk section's resources most effectively. I will report the outcome of these discussions at the next meeting of this Committee in November 2020.

## 4.4 High Priority Findings in this Period

There were no high priority findings identified in this period.

## 4.5 Follow Up Audits

Two audits were due to be followed up prior to this meeting:

- Housing Benefits
- Cash and Bank

Neither of the areas identified for improvement were of a high priority. Due to the unprecedented demands on staff due to the COVID-19 pandemic, we will include a follow up review to confirm that the agreed actions have been implemented during the next audit of these areas. This will be in the current financial year and we will report the outcome to this Committee in March 2021.

## 4.6 Freedom of Information (FOI) Requests

Between 1<sup>st</sup> October 2019 and 31<sup>st</sup> August 2020 we have processed 621 requests, and of these, 23 were responded to late.

We have responded to requests for information in as timely a manner as possible, but due to the challenges on resources that arose due to the COVID-19 pandemic, some requests were late, and in some cases, the information requested was not provided as it was necessary for resources to be diverted away from usual compliance of information rights work, and be applied to serving and protecting Crawley Borough Council's communities during this challenging time.

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## 5. Corporate Risks

### 5.1 COVID 19 Pandemic

The COVID-19 Pandemic is unprecedented and we are unable to predict its further spread and effects. It is possible that there will be a further spike of the virus with the health of our workforce impacted, resulting in a reduced workforce.

We have demonstrated that we as a Council, have the ability and commitment to work from home and that in the time of greatest pressure, a willingness of staff to operate the Community Hub and other COVID-19 related support.

We will now, as a matter of urgency, seek to establish a core of staff who can be deployed to key critical areas in the event of a reduced workforce.

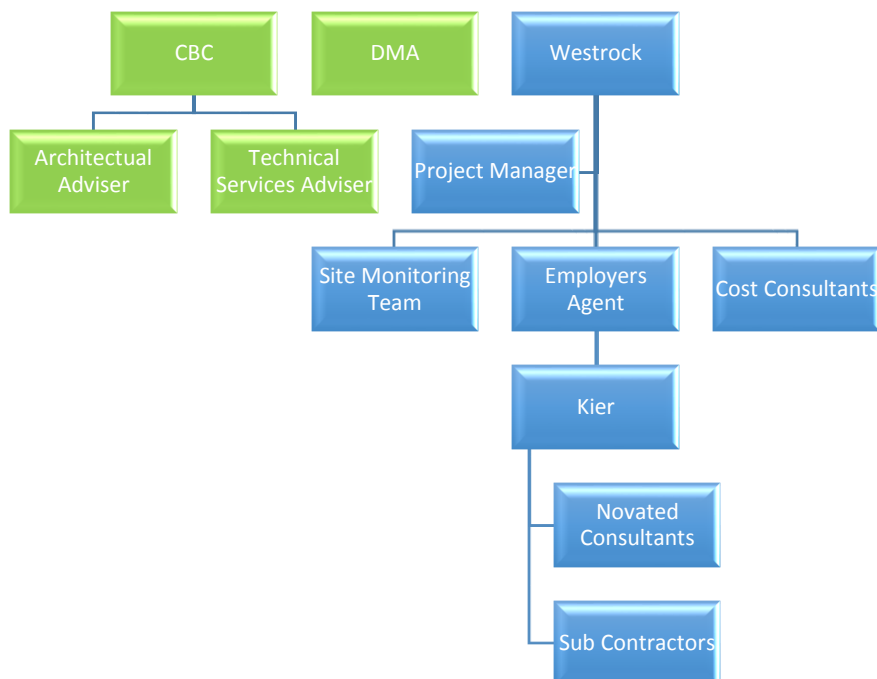
### 5.2 Failure to Deliver Key Infrastructure Projects as Planned, on Time and Within Budget, such as:

#### a) New Town Hall

With the contract in place, including contingencies, cash flow and other protections, the main risk factors are around the process of construction, ensuring the Council is ready to move to the new building, ensuring that we secure commercial tenants, that we are able to properly manage the new building, and that we realise the full benefits of the development. The project board overseeing the development has structured itself around these risk areas, has developed a programme that identifies and manages interdependencies and is actively managing the identified risk. A detailed risk register has been created to reflect this stage of the development and continues to be updated as this stage of the projects embeds itself, this is attached as at Appendix B.

Governance Structure –

#### Contractual Arrangements



## Member Oversight

- Updates to Cabinet Briefing & regular liaison with Portfolio Holders
- Reporting as requested to Overview & Scrutiny Committee
- Member Working Group advising with particular interest in Groups 2, 4 and 6

## Town Hall Board

Group 1: Design & Build	Group 2: Moving into NTH	Group 3: Commercial Space	Group 4: Facilities Management	Group 5: District Heat Network	Group 6: Benefits Realisation
<ul style="list-style-type: none"> <li>• Construction monitoring</li> <li>• Car Park works</li> <li>• Contractor liaison</li> <li>• Financial monitoring</li> <li>• Communications</li> <li>• Interface with other developments</li> </ul>	<ul style="list-style-type: none"> <li>• Cat C design and procurement</li> <li>• Link Transformation Programme</li> <li>• Layout and accommodation</li> <li>• Decant planning and moving</li> </ul>	<ul style="list-style-type: none"> <li>• Appointment of commercial agent</li> <li>• Marketing of building</li> <li>• Tenancy agreements</li> <li>• Occupancy arrangements</li> <li>• Interface with FM</li> </ul>	<ul style="list-style-type: none"> <li>• Commissioning &amp; training for M&amp;E and plant equipment</li> <li>• Plant maintenance contracts etc</li> <li>• Emergency planning</li> <li>• Risk assessments</li> <li>• Car Parking</li> <li>• Front of house</li> </ul>	<ul style="list-style-type: none"> <li>• Procurement of O&amp;M contractor</li> <li>• Billing &amp; Client arrangements</li> <li>• Test &amp; Commission plant</li> <li>• Switch over A2D &amp; Kilnmead</li> <li>• Phase 2 planning and business case</li> </ul>	<ul style="list-style-type: none"> <li>• Public Square and 4th Plinth moment</li> <li>• Public spaces within town hall</li> <li>• Sustainability benefits</li> <li>• CSR benefits</li> </ul>

### b) District Heat Network

Whilst part of the Town Hall Site Redevelopment and overseen by the same project board overseeing the new Town Hall, the District Heat Network nonetheless is at a different stage of development where the contract has yet to be finalised, and so is treated separately here. Nonetheless the mechanisms for identifying and managing risk are as above.

### c) LEP Infrastructure – Crawley Growth Programme

CBC, together with WSCC (the lead body) was successful in securing £14.6 million of Local Growth Fund from the Coast to Capital LEP in autumn 2017, as part of the Crawley Growth Programme – a £60m package of public and private sector funding with an additional scheme and further funds added by WSCC to increase the package to £72m. The principal purpose of the Crawley Growth Programme investment is to help bring forward regeneration sites to achieve new homes, jobs, and commercial space.

The Queensway scheme was completed on time and within budget in October last year. The Town Centre signage scheme has been rolled out and completed with an additional phase enabled for further signage in and around Memorial Gardens. The Station Gateway scheme has been successfully project managed through its initial stage, with the Borough Council able to broker successfully a way forward between Network Rail, GTR, West Sussex County Council and the Arora group on the development of

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proposals for a brand new Crawley railway station complex and associated public realm / parking / access improvements on site. These proposals, alongside a residential development at Station Gateway, are the subject of a live reserved matters planning application, likely to be considered by planning committee in the autumn.

The following projects will be led by CBC as part of the Crawley Growth Programme over the period to March 2025:

- Station Gateway public realm improvement
- Grade A commercial space development
- Three Bridges Station Improvement scheme
- Town Centre and Manor Royal Cycle Schemes
- Town Centre and Manor Royal 'super hub' bus shelters

The remaining risks associated with the continuing delivery of the Crawley Growth Programme are the following:

- Risk of budget overspend for the future project delivery within the Programme.  
**Mitigation:** regular financial monitoring and audit work carried out. Quarterly LEP audit; Head of Corporate Finance will be attending six weekly Programme Delivery Team meetings with West Sussex County Council.
- Scheme delivery time overruns – Remaining Crawley Growth Programme schemes must be delivered by the end of March 2025.  
**Mitigation:** Regular project monitoring undertaken by individual Project Boards, the Programme Delivery team with West Sussex County Council and reported to the Crawley Growth Board, chaired by the CBC Chief Executive.
- Discontinuation or withdrawal of support from key partners.  
**Mitigation:** Regular interaction to identify and resolve issues promptly at project Board level with the Manor Royal Business District, Network Rail, GTR, Metrobus etc.
- A sustained period of economic downturn which slows up private sector investment on key regeneration sites in the town centre.  
**Mitigation:** The type of infrastructure investment being delivered by the Crawley Growth Programme in public realm, transport and infrastructure transcends the economic cycle and delivers structural improvements to strengthen Crawley's economic prospects. The target date for delivery of regeneration site outcomes is actually 2030 to take account of the economic cycle and potential for a sustained down turn, which is now likely in view of the impact of the COVID-19 crisis nationally and internationally.
- Ineffective co-ordination of delivery across projects, leading to multiple disruption in the town centre and Manor Royal when this was avoidable.  
**Mitigation:** Careful planning and close cooperation between CBC, WSCC officers and third party partners / contractors.
- Absence of CIL funding receipts in contribution to the delivery of the Crawley Growth Programme.  
**Mitigation:** Officers will defer from seeking Member approval to progress any elements of a scheme requiring CIL funding until such time as the requisite CIL receipts have been received.

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- Ineffective co-operation and communication with WSCC.  
**Mitigation:** Where WSCC is the lead partner in the delivery of a Crawley Growth Programme scheme, such as the Eastern Gateway, CBC expects to be kept up to date in a timely and effective fashion well in advance of scheme milestones. This will be channelled through the Crawley Growth Board, chaired by the CBC Chief Executive and the Programme Delivery Team.

## 5.3 Delivering the Affordable Housing Programme

The Administration has pledged to build as much affordable housing for local people as possible. Delivery is being programmed through the Strategic Housing Board and scrutinised at CMT and through the Corporate Projects Assurance Board. Current projections for the next 4 year delivery period (2018-2021) indicate that delivery can be maintained at a similar level to the previous 4 year monitoring period at just over 1,000 new affordable homes. Approximately 2/3rds of this delivery will be by the Council and the remainder by other Registered Providers of affordable housing and we are still on target with starts on site.

Perhaps the greatest risk to the delivery of affordable housing lies beyond the medium term, once the current programme has been delivered. This reflects the fact that the majority of larger sites within the Council boundary that can easily be built will have been developed. This will leave smaller sites that are more challenging and contentious in nature, or finding other opportunities such as redevelopment. Work is underway that will seek to identify these future sites and opportunities, feeding into the Local Plan and developing programmes of work.

## 5.4 Transformation Programme

The Council has set itself a change agenda to be completed ahead of the move to the new Town Hall and to help us meet future demand, needs and financial pressures.

One impact of the Covid19 pandemic has been the move of almost all staff to home working arrangements, thereby achieving in a matter of days, a process that might well have taken years to progress. As a result of this and a recognition of wider CV19 impacts, a review of the structure of the Transformation Programme is being completed, refreshing our plans to reflect these changes and refocusing our objectives.

At a programme level, the key risks are:

- Financial – the cost of CV19 restricts the scope of work and change arising
- The scope is kept realistic (everything can be badged Transformational)
- Capacity to deliver the Transformation Programme
- The interdependencies between the areas of work not being recognised
- Ensure focus on the Transformation Programme does not impact on core delivery which could impact on performance, finance and reputation
- Services and staff are not prepared for the move to the new town hall impacting on motivation, performance, retention and costs

To manage these risks, a Transformation Board at CMT level has been created. It brings together and oversees a high level plan to ensure coherence, manage interdependencies and change, allocate resources and ensure delivery. Furthermore the Digital, Transformation and Corporate Support teams have been reinforced to ensure there is sufficient capacity both to support and deliver the transformation programme. Finally significant work is taking place with third and fourth tier managers to ensure that key aspects around values and behaviours and new ways of working fully embed themselves within the organisation (although these will also need to be reviewed in light of CV19 and changes in working practice).

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A further senior management group – Corporate Project Assurance Group - has also been created (September 2018). Its role is to ensure appropriate governance of projects and assure that key projects beyond the transformation programme are not adversely impacted from the constraint of capacity and resources. In fulfilling this role the group has reviewed a wide range of current projects following an initial risk analysis. In doing so it has made changes to strengthen the governance structures for projects, for example the IT Boards Terms of Reference and membership has been changed, and a new Major Procurement Board has been created. As set out in the Capital Strategy (agreed at Council on 27 February 2019), this group will now shift to a more forward facing stance in overseeing delivery of the Capital Strategy whilst maintaining its focus on governance. In addition there is a separate Asset Review group, they are looking at the asset base and looking at best use of these assets with concentration on the facilities for patchworking and the best use for the depot.

## 5.5 Disaster Recovery and Business Continuity

Currently, our core data centre is based at the Surrey Data centre in Redhill. 99% of all systems are hosted there with a few remaining hosted at the Town Hall. The migration of users to O365 in the cloud, means that core communication tools like Outlook are available from anywhere. The rollout of Hybrid devices, the new VPN and the rollout of MS Teams has successfully delivered the capability for staff to work in any location where an internet connection is available. Bewbush remains as a site for F2F services even though it wouldn't be required for access to systems.

There remains a risk that the Surrey Data Centre could go offline, leaving CBC unable to access its line of business systems. The options for fully duplicated disaster recovery are being drawn up ready for implementation over 2020/21 (see move to cloud below). There remains the following risk:

- The Surrey Data Centre were to go offline – CBC would have access to O365 (MS Teams, Outlook etc.), but not service specific systems hosted there until the data centre was restored.

## 5.6 Move to Cloud

The Council is undertaking substantial work to modernise its IT Digital Infrastructure to support our Transformation Programme, and ensure its IT estate is fit for purpose ahead of the move to the new Town Hall. The optimal strategy, in terms of future proofing our IT infrastructure and reducing the risks associated with that infrastructure, has identified moving our estate to the cloud. Whilst this will de-risk the Council over time, it is recognised that there will be risks associated with the change itself. Financially it requires a shift from a capital to a revenue model of funding IT. Structurally it will require short term investment and medium term shifts in human resources as elements of the Digital Team shifts into new roles. From a data security point of view it will require careful consideration of the implications to ensure the Council is compliant.

Risks of the move to cloud:

- CV19 financial impact makes the revenue investment difficult to achieve.
- Legacy systems are unfit to be deployed via the cloud creating additional cost in either retaining local hosting arrangements or in procuring newer replacement systems that can be cloud hosted.

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## 5.7 Telephony and Unified Communications

One of the key transformation projects in the coming year will be the provision of the Council's key communication infrastructure including telephony, mobile phones and applications within O365 / MS Teams. Existing contracts come to an end in September and October and so this is a critical window of opportunity that is a critical enabler for new ways of working within the Transformation Programme. It also has the potential to significantly reduce expenditure on related contracts. This project is being overseen by the IT Board, and its interdependencies with transformation monitored through the Transformation Board. The key risks relates to being able to mobilise the new contracts before the existing contract expires, however a 6 month extension to existing arrangements has been negotiated and can be used if needed.

## 5.8 Data Breaches

Inadequate data sharing and data security arrangements including failure to maintain public services network accreditation (PSN). Improper disclosure of confidential information, failure to comply with GDPR requirement could lead to major reputational damage, loss of public confidence and the inability to operate key business processes.

- Agreements and processes are in place for interagency referrals and data sharing in safeguarding matters.
- Annual IT Health Checks including penetration testing.
- Data Protection guidance and training for staff.
- IT Security Policies in place. Plans in place to meet Government standards (PSN/GDPR)
- Information Asset Register and processes for its management is a current corporate project.

## 5.9 **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 2020/21 FIN/491 report to Cabinet on 5th February 2020 it identified future budget gaps. The proposed Fair Funding Review has now been delayed for a year together with a review of business rates retention and the future of Local Government financial settlements are unknown.

The Chief Executive together with the Head of Corporate Finance are leading a savings and efficiency exercise with all Heads of Service – this has resulted in savings and efficiencies which will assist in meeting current and future budget gaps. The transformation programme includes an increased focus on achieving new sources of income by applying a commercial lens by looking at Productivity, Income, Profit, Efficiencies and Savings.

The impact of CV-19 is having a significant impact on both the current and future years. The impact in the current year is over £4m before the receipt of £1.2m in support from the Government. The Corporate management team are working to identify in year savings and the planned transfer to reserves will now not take place. An all Member seminar took place on the 21st July and looked at the future budget gap and discussed options for savings, efficiencies and increased income. A further meeting will take place in September. This will give a steer from Councillors as to which areas to focus on.



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## 5.10 **Organisational Capacity, Recruitment, Retention and Succession Planning**

There are a number of current and forthcoming workforce challenges facing the Council. As we seek to transform, continuously improve and meet a budget gap, we will be asking more of our staff, potentially with less resource. Some of this will be met through greater productivity, but not all. Having reduced the workforce in recent years from c1000 to c600, the Council is already seeing potential points of failure, for instance single standalone specialists. It is also recognised that there are teams that are potentially already under-resourced.

The recruitment and retention of key specialist and professional roles can be challenging. The impact of higher salaries in the private sector is evident and as a result has led to problems with recruitment and retention in roles such as Procurement, IT, and some Planning and Surveying role. HR are working with managers to ensure that we promote hard to recruit roles effectively and actively encourage managers to have transparent conversations around salary throughout the recruitment process.

We have also seen a number of skills gaps in the market when recruiting, as a result HR has worked with managers to creatively approach their recruitment by either upskilling employees internally or re-evaluating and recruiting to trainee level posts, this has resolved some retention issues, but it has impacted on workload for these business areas as there are greater levels of support and training for staff in these circumstances.

We offer a generous employee benefits package, with a range of discounts, benefits and wellbeing incentives to suit everyone and by raising the profile of these to prospective and existing employees with our benefits hub and external webpage we can support with candidate attraction and retention.

We now also have a 'Working for Crawley Borough Council' webpage on the HR pages of the website which is an interactive webpage which includes a welcome video from our Chief Executive, along with a number of employee experience videos for recruitment attraction purposes, where employees share their experiences of working for the council.

We continue to promote and support the creation of apprenticeship opportunities and we are making progress with better promoting ourselves as an employer of choice. The Corporate Management team will be discussion succession planning and putting processes in place to plan for the future.

## 5.11 **Challenges and Risks: Workforce Capacity, Resilience and Health and Wellbeing**

We face a number of challenges in the forthcoming months some we are able to anticipate as mentioned below and some we may only know about and experience as they happen.

We have an aging workforce and as some staff members may be able to access their pension, we may see an increase of staff leaving the organisation. It is known that when people experience a life changing event, which one could liken the pandemic to, people often re-evaluate their personal circumstances. If this was to present itself we could see a loss of key officers with significant knowledge and skills leave the organisation.

### a) **Workforce Capacity**

The challenges facing the workforce has been unrepresented these last few months as the Coronavirus Pandemic has affected everyone in some way or another. We have seen the impact upon Crawley residents with local firms making significant amount of redundancies and firms using the Coronavirus Job Retention Scheme (CJRS) placing staff on furlough. These measures have significantly increased the amount of people using council services and making financial claims that would otherwise not have made claims to us. With forthcoming changes to the government's schemes we expect the

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demand to continue for several months, therefore placing additional demands on staff in these critical services.

In our response to these demands staff have been working considerably more hours and although this can be attained in the short term with the continued high levels expected this would be unattainable longer term. When the council set out to respond to the demand we could not foresee the levels this would be. Departments put into place their business continuity plans (BCP) however this has been an unprecedented emergency and although the BCP helped the workforce to respond these plans were not necessarily designed as long term solutions. To support colleagues we have reassigned staff from different work areas to help meet the need.

Going forward the challenges and risks we face are if further job cuts happen within the borough, more people will seek the services of the council. Our response is to evaluate where we consider these pressure points will be and in advance of the impact identify staff we can reassign and in preparation will have undergone specific training for the roles they may be asked to cover.

## b) **Workforce Resilience**

We have seen the workforce respond and apply flexibility to the demand placed upon them and they have got to grips with the new pieces of legislation and subsequent government changes, of which there have been many.

Everyone has been affected in some way, whether it be directly by the virus itself, we have known some staff have lost loved ones to the virus, or staff shielding as they have medical conditions that mean they are critical or vulnerable to the virus or they live with someone in their household who is shielding. A large number of staff have been home schooling whilst juggling working from home. For staff who work out in the community concerns were about their ability to remain safe and maintain the social distance requirements whilst undertaking tier jobs. Despite these challenges the workforce have largely remained well, from some channels of feedback spirits remain at good levels.

Some staff have been financially impacted as their partners/husbands/wives may have been furloughed or made redundant.

We have increased the measures to support staff and ongoing support is in place.

## c) **Health and Wellbeing**

Throughout this time the organisation has ensured our workplace have been supported in working from home, we have advised staff how to stay safe and healthy giving them access to health initiatives and links to a variety of support avenues.

We have prepared for when staff return more regularly to the workplace and have robust health and safety measures and guidelines in place.

## 5.12 **Climate Emergency**

In July 2019 the Council declares a climate emergency and pledged to aim to reduce carbon emissions generated by Crawley Borough Council activities by at least 45% by 2030 and to zero by 2050 as recommended by the Inter-governmental Panel on Climate Change (IPCC). The risks here are broadly two-fold, the costs of not acting and the difficult choices involved in acting. A Scrutiny Panel has been established with a view to making recommendations as to how best to meet this target and this will be the basis for the risk analysis that emerges. Following the completion of the Scrutiny Panel's work in the autumn, a CBC carbon reduction action plan will be drawn up and proposals submitted for approval, alongside an audit of the Borough's carbon emissions.

# Agenda Item 5

## 5.13 National Waste Strategy (incl Food Waste)

The National Waste and Resources Strategy is scheduled for publication in 2020. Although yet to be confirmed, it seems likely that the Strategy will mandate changes to collection recycling and potentially residual waste collection frequencies which could place additional resource burdens on waste collection authorities. The Draft Consultation Strategy indicated introduction of a mandatory weekly food waste collection which could then impact upon residual waste and dry mixed recycling collection frequencies. The Council's contract for Waste and Recycling has been extended to allow sufficient time to understand this impact and undertake the planning required to take account of the changes to come.

## 5.14 Public Health

The current Covid-19 alert reminds us of the risks associated with public health emergencies. As host borough to Gatwick Airport, the Council has additional responsibilities when such issues emerge, in addition to those faced by other Councils.

## 5.15 Local Plan Failure to Adopt

Crawley's refreshed Local Plan 2020-2035 has been drawn up and the final draft submission document has been out to "Regulation 19" consultation for a six week period, which concluded in early March. Officers have reviewed the written representations arising from residents, stakeholders, other local authorities, businesses and developers and have been completing further supporting evidence ahead of the next steps, which now includes a review of the impact of the COVID-19 crisis on the Borough's 15 year economic growth forecasts. This work will determine whether any further rounds of consultation are required prior to submission of the Local Plan draft to the Planning Inspectorate for examination. There is a potential risk of delay in the process should additional consultation be needed.

The principal risk associated with adoption at this stage is that the Inspector finds the Local Plan not to be legally compliant, in which case it would not be able to proceed through examination. In addition, there is a risk that the Inspector considers at examination, having taken into account duly made representations, that the Local Plan is not yet "sound" and that it requires significant modification. Only minor modifications can be undertaken by the council before or during the examination process, unless these are required by the Planning Inspector in order to make the Plan "sound". Adoption could be delayed should the Inspector require a revised draft to be produced to go out to a further period of modifications consultation; the examination to be 'paused' to allow significant time to undertake further work; or the council to withdraw the Plan to make substantial amendments where the modifications would go to the heart of the Plan. Finally, there is the risk that a third party could ask the Secretary of State to intervene to prevent adoption of the Local Plan, or might subsequently raise a judicial review which could risk the Plan (or a specific part of it) being quashed.

## 5.16 Possible 'No Deal' Brexit

A separate draft working document has been prepared looking at the implications of a no-deal Brexit to the council. This is a substantive assessment that includes all the areas listed above, but one that by the very nature of Brexit is constantly changing and being updated. Whilst the UK left the EU at the end of January, this is a transition period that maintains the former mechanisms until December, the deadline for the new relationships. It is therefore possible that the UK could still emerge with a 'no-deal' scenario and therefore the planning previously undertaken will be revisited from the autumn.

# Agenda Item 5

## 5.17 Council No Overall Control

In July 2020, two Councillors resigned from the Labour party, leaving the Council in no overall control, with no party able to govern by itself. The main risk of no overall control is that decisions, which are needed during the COVID 19 pandemic to address the multimillion pound budget gap in the Council's finances and the risk to thousands of local jobs may not be taken or agreement not reached on key matters.

To address these risks, an agreement was negotiated by representatives of each group, agreed by group members at their respective meetings, and signed on their behalf by their group leaders. It is intended that this agreement will last until the 2021 Crawley Borough Council Elections.

Report author and contact officer: Gillian Edwards, Audit and Risk Manager

## Internal Audit Plans 2019/2020 and 2020/2021

### Progress Report as at 31<sup>st</sup> August 2020

Audit	Audit Plan Year	Audit Opinion-Assurance	Number of High Priority Findings	Comments
<b>A. Work Completed in the Current Period</b>				
Gas Servicing	2019/20	Satisfactory		
Community Grants	2019/20	Substantial		
Housing Rents	2019/20	Substantial		
Procurement	2019/20	Satisfactory		
Housing Repairs Tender	2019/20	Substantial		
NNDR	2019/20	Substantial		
Creditors	2019/20	Substantial		
Council Tax	2019/20	Substantial		
Housing Benefits	2019/20	Satisfactory		
Cash and Bank	2019/20	Satisfactory		
<b>B. Work In Progress</b>				
Payroll	2019/20			
Sundry Debtors	2019/20			
Car Parking Income	2019/20			
FMS	2019/20			
Treasury Management	2019/20			
Budgetary Control	2019/20			
DWP/CIS Compliance	2019/20			
<b>C: Other Work</b>				
Attend Town Hall Board				
Attend Corporate Project Assurance Group				
Attend Procurement Board				
FOI Requests – day to day work				
Mid Sussex District Council	2019/20			Audit Plan for 2019/2020 complete
<b>D: Follow Ups</b>				

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Updated 16/07/2020

TOWN HALL PROJECT  
RISK REGISTER

File Ref:	Town Hall Development		
Name of Doc:	Risk Register		
Version No:	V6	Monitored by:	Project Board
File path:	T:\Town Hall Project\townhallprojectriskregister .doc	Date Printed:	08/09/2020
		No of Pages	8

**Likelihood**

- 5 = Almost Certain
- 4 = Likely
- 3 = Possible
- 2 = Unlikely
- 1 = Rare

**Impact**

- 5 = Catastrophic
- 4 = Major
- 3 = Moderate
- 2 = Minor
- 1 = Negligible

Risk Score = Likelihood x Impact

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

**Responsibility – Project Board**

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 16/07/2020
PB1	Planning conditions requires amending which impacts on financial viability of the scheme.	2 4 8	1 1 1	2 3 6	<ul style="list-style-type: none"> <li>• Pre app meetings held between Westrock and planning officers.</li> <li>• Conditions for the scheme have been identified and so that ownership and dates can be agreed.</li> <li>• Planning conditions project tracker created for WR.</li> </ul>	Risk still active due to Planning conditions on the construction of the New Town Hall.
PB2	Impact of construction Phase 1 and Phase 2 to residents and commercial tenants.	3 3 9	2 3 6	3 3 9	<ul style="list-style-type: none"> <li>• Project agreement includes timescale to build phase 2.</li> <li>• Initial rental income projection incorporates phase 2 development impact.</li> </ul>	
PB3	Errors or omissions in legal or contractual documentation.	2 3 6	1 2 2	1 3 3	<ul style="list-style-type: none"> <li>• Internal/External procurement and legal advice taken on all aspects of the contractual arrangements.</li> <li>• Legal agreements signed 18 Oct having sought external advice throughout negotiations.</li> <li>• We are now in a fixed price contract with Keir.</li> </ul>	
PB4	Decision gateways and need for CBC authority result in delays making key decisions.	2 4 8	1 4 4	2 4 8	<ul style="list-style-type: none"> <li>• Clear decision making leads identified at member and officer level agreed by Cabinet</li> </ul>	

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 16/07/2020
					<ul style="list-style-type: none"> <li>• Robust project management and Governance structure established.</li> <li>• Continued working with consultants to ensure work to timeline.</li> <li>• Management structure regarding the relationship with the contractor, the Council and the Development manager is in place.</li> </ul>	
PB5	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"> <li>• Project agreement will stipulate time period, with CBC having the option to buy back.</li> </ul>	
PB6	Impact of changes to values of offices/housing.	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> <li>• Valuations obtained, these will be refreshed during the project.</li> </ul>	
PB7	Project exceeds budget.	2 4 8	1 4 4	3 4 12	<ul style="list-style-type: none"> <li>• Budget agreed and clearly communicated in Final design brief.</li> <li>• Regular Project Board and Steering Group meetings to review and keep cost projections up to date.</li> <li>• Contingencies sums identified covering 10% of project costs.</li> <li>• Value engineering opportunities being explored at Stage 5.</li> <li>• Monthly reports and Client meetings to ensure works are agreed and information provided to design team.</li> <li>• Regular budget review meetings between Westrock and CBC.</li> <li>• Cat A and Cat B are now fixed price, the largest risk is now Cat C (fit out).</li> </ul>	
PB8	Contractor is declared bankrupt and is unable to complete the construction contract.	2 2 4	2 2 4	2 3 6	<ul style="list-style-type: none"> <li>• Contract retention of 8% of the contract value has been agreed in lieu of a performance bond as part of Due Diligence process. The mechanism agreed is a 5% retention of construction costs until practical completion of the project. This is in addition to a further 3% retention previously negotiated for quality purposes.</li> </ul>	Ongoing



**Responsibility – Group 1 – New Town Hall Design and Build**

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 16/07/2020
G1-1	Errors in detailed design specification.	2 4 8	1 4 4	2 4 8	<ul style="list-style-type: none"> <li>• Consultant Architects appointed as our client to oversee design brief.</li> <li>• Board to monitor mitigation actions to reduce costs, use of value engineering and errors.</li> <li>• Regular design team meetings held to ensure variations are discussed before change requested. Consultant procured to provide advice and support to ensure Employers Requirements (ER's) are met and where necessary any changes are in line with original ER's.</li> <li>• Expert advice was given when designing the commercial entrance.</li> </ul>	Employers Agent monitoring information from Kier. Robust change procedure in place to ensure Employer Requirements are met
G1-2	New Town Hall not delivered on time.	2 3 6	1 2 2	3 3 9	<ul style="list-style-type: none"> <li>• Robust monitoring governance agreed with all parties.</li> <li>• Monthly meetings with Contractor and Design Team to ensure programme is monitored and changes communicated.</li> <li>• Covid-19; Keir and the CMT (Construction Management team) are monitoring the situation.</li> <li>• June 2020; Keir advised that the risks for their supply chain being disrupted following Covid19 can be reduced.</li> </ul>	Provision for financial penalties built into the contract however the impact of Brexit and the Corona virus could impact
G1-3	Members' facilities do not meet their requirements.	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> <li>• Regular consultation with Members and Member Working Group.</li> <li>• Member sign-off to this element of the final design brief of these elements.</li> </ul>	
G1-4	Staff facilities / infrastructure do not meet their requirements.	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> <li>• Regular consultation with staff via a number of formats.</li> <li>• Desk ratio demonstrates meeting needs and will work with staff to co-ordinate remaining elements.</li> </ul>	

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 16/07/2020
					<ul style="list-style-type: none"> <li>Will be delivering office etiquette guidelines and trails for new ways of working.</li> <li>Links with the transformation plan.</li> </ul>	
G1-5	Customer facilities do not meet their requirements.	2 3 6	1 2 2	2 2 4	<ul style="list-style-type: none"> <li>Crawley Homes Tenants Panel have been consulted.</li> <li>Will undertake a consultation with customers.</li> <li>Will offer significant improvements to current arrangements.</li> <li>Sufficient time to trail new arrangements for customers.</li> <li>TAG (Town Access Group) are being consulted as part of the process, they have inputted into changes in detailed design.</li> </ul>	
G1-6	Provision of the internal wall during the demolition period does not meet planning conditions.	3 3 9	1 1 1	1 1 1	<ul style="list-style-type: none"> <li>Discussions with demolition contractor to ensure requirements are outlined in tender documents.</li> </ul>	Retain to be removed shortly
G1-7	Building as completed not to required quality/specification.	2 4 8	1 2 2	2 2 4	<ul style="list-style-type: none"> <li>Establish robust project management structure.</li> <li>Maintain regular contact between CBC/developers to monitor construction against design specification.</li> <li>Regular design team meetings held to ensure Stage 4 designs meet requirements.</li> <li>Developers appoint Clerk of Works/Site Agent to oversee construction.</li> <li>Within the contract there is a requirement for Kier to provide warranties.</li> </ul>	
G1-8	Condition of Trees in service road and possible impact to the design of the DHN.	2 2 4	1 2 2	2 2 4	<ul style="list-style-type: none"> <li>All trees removed or topped in phase 1 development at start of construction of DHN.</li> </ul>	
G1-9	Health & Safety – ensure compliance during and after the construction period and for the future.	2 3 6	1 2 2	4 3 12	<ul style="list-style-type: none"> <li>Robust project management from construction contractor(s).</li> <li>Consultation programme to include all relevant authorities with regard to health &amp; safety matters.</li> </ul>	

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 16/07/2020
					<ul style="list-style-type: none"> <li>Covid-19; Kier CMT (Construction Management Team) to monitor the situation. Kier have implemented their "COVID19-STAYING SAFE" procedures.</li> </ul>	
G1-10	Unforeseen circumstances with the development delay the project; Examples: Problems with any of the utilities, adverse weather; industrial disputes Links to group 2	2 2 4	2 1 2	2 1 2	<ul style="list-style-type: none"> <li>Covered by the contract.</li> <li>Early warning of any problems so that the impact of the risk could be prepared for.</li> </ul>	Ongoing risk
G1-11	The commercial entrance for the building is delayed.  Links to group 3	2 2 4	2 2 4	2 1 2	<ul style="list-style-type: none"> <li>Possible for commercial tenants to use the Council staff entrance until the commercial entrance is complete.</li> <li>Included in the Kier delivery programme.</li> </ul>	Ongoing risk
G1-12	Delivery of improved car park facilities, allocated spaces and management plan. Consider risk of staff morale by using the Orchard St car park instead of Exchange Road.  Links to group 2 and 3	1 1 1	1 1 1	2 3 6	<ul style="list-style-type: none"> <li>Car Park improvements part of development plan.</li> <li>Need to review spaces allocations and control systems.</li> <li>Car Park management plan to be submitted to planning.</li> <li>Shorter and longer term risks of spaces to meet all the demand there will be sufficient in phase 1 but will be a bigger risk in phase 2.</li> </ul>	

#### Responsibility – Group 2 – Cat C Design and procurement, mobilisation and decant

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 16/07/2020
G2-1	Unable to deliver new ways of working to support reduced council operating space	3 3 9	1 2 2	3 3 9	<ul style="list-style-type: none"> <li>Structured approach through Digital &amp; IT Strategy to deliver key projects.</li> <li>The transformation plan is a working document which looks to work in new ways.</li> </ul>	Retain
G2-2	Delays in mobilisation to new building impacting on services to customers.	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> <li>Current plans allow for six month mobilisation, there would be financial penalties if we exceed the six months.</li> </ul>	

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 16/072020
G2-3	<p>The Council and its staff are unprepared to move into the New Town Hall.</p> <p>There is a lack of succession planning for key staff involved in the New Town Hall Project.</p> <p>Managers are unprepared to manage their staff in the changed environment.</p> <p>Links to group 4</p>	3 3 9	2 3 6	2 3 6	<ul style="list-style-type: none"> <li>Facilities will ensure that all of the infrastructure including IT is ready for the New Town Hall to be ready for occupation with all statutory permits and insurances in place.</li> <li>Staff and managers will plan and prepare for the new building by visiting the new office accommodation to confirm where they will be located and when they will move.</li> <li>Phased transfer of staff to the New Town Hall so not to disrupt operations.</li> <li>Managers will plan contingency measures if key staff were to leave before the New Town Hall is completed.</li> <li>The transformation programme looks at digital transformation and new ways of working and changing the culture around agreed values and behaviours.</li> </ul>	Ongoing risk

**Responsibility – Group 3 – Commercial Space**

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 16/07/2020
G3-1	Impact of demolition of phase 2 and the public square may discourage occupiers of commercial space over first few years.	3 3 9	2 2 4	3 3 9	<ul style="list-style-type: none"> <li>Financial projections are cautious for letting, work will take place with Westrock to minimise the impact.</li> </ul>	
G3-2	Commercial office space including car park specification/design not attractive to potential occupiers.	2 4 8	1 2 2	2 4 8	<ul style="list-style-type: none"> <li>Design set at required level to attract commercial occupiers.</li> <li>Use of consultant architect to provide advice and support.</li> <li>External advisors state that the quality of the car park is not material to commercial customers.</li> <li>Letting agents appointed in June 2020.</li> </ul>	

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 16/07/2020
G3-3	Letting the top floors commercial office space may be difficult in the new business environment with an oversupply of available office space in the Borough and with neighbouring Councils.  London based organisations may be looking for regional offices to stop commuting but will want high specification office accommodation.  This risk could be reduced by the potential for London based organisations to move to Crawley where the costs will be cheaper.	2 4 8	1 2 2	3 4 12	<ul style="list-style-type: none"> <li>Consultant letting agent appointed to market and promote the letting of the office space.</li> </ul>	Reduced rating agreed to 3-4-12
G3-4	Letting the top floors commercial office space could be affected due to the impact of home working on the need for organisations to require new office space to accommodate their staff.	2 4 8	1 2 2	3 4 12	<ul style="list-style-type: none"> <li>Consultant letting agent appointed to market and promote the letting of the office space.</li> </ul>	Reduced rating agreed to 3-4-12

#### Responsibility – Group 4 – Facilities Management (FM)

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 16/07/2020
G4-1	Facilities management services provided do not meet expectation of commercial tenants / building not kept at a level satisfactory to the commercial tenant.	2 5 10	1 3 3	2 5 10	<ul style="list-style-type: none"> <li>Work with commercial letting agent to clearly define requirements.</li> <li>Ensure FM provisions are flexible and adaptable to meet various tenants' needs.</li> <li>Visiting other providers to see how they operate both public and private sector FM.</li> </ul>	

#### Responsibility – Group 5 – Heat Network

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 16/07/2020
G5-1	District Heat Network not being progressed impacts detrimentally on overall scheme.	2 2 4	1 2 2	4 3 12	<ul style="list-style-type: none"> <li>A report to Cabinet was made on 11 March 2020 which raised the issue; this risk will be reviewed by the Project Board on 2<sup>nd</sup> July 2020.</li> </ul>	Retain



**Responsibility – Group 6 – Benefits Realisation**

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 16/07/2020
G6-1	WSCC Eastern Gateway project impact on infrastructure	1 2 2	2 2 4	2 2 4	<ul style="list-style-type: none"> <li>Early coordination with WSCC on programme dates.</li> </ul>	

**Risk Scoring = impact x likelihood (I x L)**

Impact/ Consequence	Likelihood				
	1	2	3	4	5
	Rare	Unlikely	Possible	Likely	Almost certain
5 Catastrophic	5	10	15	20	25
4 Major	4	8	12	16	20
3 Moderate	3	6	9	12	15
2 Minor	2	4	6	8	10
1 Negligible	1	2	3	4	5

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## Crawley Borough Council

### Report to the Audit Committee

22<sup>nd</sup> July 2020

### Audit and Risk Manager's Annual Report 2019/2020

Report of the Audit and Risk Manager – FIN/504

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#### 1. Purpose

1.1 This report has been prepared to:

- Summarise the work undertaken by Internal Audit during 2019/2020 and provide an overall opinion on the adequacy of the Council's governance arrangements, risk management systems and internal 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 report and note progress to date.

#### 3. Reasons for the Recommendations

3.1 To comply with the requirements set out in the Public Sector Internal Auditing Standards 2013 (updated 2017).

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

#### 4. Background

##### 4.1 Introduction

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

# Agenda Item 6

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 2019/2020, the internal audit section operated with three 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.

## 5. Relevant Policies

### 5.1 Statutory and Policy Background

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). PSIAS replaced the CIPFA Code of Practice for Internal Audit in Local Government (2006) with effect from 1 April 2013.

### 5.2 Relevant Government Policy / Professional Standards

Internal Audit follows the Public Sector Internal Audit Standards (PSIAS) which came into force on 1<sup>st</sup> April 2013.

### 5.3 Relevant Council Policy

Section 1.12 of the Council's Constitution supports the statutory requirements outlined above at section and states 'The Head of Corporate Finance 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 1<sup>st</sup> April 2013.
- 6.2 In line with this standard, I can confirm that for the period 2019/2020, the Internal Audit section was compliant with PSIAS.
- 6.3 Section 1320 of 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'. A review was undertaken as at 31<sup>st</sup> March 2020 and I can confirm that the Internal Audit Service was compliant for 2019/2020/.
- 6.5 The Internal Audit Team has maintained its independence throughout 2019/2020 in accordance with 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, all audits were started, and the majority completed or substantially completed. However due to the COVID-19 pandemic, a number of audits were not finalised, and these are shown in the table below. This was due to the limited availability of staff due to the Council's response to COVID-19.

Overall, I am satisfied that from the work that was undertaken, the audit assurance levels in previous years and the stability of both systems and staff in the financial year 2019/2020, that there were no significant internal control issues and that I am therefore able to form an overall opinion – see 8.2 below.

I am working with the Head of Corporate Finance (S151 Officer) to review the audit plan for 2020/2021.

### **7.2 Other Work**

During the last few week of the financial year 2019, one member of the Audit and Risk section worked in the Council's Community Hub to provide emergency assistance to the community. This continued into 2020/2021 and the impact of this, and the ongoing impact of COVID-19 on our work, will be reported to the Audit Committee on a quarterly basis, and be included in my Annual Report next year.

### **7.3 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.

# Agenda Item 6

## 7.4 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. The auditor continues to meet 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.

## 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. My opinion also takes into account the number of outstanding agreed action items from audit follow ups and management's positive approach to implementing agreed actions.

8.3 However, the opinion provided must be considered in light of the current (at time of writing) ongoing COVID-19 pandemic, and the impact of this on the Council. My opinion is based on internal audit work undertaken during 2019/2020, the majority of which took place prior to COVID-19 and the resulting emergency measures being implemented.

8.4 COVID-19 measures have resulted in a significant level of challenge to the Council and put pressure on the expected control environment; the need for prompt and urgent action by officers has required changes to some procedures and control arrangements for example, Business Grant Funding. The level of impact this had in 2019/2020, and continues to have in 2020/2021, is changing as the situation develops. In respect of this annual report it has not been possible to fully quantify the additional risk that may have arisen from such emergency and short-term measures or fully determine the overall impact on the framework of governance, risk management and control.

8.5 We will seek to provide assurance to stakeholders in the coming months that the internal control environment continued to be sound and that risk management and governance arrangements were operating satisfactorily.

# Agenda Item 6

<b>Assurance Areas:</b>	
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 and which I review as part of my role of Head of Audit, does not show any significant governance issues for 2019/2020. However, the effects of COVID-19 are considered during the last few weeks of the year. I am satisfied that the Annual Governance Statement accurately reflects the governance arrangements in place for 2019/2020.</p> <p>The Audit and Risk section attends the Corporate Project Assurance Group, the Town Hall Board and the Procurement Board.</p> <p>CMT monitor performance on a regular basis and address issues in a timely manner.</p> <p>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>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>Additionally, the risk register for the new Town Hall, which is updated regularly, is presented to the Audit Committee on a regular basis.</p>
Internal Control	<p>Whilst we were unable to complete all of the audits in the 2019/2020 Internal Audit Plan, I can confirm that internal controls are basically sound and we did not identify any significant weaknesses.</p> <p>All findings are followed up to ensure that agreed actions have been satisfactorily implemented, and the outcome of this work is presented to the Audit Committee on a quarterly basis.</p>

# Agenda Item 6

## Summary of Work Undertaken in 2019/2020 (in chronological order)

INTERNAL AUDIT ASSURANCE OPINIONS	
AUDITS	
Housing Repairs – Gas Servicing	Satisfactory
Commercial Properties Including Rents	Substantial
Section 106 and Community Infrastructure Levy	Substantial
Publication Scheme	Substantial
Community Grants	Substantial
Housing Rents	Substantial
Procurement	Substantial
Housing Repairs Tender	Substantial
NNDR	Substantial
Creditors	Substantial
Council Tax	Substantial
Housing Benefits	Substantial
Cash and Bank	Satisfactory
Treasury Management	Substantial
Payroll	Not finalised
Sundry Debtors	Not finalised
Car Parking Income	Not finalised
FMS	Not finalised
Treasury Management	Not finalised
Budgetary Control	Not finalised
DWP CIS Compliance	Not finalised

MAJOR PROJECTS
<p><b>Attend Town Hall Project Board on a monthly basis</b> Attend in an advisory capacity and provide advice on internal control, risk management and governance arrangement</p>
<p><b>Attend Corporate Project Assurance Group (CCPAG) on a monthly basis</b> The group provides an assurance role and does not have decision making powers. It was created following the significant issues that were identified with the delivery of the data centre project. As a result the Council has re-instated good project management and can demonstrate strong governance in project management.</p>
<p><b>Attend Information Project Board on a regular basis</b> Provide advice on internal control, risk management and governance arrangement</p>

# Agenda Item 7



30 April 2020

By email

**Email** [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk)

Dear Section 151 Officer and Audit Committee Chair

## **Fee Scale for the Audit 2020/21 and update on 2019/20**

I am writing to notify you of your 2020/21 audit scale fee. In previous years your auditor has been required to write to you to do this. However, going forward, we have agreed with the audit firms that it is more efficient for PSAA to write out to all bodies directly.

PSAA commissions auditors to provide audits that are compliant with the National Audit Office's Code of Audit Practice ('the Code'). PSAA is required by s16 of the Local Audit (Appointing Person) Regulations 2015 (the Regulations) to set the scale fees by the start of the financial year, and we published the 2020/21 scale fees on our website on 31 March 2020. In addition to notifying you directly of your scale fee, this letter provides you with key updates and information on audit matters in these difficult times.

We wrote to all S151 officers on 12 December 2019 describing that local audit and audit more widely is subject to a great deal of turbulence with significant pressures on fees. These pressures still apply and the key aspects are summarised below;

- It is apparent that the well publicised challenges facing the auditing profession following a number of significant financial failures in the private sector have played a part. As you know, these high profile events have led the Government to commission three separate reviews - Sir John Kingman has reviewed audit regulation, the Competition and Markets Authority has reviewed the audit market, and Sir Donald Brydon has reviewed the audit product.
- It is not yet clear what the long term implications of these reviews will be. However, the immediate impact is clear - significantly greater pressure on firms to deliver higher quality audits by requiring auditors to demonstrate greater professional scepticism when carrying out their work across all sectors – and this includes local audit. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts. As a result, audit firms have updated their work programmes and reinforced their internal processes and will continue to do so to enable them to meet the current expectations.

# Agenda Item 7

## How we set your scale fee

We consulted on the 2020/21 Scale of Fees in early 2020 and received a total of 54 responses. We published the final document on our website ([Scale fee document](#)). In it we explained that although we have set the scale audit fee at the same level as for 2019/20, we do not expect the final audit fee to remain at that level for most if not all bodies because of a variety of change factors, the impact of which cannot be accurately or reliably estimated at this stage.

The impact of these changes is likely to vary between bodies depending on local circumstances, and information to determine that impact with any certainty is not yet available. Our view is that it would also be inappropriate to apply a standard increase to all authorities given the differing impact of these changes between bodies. As the impact of these changes is understood, fee variations will need to be identified and agreed reflecting the impact on each audit

	<b>Scale fee for the audit 2020/21</b>	<b>Scale fee for the audit 2019/20</b>
Crawley Borough Council	£50,291	£50,291

As well as the Scale of Fees document, we have also produced a [Q&A](#) which provides detailed responses to the questions raised as part of the consultation. We will update the Q&As periodically to take account of ongoing developments affecting scale fees.

The fee for the audit is based on certain assumptions and expectations which are set out in the [Statement of Responsibilities](#). This statement serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and of the audited body begin and end, and what is to be expected of both in certain areas.

The final fee for the audit will reflect the risk-based approach to audit planning as set out in the Code. Under the Code, auditors tailor their work to reflect local circumstances and their assessment of audit risk. This is achieved by assessing the significant financial and operational risks facing an audited body, and the arrangements it has put in place to manage those risks, as well as considering any changes affecting audit responsibilities or financial reporting standards.

## Fee Variations

As noted above, we recognise that with so much turbulence and change in the local audit environment, additional fee variations are likely to arise for most if not all bodies.

The amount of work required on arrangements to secure VFM is a matter of auditor judgement and is based on the requirements set out in the new Code and supporting guidance which will be published later in 2020. Once the Auditor Guidance Notes have been published we will be able to consider the impact of the new requirements in more depth, and may be able to provide indicative ranges in relation to the likely fee implications for different types and classes of body.



# Agenda Item 7

Given that local circumstances at each audited body are key to determining the assessment of risk and the audit work required, we would encourage early dialogue with your auditor to determine any related implications for fees. The process for agreeing fee variations begins with local communication, and ideally agreement. We have produced a fee variation process note which is available on our website ([Fee variations process](#)). Please note that all fee variations are required to be approved by PSAA before they can be invoiced.

## **Quality of Audit Services**

We are committed to do all we can to ensure good quality audits and a high-quality service for the bodies that have opted into our arrangements. The service that you can expect to receive from your auditors is set out in their Method Statement, which is available from your auditors.

Whilst professional regulation and contractual compliance are important components of the arrangements for a quality audit service, so too is the aspect of relationship management. We recently commissioned a survey via the LGA Research team to obtain audited bodies' views of the audit service provided to them. The themes and improvement areas from the survey will be discussed with firm contact partners for development at a local level. The results from our 2018/19 survey of all opted-in bodies will be available on our website in May and we will notify all S151 officers and Audit Committee Chairs.

## **Impact of COVID-19 on current 2019/20 audits**

The global COVID-19 pandemic has created further turbulence impacting on all aspects of the economy including the public sector. There are potentially significant repercussions for the delivery of audits, audit-related issues and delays to signing audit opinions for 2019/20. MHCLG has acted to ease these pressures by providing more flexibility in the 2019/20 accounts preparation and auditing timetable by temporarily revising the Accounts and Audit Regulations. This has extended the period which an authority has to publish its draft financial statements until 31 August, and importantly there is much greater flexibility for the public inspection period as it is now required to start on or before the first working day of September 2020. The revised date for publishing audited accounts (if available) is 30 November 2020.

We recommend that you discuss with your auditors the use that can be made of this flexibility in meeting mutual governance and assurance responsibilities, noting that in a letter to all local authority Chief Executives on 22 April, MHCLG encouraged approval of pre-audit accounts earlier than 31 August if possible.

We have referred to the importance of audit quality in this letter, and just as important is the quality of the pre-audit financial statements and the working papers that are prepared by bodies. The disruption caused by COVID-19 will impact on areas of judgement and creates uncertainty in preparation of the financial statements, and it is key that bodies ensure there is sufficient focus upon financial reporting and related processes and controls, and that the planned timetable allows for sufficient internal quality assurance and review of financial reporting issues taking into account the wider impact of the pandemic on the officers' time.

# Agenda Item 7

## **Local Audit Quality Forum**

Our Local Audit Quality Forum focuses on providing information to support audit committees (or equivalent) in delivering their remit effectively. We are disappointed that we are not able to host our planned event this summer due to the COVID-19 pandemic. However, we plan to host our next event towards the end of the year. It will provide an opportunity to discuss a range of relevant topics and themes. If there are any particular areas you would like to see included on a future agenda, or if you wish to raise any other issues with PSAA, please feel free to contact us at [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk)

Your auditor will, of course, be best placed to answer any questions you may have with regard to your audit.

Yours sincerely,

Tony Crawley

**Chief Executive**

PSAA, 18 Smith Square, London, SW1P 3HZ  
[www.psa.co.uk](http://www.psa.co.uk)

Company number: 09178094

# Agenda Item 9

## Crawley Borough Council

### Report to Audit Committee 22 September 2020

#### Approval of the 2019/20 Statement of Accounts

Report of the Head of Corporate Finance (FIN/507)

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#### 1. Purpose

- 1.1 The purpose of this report is to seek member approval of 2019/20 Statement of Accounts and to comply with the statutory deadline of 30 November 2020.

#### 2. Recommendations

- 2.1 It is recommended that
- a) the 2019/20 Statement of Accounts be approved
  - b) the Chair of the Committee be authorised to sign the 2019/20 Letter of Representation
  - c) the Chair of the Committee be authorised to sign the 2019/20 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 30 November 2020.

#### 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 Accounts and Audit (Coronavirus)(Amendment) Regulations 2020 have moved the latest date for approval to 30 November 2020.
- 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 2019/2020 comparing actual expenditure against approved budgets was considered by Cabinet in June.

# Agenda Item 9

## 5. Narrative Report

- 5.1 The Narrative Report is attached as Appendix B. The Narrative Report, Statement of Accounts, and the Annual Governance Statement are shown as separate documents.
- 5.2 The Narrative Report includes a brief explanation of the financial statements (see Section 7 of the Narrative Report).

## 6. Statement of Accounts 2019/20

- 6.1 The 2019/2020 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 £3.1 million (page 9). Note 10 details the contributions to, and use of, earmarked reserves. The Council's total usable reserves have decreased during the year from £92.8 million to £78.6 million. The main reason for this is the capital programme.
- 6.5 The Balance Sheet (pages 10 - 12) shows that the Council's total assets less liabilities have increased from £664.1m to £701.2m. The main reason for this is movement on the pension going from a liability of £16.2m to an asset of £24.8m. More details of the pension assets and liabilities can be found in Note 39. Formal actuarial valuations are carried out every three years, and these financial statements have been based on the latest 2019 valuation. There has therefore been a sizeable remeasurement as the accounting figures are "recalibrated".
- 6.6 An explanatory document "Understanding Local Authority Financial Statements" in Appendix E aims to give Members and other stakeholders an introduction to the format of the accounts.

## 7. Annual Governance Statement

- 7.1 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*

# Agenda Item 9

*(c) includes effective arrangements for the management of risk.”*

- 7.2 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 2019/2020 review are set out in Appendix D. The Annual Governance Statement has been approved and signed by the Leader and the Chief Executive.

## **8. Audit of Accounts for 2019/2020**

- 8.1 The audit of the accounts commenced in June, and after a break over the summer, recommenced in September. As stated in Ernst & Young’s Audit Results Report (elsewhere on the agenda) no substantial issues have emerged as a result of the audit.

## **9. Letter of Representation**

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

## **10. Background Papers**

[Financial Outturn 2019/20 – Report to Cabinet 24/06/2020 \(FIN/500\)](#)

The Accounts and Audit Regulations 2015

Code of Practice on Local Authority Accounting in the UK 2019/2020 (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)

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

To:  
Andrew Brittain  
Associate Partner  
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 2020. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Crawley Borough Council as of 31 March 2020 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 2019/20.

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 2019/20.

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 2019/20, and are free of material misstatements, including omissions. 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 2019/20, that are free from material misstatement, whether due to fraud or error.

We believe that the effects of any unadjusted audit difference, summarized in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences brought to our attention from the audit because we do not consider their impact to be material to the accounts.

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

- involving financial 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 of the meetings of the Council, Cabinet and Audit Committee held through the year to the most recent meeting on the following date: 15 July 2020.

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.

#### **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 Note 40 to 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.

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

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**

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 22 September 2020

Signed:

Karen Hayes (Head of Corporate Finance)

Date: 22 September 2020

Cllr Millar-Smith (Chair of the Audit Committee)

Date: 22 September 2020

# **Narrative Report**

**2019 – 2020**

## Narrative Report (Continued)

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### 1. An Introduction to Crawley Borough Council

Crawley Borough covers just under 18 sq miles and has a population of approximately 112,500 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 area, with over 3,000 active businesses.

Crawley Borough benefits from Gatwick Airport located within it, the world's busiest single runway airport, which hosts up to 46 million passengers per year and also from Manor Royal, the South East's premier business park, which employs 30,000 people and accommodates 600 businesses 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. Crawley's economy is not worth almost £5bn per annum in Gross Value Added and is one of the fastest growing in the Coast to Capital LEP area.

With 102,000 jobs and growing, Crawley has the second 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 (10<sup>th</sup> lowest JSA claimant count, 2<sup>nd</sup> highest weekly wages (after London), highest proportion of private sector jobs. The number of businesses in Crawley has grown by over 30% since 2013.

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'. The town centre is undergoing major physical transformation with the regeneration of Queens Square over 600 new town centre residential units completed since 2014 and a further 1,050 with planning permission of which over 300 in the construction phase.

We have an ambitious programme of regeneration in the town centre, which is building on the strengths of the town's economy to help develop retail, employment, business and residential opportunities.

## Narrative Report (Continued)

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### 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
- human resources and staffing issues
- customer services and complaints
- procurement
- performance issues across the whole council
- democratic services
- fostering interest in local government

#### Planning and Economic Development

Responsibility for:

- local development framework
- transport issues
- economic development
- liaison on highways issues
- Gatwick strategy
- ICT and e-government
- the council's Contact Centre

#### 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:

## Narrative Report (Continued)

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

### 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

- The council launched a new Employment and Skills Programme, setting out plans to further develop and support the business and employment landscape as well as improving social mobility across the town
- Crawley Borough Council's Cabinet approved the council's continued participation in the Local Authority Energy Buying Group (LASER) saving the council £100,000
- Crawley's Tilgate Park was awarded TripAdvisor's Certificate of Excellent for the fifth year running, earning it a place in TripAdvisor's Hall of Fame
- Crawley Borough Council's Employ Crawley, was celebrated by the Employment Related Service Association (ERSA) at their annual National Employability Awards ceremony in London
- Crawley's most successful ever Disability Fun Day saw more than 225 children, young people and their families enjoy a day of fun and exciting activities in Tilgate Park
- Work has begun on regenerating Memorial Gardens play area after a new design was chosen by residents
- The council launched a brand new website, enabling residents, businesses and developers to find out more about developments in Crawley. Investcrawley.co.uk is the

## Narrative Report (Continued)

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new website showcasing the best of what Crawley has to offer, communicating the town's successes and diverse retail, leisure, development and investment opportunities

- The team at K2 Crawley celebrated a successful first year of management. Everyone Active has been managing the centre in partnership with Crawley Borough Council since 14 November 2018. Since then, they have invested £500,000 into the facilities, seen an impressive 1.4 million visits to the centre and held 114 events
- Crawley Borough Council proudly supported the fourth year of Be the Change, an exciting programme aimed at motivating students to be the best version of themselves
- The council released two new strategies to support local housing need: The Tenancy Strategy and The Homeless and Rough Sleeping Strategy
- Crawley Borough Council and property investment and development firm Westrock began work on a major mixed-use scheme that will help regenerate the town centre and provide much-needed new housing and office space
- Part two of the regeneration of the town centre was completed on time and on budget. Crawley Borough Council's contractor's Blakedown, completed the regeneration of Queensway, The Pavement and Kingsgate in November 2019
- The council began work on its new transport strategy – New Directions, to create a pathway to enabling healthier and more sustainable transport options, working with West Sussex County Council and other partners to help to tackle traffic congestion and make our streets safer and more attractive
- New homes are on the way in Crawley as Crawley Borough Council works to meet the demand for housing in the area. The council and developer partners are currently working on delivering a number of new homes in the town centre
- Crawley Borough Council has appointed two new contractors to manage the maintenance of council homes around the town. Cabinet agreed recommendations to appoint Mears Group and Wates Property Services at their meeting in November
- The council has teamed up with non-profit organisation, Greater Change, to trial a new way of giving in Crawley. Enabling residents and visitors to support those experiencing homelessness in just a quick tap, with new contactless terminals around the town
- Crawley Borough Council's Community Wardens have successfully retained their Sussex Police accreditation. The Community Warden Team was granted accreditation status again in December 2019 by the Chief Constable of Sussex Police, Giles York. This lasts for three years. Crawley Borough Council's wardens have been accredited since 2008
- Employ Crawley successfully hosted their third jobs fair at Crawley Library in March.
- The council launched a Help Hub for residents during the COVID-19 pandemic, supporting thousands of residents with food parcels, medicine deliveries, wellbeing checks and more

## Narrative Report (Continued)

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- The council has supported more than 800 businesses in Crawley with more than £11.7 million in grant funding
- The council has formed an Economic Recovery Taskforce alongside local businesses, community and stakeholder representatives to evaluate the true impact of the crisis on the local economy and develop a coherent Economic Recovery Plan for the town, including how the forthcoming Crawley Towns Fund programme should be spent to aid recovery.

### Some statistical information on our achievements

#### **580 people assisted by the Health and Wellbeing team, this included:**

- 93 people who completed a 12 week weight loss programme
- 117 people who reduced their alcohol intake
- 91 people who attended a falls prevention programme
- 1449 people who accessed a physical activity programme
- 31 people who were helped to cook healthy food.
- 20 workplaces who we supported with providing health and wellbeing to their employees
- over 50 outreach events including talks and presentations to local community groups, information stands and also held community events.
- 128,405 visits to Tilgate Park Nature Centre
- 163,360 attendances at the Hawth Theatre
- 1,095,465 attendances at our Leisure Centres
- 5,601 residents in receipt of Housing Benefits
- 7,149 residents in receipt of Council Tax Reduction (formally Council Tax Benefit)
- 169 Households were prevented from becoming Homeless
- 116 Households who Homelessness was relieved
- 1,815 Households on the Housing Register
- 207 Affordable Homes delivered in year with 382 Homes that are on site and due to be completed over the next two years.
- 68 People were helped to work through 'Employ Crawley'
- 1,130 Residents assisted on their journey towards or into employment
- 748 Freedom of Information requests processed
- 24,880 myCrawley transactions
- 7,737 twitter followers and 6,687 Facebook
- 933 Planning Applications processed, 418 Pre-Application enquiries, 38 appeals, 183 Planning Enforcement Investigations.
- 106,743 calls into the Contact Centre
- 3,732,687 scheduled refuse collections
- 8,084 Green Garden Waste Bin customers
- Collected 30,878 tonnes of refuse, recycling and garden waste
- £131,040,546 collected in Business Rates - the majority of this is passed to the Government and West Sussex County Council



## Narrative Report (Continued)

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- £63,248,523 of Council Tax collected, Crawley Borough Council kept 11.5p in each £1 collected with the balance transferred to West Sussex County Council and the Sussex Police and Crime Commissioner.

### Corporate Priorities in 2019/20

#### 1. Delivering resources

We will:

- Continue to balance the budget (over a three year period), by improving our efficiency, increasing income and investing ethically and wisely.
- Work to keep council tax low without compromising local services and put money back into local reserves where possible, to finance future investments.
- Deliver the Transformation Plan.
- Develop digital service delivery enabling customers to engage with council services at their convenience, via an updated website and a new online self-service application.
- Delivering a new town hall development that will deliver modern efficient ways of working, 250 new homes, improved public space and a combined heat and power plant for the town centre.

#### 2. Delivering on Housing

We will:

- Continue to deliver as affordable housing as possible, particularly Council housing, through our own-build and enabling programmes for people with a local connection to Crawley including Passivhaus standards and installing solar/PV panels where possible
- Drive down homelessness across the borough and support partner agencies to help those most in need.
- Ensure high quality housing for all by licensing HMO's correctly to drive up standards.
- We will continue working with neighbouring councils to ensure that they provide housing for Crawley residents through their 'duty to co-operate' arrangements.

#### 3. Improving job opportunities and developing the local Economy

We will:

- Develop an Economic Development vision and plan.
- Deliver the Crawley Growth Programme to provide major improvements to the town's infrastructure, including more sustainable transport and better community facilities.
- Deliver pathways to better job opportunities for local residents, through the ongoing development and delivery of Crawley's Employment and Skills Plan.
- Continue to work closely with our Local Economic Partnerships to deliver economic growth and jobs in the town.
- Utilise our place making responsibilities and powers to drive business growth and create new employment opportunities.

## Narrative Report (Continued)

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### **4. Creating stronger communities**

We will:

- Support local groups in delivering a range of events and activities that celebrate Crawley's diversity.
- Promote neighbourhood forums as a means of giving residents a voice over how services are delivered.
- Continue to help local voluntary organisations, through the grants process to provide important services.
- Continue to work with our partners to make Crawley a safe place.

### **5. Providing high quality leisure and culture facilities and supporting health and wellbeing services**

We will:

- Continue to provide first class leisure and sports facilities.
- Work with partners and other key stakeholders to enhance our resident's health and wellbeing and reduce health inequalities across our town.

### **6. Protecting the environment and sustainability**

We will:

- Protect and enhance our environment by reducing the Council's and the town's Carbon footprint.
- Deliver a number of energy efficient schemes including, a District Heat Network for the Town Centre, Combined Heat and Power at K2 Crawley.
- Continue to reduce, reuse and recycle our waste, providing the mechanisms to encourage residents to do more to recycle their waste.
- Continue to seek measures to improve the air quality across the Borough.
- Implement Crawley 2030, Local Plan and ensure that it remains up to date and reflects the key issues and growth challenges facing the town.
- Reduce single use plastics by creating sustainable procurement policy and use recycled plastics wherever possible.
- Continue to provide a safe, clean and well maintained town, through the use of area focussed multi skilled teams.

## **4. Financial Performance**

### **Revenue Expenditure and Income in 2019/20**

In February 2019 the Council set a net expenditure budget for 2019/20 of £14.2million. This resulted in a Band D Council Tax for Crawley of £203.94 and a total Band D Council Tax

## Narrative Report (Continued)

including the precepts from West Sussex County Council and Sussex Police and Crime Commissioner of £1,777.42.

The 2019/2020 budget provided for a transfer to reserves of £0, at outturn this was higher due to the successes of the Council's transformation plan, budget efficiencies and sound financial management which brought forward efficiencies and savings and additional income and resulted in a contribution to revenue reserves of £244,951. In addition, £1,191,620 was transferred to the Business Rate Equalisation Reserve.

	Latest Estimate £000's	Outturn £000's	Variance £000's
Cabinet	3,889	3,673	(216)
Public Protection & Community Engagement	2,510	2,479	(31)
Environmental Services & Sustainability	8,938	8,861	(77)
Housing	10,017	9,988	(29)
Wellbeing	10,551	10,717	166
Planning & Economic Development	1,916	2,141	225
	<b>37,821</b>	<b>37,859</b>	<b>38</b>
Depreciation	(3,840)	(3,840)	0
Renewals Fund	9	9	0
<b>NET COST OF SERVICES</b>	<b>33,990</b>	<b>34,028</b>	<b>38</b>
Investment Interest	(917)	(1,164)	(247)
Council Tax	(7,197)	(7,197)	0
RSG	0	0	0
NNDR	(6,725)	(6,725)	0
New Homes Bonus	(1,473)	(1,473)	0
Tilgate Park Reserve	0	(24)	(24)
Grant for Business Rates Levy Surplus	0	(12)	(12)
Year End Financing	(17,678)	(17,678)	0
	<b>(33,990)</b>	<b>(34,273)</b>	<b>(283)</b>
<b>Net contribution from / (-to) Reserves</b>	<b>0</b>	<b>(245)</b>	<b>(245)</b>

### Summary of the Housing Revenue Account

The Council continues to be the provider of rental accommodation within the borough with a stock of 8,099 dwellings at 31 March 2020. The Council is required to maintain a separate ring-fenced account to record all the financial transactions relating to those dwellings.

## Narrative Report (Continued)

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The change in stock can be summarised as follows:

	<b>31 March 2019</b>	<b>31 March 2020</b>
Stock at 1 April	7,921	7,956
Less Sales	(41)	(31)
Demolitions/Disposals	(1)	(0)
Add New Build	75	165
Acquisitions	1	9
Transfer to/from GF	1	0
<b>Stock at 31 March</b>	<b>7,956</b>	<b>8,099</b>

The income from tenants in council property was £45.9m in the year with other income to the HRA of £2.2m. The council took out loans on 28<sup>th</sup> 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 7,900 dwellings, 4,600 garages and 1,585 leasehold properties. There was a transfer to the Major Repairs reserve in the year of £20.751m for future investment in housing stock.

The Housing Revenue account saw an underspend in year due to additional rental income and reduced staffing costs in the year due to vacancies.

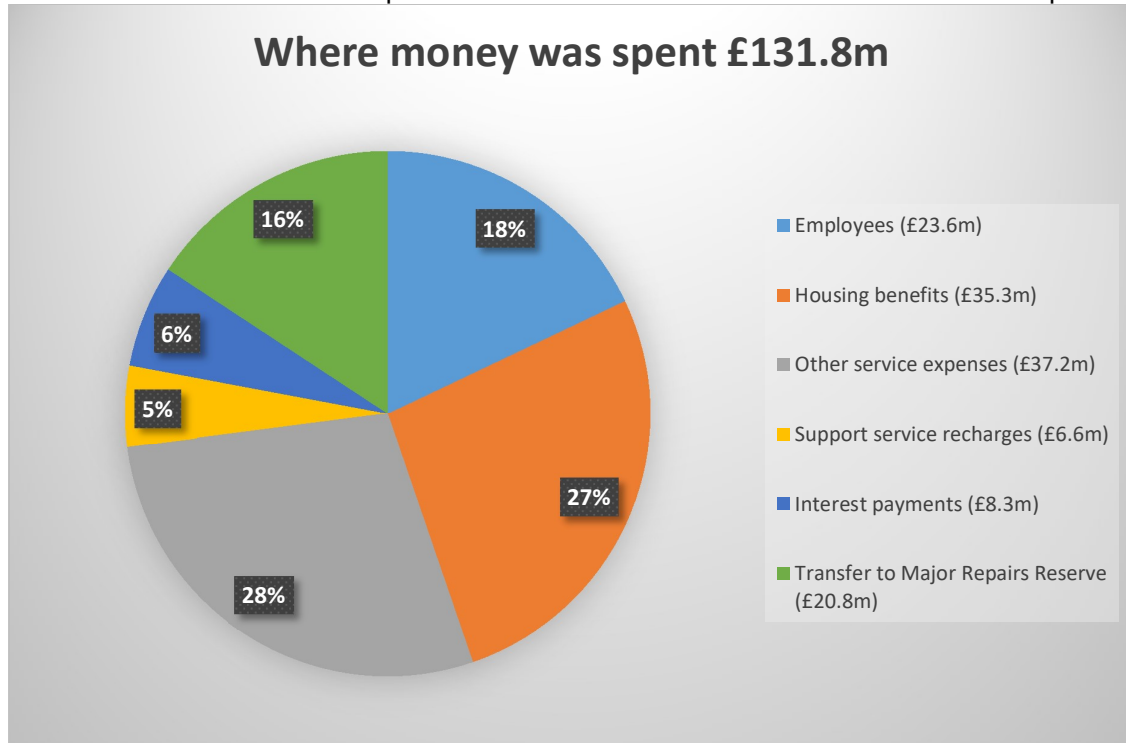
**Narrative Report (Continued)**

<b>HOUSING REVENUE ACCOUNT</b>			
<b>Expenditure Description</b>	<b>Latest Estimate</b>	<b>Outturn</b>	<b>Variation</b>
	£'000s	£'000s	£'000s
<b>Income</b>			
Rental Income	(46,384)	(45,879)	505
Other Income	(2,036)	(2,135)	(99)
Interest received on balances	(125)	(167)	(42)
<b>Total income</b>	<b>(48,545)</b>	<b>(48,181)</b>	<b>364</b>
<b>Expenditure</b>			
Employees	3,678	3,683	5
Repairs & Maintenance	10,447	10,319	(128)
Other running costs	2,054	2,180	126
Support services	2,673	2,673	0
	<b>18,852</b>	<b>18,855</b>	<b>3</b>
<b>Net (Surplus) / Deficit</b>	<b>(29,693)</b>	<b>(29,326)</b>	<b>367</b>
Use of Reserves:			
Debt Interest Payments	8,309	8,309	0
Depreciation, Revaluation & Impairment	6,342	6,342	0
Financing of Capital Programme & Transfer to Housing Reserve for Future Investment	15,042	14,675	(367)
<b>Total</b>	<b>29,693</b>	<b>29,326</b>	<b>(367)</b>

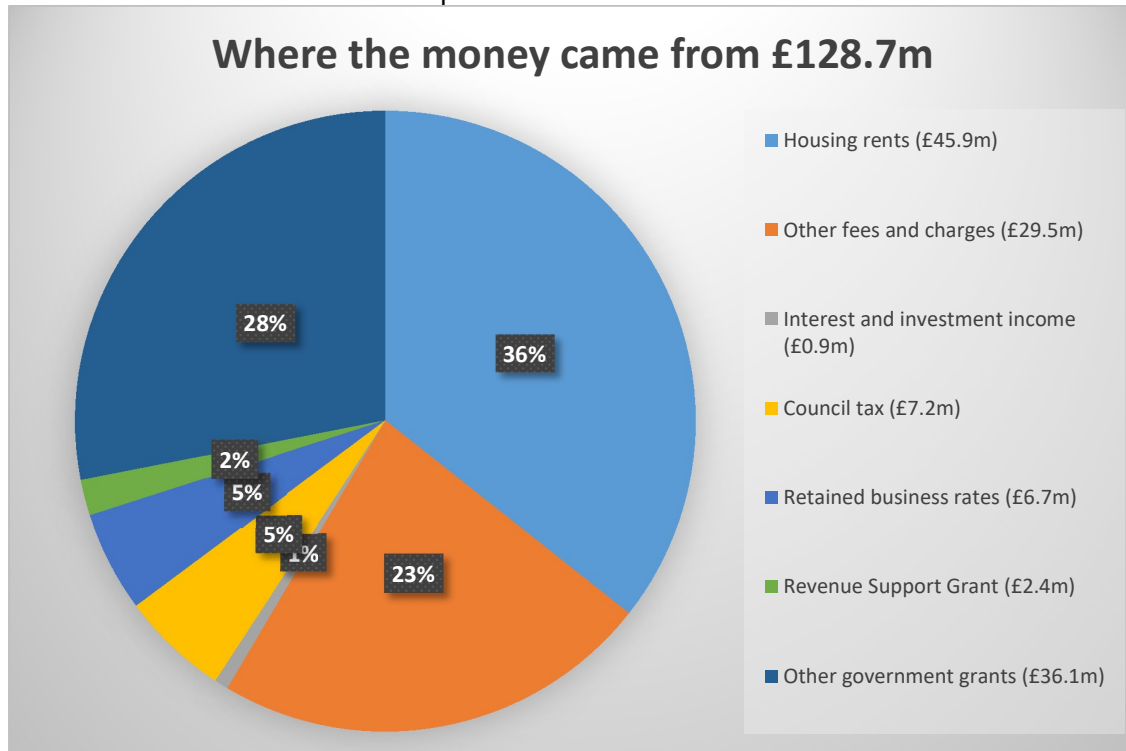
Narrative Report (Continued)

**Total Revenue Expenditure**

Overall the Council incurred expenditure in 2019/20 of £131.8m on its services to the public.



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 £3.1m 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 £194m from 2019/20. This includes £95m within Crawley Homes for investment in new and existing housing stock.

In 2019/20 the Council spent £53.257 million on capital assets, which was funded from the sale of assets, capital grants, external funding and revenue resources

Portfolio Description	Outturn 2019/20 £000's	2020/21 Latest Budget £000's	2021/22 Latest Budget £000's	2022/23 Latest Budget £000's
New Town Hall Redevelopment – Joint responsibility	3,845	31,529	13,000	-
Environmental Services & Sustainability	487	544	120	141
Planning & Economic Development	9,926	11,684	7,574	317,408
Housing Services	6,005	5,921	3,183	2,000
Wellbeing	915	1,572	245	-
<b>Total General Fund</b>	<b>21,178</b>	<b>51,250</b>	<b>24,122</b>	<b>-</b>
<b>Housing Revenue Account</b>	<b>32,079</b>	<b>27,003</b>	<b>18,486</b>	<b>17,802</b>
<b>Total Capital</b>	<b>53,257</b>	<b>78,253</b>	<b>42,608</b>	<b>20,261</b>

The table below summarises the approved resources available to fund the capital programme to 2022/23.

<b>Funded By</b>				
Capital Receipts	14,280	27,128	2,500	921
Capital Reserve	47	5,069	-	-
Better Care Fund	657	1,424	-	-
Lottery & External Funding	1,257	6,977	6,725	217
1-4-1 Receipts	8,144	6,243	3,798	1,861
Replacement Fund/Revenue Financing	692	348	-	-
Section 106	931	1,604	141	1,320
<b>TOTAL FUNDING</b>	<b>53,257</b>	<b>78,253</b>	<b>42,608</b>	<b>20,261</b>

## Narrative Report (Continued)

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### Financial outturn

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

	<b>General Fund £'000</b>	<b>HRA £'000</b>	<b>Combined £'000</b>
<b>Total Portfolio (General Fund) and HRA Surplus</b>	<b>37,859</b>	<b>(29,326)</b>	<b>8,533</b>
Revaluation losses	(9,133)	-	(9,133)
Movement in investment properties	(1,941)	-	(1,941)
Capital grants	2,474	-	2,474
Revenue expenditure funded from capital	(7,819)	-	(7,819)
Pensions	(3,080)	-	(3,040)
Accumulated absences	(8)	-	(8)
<b>Net Cost of Services in the Expenditure and Funding Analysis</b>	<b>18,352</b>	<b>(29,326)</b>	<b>(10,974)</b>

## 5. Corporate Risks

The risks listed below were produced for the Audit Committee in March 2020. These risks are being updated on a regular basis during 2020/21 with the impacts of Covid-19

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

- New Town Hall**  
 With the contract in place, including contingencies, cash flow and other protections, the main risk factors are around the process of construction, ensuring the Council is ready to move to the new building, ensuring that we secure commercial tenants, that we are able to properly manage the new building, and that we realise the full benefits of the development. The project board overseeing the development has structured itself around these risk areas, has developed a programme that identifies and manages interdependencies and is actively managing the identified risk.

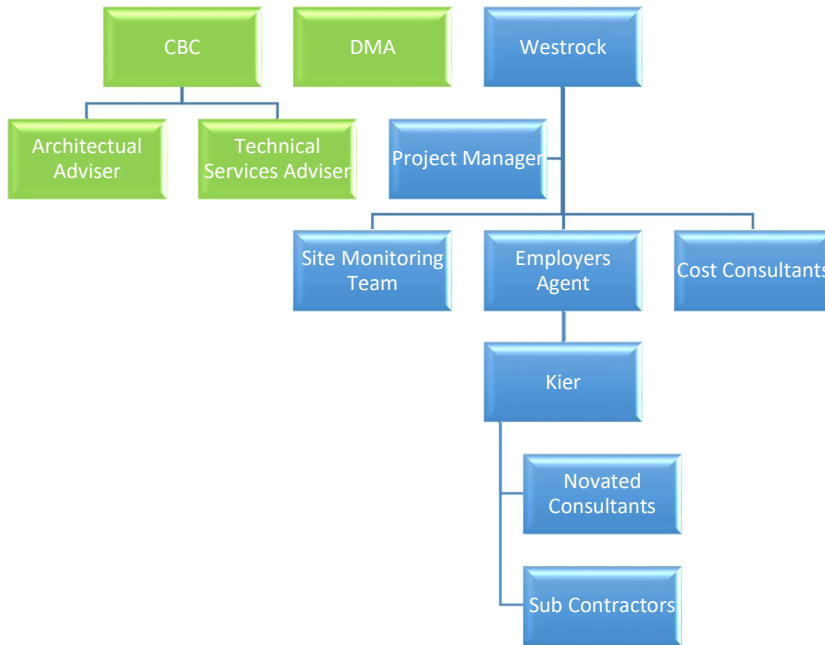


**Narrative Report (Continued)**

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Governance Structure –

**Contractual Arrangements**



## Narrative Report (Continued)

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### Internal Governance

#### Member Oversight

- Updates to Cabinet Briefing & regular liaison with Portfolio Holders
- Reporting as requested to Overview & Scrutiny Committee
- Member Working Group advising with particular interest in Groups 2, 4 and 6

### Town Hall Board

Group 1: Design & Build	Group 2: Moving into NTH	Group 3: Commercial Space	Group 4: Facilities Management	Group 5: District Heat Network	Group 6: Benefits Realisation
<ul style="list-style-type: none"> <li>• Construction monitoring</li> <li>• Car Park works</li> <li>• Contractor liaison</li> <li>• Financial monitoring</li> <li>• Communications</li> <li>• Interface with other developments</li> </ul>	<ul style="list-style-type: none"> <li>• Cat C design and procurement</li> <li>• Link Transformation Programme</li> <li>• Layout and accommodation</li> <li>• Decant planning and moving</li> </ul>	<ul style="list-style-type: none"> <li>• Appointment of commercial agent</li> <li>• Marketing of building</li> <li>• Tenancy agreements</li> <li>• Occupancy arrangements</li> <li>• Interface with FM</li> </ul>	<ul style="list-style-type: none"> <li>• Commissioning &amp; training for M&amp;E and plant equipment</li> <li>• Plant maintenance contracts etc</li> <li>• Emergency planning</li> <li>• Risk assessments</li> <li>• Car Parking</li> <li>• Front of house</li> </ul>	<ul style="list-style-type: none"> <li>• Procurement of O&amp;M contractor</li> <li>• Billing &amp; Client arrangements</li> <li>• Test &amp; Commission plant</li> <li>• Switch over A2D &amp; Kilnmead</li> <li>• Phase 2 planning and business case</li> </ul>	<ul style="list-style-type: none"> <li>• Public Square and 4th Plinth moment</li> <li>• Public spaces within town hall</li> <li>• Sustainability benefits</li> <li>• CSR benefits</li> </ul>

- **District Heat Network**  
Whilst part of the Town Hall Site Redevelopment and overseen by the same project board overseeing the new Town Hall, the District Heat Network nonetheless is at a different stage of development where the contract has yet to be finalised, and so is treated separately here. Nonetheless the mechanisms for identifying and managing risk are as above.
- **LEP Infrastructure – Crawley Growth Programme**  
CBC, together with WSCC (the lead body) was successful in securing £14.6 million of Local Growth Fund from the Coast to Capital LEP in autumn 2017, as part of the Crawley Growth Programme – a £60m package of public and private sector funding. The principal purpose of the Crawley Growth Programme investment is to help bring forward regeneration sites to achieve new homes, jobs, and commercial space.

The Queensway scheme was completed on time and within budget in October last year. The Town Centre signage scheme has been rolled out and completed. The Station Gateway scheme has been successfully project managed through its initial stage, with the

## Narrative Report (Continued)

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Borough Council able to broker successfully a way forward between Network Rail, GTR, West Sussex County Council and the Arora group on the development of proposals for a brand new Crawley railway station complex and associated public realm / parking / access improvements on site.

The following projects will be led by CBC as part of the Crawley Growth Programme over the period to March 2025:

- Station Gateway public realm improvement
- Grade A commercial space development
- Three Bridges Station Improvement scheme
- Town Centre and Manor Royal Cycle Schemes
- Town Centre and Manor Royal SMART bus shelters

The remaining risks associated with the continuing delivery of the Crawley Growth Programme are the following:

- Risk of budget overspend for the future project delivery within the Programme

**Mitigation:** regular financial monitoring and audit work carried out. Quarterly LEP audit; Head of Corporate Finance will be attending six weekly Programme Delivery Team meetings with West Sussex County Council;

- Scheme delivery time overruns – Remaining Crawley Growth Programme schemes must be delivered by the end of March 2025.

**Mitigation:** Regular project monitoring undertaken by individual Project Boards, the Programme Delivery team with West Sussex County Council and reported to the Crawley Growth Board, chaired by the CBC Chief Executive.

- Discontinuation or withdrawal of support from key partners

**Mitigation:** Regular interaction to identify and resolve issues promptly at project Board level with the Manor Royal Business District, Network Rail, GTR, Metrobus etc.

- A sustained period of economic downturn which slows up private sector investment on key regeneration sites in the town centre:

**Mitigation:** The type of infrastructure investment being delivered by the Crawley Growth Programme in public realm, transport and infrastructure transcends the economic cycle and delivers structural improvements to strengthen Crawley's economic prospects. The target date for delivery of regeneration site outcomes is actually 2030 to take account of the economic cycle and potential for a sustained down turn.

- Ineffective co-ordination of delivery across projects, leading to multiple disruption in the town centre and Manor Royal when this was avoidable.

**Mitigation:** Careful planning and close cooperation between CBC, WSCC officers and third party partners / contractors.

## Narrative Report (Continued)

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- Absence of CIL funding receipts in contribution to the delivery of the Crawley Growth Programme

**Mitigation:** Officers will defer from seeking Member approval to progress any elements of a scheme requiring CIL funding until such time as the requisite CIL receipts have been received.

- Ineffective co-operation and communication with WSCC

**Mitigation:** Where WSCC is the lead partner in the delivery of a Crawley Growth Programme scheme, such as the Eastern Gateway, CBC expects to be kept up to date in a timely and effective fashion well in advance of scheme milestones. This will be channelled through the Crawley Growth Board, chaired by the CBC Chief Executive and the Programme Delivery Team.

- **Three Bridges Railway Station**

On 11<sup>th</sup> 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. This funding remains on track to be spent by the deadline.

Member approval was granted in 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. These funds are being combined with the above S106 resources, in addition to a further £89,000 of S106 funds along with over £1.1 million of Community Infrastructure Levy, (approved by Cabinet on 7<sup>th</sup> February 2018), subject to receipt of the CIL funds.

At the Full Council meeting on 26 February this year, Members debated the recommended design option for the Three Bridges Station Improvement scheme in the context of a petition received with over 1,000 signatories objecting to the removal of the right hand turn for vehicles out of the station and a Council motion requesting that an alternative design option is developed retaining the right hand turn and then being subject to public consultation.

Full Council voted to request that Cabinet note the petition and consider its contents and then voted to approve a Council Motion which requested that Cabinet refer the matter of retaining the right hand turn to West Sussex County Council, the Highway Authority, requesting that the Highway Authority determine whether an alternative design option retaining the right hand turn is viable. At the time of writing, this course of action is subject to Cabinet approval.

Comprehensive traffic modelling work was completed last year and has informed the development of the detailed designs for the scheme and the identification of the recommended design option. This was presented during a third a public consultation exercise, which was carried out from 7<sup>th</sup> October through to 30<sup>th</sup> October. In advance of the above Full Council debate, the answers to the most fundamental questions arising from the consultation exercise were published on the “Invest Crawley” web site on a “Frequently Asked Questions” page.

## Narrative Report (Continued)

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Three consultation exercises have provided almost eleven weeks of public consultation on the scheme with a total of 779 responses received from residents and stakeholders

A further 3 weeks of public consultation would also take place, should a planning application for the scheme be submitted. This would bring the total amount of public consultation on the scheme to almost 14 weeks.

A comprehensive risk register is overseen by the Project Board of the Crawley Growth programme. The principal strategic risk looking ahead to the next steps is that a way forward is unable to be agreed.

- **Delivering the affordable housing programme**

The Administration has pledged to build as much affordable housing for local people as possible. Delivery is being programmed through the Strategic Housing Board and scrutinised at CMT and through the Corporate Projects Assurance Board. Current projections for the next 4 year delivery period (2018-2021) indicate that delivery can be maintained at a similar level to the previous 4 year monitoring period at just over 1,000 new affordable homes. Approximately 2/3rds of this delivery will be by the Council and the remainder by other Registered Providers of affordable housing.

Perhaps the greatest risk to the delivery of affordable housing lies beyond the medium term, once the current programme has been delivered. This reflects the fact that the majority of larger sites within the Council boundary that can easily be built will have been developed. This will leave smaller sites that are more challenging and contentious in nature, or finding other opportunities such as redevelopment. Work is underway that will seek to identify these future sites and opportunities, feeding into the Local Plan and developing programmes of work.

- **Transformation Programme**

The Council has set itself a change agenda to be completed ahead of the move to the new Town Hall 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 and Reducing Bureaucracy. At a programme level, the key risks are:

- The interdependencies between the areas of work not being recognised
- Capacity to deliver the Transformation Programme
- Ensure focus on the Transformation Programme does not impact on core delivery which could impact on performance, finance and reputation
- Services and staff are not prepared for the move to the new town hall impacting on motivation, performance, retention and costs
- Technology does not support the desired ways of working impact on performance, finance and morale

To manage these risks, a Transformation Board at CMT level has been created. It brings together and oversees a high level plan to ensure coherence, manage interdependencies and change, allocate resources and ensure delivery. Furthermore the Digital, Transformation and Corporate Support teams have been reinforced to ensure there is sufficient capacity both to support and deliver the transformation programme. Finally significant work is taking place with third and fourth tier managers

## Narrative Report (Continued)

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to ensure that key aspects around values and behaviours and new ways of working fully embed themselves within the organisation.

A further senior management group – Corporate Project Assurance Group - has also been created (September 2018). Its role is to ensure appropriate governance of projects and assure that key projects beyond the transformation programme are not adversely impacted from the constraint of capacity and resources. In fulfilling this role the group has reviewed a wide range of current projects following an initial risk analysis. In doing so it has made changes to strengthen the governance structures for projects, for example the IT Boards Terms of Reference and membership has been changed, and a new Major Procurement Board has been created. As set out in the Capital Strategy (agreed at Council on 27 February 2019), this group will now shift to a more forward facing stance in overseeing delivery of the Capital Strategy whilst maintaining its focus on governance.

- **Move to Cloud**

The Council is undertaking substantial work to modernise its IT Digital Infrastructure to support our Transformation Programme, and ensure its IT estate is fit for purpose ahead of the move to the new Town Hall. The optimal strategy, in terms of future proofing our IT infrastructure and reducing the risks associated with that infrastructure, has identified moving our estate to the cloud. Whilst this will de-risk the Council over time, it is recognised that there will be risks associated with the change itself. Financially it requires a shift from a capital to a revenue model of funding IT. Structurally it will require short term investment and medium term shifts in human resources as elements of the Digital Team shifts into new roles. From a data security point of view it will require careful consideration of the implications to ensure the Council is compliant.

- **Telephony & Unified Communications**

One of the key transformation projects in the coming year will be the provision of the Council's key communication infrastructure including telephony, mobile phones and applications within O365 that supports messaging, video messaging, and other ways of enabling communications within and across teams. Existing contracts come to an end in September and October and so this is a critical window of opportunity that is a critical enabler for new ways of working within the Transformation Programme. It also has the potential to significantly reduce expenditure on related contracts. This project is being overseen by the IT Board, and its interdependencies with transformation monitored through the Transformation Board. The business case will be signed off by CPAG.

- **Data Breaches**

Inadequate data sharing and data security arrangements including failure to maintain public services network accreditation (PSN). Improper disclosure of confidential information, failure to comply with GDPR requirement could lead to major reputational damage, loss of public confidence and the inability to operate key business processes.

- Agreements and processes are in place for interagency referrals and data sharing in safeguarding matters.
- Annual IT Health Checks including penetration testing.
- Data Protection guidance and training for staff.
- IT Security Policies in place. Plans in place to meet Government standards (PSN/GDPR)

## Narrative Report (Continued)

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- Information Asset Register and processes for its management is a current corporate project.

- **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 2020/21 [FIN/491](#) report to Cabinet on 5<sup>th</sup> February 2020 identified future budget gaps. The proposed Fair Funding Review has now been delayed for a year together with a review of business rates retention and the future of Local Government financial settlements are unknown.

The impact of CV-19 needs to be worked through projections but assumptions will be difficult to make due to the changes that are occurring and the impact on services and income.

Options for future savings will be reviewed over the coming months and shared with both Members and the public.

The Chief Executive together with the Head of Corporate Finance have undertaken a 'Budgets Challenge' exercise with all Heads of Service – this has resulted in savings and efficiencies which will assist in meeting future budget gaps. The transformation programme includes an increased focus on achieving new sources of income by applying a commercial lens by looking at Productivity, Income, Profit, Efficiencies and Savings. In 2020/21 this exercise will be accelerated due to the impacts of Covid-19

- **Organisational Capacity, Recruitment, Retention and Succession Planning.**

There are a number of current and forthcoming workforce challenges facing the Council. As we seek to transform, continuously improve and meet a budget gap, we will be asking more of our staff, potentially with less resource. Some of this will be met through greater productivity, but not all. Having reduced the workforce in recent years from c1000 to c600, the Council is already seeing potential points of failure, for instance single standalone specialists. It is also recognised that there are teams that are potentially already under-resourced.

The recruitment and retention of key specialist and professional roles can be challenging. The impact of higher salaries in the private sector is evident and as a result has led to problems with recruitment and retention in roles such as Procurement, IT, and some Planning and Surveying role. HR are working with managers to ensure that we promote hard to recruit roles effectively and actively encourage managers to have transparent conversations around salary throughout the recruitment process.

We have also seen a number of skills gaps in the market when recruiting, as a result HR has worked with managers to creatively approach their recruitment by either upskilling employees internally or re-evaluating and recruiting to trainee level posts, this has resolved some retention issues, but it has impacted on workload for these business areas as there are greater levels of support and training for staff in these circumstances.

We offer a generous employee benefits package, with a range of discounts, benefits and wellbeing incentives to suit everyone and by raising the profile of these to prospective and existing employees with our benefits hub and external webpage we can support with candidate attraction and retention.



## Narrative Report (Continued)

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We now also have a 'Working for Crawley Borough Council' webpage on the HR pages of the website which is an interactive webpage which includes a welcome video from our Chief Executive, along with a number of employee experience videos for recruitment attraction purposes, where employees share their experiences of working for the council.

We continue to promote and support the creation of apprenticeship opportunities and we are making progress with better promoting ourselves as an employer of choice. The Corporate Management team will be discussion succession planning and putting processes in place to plan for the future.

- **Climate Emergency**

In July 2019 the Council declares a climate emergency and pledged to aim to reduce carbon emissions generated by Crawley Borough Council activities by at least 45% by 2030 and to zero by 2050 as recommended by the Inter-governmental Panel on Climate Change (IPCC). The risks here are broadly two-fold, the costs of not acting and the difficult choices involved in acting. A Scrutiny Panel has been established with a view to making recommendations as to how best to meet this target and this will be the basis for the risk analysis that emerges.

- **National Waste Strategy (incl Food Waste)**

The National Waste and Resources Strategy is scheduled for publication in 2020. Although yet to be confirmed, it seems likely that the Strategy will mandate changes to collection recycling and potentially residual waste collection frequencies which could place additional resource burdens on waste collection authorities. The Draft Consultation Strategy indicated introduction of a mandatory weekly food waste collection which could then impact upon residual waste and dry mixed recycling collection frequencies. The Council's contract for Waste and Recycling has been extended to allow sufficient time to understand this impact and undertake the planning required to take account of the changes to come.

- **Public Health**

The current Covid-19 alert reminds us of the risks associated with public health emergencies. As host borough to Gatwick Airport, the Council has additional responsibilities when such issues emerge, in addition to those faced by other Councils.

- **Local Plan Failure to Adopt**

Crawley's refreshed Local Plan 2020-2035 has been drawn up and the final draft submission document has been out to "Regulation 19" consultation for a six week period. Officers are reviewing the written representations from residents, stakeholders, other local authorities, businesses and developers and the next stage will be to prepare the Local Plan for submission to the government to be examined publically by the Planning Inspectorate later in the year. Further supporting evidence work is being completed and further legal advice may be sought. This work will determine whether any further rounds of consultation are required prior to submission, in which case there is a potential risk of delay in the process should this be needed.

The principal risk associated with adoption at this stage is that the Inspector finds the Local Plan not to be legally compliant, in which case it would not be able to proceed through examination. In addition there is a risk that the Inspector considers at



## Narrative Report (Continued)

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examination that the Local Plan is not yet “sound” and that it requires significant modification. This may mean a requirement for a revised draft to be produced to go out to a further period of modifications consultation. The Inspector will take into account written representations received when undertaking the examination. Only minor modifications can be undertaken before or during the examination process. Finally there is the risk that the Local Plan might subsequently be subject to judicial review from a third party which would delay its adoption.

- **Possible ‘no deal’ Brexit**

A separate draft working document has been prepared looking at the implications of a no-deal Brexit to the council. This is a substantive assessment that includes all the areas listed above, but one that by the very nature of Brexit is constantly changing and being updated. Whilst the UK left the EU at the end of January, this is a transition period that maintains the former mechanisms until December, the deadline for the new relationships. It is therefore possible that the UK could still emerge with a ‘no-deal’ scenario and therefore the planning previously undertaken will be revisited from the autumn.

### **Crawley Borough Council’s Response to COVID-19 to 31<sup>st</sup> March 2020**

The Council overall has responded swiftly and decisively to the COVID-19 crisis as follows:

- Regular, and daily Covid-19 meetings convened from 20<sup>th</sup> March 2020 – in attendance:
  - Corporate Management Team
  - Communications representative
  - HR Manager
  - Facilities Manager
  - Service Improvement and Development Manager
  - Leader of the Council
  
- The Leader of the Council hosts weekly Facebook Live question and answer sessions
  
- All Service areas engaged in the response; examples are:
  - Creation of a support network
  - Mapping of vulnerable people
  - Implementation of a Help Hub by 27<sup>th</sup> March 2020 to provide virtual and physical support
  - Creation of Crawley Borough Council Helpline
  - Staff redeployment
  - Additional mobile phones obtained and laptops ready for Councillors
  - MS Teams available throughout the Council, including Council meetings
  - Wellbeing Team redeployed to support work of the Council
  - Working closely with West Sussex County Council, Gatwick Airport and Manor Royal Business District
  - Business Ratepayers written to with information on grant claim process by 26<sup>th</sup> March 2020
  - Benefits Team additional support to deal with increase in claims
  - Infrastructure in place by 24<sup>th</sup> March 2020 to process small business grants - redeployment of Corporate Finance staff in Council Tax, Business Rates and Benefits team
  - Rough sleepers provided with temporary accommodation by 25<sup>th</sup> March 2020

## Narrative Report (Continued)

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### Examples of the how good governance was maintained during the Council's response to COVID-19 – to 31<sup>st</sup> March 2020

- All COVID-19 meetings, held daily or as required were formally convened, had an Agenda, and a record of actions to be undertaken, with outcomes reported at the next, or future meetings. These meetings were minuted. This demonstrates strong governance and transparency.
- Decision Logs maintained for all Service areas – these are sent to all Members of the Council via Member Bulletins.
- Governance arrangements were confirmed where the Chief Executive can make Urgency Decisions in liaison with Leaders and the Mayor.
- Future committee meeting dates were agreed and scheduled for the year, by 26<sup>th</sup> March 2020.
- Legislative changes were considered in respect of holding public meetings and decision making and one virtual Council was held. This will continue for the foreseeable future.

## 6. Summary Position

It is clear that the Council's financial and non-financial performance in 2019/20 continues to be good. The efficiency 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 2020/21 and future years.

In 2019/20, 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 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 faced a strong position as it moved into 2020/21 before the impacts of Covid-19. These will be assessed during 2020/21 and appropriate steps will be taken to manage council finances going forward.

## 7. Explanation of the Financial Statement

The Statement of Accounts for 2019/20 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 2020. 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 used 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.

## Narrative Report (Continued)

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The accounts provide the reader with information on the cost of services provided by the Council in the year 2019/20, 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.

### **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 2020. 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 2019/20 (the Code) issued by the

## Narrative Report (Continued)

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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.

## **8. Change in accounting policies**

There were no changes to accounting policies in the year.

## **9. Further Information**

Further information about the 2019/20 Statement of Accounts is available from:

Paul Windust,  
Chief Accountant,  
Town Hall, The Boulevard, Crawley, West Sussex, RH10 1UZ.  
Tel: (01293) 438693 email: paul.windust@crawley.gov.uk

Karen Hayes  
Head of Corporate Finance

Date:

# **Statement of Accounts**

**2019 – 2020**

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**Statement of Responsibility for the Statement of Accounts**

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**The Council’s Responsibilities**

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 Corporate Finance.
- \* 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 Corporate Finance**

The Head of Corporate Finance 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 Corporate Finance 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 Corporate Finance 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 2020. This is a replacement of the one signed on 3rd June, 2020.

Karen Hayes  
 Head of Corporate Finance  
 Date: 22nd September 2020

**Member Sign Off**

I certify that these accounts were approved by the Audit Committee under delegated powers at a meeting held on 22nd September 2020.

Councillor Jennifer Millar-Smith  
 Chair of the Audit Committee  
 Date: 22nd September 2020





This will be included in the Audit Results Report from Ernst and Young which is an item to follow (as indicated on the agenda).







**Expenditure and Funding Analysis**

The Expenditure and Funding Analysis is not a primary financial statement. It 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.

<b>2018/19</b>			<b>2019/20</b>		
<b>(Restated – Note 43)</b>					
<b>Net Expenditure Chargeable to the General Fund and HRA Balances £'000</b>	<b>Adjustments between the Funding and Accounting Basis £'000</b>	<b>Net Expenditure in the Comprehensive Income and Expenditure Statement £'000</b>	<b>Net Expenditure Chargeable to the General Fund and HRA Balances £'000</b>	<b>Adjustments between the Funding and Accounting Basis £'000</b>	<b>Net Expenditure in the Comprehensive Income and Expenditure Statement £'000</b>
1,382	87	1,469	1,448	116	1,564
4,070	367	4,437	4,691	462	5,153
7,156	389	7,545	7,262	9,024	16,286
1,047	(4)	1,043	1,126	5,503	6,629
6,761	1,092	7,853	5,921	868	6,789
31	1,962	1,993	161	2,191	2,352
(28,400)	16,148	(12,252)	(29,328)	17,429	(11,899)
(2,256)	170	(2,086)	(2,256)	1,062	(1,194)
<b>(10,209)</b>	<b>20,211</b>	<b>10,002</b>	<b>(10,975)</b>	<b>36,655</b>	<b>25,680</b>
10,536	(20,585)	(10,049)	14,034	(23,523)	(9,489)
<b>327</b>	<b>(374)</b>	<b>(47)</b>	<b>3,059</b>	<b>13,132</b>	<b>16,191</b>
<b>(25,750)</b>			<b>(25,423)</b>		
<b>327</b>			<b>3,059</b>		
<b>(25,423)</b>			<b>(22,364)</b>		

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.

2018/19 (Restated)			2019/20		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
1,672	(203)	1,469	1,741	(177)	1,564
		Public Protection & Community Engagement			
10,446	(6,009)	4,437	11,107	(5,954)	5,153
		Environmental Services & Sustainability			
8,969	(1,424)	7,545	17,719	(1,433)	16,286
		Cabinet			
46,203	(45,160)	1,043	44,430	(37,801)	6,629
		Housing			
18,484	(10,631)	7,853	19,278	(12,489)	6,789
		Wellbeing			
7,064	(5,071)	1,993	7,999	(5,647)	2,352
		Planning and Economic Development			
34,805	(47,057)	(12,252)	36,145	(48,044)	(11,899)
		Housing Revenue Account			
(2,084)	(2)	(2,086)	(926)	(268)	(1,194)
		All other segments			
<b>125,559</b>	<b>(115,557)</b>	<b>10,002</b>	<b>137,493</b>	<b>(111,813)</b>	<b>25,680</b>
		<b>Cost of Services</b>			
		Other operating expenditure 122 (Note 11)			(2,217)
		Financing and investment (income) and expenditure 6,755 (Note 12)			8,818
		Taxation and non-specific grant income (note 13) <u>(16,926)</u>			<u>(16,090)</u>
		<b>(Surplus) or Deficit on (47) Provision of Services</b>			<b>16,191</b>
		(Surplus) or deficit on revaluation of Property, Plant and Equipment assets (9,844)			(7,489)
		Remeasurements of the net defined benefit liability <u>10,237</u>			<u>(45,854)</u>
		<b>Other Comprehensive 393 (Income) and Expenditure</b>			<b>(53,343)</b>
		<b>Total Comprehensive 346 (Income) and Expenditure</b>			<b>(37,152)</b>

## 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.

	<b>General Fund Balance £'000</b>	<b>Housing Revenue Account £'000</b>	<b>Capital Receipts Reserve £'000</b>	<b>Major Repairs Reserve £'000</b>	<b>Capital Grants Unapplied £'000</b>	<b>Total Usable Reserves £'000</b>	<b>Unusable Reserves £'000</b>	<b>Total Authority Reserves £'000</b>
<b>Balance at 31 March 2019</b>	<b>22,225</b>	<b>3,198</b>	<b>41,714</b>	<b>22,388</b>	<b>3,258</b>	<b>92,783</b>	<b>571,308</b>	<b>664,091</b>
<b>Movement in reserves during 2019/20</b>								
Total Comprehensive Income and Expenditure	(17,405)	1,214	-	-	-	(16,191)	53,343	37,152
Adjustments between accounting basis & funding basis under regulations	14,346	(1,214)	(4,611)	(6,513)	30	2,038	(2,038)	-
<b>Increase/Decrease in 2019/20</b>	<b>(3,059)</b>	<b>-</b>	<b>(4,611)</b>	<b>(6,513)</b>	<b>30</b>	<b>(14,153)</b>	<b>51,305</b>	<b>37,152</b>
<b>Balance at 31 March 2020 carried forward</b>	<b>19,166</b>	<b>3,198</b>	<b>37,103</b>	<b>15,875</b>	<b>3,288</b>	<b>78,630</b>	<b>622,613</b>	<b>701,243</b>
<b>Analysed by:</b>								
Amounts earmarked (Note 10)	13,927	-						
Amount uncommitted	5,239	3,198						
<b>Total Balance at 31 March 2020</b>	<b>19,166</b>	<b>3,198</b>						

## 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
<b>Balance at 31 March 2018</b>	<b>22,552</b>	<b>3,198</b>	<b>41,107</b>	<b>32,474</b>	<b>2,604</b>	<b>101,935</b>	<b>562,502</b>	<b>664,437</b>
<b>Movement in reserves during 2018/19</b>								
Total Comprehensive Income and Expenditure	(1,327)	1,374	-	-	-	47	(393)	(346)
Adjustments between accounting basis & funding basis under regulations	1,000	(1,374)	607	(10,086)	654	(9,199)	9,199	-
<b>Increase/Decrease in 2018/19</b>	<b>(327)</b>	<b>-</b>	<b>607</b>	<b>(10,086)</b>	<b>654</b>	<b>(9,152)</b>	<b>8,806</b>	<b>(346)</b>
<b>Balance at 31 March 2019 carried forward</b>	<b>22,225</b>	<b>3,198</b>	<b>41,714</b>	<b>22,388</b>	<b>3,258</b>	<b>92,783</b>	<b>571,308</b>	<b>664,091</b>
<b>Analysed by:</b>								
Amounts earmarked (Note 10)	17,230	-						
Amount uncommitted	4,995	3,198						
<b>Total Balance at 31 March 2019</b>	<b>22,225</b>	<b>3,198</b>						



## 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'.

<b>31 March 2019</b>			<b>31 March 2020</b>
<b>£'000</b>		<b>Notes</b>	<b>£'000</b>
815,495	Property, Plant & Equipment	<b>14</b>	822,755
52	Heritage Assets	<b>15</b>	52
20,041	Investment Property	<b>16</b>	25,587
547	Intangible Assets	<b>17</b>	581
-	Long Term Investments	<b>18</b>	10,000
8,577	Long Term Debtors	<b>18</b>	11,136
-	Net Pension Assets	<b>39</b>	24,785
<b>844,712</b>	<b>Long Term Assets</b>		<b>894,896</b>
106,042	Short Term Investments	<b>18</b>	78,273
4,452	Assets Held for Sale	<b>21</b>	-
28	Inventories		41
6,631	Short Term Debtors	<b>19</b>	6,227
5,623	Cash and Cash Equivalents	<b>20</b>	9,152
<b>122,776</b>	<b>Current Assets</b>		<b>93,693</b>

Balance Sheet (Continued)

31 March 2019		Notes	31 March 2020
£'000			£'000
(68)	Short Term Borrowing	18	(68)
(20,654)	Short Term Creditors	22	(22,552)
<u>(4,249)</u>	Provisions	23	<u>(2,123)</u>
<b>(24,971)</b>	<b>Current Liabilities</b>		<b>(24,743)</b>
(260,269)	Long Term Borrowing	18	(260,275)
(16,164)	Net Pension Liability	39	-
<u>(1,993)</u>	Capital Grants Receipts in Advance	34	<u>(2,328)</u>
<b>(278,426)</b>	<b>Long Term Liabilities</b>		<b>(262,603)</b>
<u><b>664,091</b></u>	<b>Net Assets</b>		<u><b>701,243</b></u>
92,783	Usable Reserves	24	78,630
<u>571,308</u>	Unusable Reserves	25	<u>622,613</u>
<u><b>664,091</b></u>	<b>Total Reserves</b>		<u><b>701,243</b></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.

<b>2018/19</b>		<b>2019/20</b>
<b>£'000</b>		<b>£'000</b>
47	Net surplus/(deficit) on the provision of services	(16,191)
37,418	Adjustments to net surplus or deficit on the provision of services for non-cash movement (Note 26)	44,617
<u>(15,345)</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>(19,044)</u>
22,120	Net cash flows from Operating Activities	9,382
(22,402)	Investing Activities (Note 27)	(9,705)
<u>1,061</u>	Financing Activities (Note 28)	<u>3,852</u>
779	Net increase or (decrease) in cash and cash equivalents	3,529
<u>4,844</u>	Cash and cash equivalents at the beginning of the reporting period	<u>5,623</u>
<u><b>5,623</b></u>	<b>Cash and cash equivalents at the end of the reporting period (Note 20)</b>	<u><b>9,152</b></u>

**Index of Explanatory Notes to the Core Financial Statements**

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## 1. Accounting Policies

### i. General Principles

The Statement of Accounts summarises the Crawley Borough Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit 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 2019/20, 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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. 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, i.e. 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.

**v. 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 non-current 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.

**vi. Council Tax and Non-Domestic Rates**

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 (i.e. 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 collected 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 (CIES) 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 CIES 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.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

## **vii. Employee Benefits**

### Benefits 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 (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. 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 entitlements 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 restructuring.

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 - i.e. 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 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
  - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- 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.

### **viii. Events After the Reporting Period**

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.

### **ix. Financial Instruments**

#### Financial 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 (CIES) 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 CIES is the amount payable for the year according to the loan agreement.

#### Financial Assets

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

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

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

#### Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost 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 (CIES) 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 financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

#### Expected Credit Loss Model

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

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

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

Financial assets that are measured at FVOCI 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. Fair value gains and losses are recognised as they arise in other comprehensive income.

Financial Assets Measured at Fair Value through Profit or Loss

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

Fair Value Measurements of financial assets

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the financial assets are based on the following techniques:

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

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

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council 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.

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 CIES.

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.

**x. 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-ring fenced 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 Council 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.

### **xi. 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 xvi in this summary of significant accounting policies.

## **xii. 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 (e.g. 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.

## **xiii. 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.

#### **xiv. 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 Council 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.

#### **xv. 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 Lessee

##### Operating Leases

Rental paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight –line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease)



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 (e.g. 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.

**xvi. 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.

**xvii. 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 (i.e. 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 (i.e. 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)
- 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 - current 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 current 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 (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. 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

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 (i.e. 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 capital receipts relating to housing disposals 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.

## **xviii. 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 when the Council has an 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 (e.g. 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.

### **xix. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. 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 transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for 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.

### **xx. 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.

**xxi. 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.

**xxii. Fair value measurement of non-financial assets**

The Council 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 Council 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 Council 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 Council 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 Council'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 2019/20 for application from 1 April 2020:

- **IFRS 16 Leases** will require local authorities that are lessees to recognise leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there

is recognition for low-value and short leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2021.

- **IAS 19 Employee Benefits** will require the re-measurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact.
- **IAS 28 Investments in Associates and Joint Ventures:** Long Term Interests in Associates and Joint Ventures. This amendment clarifies that a company applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate of joint venture. This will have no impact on the Council.
- **Annual Improvements to IFRS 2015-2017 Cycle** which includes amendments to IFRS 3 Business Combinations; IFRS 11 Joint Arrangements; IAS 12 Income Taxes and IAS23 Borrowing Costs. These amendments are clarifications to existing standards which will have no impact on the Council.

### 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. Other income is uncertain at present due to Covid-19.

#### 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.

**Coronavirus (Covid-19)**

The impact of the coronavirus pandemic is a significant source of estimation uncertainty, one such implication is for property valuations. Market activity is being impacted in many sectors giving less weight to precious market evidence for comparison purposes and an unprecedented set of circumstances of which to base a judgement. The Council's property valuers Wilks Head & Eve have therefore reported on the basis of "material valuation uncertainty". Consequently, less certainty and a higher degree of caution should be attached to review/valuation than is normal.

**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 2020 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 by 1 year, 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 £364,018.42 for every year that useful lives had to be reduced.</p>
Valuation of Operational Property	The valuation of the Operational Property has been reported by the Valuer on the basis of 'valuation uncertainty' as per the RICS Red Book. A high degree of caution is recommended by the Valuer in the review provided. This is due to the unprecedented set of situations on which to base a judgement.	A reduction in the estimated valuations would result in reductions to the Revaluation Reserve or the Capital Adjustment Account. 0.5% of operational property would be £909,000 would hit the revaluation and capital adjustment reserve.



Pensions Liability	<p>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.</p>	<p>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 £20.9m. A 1 year increase in member life expectancy would result in an increase in the pension liability of around £6.9m to £11.6m. A 0.5% increase in the Salary Increase Rate would result in an increase in the pension liability of £1.8m. A 0.5% increase in the Pension Increase Rate would result in an increase in £18.9m.</p>
Arrears	<p>At 31 March 2020, the Council had a balance of sundry debtors of £12.246m. A review of significant balances suggested that an impairment of doubtful debts of (£5.869m) was appropriate. However, due to the impact of Covid-19 on 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 £5.869m 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 (VOA) 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 2020.</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</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</p>

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.

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 Council's appointed 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 16 and 18.

regarding rent growth, vacancy levels (for investment properties) and discount rates-adjusted for regional factors (for both investment properties and some financial assets)

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.

**5. Events after the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Head of Corporate Finance on 3 June 2020. 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 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.



Notes to Main Financial Statements (Continued)

6. Note to the Expenditure and Funding Analysis

2019/20	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	-	116	-	116
Environmental Services & Sustainability	40	445	(23)	462
Cabinet	8,416	611	(3)	9,024
Housing	5,330	373	(200)	5,503
Wellbeing	(80)	960	(12)	868
Planning and Economic Development	2,713	574	(1,096)	2,191
Housing Revenue Account	16,663	598	168	17,429
All other segments	-	-	1,062	1,062
<b>Net Cost of Services</b>	<b>33,082</b>	<b>3,677</b>	<b>(104)</b>	<b>36,655</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(28,999)</b>	<b>1,228</b>	<b>4,248</b>	<b>(23,523)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>4,083</b>	<b>4,905</b>	<b>4,144</b>	<b>13,132</b>

**Notes to Main Financial Statements (Continued)**

<b>2018/19 (Restated – Note 43)</b>	<b>Adjustments between Funding and Accounting Basis</b>			
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</b>	<b>Adjustments for Capital Purposes £' 000</b>	<b>Net change for the Pensions Adjustments £' 000</b>	<b>Other Differences £' 000</b>	<b>Total Adjustments £' 000</b>
Public Protection & Community Engagement	-	88	(1)	87
Environmental Services & Sustainability	52	318	(3)	367
Cabinet	(2)	389	2	389
Housing	-	269	(273)	(4)
Wellbeing	369	711	12	1,092
Planning and Economic Development	897	373	692	1962
Housing Revenue Account	15,535	422	191	16,148
All other segments	-	-	170	170
<b>Net Cost of Services</b>	<b>16,851</b>	<b>2,570</b>	<b>790</b>	<b>20,211</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(24,309)</b>	<b>134</b>	<b>3,590</b>	<b>(20,585)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(7,458)</b>	<b>2,704</b>	<b>4,380</b>	<b>(374)</b>

**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:

<b>2018/19</b>			<b>2019/20</b>	
<b>(Restated – Note 43)</b>				
<b>Income from Services</b>	<b>Depreciation</b>	<b>Services</b>	<b>Income from Services</b>	<b>Depreciation</b>
<b>£' 000</b>	<b>£' 000</b>		<b>£' 000</b>	<b>£' 000</b>
(204)	-	Public Protection & Community Engagement	(177)	-
(5,938)	558	Environmental Services & Sustainability	(5,952)	438
(9,539)	336	Cabinet	(16,074)	530
(1,985)	-	Housing	(1,721)	-
(10,551)	2,226	Wellbeing	(12,452)	2,078
(6,717)	925	Planning and Economic Development	(9,790)	831
(46,926)	-	Housing Revenue Account	(48,044)	-
-	-	All other segments	-	-
<b>(81,860)</b>	<b>4,045</b>		<b>(94,210)</b>	<b>3,877</b>

### 8. Expenditure and Income Analysed by Nature

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

2018/19 £' 000	Expenditure/Income	2019/20 £' 000
	<b>Expenditure</b>	
25,422	Employee benefit expenses	28,557
71,537	Other services expenses	69,680
5,266	Support service recharges	6,601
22,798	Depreciation, amortisation, impairment	34,103
8,309	Interest payments	8,310
-	Precepts and levies	-
1,032	Payments to Housing Capital Receipts Pool	1,032
121	Gain on the disposal of assets	(744)
<b>134,485</b>	<b>Total expenditure</b>	<b>147,539</b>
	<b>Income</b>	
(72,863)	Fees, charges and other service income	(77,765)
(1,017)	Interest and investment income	(940)
(13,127)	Income from council tax, non-domestic rates	(13,691)
(47,525)	Government grants and contributions	(38,952)
<b>(134,532)</b>	<b>Total income</b>	<b>(131,348)</b>
<b>(47)</b>	<b>(Surplus) or deficit on the Provision of Services</b>	<b>16,191</b>

### 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.

<b>2019/20</b>	<b>General Fund Balance £'000</b>	<b>Housing Revenue Account £'000</b>	<b>Capital Receipts Reserve £'000</b>	<b>Major Repairs Reserve £'000</b>	<b>Capital Grant Unapplied £'000</b>
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**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)	4,308	597	-	-	-
• Financial instruments (transferred to the Financial Instruments Adjustment Account)	-	-	-	-	-
• Council tax and NDR (transfers to or from) Collection fund Adjustments Account	258	-	-	-	-
• Holiday pay (transferred to the Accumulated Absences Reserve)	7	2	-	-	-

**Notes to Main Financial Statements (Continued)**

<b>2019/20</b>	<b>General Fund Balance</b>	<b>Housing Revenue Account</b>	<b>Capital Receipts Reserve</b>	<b>Major Repairs Reserve</b>	<b>Capital Grant Unapplied</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<ul style="list-style-type: none"> <li>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)</li> </ul>	19,948	29,583	-	-	206
<b>Total Adjustments to Revenue Resources</b>	<b>24,521</b>	<b>30,182</b>	<b>-</b>	<b>-</b>	<b>206</b>
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts reserve	(4,488)	(9,199)	13,687	-	-
Administration costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(36)	36	-	-
Transfer of deferred sale proceeds credit as part of the gain /loss on disposal from revenue to the Deferred Capital Receipts Reserve	(1,031)	(1,410)	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	1,032	-	(1,032)	-	-
Posting of HRA resources from revenue to the Major Repair Reserve	-	(20,751)	-	20,751	-
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)	(5,688)	-	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(10,175)</b>	<b>(31,396)</b>	<b>12,691</b>	<b>20,751</b>	<b>-</b>
<b>Adjustments to Capital Resources</b>					
Use of the Capital Receipts reserve to finance capital expenditure	-	-	(17,470)	-	-
Use of Major Repairs Reserve to financial capital expenditure	-	-	-	(27,264)	-
Application of capital grants to finance capital expenditure	-	-	-	-	(176)
Cash Payments in relation to deferred capital receipts	-	-	168	-	-
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>(17,302)</b>	<b>(27,264)</b>	<b>(176)</b>
<b>Total Adjustments</b>	<b>14,346</b>	<b>(1,214)</b>	<b>(4,611)</b>	<b>(6,513)</b>	<b>30</b>

**Notes to Main Financial Statements (Continued)**

<b>2018/19</b>	<b>General Fund Balance</b>	<b>Housing Revenue Account</b>	<b>Capital Receipts Reserve</b>	<b>Major Repairs Reserve</b>	<b>Capital Grant Unapplied</b>
<b>Comparative Figures</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>

**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)	2,282	422	-	-	-
• Financial instruments (transferred to the Financial Instruments Adjustment Account)	-	-	-	-	-
• Council tax and NDR (transfers to (or from) Collection fund Adjustments Account)	327	-	-	-	-
• Holiday pay (transferred to the Accumulated Absences Reserve)	8	-	-	-	-
• 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)	4,115	26,482	-	-	793
<b>Total Adjustments to Revenue Resources</b>	<b>6,732</b>	<b>26,904</b>	<b>-</b>	<b>-</b>	<b>793</b>

**Adjustments between Revenue and Capital Resources**

Transfer of non-current asset sale proceeds from revenue to the Capital Receipts reserve	(2,590)	(8,297)	10,888	-	-
Administration costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(20)	20	-	-
Transfer of deferred sale proceeds credit as part of the gain /loss on disposal from revenue to the Deferred Capital Receipts Reserve	(1,032)	-	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	1,032	-	(1,032)	-	-
Posting of HRA resources from revenue to the Major Repair Reserve	-	(19,961)	-	19,961	-
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)	(3,142)	-	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(5,732)</b>	<b>(28,278)</b>	<b>9,876</b>	<b>19,961</b>	<b>-</b>

**Notes to Main Financial Statements (Continued)**

<b>2018/19</b>	<b>General Fund Balance</b>	<b>Housing Revenue Account</b>	<b>Capital Receipts Reserve</b>	<b>Major Repairs Reserve</b>	<b>Capital Grant Unapplied</b>
<b>Comparative Figures</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Adjustments to Capital Resources</b>					
Use of the Capital Receipts reserve to finance capital expenditure	-	-	(9,270)	-	-
Use of Major Repairs Reserve to financial capital expenditure	-	-	-	(30,047)	-
Application of capital grants to finance capital expenditure	-	-	-	-	(139)
Cash Payments in relation to deferred capital receipts	-	-	1	-	-
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>(9,269)</b>	<b>(30,047)</b>	<b>(139)</b>
<b>Total Adjustments</b>	<b>1,000</b>	<b>(1,374)</b>	<b>607</b>	<b>(10,086)</b>	<b>654</b>



Notes to Main Financial Statements (Continued)

**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 2019/20.

	Balance at 1 April 2018 £'000	Transfers Out 2018/19 £'000	Transfers In 2018/19 £'000	Balance at 31 March 2019 £'000	Transfers Out 2019/20 £'000	Transfers In 2019/20 £'000	Balance at 31 March 2020 £'000
<b>General Fund:</b>							
Capital Programme	6,187	(2,240)	-	3,947	(392)	-	3,555
Restructuring Impact Reserve	695	-	-	695	-	-	695
Vehicles and Plant	367	(258)	260	369	(496)	570	443
Insurance Fund	378	-	-	378	-	-	378
ICT Replacement	119	(19)	100	200	(230)	100	70
Specialist Equipment at K2 Crawley and Hawth	100	(200)	100	-	(34)	100	66
Risk Management	27	-	22	49	(37)	170	182
Quick Wins	28	(10)	-	18	-	-	18
Heritage Strategy	34	-	-	34	(6)	-	28
Pathfinder	29	(5)	-	24	-	-	24
Local Development Framework	507	-	33	540	(164)	20	396
Health & Wellbeing Grant	236	(22)	3	217	(61)	-	156
Connecting Communities	104	(48)	-	56	-	-	56
Homeless grant	81	-	-	81	-	-	81
Town Centre and Regeneration Reserve	250	(87)	-	163	(67)	-	96
Investment Acquisition	5,000	-	-	5,000	(5,000)	-	-
Waste Collection	226	-	-	226	-	-	226
Worth Park HLF	76	-	-	76	(43)	-	33
Grant to voluntary organisations	75	-	-	75	-	-	75
Welfare Reform	126	-	74	200	-	-	200
Transparency	32	(37)	8	3	-	8	11
Shore gap fund	7	-	-	7	-	-	7
Tilgate Park Investment	57	(35)	10	32	(24)	-	8
Business Rates Equalisation	3,206	(570)	1,364	4,000	-	1,192	5,192
New Museum	68	-	17	85	(9)	4	80
Leap Project Small Business Grants	77	(52)	-	25	(25)	-	-
Journey to Work	32	(32)	-	-	-	-	-

**Notes to Main Financial Statements (Continued)**

	Balance at 1 April 2018 £'000	Transfers Out 2018/19 £'000	Transfers In 2018/19 £'000	Balance at 31 March 2019 £'000	Transfers Out 2019/20 £'000	Transfers In 2019/20 £'000	Balance at 31 March 2020 £'000
Flexible Homelessness Grant	372	(372)	-	-	-	-	-
Town Centre Partnership	42	-	-	42	(17)	-	25
Town Centre Markets	14	-	-	14	-	-	14
EU Exit Funding	-	-	154	154	-	184	338
Park Improvement Fund	-	-	18	18	(18)	-	-
Clean Our High Streets Business Rates Pool Cycling	-	-	20	20	(20)	-	-
Cycling	-	-	70	70	(10)	-	60
Shop Fronts	-	-	21	21	(21)	-	-
Town Centre BID Feasibility	-	-	17	17	(17)	-	-
Homeless Accommodation Acquisition	-	-	374	374	(16)	341	699
Queen Square	-	-	-	-	(11)	392	381
Supported Accommodation	-	-	-	-	-	120	120
Town Funds	-	-	-	-	-	173	173
Covid-19 LA Support Grant	-	-	-	-	-	41	41
<b>Total</b>	<b>18,552</b>	<b>(3,987)</b>	<b>2,665</b>	<b>17,230</b>	<b>(6,718)</b>	<b>3,415</b>	<b>13,927</b>

**11. Other Operating Expenditure**

2018/19 £'000		2019/20 £'000
1,032	Payment to the Government Housing Receipts Pool	1,032
121	Gains/losses on the disposal of non-current assets	(745)
(1,031)	Notional Shared Equity Income	(2,504)
<b>122</b>	<b>Total</b>	<b>(2,217)</b>

**Notes to Main Financial Statements (Continued)**

**12. Financing and Investment Income and Expenditure**

<b>2018/19</b>		<b>2019/20</b>
<b>£'000</b>		<b>£'000</b>
8,309	Interest payable and similar charges	8,310
122	Net interest on the net defined benefit liability	435
(1,386)	Interest receivable and similar income	(1,537)
369	Impairment losses	597
(659)	Income and expenditure in relation to investment properties and changes in their fair market value	1,013
<b>6,755</b>	<b>Total</b>	<b>8,818</b>

**13. Taxation and Non Specific Grant Incomes**

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

<b>2018/19</b>		<b>2019/20</b>
<b>£'000</b>		<b>£'000</b>
(6,909)	Council Tax Income	(7,197)
(6,218)	Retained Business Rates	(6,494)
(2,471)	Non-ringfenced government grants	(1,992)
(1,328)	Capital grants and contributions	(407)
<b>(16,926)</b>	<b>Total</b>	<b>(16,090)</b>

**Notes to Main Financial Statements (Continued)**

**14. Property, Plant and Equipment**

**Movements on Balances**

Movements in 2019/20

	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
<b>Cost or Valuation</b>								
At 1 April 2019	592,822	184,443	14,010	3,863	3,316	-	31,168	829,622
Additions	12,576	560	1,468	-	-	-	23,277	37,881
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,232	(3,993)	-	-	-	-	-	(761)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services*	(10,430)	(9,646)	-	-	-	-	-	(20,076)
Derecognition – Disposals	(8,480)	-	(70)	-	-	-	-	(8,550)
Assets Reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-
Other movements in asset classification	19,195	(1,493)	187	-	-	-	(17,889)	-
<b>At 31 March 2020</b>	<b>608,915</b>	<b>169,871</b>	<b>15,595</b>	<b>3,863</b>	<b>3,316</b>	<b>-</b>	<b>36,556</b>	<b>838,116</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2019	(1,478)	(2,675)	(9,735)	(60)	(179)	-	-	(14,127)
Depreciation charge	(6,059)	(3,009)	(1,050)	(20)	(45)	-	-	(10,183)
Depreciation written out to the Revaluation Reserve	5,847	2,399	-	-	-	-	-	8,246
Depreciation written out to the Surplus/Deficit on the Provision of Services	160	463	-	-	-	-	-	623
Impairment losses/(reversals) recognised in the Revaluation Reserves	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition – Disposals	11	-	68	-	-	-	-	79
Other movements in depreciation and impairment	1	5	(5)	-	(1)	-	-	-
<b>At 31 March 2020</b>	<b>(1,518)</b>	<b>(2,817)</b>	<b>(10,722)</b>	<b>(80)</b>	<b>(225)</b>	<b>-</b>	<b>-</b>	<b>(15,362)</b>
<b>Net Book Value</b>								
<b>At 31 March 2020</b>	<b>607,397</b>	<b>167,054</b>	<b>4,873</b>	<b>3,783</b>	<b>3,091</b>	<b>-</b>	<b>36,556</b>	<b>822,754</b>
<b>At 31 March 2019</b>	<b>591,344</b>	<b>181,768</b>	<b>4,275</b>	<b>3,803</b>	<b>3,137</b>	<b>-</b>	<b>31,168</b>	<b>815,495</b>

**Notes to Main Financial Statements (Continued)**

Comparative Movements in 2018/19

	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
<b>Cost or Valuation</b>								
At 1 April 2018	593,142	179,050	13,255	3,863	3,573	650	12,607	806,140
Additions	17,478	1,655	859	-	23	-	22,821	42,836
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(3,379)	4,399	-	-	-	-	-	1,020
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(8,971)	(1,217)	-	-	-	-	-	(10,188)
Derecognition – Disposals	(10,321)	(21)	(104)	-	-	(650)	-	(11,096)
Assets Reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-
Other movements in asset classification	4,873	577	-	-	(280)	-	(4,260)	910
<b>At 31 March 2019</b>	<b>592,822</b>	<b>184,443</b>	<b>14,010</b>	<b>3,863</b>	<b>3,316</b>	<b>-</b>	<b>31,168</b>	<b>829,622</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2018	(1,479)	(2,753)	(8,676)	(40)	(132)	-	-	(13,080)
Depreciation charge	(5,980)	(3,029)	(1,162)	(20)	(50)	(5)	-	(10,246)
Depreciation written out to the Revaluation Reserve	5,892	2,922	-	-	-	-	-	8,814
Depreciation written out to the Surplus/Deficit on the Provision of Services	72	173	-	-	-	-	-	245
Impairment losses/(reversals) recognised in the Revaluation Reserves	-	9	-	-	-	-	-	9
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	4	-	-	-	-	-	4
Derecognition – Disposals	19	-	103	-	-	5	-	127
Other movements in depreciation and impairment	(2)	(1)	-	-	3	-	-	-
<b>At 31 March 2019</b>	<b>(1,478)</b>	<b>(2,675)</b>	<b>(9,735)</b>	<b>(60)</b>	<b>(179)</b>	<b>-</b>	<b>-</b>	<b>(14,127)</b>
<b>Net Book Value</b>								
<b>At 31 March 2019</b>	<b>591,344</b>	<b>181,768</b>	<b>4,275</b>	<b>3,803</b>	<b>3,137</b>	<b>-</b>	<b>31,168</b>	<b>815,495</b>
<b>At 31 March 2018</b>	<b>591,663</b>	<b>176,297</b>	<b>4,579</b>	<b>3,823</b>	<b>3,441</b>	<b>650</b>	<b>12,607</b>	<b>793,060</b>

**Notes to Main Financial Statements (Continued)**

**\*New Town Hall**

The Council is progressing the building of a New Town Hall on part of the site of the existing Town Hall and this has resulted in a £8,743,152 impairment of the demolished portion of the Town Hall and this was reflected in the table above.

**Capital Commitments**

At 31 March 2020, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2020/21 and future years budgeted to cost £58,707,744. Similar commitments at 31 March 2019 were £22,858,894.

The major commitments are:

	<b>£'000</b>
HRA Programmed Repairs	10,010
HRA Affordable Housing	14,404
Community – Park and Recreation	4
Cabinet – New Town Hall	34,036
Cabinet – Crawley Growth Programme	240
Environment – Town Centre Regeneration	13
	58,707

**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.

	<b>Council Dwellings £' 000</b>	<b>Other Land &amp; Buildings £' 000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £' 000</b>	<b>Infrastructure Assets £' 000</b>	<b>Community Assets £' 000</b>	<b>Surplus Assets £' 000</b>	<b>Assets under construction £' 000</b>	<b>Total £' 000</b>
Carried at historical cost	-	-	4,873	3,092	3,783	-	36,556	48,304
Value at fair value as at:								
31 March 2020	607,397	102,381	-	-	-	-	-	709,778
31 March 2019	-	35,038	-	-	-	-	-	35,038
31 March 2018	-	6,403	-	-	-	-	-	6,403
31 March 2017	-	15,737	-	-	-	-	-	15,737
31 March 2016	-	7,068	-	-	-	-	-	7,068
31 March 2015	-	427	-	-	-	-	-	427
	607,397	167,054	4,873	3,092	3,783	-	36,556	822,755

### 15. Heritage Assets

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

	<b>Public Works of Art 2019/20 £' 000</b>	
<b>Cost or Valuation</b>		
01 April 2019	52	
Additions	-	
Disposals	-	
<b>31 March 2020</b>	<b>52</b>	
	<b>Public Works of Art 2018/19 £' 000</b>	
<b>Cost or Valuation</b>		
01 April 2018	52	
Additions	-	
Disposals	-	
<b>31 March 2019</b>	<b>52</b>	

#### 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:

	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
Rental income from investment property	(1,210)	(1,261)
Direct operating expenses arising from investment property *	552	2,274
<b>Net (Gain)/Loss</b>	<b>(658)</b>	<b>1,013</b>

\*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.

**Notes to Main Financial Statements (Continued)**

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

	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
Balance at the start of the year	21,322	20,041
Additions:		
• Purchases	-	7,448
• Subsequent expenditure	-	39
Disposals	-	-
Net gains/losses from fair value adjustments	(370)	(1,941)
Transfers:		
• to/from Property, Plant and Equipment	(911)	-
• to/from Assets Held for Sale	-	-
• to/from Land and Buildings	-	-
<b>Balance at end of the year</b>	<b>20,041</b>	<b>25,587</b>

**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**

	<b>Quoted prices in active markets for identical assets (Level 1) £'000</b>	<b>Other significant observable inputs (Level 2) £'000</b>	<b>Significant unobservable inputs (Level 3) £'000</b>	<b>Fair value as at 31 March 2020 £'000</b>
Recurring fair value measurements using:				
Office Units	-	16,838	-	16,838
Commercial Units	-	8,749	-	8,749
<b>Total</b>	<b>-</b>	<b>25,587</b>	<b>-</b>	<b>25,587</b>



**2019 Comparative Figures**

Recurring fair value measurements using:	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 2019 £'000
Office Units	-	16,757	-	16,757
Commercial Units	-	3,285	-	3,285
<b>Total</b>	-	20,042	-	20,042

**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 seven investment properties, the highest and best use of the properties is their current use.

For one 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 £36,376.84 charged to revenue in 2019/20 was charged to appropriate service headings in the Net Expenditure of Services.

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

	2018/19			2019/20		
	Internally Generated Assets £'000	Other Assets £'000	Total £'000	Internally Generated Assets £'000	Other Assets £'000	Total £'000
<b>Balance at start of year:</b>						
▪ Gross carrying amounts	-	3,530	3,530	-	3,577	3,577
▪ Accumulated amortisation	-	(2,925)	(2,925)	-	(3,030)	(3,030)
Net carrying amount at start of year	-	605	605	-	547	547
Additions:						
▪ Purchases	-	47	47	-	68	68
Assets reclassified	-	-	-	-	-	-
Disposals	-	-	-	-	(17)	(17)
Other movements in Asset classification						
Amortisation for the period	-	(105)	(105)	-	(34)	(34)
Derecognition: Disposal	-	-	-	-	17	17
Net carrying amount at end of year	-	547	547	-	581	581
Comprising:						
▪ Gross carrying amounts	-	3,577	3,577	-	3,628	3,628
▪ Accumulated amortisation	-	(3,030)	(3,030)	-	(3,047)	(3,047)
	-	547	547	-	581	581

## 18. Financial Instruments

### Categories of Financial Instruments

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

#### Financial Assets

	Long-Term		Short-Term	
	As at 31 March 2019 £'000	As at 31 March 2020 £'000	As at 31 March 2019 £'000	As at 31 March 2020 £'000
<b>Investments</b>				
Loans and receivables	-	-	-	-
Available-for-sale financial assets	-	-	-	-
Financial assets at amortised cost	-	10,000	106,042	78,273
<b>Total Investments</b>	-	<b>10,000</b>	<b>106,042</b>	<b>78,273</b>
<b>Cash and Cash Equivalents</b>				
Loans and receivables	-	-	-	-
Financial assets at amortised cost	-	-	6,898	9,614
Financial liabilities at amortised cost	-	-	(1,275)	(462)
<b>Total cash and cash equivalents</b>	-	-	<b>5,623</b>	<b>9,152</b>
<b>Debtors</b>				
Loans and receivables	-	-	-	-
Shared equity loans valued at fair value through profit and loss	2,688	5,069	-	-
Financial assets carried at contract amounts	-	-	-	-
Financial assets at amortised cost	5,889	6,067	3,485	3,570
<b>Total included in Debtors</b>	<b>8,577</b>	<b>11,136</b>	<b>3,485</b>	<b>3,570</b>
Debtors that are not financial instrument	-	-	3,146	2,657
<b>Total Debtors</b>	<b>8,577</b>	<b>11,136</b>	<b>6,631</b>	<b>6,227</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	(260,269)	(260,275)	(68)	(68)
<b>Total Borrowings</b>	<b>(260,269)</b>	<b>(260,275)</b>	<b>(68)</b>	<b>(68)</b>
<b>Creditors</b>				
Financial liabilities at amortised cost	-	-	(10,226)	(10,838)
<b>Total included in Creditors</b>	-	-	<b>(10,226)</b>	<b>(10,838)</b>
Creditors that are not financial instruments	-	-	(10,428)	(11,714)
<b>Total Creditors</b>	-	-	<b>(20,654)</b>	<b>(22,552)</b>

Note 1 – Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including 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: Accrued interest is not required for instruments measured at EIR, as this adjustment covers a full year’s interest.

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**

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	<b>31 March 2019</b>		<b>31 March 2020</b>	
	<b>Surplus or Deficit on the Provision of Services £'000</b>	<b>Other Comprehensive Income and Expenditure £'000</b>	<b>Surplus or Deficit on the Provision of Services £'000</b>	<b>Other Comprehensive Income and Expenditure £'000</b>
Net gains/losses on:				
- Financial assets measured at fair value though profit or loss	(252)	-	(341)	-
-Financial assets measured at amortised cost	369	-	596	-
<b>Total net gains/losses</b>	<b>117</b>	<b>-</b>	<b>255</b>	<b>-</b>
Interest revenue:				
- Financial assets measured at amortised cost	(1,134)	-	(1,196)	-
<b>Total interest revenue</b>	<b>(1,134)</b>	<b>-</b>	<b>(1,196)</b>	<b>-</b>
<b>Interest expense</b>	<b>8,309</b>	<b>-</b>	<b>8,310</b>	<b>-</b>

**Fair value of financial assets**

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 2019 £'000	As at 31 March 2020 £'000
<b>Fair Value through Profit and Loss</b>				
		Historic cost adjusted by house price indices and discounted to the balance sheet date		
Shared equity loans	Level 3		2,688	5,069

**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**

	<b>Shared Equity Loans</b>	
	<b>31 March 2019 £'000</b>	<b>31 March 2020 £'000</b>
Opening balance	1,604	2,688
Included in Surplus or Deficit on the Provision of Services	52	132
Additions	1,032	2,440
Disposals	-	(191)
Closing balance	2,688	5,069

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:

<b>Assumption</b>	<b>31 March 2019 £'000</b>	<b>31 March 2020 £'000</b>
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	63	106

**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 represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value disclosed below have been estimated by calculating the net present value of the remaining contractual cash flows at 31<sup>st</sup> March 2020, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans;
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31<sup>st</sup> March;
- No early repayment or impairment is recognised for any financial instrument;
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low interest rate environment.

The fair values calculated are as follows:

**Financial Liabilities**

	<b>31 March 2019</b>		<b>31 March 2020</b>	
	<b>Carrying amount £'000</b>	<b>Fair value £'000</b>	<b>Carrying amount £'000</b>	<b>Fair value £'000</b>
Cash and Cash Equivalents	1,275	1,275	462	462
PWLB debt	260,339	293,375	260,343	297,368
Short term creditors	10,226	10,226	10,838	10,838
<b>Total Liabilities</b>	<b>271,840</b>	<b>304,876</b>	<b>271,643</b>	<b>308,668</b>

The fair value of the assets is greater than the carrying amount because the council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to lenders above current market rates.

Financial Assets	31 March 2019		31 March 2020	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Money market loans<1 year	33,296	33,306	18,968	18,968
Short term investments	72,746	72,940	59,305	59,305
Long term investments	-	-	10,000	10,055
Short term debtors	3,485	3,485	3,570	3,570
Long term debtors	5,889	5,889	6,067	6,067
<b>Total Assets</b>	<b>115,416</b>	<b>115,620</b>	<b>97,910</b>	<b>97,965</b>

The fair value of the assets is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future gain (based on economic conditions at 31 March 2020) arising from commitment to pay interest to lenders 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 2020			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	
<b>Recurring fair value measurements using:</b>				
<b>Financial Liabilities</b>				
Financial liabilities held at amortised cost:				
Cash and cash equivalents	-	462	-	462
PWLB	-	293,375	-	293,375
Short term creditors	-	-	10,226	10,226
<b>Total</b>	-	<b>293,837</b>	<b>10,226</b>	<b>304,063</b>
<b>Financial Assets</b>				
Financial assets held at amortised cost:				
Money market loans<1 year	18,968	-	-	18,968
Short term investments	-	59,305	-	59,305
Long term investments	-	10,055	-	10,055
Short term debtors	-	-	3,570	3,570
Long term debtors	-	-	6,067	6,067
<b>Total</b>	<b>18,968</b>	<b>69,360</b>	<b>9,637</b>	<b>97,965</b>

31 March 2019

	Quoted Prices in active markets for identical assets (Level 1) £'000	Other Significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
<b>Recurring fair value measurements using:</b>				
<b>Financial Liabilities</b>				
Financial liabilities held at amortised cost:				
Cash and cash equivalents	-	1,275	-	1,275
PWLB	-	293,375	-	293,375
Short term creditors	-	-	10,226	10,226
<b>Total</b>	<b>-</b>	<b>294,650</b>	<b>10,226</b>	<b>304,876</b>
 <b>Financial Assets</b>				
Financial assets held at amortised cost:				
Money market loans<1 year	33,306	-	-	33,306
Short term investments	-	72,940	-	72,940
Long term investments	-	-	-	-
Short term debtors	-	-	3,485	3,485
Long term debtors	-	-	5,889	5,889
<b>Total</b>	<b>33,306</b>	<b>72,940</b>	<b>9,374</b>	<b>115,620</b>

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 2020 of 1.10% to 1.14% 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 2020 of 1.50% to 2.00% for loans payable based on new lending rates for equivalent loans at that date



**19. Debtors**

	<b>31 March 2019 £'000</b>	<b>31 March 2020 £'000</b>
Central Government Departments	1,413	1,429
Other Local Authorities	309	590
NHS Bodies	77	-
Public Corporations and Trading Funds	-	-
Other Entities and Individuals	4,832	4,208
<b>Total Debtors</b>	<b>6,631</b>	<b>6,227</b>

**20. Cash and Cash Equivalent**

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

<b>31 March 2019 £'000</b>		<b>31 March 2020 £'000</b>
(1,275)	Cash overdrawn	(462)
-	Bank Call account	-
6,898	Money Market Funds	9,614
<b>5,623</b>	<b>Total Cash and Cash Equivalents</b>	<b>9,152</b>

**21. Assets Held for Sale**

	<b>2018/19 £'000</b>	<b>Current 2019/20 £'000</b>
<b>Balance Outstanding at start of year</b>	<b>4,452</b>	<b>4,452</b>
Assets newly classified as held for sale:		
• Property, Plant and Equipment	-	-
• Investment Property	-	-
Assets declassified as held for sale:		
• Property, Plant and Equipment	-	-
• Investment Property	-	-
Revaluation Gains	-	-
Impairment Losses	-	-
Assets sold	-	(4,452)
<b>Balance outstanding at year end</b>	<b>4,452</b>	<b>-</b>

**22. Creditors**

	<b>As at 31 March 2019 £'000</b>	<b>As at 31 March 2020 £'000</b>
Central Government Departments	8,518	6,069
Other Local Authorities	1,405	6,341
NHS Bodies	92	-
Other Entities and Individuals	10,639	10,142
<b>Total Creditors</b>	<b>20,654</b>	<b>22,552</b>

**23. Provisions**

	<b>Accumulated Absences £'000</b>	<b>NNDR Appeal £'000</b>	<b>Total £'000</b>
<b>Balance at 1 April 2019</b>	<b>166</b>	<b>4,083</b>	<b>4,249</b>
Additional provisions made in 2019/20	175	315	490
Amounts used in 2019/20	(166)	(408)	(574)
Unused amounts reversed in 2019/20	-	(2,042)	(2,042)
Unwinding of discounting in 2019/20	-	-	-
<b>Balance at 31 March 2020</b>	<b>175</b>	<b>1,948</b>	<b>2,123</b>

**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**

<b>31 March 2019 £'000</b>		<b>31 March 2020 £'000</b>
	<b>Unusable Reserves Held for Capital Purposes</b>	
251,575	Revaluation Reserve	253,725
329,053	Capital Adjustment Account	335,254
6,919	Deferred Capital Receipts Reserve	9,191
<u>587,547</u>	<b>Total Unusable Reserves Held for Capital Purposes</b>	<u>598,170</u>
	<b>Unusable Reserves Held for Revenue Purposes</b>	
(16,164)	Pension Reserve	24,785
91	Collection Fund Adjustment Account	(167)
(166)	Accumulated Absences Account	(175)
<u>(16,239)</u>	<b>Total Unusable Reserves Held for Revenue Purposes</b>	<u>24,443</u>
<u>571,308</u>	<b>Total Unusable Reserves</b>	<u>622,613</u>

**(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.

<b>31 March 2019 £'000</b>		<b>31 March 2020 £'000</b>
<b>247,511</b>	<b>Balance at 1 April</b>	<b>251,575</b>
13,308	Upward revaluation of asset	15,392
(3,465)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(7,903)
<b>9,843</b>	Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	<b>7,489</b>
(4,386)	Difference between fair value depreciation and historical cost depreciation	(4,524)
(1,393)	Accumulated gains on assets sold or scrapped	(815)
<b>(5,779)</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>(5,339)</b>
<b>251,575</b>	<b>Balance at 31 March</b>	<b>253,725</b>

**(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.

2018/19 £'000		2019/20 £'000
<b>312,064</b>	<b>Balance at 1 April</b>	<b>329,053</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
	<ul style="list-style-type: none"> <li>• Charges for depreciation and impairment of non-current assets</li> <li>• Revaluation losses on Property, Plant and Equipment</li> <li>• Amortisation of intangible assets</li> <li>• Revenue expenditure funded from capital under statute</li> <li>• 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</li> </ul>	
(10,246)		(10,183)
(9,939)		(19,454)
(104)		(36)
(2,313)		(7,819)
(11,029)		(12,978)
<u>(33,631)</u>		<u>(50,470)</u>
5,779	Adjusting amounts written out of the Revaluation Reserve	5,339
<b>(27,852)</b>	Net written out amount of the cost of non-current assets consumed in the year	<b>(45,131)</b>
	Capital financing applied in the year:	
	<ul style="list-style-type: none"> <li>• Use of the Capital Receipts Reserve to finance new capital expenditure</li> <li>• Use of the Major Repairs Reserve to finance new capital expenditure</li> <li>• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing</li> <li>• Application of grants to capital financing from the Capital Grants Unapplied Account</li> <li>• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances</li> <li>• Capital expenditure charged against the General fund and HRA balances</li> </ul>	
9,270		17,470
30,047		27,264
2,613		2,676
139		176
-		-
3,142		5,688
<u>45,211</u>		<u>53,274</u>
<b>(370)</b>	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	<b>(1,942)</b>
-	Movement in the donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-
<b>329,053</b>	<b>Balance at 31 March</b>	<b>335,254</b>

**(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.

<b>2018/19</b> <b>£'000</b>		<b>2019/20</b> <b>£'000</b>
<b>5,890</b>	<b>Balance at 1 April</b>	<b>6,919</b>
1,029	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,440
-	Transfer to the Capital Receipts Reserve upon receipt of cash	(168)
<b>6,919</b>	<b>Balance at 31 March</b>	<b>9,191</b>

**(d) 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.

<b>2018/19</b> <b>£'000</b>		<b>2019/20</b> <b>£'000</b>
<b>(3,223)</b>	<b>Balance at 1 April</b>	<b>(16,164)</b>
(10,237)	Actuarial gains or losses on pensions assets and liabilities	45,854
(6,196)	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	(8,777)
3,492	Employer's pensions contribution and direct payments to pensioners payable in the year	3,872
<b>(16,164)</b>	<b>Balance at 31 March</b>	<b>24,785</b>

**(e) 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.

<b>2018/19</b>		<b>2019/20</b>
<b>£'000</b>		<b>£'000</b>
<b>418</b>	<b>Balance at 1 April</b>	<b>91</b>
	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	
<u>(327)</u>		<u>(258)</u>
<b>91</b>	<b>Balance at 31 March</b>	<b>(167)</b>

**(f) 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.

<b>2018/19</b>		<b>2019/20</b>
<b>£'000</b>		<b>£'000</b>
<b>(158)</b>	<b>Balance at 1 April</b>	<b>(166)</b>
	Settlement or cancellation of accrual made at the end of the preceding year	
158		166
<u>(166)</u>	Amounts accrued at the end of the current year	<u>(175)</u>
	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	
<u>(8)</u>		<u>(9)</u>
<b>(166)</b>	<b>Balance at 31 March</b>	<b>(175)</b>

**26. Cash Flow Statement – Operating Activities**

The cash flows for operating activities include the following items:

<b>31 March 2019 £'000</b>		<b>31 March 2020 £'000</b>
1,057	Interest received	1,186
(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:

<b>31 March 2019 £'000</b>		<b>31 March 2020 £'000</b>
10,245	Depreciation	10,183
9,940	Impairments and downward valuations	19,454
105	Amortisation	36
-	Increase/(decrease) in impairment for bad debts	-
2,596	Increase/(decrease) in creditors	(2,794)
(753)	(Increase)/decrease in debtors	387
(2)	(Increase)/decrease in inventories	(14)
2,704	Movement in pension liability	4,905
11,027	Carrying amount of non-current assets and non-current assets held for sale, sole or derecognised	12,978
1,556	Other non-cash items charged to the net surplus or deficit on the provision of services	(518)
<b>37,418</b>		<b>44,617</b>

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

-	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	(1)
(11,940)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(16,162)
(3,405)	Any other items for which the cash effects are investing or financing cash flows	(2,881)
<b>(15,345)</b>		<b>(19,044)</b>



**27. Cash Flow Statement – Investing Activities**

The cash flows for operating activities include the following items:

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
(43,854)	Purchase of property, plant and equipment, investment property and intangible assets	(44,596)
(156,716)	Purchase of short-term and long-term investments	(151,645)
(15)	Other payments for investing activities	(18)
10,849	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	13,822
164,291	Proceeds from short-term and long-term investments	169,437
<u>3,043</u>	Other receipts from investing activities	<u>3,295</u>
<b>(22,402)</b>	<b>Net cash flows from investing activities</b>	<b>(9,705)</b>

**28. Cash Flow Statement – Financing Activities**

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
-	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	-
<u>1,061</u>	Other payments for financing activities	<u>3,852</u>
<b>1,061</b>	<b>Net cash flows from financing activities</b>	<b>3,852</b>

### 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.

	2018/19 £'000	2018/19 £'000	2019/20 £'000	2019/20 £'000
Turnover for commercial operations	1,210		1,253	
Turnover related to non-commercial lets	4,299		4,533	
Total Turnover		5,509		5,786
Expenditure	(1,904)		(2,657)	
Movement in Fair Value of investment Properties	(370)		(1,943)	
		(2,274)		(4,600)
Net Surplus/(deficit) on trading operations		3,235		1,186

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

	2018/19 £'000	2019/20 £'000
<b>Net Surplus on trading operations</b>	3,235	1,186
<b>Net Surplus credited to Financing and Investment Income and Expenditure</b>	3,235	1,186

### 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 (WSSC)

	2018/19 £'000	2019/20 £'000
<b>WSSC-Verge/Shrub maintenance</b>		
Expenditure incurred in providing verge/shrub maintenance	208	216
Income – contribution from WSSC	(182)	(182)
Net (surplus)/deficit arising on agency arrangement	26	34

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

<b>WSCC-Civil Parking Enforcement</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
Expenditure incurred in providing a CPE/CPZ service	458	547
Income raised from fees and charges	(1,076)	(1,110)
Contribution to expenditure	(458)	(547)
Income Share	1,059	1,090
Management Fee Payable	(148)	(150)
Net (surplus)/deficit arising on agency arrangement	(165)	(170)

**31. Members' Allowances**

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

	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
Salaries	n/a	n/a
Allowance	337	325
Expenses	-	-
Total	337	325

### 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	2019/20	132,266	2,217	-	-	26,347	160,830
	2018/19	116,846	1,776	-	-	25,239	143,861
Deputy Chief Executive	2019/20	96,856	-	-	-	21,405	118,261
	2018/19	74,656	-	-	-	16,126	90,782
Head of Corporate Finance (S.151 Officer)	2019/20	73,871	60	-	-	16,254	90,185
	2018/19	71,596	62	-	-	15,465	87,123
Head of Legal, Democratic Services and HR	2019/20	74,865	-	-	-	16,254	91,119
	2018/19	71,966	-	-	-	15,465	87,431

During 2018/19 Crawley Borough Council recruited into the position of Deputy Chief Executive with this position being vacant during some part of the year.

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 2018/19	Number of Employees 2019/20
£50,000 - £54,999	10	16
£55,000 - £59,999	10	8
£60,000 - £64,999	1	2
£65,000 - £69,999	1	1
£70,000 - £74,999	2	3
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000+	-	-

**Notes to Main Financial Statements (Continued)**

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	
	2018/19 Qty	2019/20 Qty	2018/19 Qty	2019/20 Qty	2018/19 Qty	2019/20 Qty	2018/19 £	2019/20 £
£0 - £20,000	-	-	-	1	-	1	-	12,652
£20,001–£40,000	-	-	-	-	-	-	-	-
£40,001–£60,000	-	-	-	-	-	-	-	-
£60,001–£80,000	-	-	1	-	1	-	62,500	-
£80,001–£100,000	-	-	-	-	-	-	-	-
£100,001–£150,000	-	-	-	-	-	-	-	-
£150,001–£200,000	-	-	-	-	-	-	-	-
£200,001–£250,000	-	-	-	-	-	-	-	-
<b>TOTAL</b>	-	-	1	1	1	1	62,500	12,652

**33. External Audit Cost**

In 2019/20 the Council incurred the following fees payable to Ernst & Young LLP relating to external audit and inspection:

	2018/19 £'000	2019/20 £'000
Fees payable with regard to external audit services carried out by the appointed auditor	65	76
Fees payable in respect of other services provided by the auditor during the year*	3	3
<b>Total</b>	<b>68</b>	<b>79</b>

\*The fees for other services payable in 2019/20 related to the audit of the Capital Pooling return for 2018/19, which was not undertaken by the appointed auditor, Ernst & Young LLP.

**34. Grant Income**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure statement in 2019/20:

	2018/19 £'000	2019/20 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	575	-
Capital Grants and Contributions	1,328	407
New Homes Bonus	1,467	1,473
Preventing Homelessness	112	49
Other Grants	317	470
Business Rate Grants	1,013	898
	<b>4,812</b>	<b>3,297</b>
<b>Credited to Services</b>		
Rent Allowance	23,553	18,986
Rent Rebates	18,276	15,875
Benefits Administration	574	521
NNDR Collection	202	212
Other Grants	1,063	958
<b>Total</b>	<b>43,668</b>	<b>36,552</b>

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;

	2018/19 £'000	2019/20 £'000
<b>Capital Grants Receipts in Advance</b>		
S106 – Transport	892	216
S106 – Amenity Space	793	488
S106 – Other Grants	308	1,624
<b>Total</b>	<b>1,993</b>	<b>2,328</b>

### **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 2020 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 £614,210 in which thirteen members had an interest. Additionally 1 member had an interest in an organisation which received discretionary rent relief totalling £15,480. The grants and the discretionary rent relief were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants or the discretionary rent relief.

### 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.

	<b>2018/19</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
<b>Capital Expenditure and Capital Financing</b>		
Opening Capital Financing Requirement	260,325	260,325
<b>Capital Investment</b>		
Property, Plant and Equipment	42,836	37,881
Investment Properties	-	7,487
Intangible Assets	47	68
Revenue Expenditure Funded from Capital under Statute	2,313	7,819
Long Term Debtors	15	18
<b>Sources of Finance</b>		
Capital receipts	9,270	17,470
Capital reserves	2,240	-
Major Repairs Reserve	30,047	27,264
Government Grants and other contributions	2,752	2,851
Revenue contributions	902	5,688
Closing Capital Financing Requirement	260,325	260,325
	<b>2018/19</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrowing (unsupported by government financial assistance)	-	-
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>-</b>	<b>-</b>



**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:

	<b>31 March 2019</b>	<b>31 March 2020</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	4,731	5,019
Later than one year and not later than five years	13,940	14,004
Later than five years	20,795	21,124
	<b>39,466</b>	<b>40,147</b>
Contingent rents	708	670

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 2019/20 £669,896 contingent rents were receivable by the authority (2018/19 £708,401).

**38. Termination Benefits**

The Council terminated the contracts of a number of employees in 2019/20, incurring liabilities of £12,652 (£62,500 in 2018/19). See note 32 for the number of exit packages and total cost per band.

### 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 2020/21 are expected to be as follows:

Bands	Range	Contribution Rates	
		Main Section	50/50 Section
1	Up to £14,600	5.50%	2.75%
2	£14,601 to £22,800	5.80%	2.90%
3	£22,801 to £37,100	6.50%	3.25%
4	£37,101 to £46,900	6.80%	3.40%
5	£46,901 to £65,600	8.50%	4.25%
6	£65,601 to £93,000	9.90%	4.95%
7	£93,001 to £109,500	10.50%	5.25%
8	£109,501 to £164,200	11.40%	5.70%
9	£164,201 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 2019/20 the Council made a contribution of £3.562 million, 22.1% of pensionable pay (2018/19 £3.246 million, 21.6%). In addition the Council made a contribution for unfunded benefits of 0.310 million (2018/19 £0.309 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
2020/21	21.40%	Plus	-0.30%	21.10%
2021/22	21.40%	Plus	-1.30%	20.10%
2022/23	21.40%	Plus	-2.30%	19.10%

#### 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.

	2018/19 £'000	2019/20 £'000
<b>Comprehensive Income &amp; Expenditure Statement</b>		
Cost of Services		
- Current service cost	(6,062)	(7,549)
- Past service cost	(12)	(793)
- (Gains)/losses from settlements	-	-
Financing and Investment Income and Expenditure		
Net interest comprising:		
- Interest on plan assets	6,639	6,227
- Interest cost on defined benefit obligation	(6,761)	(6,662)
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	(6,196)	(8,777)
<b>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>		
Remeasurement of the net defined benefit liability comprising:		
- Changes in demographic assumptions	-	12,894
- Changes in financial assumptions	(19,291)	22,280
- Other experience	(52)	17,182
- Return on assets (excluding amounts included in net interest)	9,106	(6,502)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(16,433)	37,077
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	2,704	4,905
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to scheme	(3,183)	(3,562)
Contributions in respect of unfunded benefits	(309)	(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:

	<b>2018/19</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of the employer assets	260,295	257,231
Present value of funded liabilities	(271,728)	(228,427)
Present value of unfunded liabilities	(4,731)	(4,019)
Net liability	(16,164)	24,785

**Reconciliation of the Movements in the Fair Value of Plan Assets**

	<b>2018/19</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
Opening fair value of scheme assets	247,620	260,295
Interest income on plan assets	6,639	6,227
Remeasurement gain/(loss):		
- Return on assets excluding amounts included in net interest	9,106	(6,502)
Contributes from employer	3,183	3,562
Contributions from employees into the scheme	1,013	1,088
Contributions in respect of unfunded benefits	309	310
Benefits paid	(7,266)	(7,439)
Unfunded benefits paid	(309)	(310)
Closing fair value of scheme assets	260,295	257,231

**Reconciliation of Present Value of the Scheme Liabilities**

	<b>2018/19</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance at 1 April	(250,843)	(276,459)
Current service cost	(6,062)	(7,549)
Past service cost	(12)	(793)
Interest cost on defined benefit obligation	(6,761)	(6,662)
Remeasurement (gains)/losses:		
- Changes in demographic assumptions	-	12,894
- Changes in financial assumptions	(19,291)	22,280
- Other experience	(52)	17,182
Contributions from employees into the scheme	(1,013)	(1,088)
Benefits paid	7,266	7,439
Unfunded benefits paid	309	310
Closing balance at 31 March	(276,459)	(232,446)

**Local Government Pension Scheme assets comprised:**

	Period Ended 31 March 2019			Period Ended 31 March 2020		
	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
<b>Equity Securities</b>						
Consumer	25,355.3	-	25,355.3	22,851.2	-	22,851.2
Manufacturing	14,959.5	-	14,959.5	17,645.6	-	17,645.6
Energy and Utilities	7,924.3	-	7,924.3	6,253.6	-	6,253.6
Financial Institutions	31,229.2	-	31,229.2	28,618.3	-	28,618.3
Health and Care	12,527.5	-	12,527.5	17,261.4	-	17,261.4
Information Technology	16,855.2	-	16,855.2	27,440.4	-	27,440.4
Other	14,873.0	-	14,873.0	7,108.1	-	7,108.1
<b>Debt Securities</b>						
Corporate Bonds (investment grade)	-	-	-	-	-	-
Corporate Bonds (non-investment grade)	-	-	-	-	-	-
UK Government	7,385.9	-	7,385.9	5,839.1	-	5,839.1
Other	-	-	-	-	-	-
Private Equity	-	7,231.6	7,231.6	-	5,886.6	5,886.6
<b>Real Estate</b>						
UK Property	-	24,233.6	24,233.6	-	19,883.6	19,883.6
Overseas Property	-	-	-	-	-	-
<b>Investment Funds and Unit Trusts</b>						
Equities	-	-	-	-	-	-
Bonds	87,767.4	-	87,767.4	85,169.9	-	85,169.9
Hedge Funds	-	-	-	-	-	-
Commodities	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-
Other	2,777.8	-	2,777.8	3,073.8	-	3,073.8
Cash and Cash Equivalents	7,174.7	-	7,174.7	10,199.4	-	10,199.4
Totals	228,829.8	31,465.2	260,295.0	231,460.8	25,770.2	257,231.0

**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:

	<b>Local Government Pension Scheme</b>	
	<b>2018/19</b>	<b>2019/20</b>
Mortality assumptions:		
Longevity at 65 for current pensioners:		
• Men	23.6	22.2
• Women	25.0	24.2
Longevity at 65 for future pensioners:		
• Men	26.0	23.3
• Women	27.8	25.9
Rate of increase in salaries	3.20%	2.30%
Rate of increase in pensions	2.20%	1.90%
Rate for discounting scheme liabilities	2.40%	2.30%

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.

	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
Change in assumptions at 31 March 2020:		
0.5% decrease in Real Discount Rate	9%	20,989
0.5% increase in the Salary Increase Rate	1%	1,854
0.5% increase in the Pension Increase Rate (CPI)	8%	18,973

## McCloud

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

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

The West Sussex County Council Pension Fund's actuary has estimated an allowance of £0.6m for the McCloud judgement. This allowance has been included in the balance sheet as at 31<sup>st</sup> March 2020 and has been accounted for as a past service cost.

## GMP

Guaranteed minimum pension (GMP) was accrued by members of the Local Government Pension Scheme (LGPS) between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number of reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men's and women's benefits.

As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility leads to increased costs for schemes (including the LGPS) and hence scheme employers.

**Notes to Main Financial Statements (Continued)**

There is an allowance of £180,000 included in the financial statements for the impact of GMP indexation and has been accounted for as a past service cost.

**Information about the Defined benefit obligation**

	<b>Liability split</b>
Active members	33.00%
Deferred members	22.60%
Pensioner members	44.40%
<b>Total</b>	<b>100%</b>

**Analysis of projected amount to be charged to operating profit for the period to 31 March 2021**

	Assets	Obligation	Net (liability)/asset	
Period Ended 31 March 2021	£'000	£'000	£'000	% of pay
Projected Current service cost*	-	5,510	(5,510)	(34.30%)
Past service cost including curtailment	-	-	-	-
Effect of settlements	-	-	-	-
<b>Total Service Cost</b>	<b>-</b>	<b>5,510</b>	<b>(5,510)</b>	<b>(34.30%)</b>
Interest income on plan assets	5,885	-	5,885	36.50%
Interest cost on defined benefit obligation	-	5,335	(5,335)	(33.20%)
<b>Total Net Interest cost</b>	<b>5,885</b>	<b>5,335</b>	<b>550</b>	<b>3.40%</b>
<b>Total Included in Profit and Loss</b>	<b>5,885</b>	<b>10,845</b>	<b>(4,960)</b>	<b>(30.90%)</b>

\*The current service cost includes an allowance for administration expenses of 0.5% 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 2020, the total amount guaranteed was £1,002,204.

**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 is contained within the Treasury Management Strategy which is available on the Council’s website.

**Credit Risk management Practices**

The Council’s credit risk management practices are set out in the Annual Investment Strategy. With particular regard to determining whether the credit risk of financial instruments has increased significantly since initial recognition.

The Annual Investment Strategy 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 Strategy also considers maximum amounts and time limits with a 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

Notes to Main Financial Statements (Continued)

The full Treasury Management Strategy for 2019/20 was approved by Full Council on 27 February 2019 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 £97.9m 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 2020 that this was likely to crystallise.

**Amounts Arising from Expected Credit Losses**

The changes in loss allowance for investments at amortised cost during the year are as follows:

**Credit Risk Exposure**

The authority has the following exposure to credit risk at 31 March 2020:

Credit Rating	31 March 2020		31 March 2019	
	Long-term £000	Short-term £000	Long-term £000	Short-term £000
AAA	-	9,614	-	6,898
AA+	-	-	-	-
AA	-	-	-	-
AA-	-	17,081	-	20,148
A+	-	4,934	-	1,517
A	-	5,017	-	15,653
A-	-	-	-	10,530
BBB+	-	-	-	-
Unrated local authorities	10,000	51,241	-	58,194
<b>Total investments</b>	<b>10,000</b>	<b>87,887</b>	<b>-</b>	<b>112,940</b>

The Council has a substantial number of trade receivables. As the assets do not have a significant financing component, the loss allowance is to be based on lifetime expected credit losses. The Council uses a provision matrix based on historical observed default rates over the lifecycle of trade receivables, adjust for forward-looking estimates. The loss allowance is as follows:

Lifecycle stage	Gross carrying amount* £000	Lifetime expected credit losses* £000
Current	2,856	153
Less than 3 months	950	243
3 to 6 months	177	79
6 months to 1 year	254	167
More than 1 year	953	820
	<b>5,190</b>	<b>1,462</b>

\* Excluding statutory debtors – Council Tax / NNDR

**Collateral** – 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 2020 was £0.6m.

**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 Treasury Management 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:

	<b>31 March 2019 £'000</b>	<b>31 March 2020 £'000</b>
Less than 1 year	112,940	87,887
Between 1 and 2 years	-	10,000
Between 2 and 3 years	-	-
More than 3 years	-	-
<b>Total</b>	<b>112,940</b>	<b>97,887</b>

**Refinancing and Maturity Risk**

The Council maintains a significant debt and 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 2019 £'000	Actual 31 March 2020 £'000
Less than one year	0%	10%	-	-
Between 1 and 2 years	0%	10%	-	-
Between 2 and 5 years	0%	10%	23,000	36,000
Between 5 and 10 years	0%	30%	74,000	80,000
Between 10 and 20 years	0%	80%	163,325	144,325
Between 20 and 30 years	0%	15%	-	-
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.

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.

**Notes to Main Financial Statements (Continued)**

According to this assessment strategy, at 31 March 2020, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	<b>£'000</b>
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(147)
Increase in Government grant receivable for financing costs	-
Impact on Surplus or Deficit on the Provision of Services	(147)
Share of overall impact credited to the HRA	(222)
Decrease in fair value of loans and investments at amortised cost*	(166)
Decrease in fair value of fixed rate borrowing*	26,139

\*no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure

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 the Note – Fair Value of Assets and Liabilities carried at Amortised Cost.

Price risk

The Council does not generally invest in equity shares.

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 transactions in the five-year period to March 31, 2020.

**43. Restatement**

These statements have been restated to reflect the removal of Resources portfolio, the costs have been reallocated to their new responsibility owner as shown below.

## Notes to Main Financial Statements (Continued)

### Expenditure and Funding Analysis (2018/19 Restatement)

2018/19 Restatement Comparative Figures	2018/19 Published Statement			Adjustment for the reallocation of resources			2018/19 Restated		
	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Resources	6,744	443	7,187	(6,744)	(443)	(7,187)	-	-	-
Cabinet	2,584	84	2,668	4,572	305	4,877	7,156	389	7,545
Planning and Economic Development	(2,141)	1,824	(317)	2,172	138	2,310	31	1,962	1,993

### Comprehensive of Income and Expenditure (2018/19 Restatement)

2018/19 Restatement Comparative Figures	2018/19 Published Statement			Adjustment for the reallocation of resources			2018/19 Restated		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Resources	7,928	(741)	7,187	(7,928)	741	(7,187)	-	-	-
Cabinet	3,351	(683)	2,668	5,618	(741)	4,877	8,969	(1,424)	7,545
Planning and Economic Development	4,754	(5,071)	(317)	2,310	-	2,310	7,064	(5,071)	1,993

## Notes to Main Financial Statements (Continued)

### Note 6 – Note to the Expenditure and Funding (2018/19 Restatement)

	2018/19 Published Statement				Adjustment for the reallocation of resources				2018/19 Restated			
	Adjustment for Capital Purposes	Net charge for the Pensions Adjustments	Other Differences	Total Adjustments	Adjustment for Capital Purposes	Net charge for the Pensions Adjustments	Other Differences	Total Adjustments	Adjustment for Capital Purposes	Net charge for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Resources	(2)	444	1	443	2	(444)	(1)	(443)	-	-	-	-
Cabinet	-	83	1	84	(2)	306	1	305	(2)	389	2	389
Planning and Economic Development	897	235	692	1,824	-	138	-	138	897	373	692	1,962

### Note 7 – Segmental Income (2018/19 Restatement)

Services	2018/19 Published Statement		Adjustment for the reallocation of resources		2018/19 Restated	
	Income From	Depreciation	Income From	Depreciation	Income From	Depreciation
	£'000	£'000	£'000	£'000	£'000	£'000
Resources	(6,803)	621	6,803	(621)	-	-
Cabinet	(2,736)	-	(6,803)	336	(9,539)	336
Planning and Economic Development	(6,717)	640	-	285	(6,717)	925

**Housing Revenue Account – Income and Expenditure Account**

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.

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
	<b>Expenditure</b>	
10,978	Repairs and Maintenance	10,698
8,015	Supervision and Management	8,531
277	Rent Rebates	254
-	(Increase)/decrease in provision for bad & doubtful debts	-
6,306	Depreciation & Impairments of non-current assets (Note 5)	6,342
9,229	Revaluation Losses	10,321
<b>34,805</b>	<b>Total Expenditure</b>	<b>36,146</b>
	<b>Income</b>	
(42,618)	Dwelling Rents	(43,513)
(2,256)	Non-dwelling Rents (gross)	(2,367)
(2,112)	Charges for Services and Facilities	(2,130)
(71)	Contributions towards expenditure	(35)
<b>(47,057)</b>	<b>Total Income</b>	<b>(48,045)</b>
(12,252)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	(11,899)
<b>(12,252)</b>	<b>Net Income for HRA Services (cost if positive)</b>	<b>(11,899)</b>
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>	
-	Notional Shared Equity Income	(1,410)
2,629	(Gain) or loss on sale of HRA non-current assets	3,685
8,309	Interest payable and similar charges	8,309
(60)	Interest and Investment Income	(167)
-	Impairment Losses	268
<b>(1,374)</b>	<b>(Surplus) or deficit for the year on HRA services</b>	<b>(1,214)</b>



**Movement on the HRA Statement**

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
<b>(3,198)</b>	Balance on HRA at the end of the previous year	<b>(3,198)</b>
(1,374)	(Surplus) or deficit for the year on the HRA income and expenditure statement	(1,214)
1,374	Adjustment between accounting basis and funding basis under regulation (note 9 of the main financial statement)	1,214
-	Net (increase) or decrease before transfers to or from reserves	-
-	Transfers to or (from) reserves	-
-	(Increase) or decrease in year on the HRA	-
<b><u>(3,198)</u></b>	<b>Balance on the HRA at the end of the current year</b>	<b><u>(3,198)</u></b>

## 1. Housing Stock

The Council was responsible for over 7,900 dwellings in 2019/20. The stock at the year-end was made up as follows:

	<b>31 March 2019</b>	<b>31 March 2020</b>
Houses	4,299	4,347
Flats and Maisonettes	3,080	3,171
Bungalows	435	434
Hostels – lettable units	48	55
Number of rented units	7,862	8,007
Shared Ownership *	94	92
<b>Total Stock</b>	<b>7,956</b>	<b>8,099</b>

\*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:

	<b>31 March 2019</b>	<b>31 March 2020</b>
Stock at 1 April	7,921	7,956
Less Sales	(41)	(31)
Demolitions/Disposals	(1)	-
Add New Build	75	165
Acquisitions	1	9
Transfer to/from GF	1	-
<b>Stock at 31 March</b>	<b>7,956</b>	<b>8,099</b>

## 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.

	<b>31 March 2019 £'000</b>	<b>31 March 2020 £'000</b>
Property, Plant and Equipment:		
Council Dwellings	591,343	590,284
Other Land and Buildings	21,824	21,800
Vehicles, Plant & Equipment	77	75
Investment Properties	-	-
Intangible Assets	-	-
<b>Total</b>	<b>613,244</b>	<b>612,159</b>

The vacant possession value of dwellings within the Council's HRA, excluding hostels, as at 31 March 2020 was £1,830 million (£1,781 million at 31 March 2019). 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.

	<b>31 March 2019 £'000</b>	<b>31 March 2020 £'000</b>
Balance on MRR 1 April 2019	32,474	22,388
Transfer amount equal to depreciation	6,306	6,343
Additional transfer	13,655	14,408
Financing of capital expenditure	(30,047)	(27,264)
Balance on MRR 31 March 2020	<u>22,388</u>	<u>15,875</u>

**4. Capital Expenditure**

Capital expenditure on land, houses and other property within the Council's HRA during the financial year was as follows:

		<b>£'000</b>
<b>Opening Capital Financing Requirement</b>		<b>260,325</b>
<b>Capital Investment</b>		
Enhancements to Council Housing	9,970	
Other Capital Expenditure	19,517	
Acquisition of Council Dwellings	2,606	
		32,093
 <b>Sources of Finance</b>		
Usable Capital Receipts	(4,829)	
Revenue Contribution to Capital	-	
Major Repairs Reserve	(27,264)	
Government Grant	-	
		(32,093)
 <b>Closing Capital Financing Requirement</b>		<b>260,325</b>

	<b>£'000</b>	<b>£'000</b>
<b>A summary of capital receipts is as follows:</b>		
<b>Capital Receipts</b>		
Sale of Dwellings	5,056	
Less Pooled Housing Capital Receipts	(1,032)	
		4,024
Miscellaneous HRA Land Sales		152
		4,176

**5. Depreciation & Impairment of Non-Current Assets**

Depreciation charges for council dwellings within the HRA amounted to £6,058,702. Depreciation on other HRA assets amounted to £283,766. No impairment charges were applied to HRA assets during the financial year, giving a total charge for depreciation and impairment losses of £6,342,468.

**6. Rent Arrears**

Rent arrears at the end of the financial year totalled £1,057,089 (£1,054,219 in 2018/19).

A provision of £848,194 (£726,934 in 2018/19) 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 2019/20

<b>INCOME</b>	<b>Notes</b>	<b>Business Rates £'000</b>	<b>Council Tax £'000</b>	<b>Total £'000</b>
Council Tax Receivable	<b>3</b>	-	63,033	63,033
Business Rates Receivable	<b>2</b>	126,548	-	126,548
Total Income		126,548	63,033	189,581
<b>EXPENDITURE</b>				
<b>Apportionment of Previous Year (Surplus)/Deficit</b>				
Central Government		(102)	-	(102)
Crawley Borough Council		(82)	(42)	(124)
West Sussex County Council		(20)	(278)	(298)
Sussex Police and Crime Commissioner		-	(35)	(35)
Total Expenditure		(204)	(355)	(559)
<b>Precepts, Demands and shares</b>				
Central Government		(30,967)	-	(30,967)
Crawley Borough Council		(24,774)	(7,182)	(31,956)
West Sussex County Council		(68,128)	(48,724)	(116,852)
Sussex Police and Crime Commissioner		-	(6,688)	(6,688)
		(123,869)	(62,594)	(186,463)
<b>Charges to Collection Fund</b>				
Less write offs of uncollectible amounts		-	-	-
Less: (Increase) / Decrease in Impairment of debts		(605)	(316)	(921)
Less: (Increase) / Decrease in Provision for Appeals		465	-	465
Less: Transitional Protection Payments		(3,066)	-	(3,066)
Less: Cost of Collection		(212)	-	(212)
Less: Disregarded Amounts		(5)	-	(5)
		(3,423)	(316)	(3,739)
<b>Surplus / (Deficit) arising during the year</b>		(948)	(232)	(1,180)
<b>Surplus / (Deficit) b/fwd 1<sup>st</sup> April</b>		109	397	506
<b>Surplus / (Deficit) c/fwd 31<sup>st</sup> March</b>	<b>1</b>	(839)	165	(674)

## COLLECTION FUND 2018/19

INCOME	Notes	Business Rates £'000	Council Tax £'000	Total £'000
Council Tax Receivable	3	-	58,543	58,543
Business Rates Receivable	2	126,575	-	126,575
Total Income		126,575	58,543	185,118
<b>EXPENDITURE</b>				
<b>Apportionment of Previous Year Surplus</b>				
Central Government		(208)	-	(208)
Crawley Borough Council		(166)	(68)	(234)
West Sussex County Council		(42)	(442)	(484)
Sussex Police and Crime Commissioner		-	(54)	(54)
Total Expenditure		(416)	(564)	(980)
<b>Precepts, Demands and shares</b>				
Central Government		(59,978)	-	(59,978)
Crawley Borough Council		(47,983)	(6,862)	(54,845)
West Sussex County Council		(11,996)	(45,443)	(57,439)
Sussex Police and Crime Commissioner		-	(5,721)	(5,721)
		(119,957)	(58,026)	(177,983)
<b>Charges to Collection Fund</b>				
Less write offs of uncollectible amounts		-	-	-
Less: (Increase) / Decrease in impairments of debt		(830)	(115)	(945)
Less: (Increase) / Decrease in Provision for Appeals		(3,586)	-	(3,586)
Less: Transitional Protection Payments		(2,345)	-	(2,345)
Less: Cost of Collection		(202)	-	(202)
Less: Disregarded Amounts		(5)	-	(5)
		(6,968)	(115)	(7,083)
<b>Surplus / (Deficit) arising during the year</b>		(766)	(162)	(928)
<b>Surplus / (Deficit) b/fwd 1<sup>st</sup> April</b>		875	559	1,434
<b>Surplus / (Deficit) c/fwd 31<sup>st</sup> March</b>	1	109	397	506

Notes to the Collection Fund

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 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 (25%), Crawley Borough Council (20%) and West Sussex County Council (55%).

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 2020 will be distributed as follows:

	<b>2019-20</b>		
	<b>Business Rates £'000</b>	<b>Council Tax £'000</b>	<b>Total £'000</b>
Central Government	(234)	-	(234)
Crawley Borough Council	(187)	19	(168)
West Sussex County Council	(418)	129	(289)
Sussex Police	-	17	17
	<b>(839)</b>	<b>165</b>	<b>(674)</b>

	<b>2018-19</b>		
	<b>Business Rates £'000</b>	<b>Council Tax £'000</b>	<b>Total £'000</b>
Central Government	54	-	54
Crawley Borough Council	44	47	91
West Sussex County Council	11	310	321
Sussex Police	-	40	40
	<b>109</b>	<b>397</b>	<b>506</b>

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 (50.4p for 2019/20) 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 49.1p for 2019/20. At year-end, the total rateable value was £273 million.



**3. Income from Council Tax**

This figure represents the total Council Tax due for the year compiled as follows:

	<b>£'000</b>
Council Tax benefits paid by the General Fund	17
Balance payable by Council Tax Payers	<u>63,017</u>
Total Council Tax due for year	<u>63,034</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 2019/20 are shown in the following table.

<b>Band</b>	<b>Number of Properties (a)</b>	<b>Net Properties (b)</b>	<b>Ratio to Band D</b>	<b>Equivalent Number of Band D</b>
A	1,165	715	6/9	477
B	7,084	4,612	7/9	3,587
C	21,607	17,504	8/9	15,559
D	8,667	7,703	9/9	7,703
E	3,771	3,496	11/9	4,273
F	2,233	2,125	13/9	3,069
G	461	428	15/9	713
H	9	6	18/9	12
	44,997	36,589		35,393
Less provision for bad debts				(177)
Council Tax Base				35,216

**Notes**

(a) Number of properties per October 2018 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 £1,777.42

The Council Tax Surplus as at 31 March 2020 was £165,238.26

## Glossary of Terms

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### Accounting Period

The timescale during which accounts are prepared. Local authority accounts have an overall accounting period of one year from 1<sup>st</sup> April to 31<sup>st</sup> 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.

## Glossary of Terms (Continued)

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### 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)

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### 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.

## Glossary of Terms (Continued)

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### **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)

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### 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)

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### **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)

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### 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.



**Glossary of Terms (Continued)****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 1<sup>st</sup> 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

## Glossary of Terms (Continued)

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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*.

## Glossary of Terms (Continued)

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### 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.

## Glossary of Terms (Continued)

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### **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.

## Annual Governance Statement

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### FOREWORD

This Annual Governance Statement reflects the governance arrangements within the Council for the period 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020 and takes into account the effects of COVID-19 on the operations at the Council during that period.

Due to the longer timescale for the preparation of the Statement of Accounts, we are finalising this Annual Governance Statement as at 5<sup>th</sup> June 2020, which is approximately one month later than usual. Whilst the Statement reflects arrangements up to 31<sup>st</sup> March 2020, we have used this longer timescale as an opportunity to consider our governance arrangements for the year in question. This has enabled us to consider the Council's responses to COVID-19 since 31<sup>st</sup> March 2020, to reflect on these and confirm that governance arrangements were, and remained, robust.

### Crawley Borough Council's Response to COVID-19 to 31<sup>st</sup> March 2020

The Council overall has responded swiftly and decisively to the COVID-19 crisis as follows:

- Regular, and daily COVID-19 meetings convened from 6<sup>th</sup> March 2020 – in attendance:
  - Corporate Management Team
  - Communications representative
  - HR Manager
  - Emergency Planning Officer
  - Facilities Manager
  - Service Improvement and Development Manager
  - Leader of the Council
- The Leader of the Council hosts weekly Facebook Live question and answer sessions
- The Chief Executive hosts weekly question and answer sessions with all Council staff
- All Service areas engaged in the response; examples are:
  - Creation of a support network
  - Mapping of vulnerable people
  - Implementation of a Help Hub by 27<sup>th</sup> March 2020 to provide virtual and physical support (food, medicine and welfare checks)
  - Food distribution for shielded people; arrangements in place for East Sussex, West Sussex and Brighton & Hove LA
  - Creation of Crawley Borough Council Helpline
  - Staff redeployment
  - Additional mobile phones obtained and laptops ready for Councillors
  - MS Teams available throughout the Council, including Council public meetings
  - Wellbeing Team redeployed to support work of the Council

- Working closely with West Sussex County Council, Gatwick Airport and Manor Royal Business District
- Business Ratepayers written to with information on grant claim process by 26<sup>th</sup> March 2020
- Benefits Team additional support to deal with increase in claims
- Infrastructure in place by 24<sup>th</sup> March 2020 to process small business grants - redeployment of Corporate Finance staff in Council Tax, Business Rates, Benefits Team and Economic Development
- Rough sleepers provided with temporary accommodation by 25<sup>th</sup> March 2020

## Examples of how good governance was maintained during the Council's response to COVID-19 – to 31<sup>st</sup> March 2020

- All COVID-19 meetings, held daily or as required, were formally convened, had an agenda, and a record of actions to be undertaken, with outcomes reported at the next, or future meetings. These meetings were minuted. This demonstrates strong governance and transparency.
- Decision Logs maintained for all Service areas – these are sent to all Members of the Council via Member Bulletins.
- Governance arrangements were confirmed where the Chief Executive can make Urgency Decisions in liaison with Leaders and the Mayor.
- Future Committee meeting dates were agreed and scheduled for the year, by 26<sup>th</sup> March 2020.
- Legislative changes were considered in respect of holding public meetings and decision making and virtual Council meetings will be held for the foreseeable future.

## **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.

It is intended that this AGS in respect of 2019/2020 will be considered by the Audit Committee at its meeting on 22<sup>nd</sup> July 2020. This is subject to the Statement of Accounts potentially being presented to the Audit Committee at a later date in the year.

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, and 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 the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement. This has been updated as part of the rewriting of the Constitution, and is due for publication in April 2020.

## **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 2020 and will continue to be developed in coming years.

## **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 2020 and up to the date of the approval of the Annual Report and Statement of Accounts for the financial year 2019/2020. 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 2020, for publication in April 2020, 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 previously approved the establishment of a Constitutional Review Working Group to undertake a comprehensive review of the document and the revised Constitution was adopted in 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 Corporate Finance.

### ***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. This is subject only to the need to preserve

confidentiality and in the application of certain exemptions and exceptions which may be engaged 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.

### ***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 it provides.

Please see below under Public Consultation for details of public communications and engagement.

The Council held its annual Question Time on 12<sup>th</sup> March 2020, 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 for a further review, conducted by a senior officer, normally a 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**

### ***Corporate Priorities***

The Corporate Priorities of the Council for the period 2018-2022 are as follows:

- Delivering value for money and modernising the way we work
- Delivering affordable homes for Crawley and reducing homelessness

- Improving job opportunities and developing the local economy
- Creating stronger communities
- Providing high quality leisure and culture facilities and supporting health and wellbeing services
- Protecting the environment

The Council continues to improve performance management within the organisation and service quality and best use of resources is ensured via:

- Transformation and Projects
- Portfolio Briefings
- Corporate Project Assurance Group
- Quarterly monitoring of complaints by CMT
- ICT Board

The Council has a 'dashboard of measures' to track performance across a range of key services 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.

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 their purpose and collect data to measure their performance.

### ***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. Review of the Crawley Local Plan commenced in 2019.

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 has revised the Transformation Plan 2018/2022. 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 Transformation Plan consists of seven pillars:-

1. Delivering a New Town Hall.

2. Delivering Digital Transformation of services to meet customer demand, for more accessible services online and encouraging greater flexibility as to how the work is delivered.
3. Values and Behaviours to change the Council's culture and be clear about our expected values and behaviours.
4. Service Redesign from the customer or user perspective, streamlining processes.
5. Commercialisation and Income Generation to create a culture of commercialisation.
6. Reducing Bureaucracy by streamlining the decision making processes and other statutory processes.

### ***Housing Strategy***

Housing need and the Council's policies to address this are contained within the Local Plan Housing policies.

Following the introduction of the Homelessness Reduction Act, the Council's Homelessness Review and Homelessness Strategy (2019 – 2024) was approved by Full Council on 16<sup>th</sup> December 2019.

The Council has identified five priorities for addressing homelessness within Crawley:

- Preventing and relieving homelessness
- Tackling rough sleeping
- Meeting the needs of vulnerable people
- Accessing suitable and affordable accommodation
- Preventing repeat homelessness.

### ***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 and 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, sub-regional and county-wide partnership initiatives, including:

- Coast to Capital LEP
- Greater Brighton Economic Board
- Gatwick Diamond Initiative

## **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 the work of CMT in their development and maintenance of the governance environment. The Audit and Risk Manager produces an annual report and specifically comments 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](http://www.crawley.gov.uk/consultation).

### ***Public Consultation***

Where appropriate the Council has carried out public consultations. There were a number carried out during 2019/2020, which included the Local Plan 2035 consultation, community safety survey, taxi vehicle emissions consultation, Crawley youth survey, neighbourhood playstreets consultation, the local housing allocations and homelessness survey, and the walking and cycling strategic investment survey. 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; the Code of Conduct, declaration and registration of interests; financial management and processes; information governance; and Data Protection.

Councillors' 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, the scheme of delegation and protocol on Councillor/Officer relations.

The Monitoring Officer, who is the Head of Legal, Democracy and HR, 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 Corporate Finance 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 it to consider whether the decision is appropriate. It may recommend that the Cabinet reconsiders or amends the decision. It may also be consulted by the Cabinet or the Council on forthcoming decisions and the development of policy.

### ***Financial management***

The Head of Corporate Finance (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 are actively involved in ensuring that the authority's strategic objectives are delivered sustainably in line with long term financial goals. The Head of Corporate Finance, together with the Finance Team, ensures that new policies or service proposals are

costed, financially appraised, and fully financed, and identifies the key assumptions and financial risks that face the Council.

### ***Risk management***

All significant (strategic) risks are discussed regularly by CMT and are reported to the Audit Committee on a quarterly basis. These include the new Town Hall, District Heat Network, LEP Infrastructure – Crawley Growth Programme, Three Bridges Railway Station, Public Health and COVID-19, and the challenges of delivering a balanced budget.

Operational risks are managed at departmental level.

## **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 – see above***

### ***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 reports from the Audit and Risk Manager, including their progress reports and Annual Report. This committee considers and comments upon 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 to 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> .

## **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.

## **SIGNIFICANT GOVERNANCE ISSUES**

There are no significant governance issues to report.

Signatures:

..... Date: .....

Leader of the Council



..... Date: 12/6/2020

Chief Executive



# 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.

## 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
<b>Net Cost of Services</b>	<b>72,702</b>	<b>15,563</b>	<b>88,265</b>
Other Income and Expenditure	(72,658)	(1,019)	(73,677)
<b>Surplus or Deficit</b>	<b>44</b>	<b>14,544</b>	<b>14,588</b>
Opening General Fund and HRA Balance at 31 March 20X0	(25,247)		
Less Deficit on General Fund and HRA Balance in Year	44		
<b>Closing General Fund and HRA Balance at 31 March 20x1*</b>	<b>(25,203)</b>		

\*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
Neighbourhoods	58,225	(38,688)	19,537
Business Change	11,624	(11,370)	254
Corporate and Central Services	24,021	(3,830)	20,191
<b>Cost of Services</b>	<b>168,167</b>	<b>(79,902)</b>	<b>88,265</b>
Other Operating Expenditure (Note 9)	2,218	-	2,218
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)
<b>(Surplus) or Deficit on Provision of Services</b>			<b>14,588</b>
(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)
<b>Other Comprehensive Income and Expenditure</b>			<b>(45,142)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(30,554)</b>

Expenditure of continuing operations, analysed by service segment, these lines are reconciled to the General Fund in the Expenditure and Funding Analysis

Operational costs of providing the services of the authority.

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

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
<b>Balance at 31 March 20X0</b>	22,118	3,129	10,065	1,600	450	37,362	1,350,567	1,387,929
<b>Movement in reserves during 20X0/X1</b>								
<b>Total Comprehensive Income and Expenditure</b>	(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)	–
<b>Increase or (decrease) in 20X0/X1</b>	<b>(148)</b>	<b>104</b>	<b>(750)</b>	<b>–</b>	<b>–</b>	<b>(794)</b>	<b>31,348</b>	<b>30,554</b>
<b>Balance at 31 March 20X1 carried forward</b>	<b>21,970</b>	<b>3,233</b>	<b>9,315</b>	<b>1,600</b>	<b>450</b>	<b>36,568</b>	<b>1,381,915</b>	<b>1,418,483</b>

\* 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.

## 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	
<b>Long-term assets</b>		<b>1,670,478</b>	
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	
<b>Current assets</b>		<b>42,589</b>	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)	
<b>Current liabilities</b>		<b>(45,227)</b>	
Provisions	24	(4,297)	
Long-term borrowing	17	(89,733)	Long-term liabilities ie those liabilities that are anticipated to be settled beyond 12 months
Other long-term liabilities	17	(155,327)	
<b>Long-term liabilities</b>		<b>(249,357)</b>	
<b>Net assets</b>		<b>1,418,483</b>	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.<sup>1</sup> 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: <ul style="list-style-type: none"> <li>■ Operating</li> <li>■ Investing</li> <li>■ Financing</li> </ul>
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)	
<b>Cash and cash equivalents at the end of the reporting period (Note 19)</b>	<b>(13,767)</b>	Cash and cash equivalents figure in the balance sheet

<sup>1</sup> 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.

<b>Checklist</b>	
<b>Expenditure and Funding Analysis</b>	
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?
<b>Comprehensive Income and Expenditure Statement</b>	
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?
<b>Movement in Reserves Statement</b>	
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?

<b>Checklist</b>	
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?
<b>Balance Sheet</b>	
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?
<b>Cash Flow Statement</b>	
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](http://www.cipfa.org)

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