

Crawley Borough Council

Audit Committee

Agenda for the **Audit Committee** which will be held in **Ashurst Main Hall - The Charis Centre**, on **Tuesday, 15 March 2022** at **7.00 pm**

Nightline Telephone No. 07881 500 227



Chief Executive

Membership:
Councillors

J Millar-Smith (Chair), M Flack (Vice-Chair), M L Ayling, T G Belben,
D Crow and K Khan

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

Part A Business (Open to the Public)

	Pages
1. Apologies for Absence	
2. Disclosures of Interest	
In accordance with the Council's Code of Conduct, councillors are reminded that it is a requirement to declare interests where appropriate.	
3. Minutes	5 - 10
To approve as a correct record the minutes of the Audit Committee held on 19 July 2021.	
4. Public Question Time	
To answer any questions asked by the public which relate to an item on this agenda and which are in line with the Council's Constitution.	
Public Question Time will be concluded by the Chair when all questions have been answered or on the expiry of a period of 15 minutes, whichever is the earlier.	
5. Fraud and Investigation Team Report	11 - 14
To consider report FIN/563 of the Operational Benefits and Corporate Fraud Manager.	
6. Internal Audit Progress Report	15 - 22
To consider report FIN/564 of the Head of Corporate Finance.	
7. Risk Management Update	23 - 50
To consider report FIN/562 of the Head of Corporate Finance.	
8. Internal Audit Annual Plan 2022-23	51 - 60
To consider report FIN/565 of the Head of Corporate Finance.	

	Pages
<p>9. Internal Audit Charter 2022-2023</p> <p>To consider report FIN/566 of the Head of Corporate Finance.</p>	61 - 72
<p>10. Audit Results Report: Year Ended 31 March 2021</p> <p>To consider report FIN/567 submitted by Ernst and Young.</p> <p>RECOMMENDATION</p> <p>That the Audit Results Report for the year ended 31 March 2021 be received and noted.</p>	73 - 124
<p>11. Approval of the 2020/2021 Statement of Accounts</p> <p>To consider report FIN/568 of the Head of Corporate Finance.</p>	125 - 304
<p>12. Supplemental Agenda</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, 19 July 2021 at 7.00 pm

Councillors Present:

J Millar-Smith (Chair)

M Flack (Vice-Chair)

M L Ayling, T G Belben, D Crow and K Khan

Also in Attendance:

Councillor R D Burrett Observing

Elizabeth Jackson Associate Partner, Ernst and Young

Officers Present:

Gillian Edwards Audit and Risk Manager

Karen Hayes Head of Corporate Finance

Mez Matthews Democratic Services Officer

Stuart Small Deputy Fraud Manager

Apologies for Absence:

Chris Corker Operational Benefits and Corporate Fraud Manager

1. Disclosures of Interest

No disclosures of interests were made.

2. Minutes

The minutes of the meeting of the Audit Committee held on 29 April 2021 were approved as a correct record and signed by the Chair.

3. Public Question Time

No questions were asked by members of the public.

4. Fraud and Investigation Team Report

The Committee considered report [FIN/530](#) of the Operational Benefits and Corporate Fraud Manager, which focused on activity for the period from 17 February 2021 to 6 July 2021. The report was presented by the Investigations Officer on behalf of the Operational Benefits and Corporate Fraud Manager. The report indicated that the

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Audit Committee (2)
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Team had continued to perform successfully despite facing a considerable increase in work during the Covid-19 pandemic.

The Committee was provided with details of cases investigated and the Team's investigations, whilst a discussion took place on the Team's work generally. The Committee sought and received clarification on a number of points raised, including the work undertaken with regard to Business Grants and the method of identifying potentially fraudulent claims for Single Person Discount. In response to a query raised by a Committee Member, it was highlighted that details of fly-tipping by neighbourhood were provided to Councillors recently via email. The Chair requested that, for future reports, the table which detailed the number of cases being undertaken for each case type (Paragraph 5.1 of the report) also provide comparative figures from the previous activity period.

The Committee thanked officers for the work they had undertaken, especially considering the additional work created by Business Grants.

RESOLVED

That the Fraud and Investigation Team Report be noted.

5. Progress Report and Risk Management

The Committee considered report [FIN/529](#) 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 2021/2022 Audit Plan, and to report on the progress made in implementing the previous recommendations. The report also included an update on the Council's Strategic Risks.

The Committee discussed and noted all the Audit Plan Reviews in progress, along with other work as detailed in the report. The Audit and Risk Manager informed the Committee that additional work had recently been included to their remit, such as complaints and data breaches. The Audit and Risk Manager took the opportunity 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:

- Requested that in future the table set out in Paragraph 4.1 of the report, which identified work completed since the last report, be amended to differentiate more clearly between the various audit assurance levels.

Progress Report (Appendix A to the report):

- Were informed that Crawley Council had ceased to provide an Audit service for Mid Sussex District Council on 31 March 2021. That had enabled the Audit and Risk Manager's team to undertake the additional work set out in the report.

High Priority Findings (Fleet Management Audit 2020/2021):

- Were provided with further information relating to the Audit and its findings.

Follow Up Audit (Car Parking Permit Audit 2020/2021):

- Were advised that changes were in the process of being implemented and that, once further work had been undertaken by the Audit Team, it was anticipated that the outcome would be reported at the next meeting of the Audit Committee.

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- Praised officers for identifying the potential issue and investigating the matter further.

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

New Town Hall (Risk Register attached as Appendix B to the report):

- Were provided with more details relating to the risk levels and noted that any risk below a level 10 was not considered a concern (as set out in the risk scoring table provided on page 39 of the Agenda Pack). Any risk identified as being above level 10 would result in investigating further mitigations.

Organisational Capacity, Recruitment, Retention and Succession Planning:

- Noted that the Council was recruiting several new staff members at apprentice level, in whom the Council would invest. That process would enable to Council to 'grow its own' talent.
- Acknowledged that recruitment, particularly that of finance and legal staff, was not specific to Crawley Council and was an issue for Local Authorities nationally.

Following a request from several members of the Committee, the Head of Corporate Finance agreed to arrange some training prior to the next Committee meeting. In addition, further detail on the Audit Committee in general would be circulated via email to all Committee Members.

RESOLVED

That the Committee receive the report and note progress to date, as at 30 June 2021.

6. Audit and Risk Manager's Annual Report 2020/2021

The Committee considered report [FIN/528](#) of the Audit and Risk Manager.

The Committee acknowledged that the Annual Report had been produced in accordance with the requirements set out in the Public Sector Internal Audit Standards. The Audit and Risk Manager considered that in their overall opinion, for the period in question, "substantial" assurance could be given that there was generally a sound system of internal control designed to meet the Council's objectives, and that the controls were generally being applied consistently.

In response to questions from the Committee, the Audit and Risk Manager / Head of Corporate Finance:

- Provided an overview of the risk management approach adopted by the Council and assured the Committee that the current Risk Management Strategy, although adopted in 2015, remained valid. Following a request from the Committee, the Head of Corporate Finance committed to reviewing that Strategy during the 2021/2022 financial year.
- Provided further information on how any risks, identified via an Audit, were graded as either low, medium or high.
- Explained the process for drafting the Internal Audit Plan and the factors considered when deciding which Audits should be undertaken.
- Gave more detail on the two frauds identified in Paragraph 8.3 of the report and outlined the systems implemented as a result of those isolated incidents.
- Explained the reasons for the Treasury Management Audit's "satisfactory" assurance and assured the Committee that the "substantial" assurance,

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19 July 2021

usually afforded to the Treasury Management Audit, was expected for future Audits.

- Clarified the difference between a “satisfactory” and “substantial” assurance.
- Informed the Committee that the Audit and Risk Manager undertook a quality review of draft audit reports and working papers before an Audit report was shared with the relevant department.

RESOLVED

That the Audit and Risk Manager’s Annual Report for the period 2020/2021 be noted.

7. Provisional Audit Planning Report for Year Ending 31 March 2021

The Committee considered the Provisional Audit Planning Report for the year ended 31 March 2021 which was included as [Enclosure 8](#) to the agenda. The report set out the proposed audit approach and scope for the 2020/21 audit and summarised the external Auditors’ (Ernst and Young LLP) initial assessment of the key risks driving the development of an effective audit from the Council as well as the planned audit strategy in response to those risks. The Associate Partner of Ernst and Young highlighted that the planning procedures were ongoing, specifically in relation to the new requirements for the value for money conclusion.

The Associate Partner of Ernst and Young gave the Committee an overview of the Provisional Audit Planning Report and explained that it would not be possible to complete its audit of the Council’s financial statements by the 30 September 2021, as previously intended, due to the increased level of work and scoping involved. It was therefore suggested that the Audit Committee scheduled for 23 November 2021 be replaced with a meeting on 14 December 2021 to allow the Statement of Accounts to be signed by the end of the calendar year.

The Committee considered matters raised, and in doing so:

- Was informed that Public Sector Audit Appointments Ltd (PSAA) had not yet approved the fee scale for 2019/20, the Committee would be provided with a further update at its next scheduled meeting.
- Acknowledged that the report before it was provisional and, as such, an updated addendum on any new risks would be brought to a future Committee meeting. The Committee was being requested to receive and note the Audit Planning Report as it stood.
- The audit risks and areas of focus (set out on pages 53-55 of the Agenda Pack) were those which Ernst and Young were aware of or had identified as a potential risk. The Committee’s attention was drawn to the two “fraud risks” and the “significant risk” detailed on page 53 of the Agenda Pack) and that Ernst and Young did not feel able to provide an audit opinion on those issues at the present time.
- The Committee continued to express its concern at the revised proposed fee scale. The Associate Partner for Ernst and Young explained that the professional and regulatory requirements had changed significantly from previous years which had increased the level of work which needed to be undertaken by them.
- The Chair informed the Committee that they would again be writing to Ernst and Young and the PSAA to echo the Committee’s dismay at the significant increase in fees and to request specific information be provided which justified the fee increase.
- Noted that the Head of Corporate Finance and the Associate Partner for Ernst and Young would be working together to complete the audit as efficiently as possible.

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Audit Committee (5)
19 July 2021

RESOLVED

1. The Provisional Audit Planning Report for Year Ending 31 March 2021 be received and noted.
2. The Audit Committee scheduled for 23 November 2021 be replaced with a meeting on 14 December 2021 to allow the Statement of Accounts to be signed by the end of the calendar year.

Closure of Meeting

With the business of the Audit Committee concluded, the Chair declared the meeting closed at 8.49 pm

J Millar-Smith (Chair)

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Agenda Item 5

Crawley Borough Council

Report to Audit Committee

15 March 2022

Fraud and Investigation Team Report

Report of the Operational Benefits & Corporate Fraud Manager - Report no. FIN/563

1. Purpose

- 1.1. This report describes the activity of the Corporate Fraud & Investigation Team for the period 7 July 2021 to 27 February 2022. All outcome figures are taken from closed cases. Year to date figures are also included in the report for 2021/22.

2. Recommendation

- 2.1. That the Committee note the report.

3. Reasons for the Recommendation

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

4. Work During Covid 19

- 4.1. During the pandemic the Investigation Team have been reactive to new threats of fraud and assisting teams which have faced a considerable increase in work such as the Benefits Team.

5. Information & Analysis

- 5.1. Business and Self Isolation grants have played a big part in the activities of the Investigation Team this year but this does not mean fraud has eased in other areas.

The Fraud Team are currently investigating the following case types:

<u>Case Type</u>	<u>Number of open cases</u>	<u>Number of open cases in the last report</u>
Council Tax Support	9	4
Fly Tipping	3	2
Housing Cases	17	15
Non Domestic Rates	2	4
Single Person Discount	6	2
Other	1	1
Enforcement	0	1
Total	38	29

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

5.2. Housing Fraud

During the reporting period the team have achieved the following:

	<u>In period</u>	<u>2021/22 (YTD)</u>
Properties recovered	6	12
Prevented allocation (inc homeless applications)	1	1
Stopped Right to Buy (actual discount value)	1 (£84,600)	2 (£169,200)
Notional value of savings	£210,600	£403,200

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

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

5.3. Single Person Discount

Throughout the year the Investigators and Inspectors will routinely look into referrals received from the public or other means suggesting there are 2 adults resident and are therefore not eligible to the discount.

	<u>In period</u>	<u>2021/22 YTD</u>
Discounts removed	16 (£11,488)	24 (£16,094)

In addition, the Inspectors have now completed their annual Single Person Discount data matching exercise. This is where we match Council Tax accounts against other data sets which highlights there is a 2nd adult living in the property. We will then take action to correct these accounts.

	<u>2021/22 Exercise</u>
Discounts removed from exercise	166 (£98,392)

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5.4. Council Tax and Business Rates

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

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

	Council Tax		Non Domestic Rates	
	In period	2021/22	In period	2021/22
New billable CT or Rates	£493,801	£672,851	£5,122,436	£5,756,486

6. **Prosecution Case**

- 6.1. The team was asked by the Community Warden team to help investigate a fly tipping case.

The illegal disposal of waste was captured on video. It showed waste being dumped from a back of a transit van near the public highway off Metcalf Way. The total amount dumped weighed 287kg.

Mr Hird was established as the person making the illegal disposal.

Mr Hird refused to attend an interview, however we were able to collate all evidence required to bring a criminal case.

Mr Hird initially failed to attend the Magistrate Court on summons but later attended after a warrant with bail was issued by the court.

Mr Hird pleaded guilty to fly tipping and received a financial penalty fine totalling £6,168.50. This comprised of a £4,500 fine, £184.50 compensation, £190 victim surcharge and £1,294 prosecution costs.

7. **Unlicensed House of Multiple Occupation (HMO)**

- 7.1. The team was asked by Private Sector Housing to help investigate a suspected unlicensed HMO managed by Gatwick & Crawley Room Rents Ltd of whom Carolyne Hunt was sole Director.

Evidence was obtained showing 5 households and 7 residents living in 1 property creating an unlicensed HMO.

A financial penalty of £10,000 was issued to Gatwick & Crawley Room Rents Ltd and £10,000 to Carolyne Hunt.

The penalties were appealed to HM First-Tier Tribunal Property Chamber (Residential Property) asking for the Council's decision to be overturned.

The tribunal upheld the order but varied the liability stating it mainly fell on Carolyne Hunt and not the company. £5,000 to be imposed on the company and £15,000 on Carolyne Hunt.

Agenda Item 5

8. Staffing

- 8.1. We have recently just recruited a Counter Fraud Apprentice who will be undertaking a 2 year intensive training programme through the Chartered Institute of Public Finance and Accountancy. In addition, the Apprentice will be learning from, and taking part in, the Council's own investigations.
- 8.2. Once qualified they will become an official accredited Counter Fraud Investigator.

9. Implications

- 9.1. There are no implications from the report.

10. Background Papers

- 10.1. None

Report author and contact officer:

Chris Corker, Operational Benefits & Corporate Fraud Manager (telephone 01293 438598).

Agenda Item 6

Crawley Borough Council

Report to the Audit Committee

15 March 2022

Internal Audit Progress Report

Report of the Head of Corporate Finance – FIN/564

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, as at 28 February 2022.

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 Resourcing

Since the time of the last progress report in July 2021, the two remaining members of staff within the internal audit section have left the Council. The Audit and Risk Manager left in September and the Senior Auditor left at the beginning of November. Furthermore, the casual employee brought in to support the delivery of the plan for the year also left in early December. The part time contractor previously used remains an available resource.

Prior to the departure of the Audit and Risk Manager, arrangements were made with the Southern Internal Audit Partnership to provide audit management support to the end of the financial year. Operational monitoring and delivery of the internal audit plan is currently being undertaken by the Head of Corporate Finance.

Following ratification by Cabinet in January 2022, the Council is joining the Southern Internal Audit Partnership as a key stakeholder from April 2022. Corporate Management Team have been working with the Southern Internal Audit Partnership since this time to draw up the audit needs for the Council and the annual audit plan for 2022/23 is being presented to this Committee.

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4.2 Current Progress of the 2021/22 Audit Plan

Progress against this year's audit plan has been significantly delayed due to the high level of carry forward audits from 2020/21 (due to COVID 19), as well as the loss of an experienced Senior Auditor due to retirement.

The loss of key personnel has resulted in there being insufficient resource to deliver the full plan as proposed at the beginning of the year. Therefore, in conjunction with the Southern Internal Audit Partnership a revised plan was developed taking into account the requirement to provide an annual assurance opinion on the overall framework of risk management, governance and internal control for the financial year 2021/22.

Subsequent to the agreement of the revised plan, the part time contractor commissioned by Crawley Borough Council to support the Southern Internal Audit Partnership has been required to complete additional work with regard rent overpayments and consequently, some of the audits within the revised plan have been cancelled. It is therefore likely that some limitations on the annual audit opinion for 2021/22 may be required.

A revised 2021/22 audit plan, including current progress is shown in Appendix A.

4.2 High Priority Findings in this Period

There were no high priority findings identified through audit work during this period:

4.3 Follow Up Audits

Fleet Management Audit 2020/21

The audit resulted in four medium and one high priority recommendations being made. These related to:

- Updating the Council's Vehicle Policy regarding the use of frameworks to procure new vehicles and also to reflect considerations for ensuring the journey is necessary.
- Driver assessment checks for newly qualified drivers.
- Annual confirmation of continued eligibility for individuals to drive Council vehicles (licenses, etc).
- Vehicles being fitted with tracking devices.

The management update on progress on these recommendations indicate that although the Vehicle Policy has not been specifically updated to reflect framework agreements there are a number of these in place that would cover the procurement of vehicles. Additionally the Policy does not yet reflect any information regarding the necessity for the journey. This will be incorporated in the future as it links directly to the Council's Climate Action Plan.

The Chief Accountant has confirmed that there is an annual process in place for driver eligibility checks. During the Pandemic this checking process did slip but is in the process of being re-instigated. This will be revisited in next year's health and safety audit as will the driver assessment checks as it has been indicated that this is actually down to individual departments to undertake and therefore no action as part of the central fleet management function is proposed on this recommendation.

Vehicles are due to be fitted with trackers in February and a project team is to be established to look at a tracker contract that may include CCTV.

Agenda Item 6

Complaints Audit 2021/22

The audit identified that the documented lessons learned from complaints was not in line with the guidance from the Local Government and Social Care Ombudsman and there had been no monthly reporting to managers on complaints since September 2020.

A report has gone to CMT regarding the complaints process which takes into account the recommendations from the audit.

Report author and contact officer: Karen Hayes, Head of Corporate Finance

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Internal Audit Plan 2021/2022

Progress Report – 28 February 2022

	Removed from Plan	Added to Plan	Completed	Work in Progress	Yet to Commence	Assurance / Opinion
Finance						
Procurement	✓					
Council Tax			✓			Substantial
NDR			✓			Substantial
Housing Benefits	✓					
Sundry Debtors	✓					
Creditors	✓					
Payroll	✓					
Cash and Bank			✓			Substantial
FMS			✓			Substantial
Budgetary Control			✓			Substantial
Treasury Management			✓			Substantial
DWP CIS Compliance	✓					
Legal, Democratic and HR						
Publication Scheme Review			✓			N/A
Risk Management				✓		

	Removed from Plan	Added to Plan	Completed	Work in Progress	Yet to Commence	Assurance / Opinion
Complaints			✓			Limited
Annual Governance Statement		✓				
Information Governance (GDPR)				✓		
Health and Safety				✓		
Housing						
Housing Rents - Biennial Review	✓					
Housing Repairs - Planned Works - Wates	✓					
Housing Repairs - Responsive Works - Wates	✓					
Gas Servicing	✓					
Housing Allocations	✓					
Overpaid Rents		✓		✓		
Commercial Services						
Commercial Properties including Rents			✓			Substantial
The Hawth			✓			N/A
K2				✓		
Community Services						
Adventure Playgrounds - Transitional Arrangements	✓					
Refuse Collection, Recycling - not Street Cleansing	✓					
Digital and Transformation						
Transformation - Benefits Realisation	✓					

	Removed from Plan	Added to Plan	Completed	Work in Progress	Yet to Commence	Assurance / Opinion
Use of ICT Consultants	✓					
Area to be confirmed	✓					
<i>Cyber security</i>		✓		✓		
<i>Disaster Recovery Planning</i>		✓		✓		
Other						
Audit Follow up					✓	
Ad hoc COVID-19 related work	✓					
Grants (Covid Related Assurance and other work)	✓					
Chipside Parking Reconciliation	✓					
Contingency						
Projects - Capital and Revenue						
Corporate Project Assurance Group (CPAG)	✓					
Information Management Project Board - attend and implement	✓					
Crawley Growth Programme	✓					

Changes since the previous progress report in December 2021 are shown in italics.

* Car parking permits and fleet management currently scheduled for follow up.

Standard Definitions

Substantial Assurance	There is a sound system of internal control designed to achieve the system objectives. Compliance with the control process is considered to be of a high standard and few or no material errors or weaknesses were found.
Satisfactory Assurance	Whilst there is a basically sound system of internal control designed, there are weaknesses, which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited Assurance	Weaknesses in the design of the system of internal controls are such as to put the system objectives at risk, and/or the level of non-compliance with some of the controls puts the system objectives at risk.
No Assurance	Control design is generally weak leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

Crawley Borough Council

Report to the Audit Committee

15 March 2022

Risk Management Update

Report of the Head of Corporate Finance – FIN/562

1. Purpose

- 1.1 The Committee is asked to review the action taken by relevant Managers on risk based issues identified by Internal Audit.

2. Recommendations

- 2.1 The Committee is requested to receive and note the report.

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 The Corporate Management Team regularly review the Strategic Risks of the Council and look at the mitigations of those risks. The updated risks are presented to the Audit Committee at their meetings. The internal audit service will give an annual report and opinion on the organisation's framework of Governance, risk management and contra based on the audit work conducted in the year. The audit plan looks at these Strategic risks.

5. Corporate Risks March 2022

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

a) **New Town Hall**

Despite the challenges of Covid, the construction of the New Town Hall building continues to budget, and working across stakeholders continues to improve as the project nears conclusion. All parties are focused on doing everything possible for this year's Council's AGM to take place in the new building. Staff are schedule to start moving across late summer, and all Council meeting to be hosted in the new building from September. Commercial spaces will be available for occupancy from June. Commercial agents have been appointed and early interest from prospective tenant has been positive, but this remains a key risk given uncertainties in the office sector. London-based agents are also now being engaged as a mitigating action.

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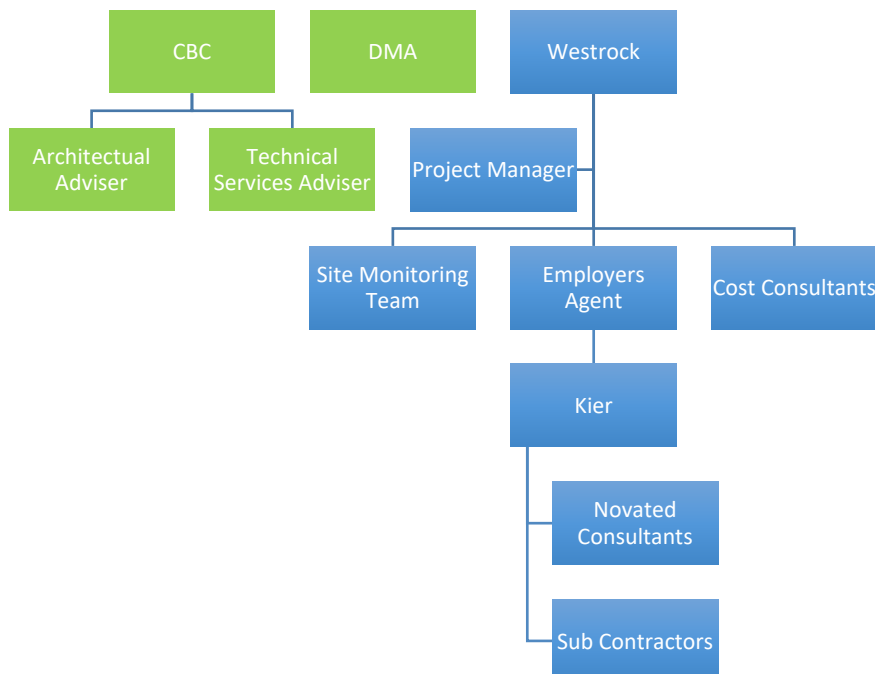
Covid has accelerated new ways of working that increases confidence that the organisation will be ready to move, and allows the Council to occupy a smaller amount of space. Nonetheless there is significant work required to implement all aspects of new ways of working ahead of the move. Decisions on layout and capacity within the new space are progressing to facilitate the Council completing the move into the new Town Hall from the late summer. A programme management approach has been applied to the preparations for the move to manage key interdependencies and the risks within. This is being overseen both by the New Town Hall Board and the Transformation Board.

Significant progress has been made around facilities management approach and this will continue. The wider benefits of the redevelopment is being actively pursued albeit that some skills and educational opportunities have been lost due to Covid. The project board overseeing the development has structured itself around these risk areas, and 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 project embeds itself.

Aspects of the wider site redevelopment are now complete. Geraint Thomas House, providing the first 91 affordable units is occupied. The District Heat Network is effectively complete and partially handed over (see below). Discussions on Phase 2 of the redevelopment providing the remaining residential units have progressed well and a detailed planning application submitted. This will see the provision of a further 18 affordable units and the completion of the new public square.

Governance Structure –

Contractual Arrangements



Agenda Item 7

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

b) District Heat Network

The final element of Phase 1 of the Town Hall Site Redevelopment is the District Heat Network. Practical completion of the Energy Centre was completed at the beginning of February and full practical completion, handover and operation is programmed for mid-May.

The project team structure has been agreed and this will continue to report into the Town Hall Board and member oversight mechanisms in the same way as above. The final account will be settled prior to PC and it is currently projected that the scheme will report on budget. The mechanisms for identifying and managing risk also mirror the wider approach. The procurement of the O&M Contractor has been completed and the contractor is working with the Council and with Kier on commissioning process.

Work is commencing on the feasibility of extending the network in future including the use of alternative fuel sources.

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.

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The Queensway scheme was completed on time and within budget in October 2019. The Town Centre signage scheme was rolled out and completed last year with an additional phase delivered, providing 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 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, were granted planning permission by Planning Committee on 26 April 2021.

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 / Town Centre Bus Station – Station Way and Friday Way – the scheme concept designs are currently being drawn up and will be consulted on publically later in the year ahead of the preparation of a planning application.
- Grade A commercial space development – The detailed designs for the scheme are currently being worked up and a planning application being prepared.
- Three Bridges Station Improvement scheme – Network Rail “Station Change” approval procedure to be implemented / budget review to be undertaken/ Planning application on hold pending completion of the Water Neutrality Strategy.
- Western Boulevard Cycle Scheme – Designs being finalised and contractor appointed. A planning application will be prepared with the scheme due on site in the autumn.
- Manor Royal Cycle Scheme – Options review being undertaken with MR BID.
- Town Centre and Manor Royal ‘super hub’ bus shelters – Pilot scheme proposals being worked up by the Manor Royal BID.

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 attends six weekly Programme Delivery Team meetings with West Sussex County Council. A “mid-term” programme review to take place in Q2 2022.
- 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 “mid-term” programme review to take place in Q2 2022.
- 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

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down turn, which has been exacerbated by 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. A “mid-term” programme review to take place in Q2 2022.
- 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 or until a formally agreed CIL payment plan is in place.
- 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. A “mid-term” programme review to take place in Q2 2022.

d) **Three Bridges Railway Station**

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 combined with £519,000 of S106 resources and £1.1 million of Community Infrastructure Levy, (approved by Cabinet on 7th February 2018), subject to receipt of the CIL funds.

At the Full Council meeting on 26 February 2020, 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.

The 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. This course of action was approved by Cabinet in March 2020 and a response received in June 2020 confirmed the Highway Authority’s support for the proposed scheme and the preferred design option. Further progress with the scheme was subsequently halted and delayed by the COVID pandemic emergency situation.

A planning application is currently in preparation for the scheme, but this has been held up due to the Natural England position statement requiring water neutrality for major development and pending completion of a Water Neutrality Strategy. Network Rail’s “Station Change” procedure will need to be undertaken working closely with both Network Rail and the train operating company in order to secure formal support from the railway authorities for the scheme. This procedure will include the need for an agreement with private landowners to enable the new “eastern access” to Three Bridges station. A budget review for the scheme will take place as part of the overall Crawley Growth Programme review in Q2 2022. Officers are working actively to

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secure the outstanding Community Infrastructure Levy required to finance the scheme.

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.

5.2 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 Corporate Management Team (CMT) and through the Corporate Projects Assurance Board. Projections for the current 4 year delivery period (2018/19-2021/22) have to date indicated that delivery could be maintained at a similar level to the previous 4 year monitoring period at just under 1,000 new affordable homes. Delivery was expected to remain at a similar level for the following 4 year monitoring period to 2025/26.

There are two significant **risks** to delivery:

- The recent water neutrality position statement issued by Natural England has both immediate and future impacts on the delivery programme. A delay of at least 6 months to schemes due to be starting on site now is expected impacting the delivery of 230 new affordable homes. Additional costs arising from the requirement for schemes to evidence water neutrality through on-site and off-setting measures may impact the viability of schemes and the level of affordable housing that can be delivered.
Mitigation: Officers are engaged in discussions with Natural England and Southern Water as well as with neighbouring local authorities in seeking to minimise impacts on the delivery programme. Work is underway to quantify and maximise headroom to take forward new development through offsetting measures within existing stock. Supported by external consultancy advice officers are working up proposals to evidence water neutrality for key developments caught by the new requirements.
- Beyond the medium term, the majority of larger sites within the Council boundary that can easily be built upon will have been developed. This will leave smaller sites that are more challenging and contentious in nature and therefore more resource intensive to bring forward, or finding other opportunities such as regeneration.
Mitigation: Work has been undertaken to identify these future sites and opportunities, feeding into the Local Plan and developing programmes of work. Planning and Housing teams continue to work proactively to maximise opportunities afforded by development within neighbouring Districts and Boroughs adjoining the Council's boundaries.

5.3 Transformation Programme

The Council had 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. Given excellent progress and recognising the wider financial and community impacts of Covid, a review of the Transformation Programme was undertaken in 2020 and our plans refreshed to refocus our objectives. These are Channel Shift, New Ways of Working, People Strategy, Service Redesign, Commercialisation and Assets. The recent annual report to the Overview and Scrutiny Commission in November 2021 demonstrated that significant progress was being made and that the plan was on track.

At a programme level, the key **risks** are:

- Financial – restricting the scope of work and change arising
- Capacity to deliver the scale of the Transformation Programme given other pressures

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- The interdependencies between the areas of work not being recognised.

Mitigations:

- The Transformation Board at CMT level brings together and provides oversight at a high-level plan to ensure coherence, manage interdependencies and change, allocate resources and ensure delivery.
- The Digital and Transformation 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 to support implementation.
- The Corporate Projects Assurance Group (CPAG) provides an additional layer of oversight.

5.4 **Disaster Recovery and Business Continuity**

a) **Migration of Systems to the Azure Cloud**

Currently, our migration of systems to the Azure Cloud is 95% complete (Feb 22) with the tiny number of remaining systems still at the data centre in Redhill. Bewbush remains as a site for face-to-face services even though it wouldn't be required for access to systems.

There remains a small risk that the Surrey Data Centre could go offline during the remaining time we need to use it, leaving CBC unable to access some of its line of business systems, the key one being the Housing System, which is currently being replaced in a large project that will complete in Oct 22. This has been a key consideration in the development of the Move to Cloud work outline below. Until such time there remains the following **risk**:

- The Surrey Data Centre were to go offline – CBC would retain access to Office 365 (MS Teams, Outlook etc.) and all currently migrated systems (the 95%), but not service specific systems like Housing still hosted at Surrey until the data centre was restored.

Mitigation: The timeline for completing the migration is the end of this financial year (21/22). We continue to work with Surrey County Council to ensure we retain safe services from their data centre.

The move to the Cloud was identified as the optimal strategy in terms of future proofing our IT infrastructure and reducing the associated risks. The Cloud service procured provides Disaster Recovery and work to define this in its entirety is nearly complete and whilst this will de-risk the Council over time, it is recognised that there will be **risks** associated with the change itself and that the DR will only apply to those systems migrated.

- Recruiting and retaining the resources needed to manage systems in the Cloud may prove difficult in the current climate.

Mitigation: We have been growing our own in house team and as we had recruited two additional temporary engineers to support the business whilst the standing team delivered the project.

*There is a detailed RAID log maintained within the project documentation.

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b) **Data Breaches**

Data breach risks relates to a range of activities related to how we manage, share and process data in all formats. There are a long list of **risks** associated with this area of work, some of which are specific to local authorities; examples include:

- Inadequate data sharing and data security arrangements, including failure to maintain public services network accreditation (PSN).
- Improper disclosure of confidential information (in any format – digital, paper etc.)
- Failure to comply with GDPR legislation could lead to major reputational damage, loss of public confidence and the inability to operate key business processes.

Mitigations: The Council has made some considerable strides in this area. Most significantly it has re-secured its PSN certification providing assurance that its infrastructure is robust and secure, for which we are current recertifying again. This will continue to be tested on an annual basis.

- In preparation for the move to the new Town Hall, an Information Management project has been set up to audit all information assets and policies.
- The Information Governance Board has been refreshed.
- We recruited an Information Security Officer

c) **Health & Safety Breaches**

If Health & Safety fails it could result in death or serious injury to staff /public and legal action against the Council, with associated reputational damage. The Council may also be subject to an inspection by the Health & Safety Executive (HSE) generally or with regard to a particular issue.

The Council has an approved a Health & Safety Handbook for Employees, a main Health & Safety Policy together with a suite of supporting policies and guidance. There is a legal requirement for Managers to ensure that regular risk assessments are conducted in respect to places, activities and people.

During the COVID-19 pandemic, the focus and priority was on ensuring that the workplace (including all operational sites) was COVID-19 secure and compliant with government guidance. The Council is currently in a transitional phase in which it continues to occupy the old Town Hall and looks ahead to occupying the new Town Hall in 2022.

Officers have commenced a piece of work which will involve evaluating the Council's overall Health & Safety compliance status. This will inform an emerging plan as to how the Council will undertake, manage and monitor risk assessments as well as other statutory compliance requirements in the longer term.

5.5 **A Balanced Budget is Not Achieved in the Medium Term Resulting in an Increased Use of Reserves, which is Not Sustainable.**

The Budget Strategy report to [Cabinet](#) on 24th November 2021 identified future budget gaps and mitigations. The budget report which was presented to Cabinet and the Full Council included the outcome of decisions made on savings, taking into account the results of the resident's survey.

The Budget and Council Tax 2022/23 [FIN/549](#) report to Cabinet on 2nd February 2022 and the Full Council on 23rd February 2022 included the outcome of decisions made on

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savings, taking into account the results of the resident's survey. The report identified in Table 6 £1.819m of savings and efficiencies included in the current financial year in order to address the gap and the impact of the pandemic. A further £313,000 of savings are included within the 2022/23 budget. Despite this there is still a budgeted use of reserves of £451,730, this is mainly due to lost income due to the pandemic.

Section 12 of the [Budget and Council Tax report](#) discussed robustness of estimated and adequacy of reserves. There are sufficient reserves to meet future budgets, however the increasing costs of inflation and the slow down of the return to work due to the Omicron variant may result in the projections on the letting of the upper floors of the New Town Hall to be revised, this will be reviewed over the coming months when the updated budget strategy is formed.

A review of Local Government financing has been expected over several years with the fair funding review, business rates retention and levelling up. The Government have announced that this review will take place in 2022.

The impact of COVID-19 is having a significant impact on both the current and future years. The Corporate Management Team will be working on the budget position throughout the new financial year and assessing the impact on the budget due to Covid-19 and will report through regular Quarterly budget monitoring reports to Cabinet and the Overview and Scrutiny Commission. As stated above there are sufficient General Fund reserves to cover the initial years of the New Town Hall until the upper floors are let.

5.6 **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 and the impact of Covid-19 is adding other pressures on staff.

Recognising these challenges, the Transformation Plan has as one of its objectives the creation of a People Strategy overseen by a People Board. This will bring corporate drive to addressing some of the following challenges. This group was established at the end of 2020 and will more recently expand to include wider representation from staff, managers and Unison as it develops its agenda.

The recruitment and retention of key specialist and professional roles can be challenging. The impact of higher salaries paid in other local authorities and the private sector is evident and as a result has led to problems with recruitment and retention in roles such as Procurement, Finance, IT, Legal and some Planning and Surveying roles. 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

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existing employees with our benefits hub and external webpage, we can address candidate attraction and retention.

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 are discussing succession planning and putting processes in place to plan for the future.

5.7 Challenges and Risks: Workforce Capacity, Resilience and Health and Wellbeing

a) Workforce Capacity

The challenges facing the workforce has been unprecedented over the past 20 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 job 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. As the CJRS has ended, we anticipate further demands on staff in these critical services as clients circumstance again change due to either they are reinstated to their jobs or they are made redundant.

In our response to the demands over the past 20 months staff had, and in some areas continue, to work longer hours which we recognise as not being sustainable in the longer term. When the Council set out to respond to the demand, we could not foresee the levels or duration this would be for. 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. We also draw on government COMF funding to secure some additional short term resources.

b) Workforce Resilience

We have seen the workforce respond and apply flexibility to the demand placed upon them. Despite the challenges over the last 20 months the workforce has largely responded well. We have conducted four staff surveys to gauge the impact of the pandemic on our staff, services, productivity and morale. Feedback from these staff surveys have confirmed that staff are coping and performing well although the third lockdown did take its toll on staff, particularly their wellbeing and increasingly in terms of fatigue. 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 with ongoing support and a comprehensive staff wellbeing programme.

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. Staff have gradually returned to the workplace and most are combining both office and home working and this we see for the foreseeable future. We have robust health and safety measures and guidelines in place.

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d) **Challenges and Risks We Face**

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

The Coronavirus pandemic is unprecedented and, should a further spike of the virus occur, we could see our workforce health impacted and have a reduced workforce for some time. It is therefore paramount that we continue to establish a core of staff who can be deployed to key critical areas as and when needed.

We may see an increase in staff sickness levels due to Covid cases. We may experience 'burnout' of staff who have worked tirelessly throughout the pandemic and who have not had the usual 'proper holiday', or those who have been supporting a dependant or have caring responsibilities which have increased.

We have experienced, prior to the pandemic, that when some roles become vacant they are hard to fill and we know that nationally there are recruitment challenges which we are seeing in our current campaigns and foresee this will continue.

e) **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, 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. Indeed in recent months the Council is also seeing a higher than previously expected rates of retirement, a trend being seen nationally in the sector.

5.8 **Climate Emergency**

In July 2019 the Council declared 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). In December 2021 Full Council agreed a motion which pledges a more ambitious target of reducing carbon emissions from Council activities by at least 50% by 2030 and as close to net zero as possible by 2030 and to reach net zero by 2040 at the very latest. The risks here are broadly two-fold, the costs of not acting and the difficult choices involved in acting. A Climate Change Scrutiny Panel was established in autumn 2019 and undertook an assessment of the Council's carbon emissions and a series of meetings to support that assessment. Unfortunately that assessment was significantly delayed due to the pandemic. The Scrutiny Panel presented a report to Cabinet in February last year with recommendations for the Council's Climate Change Emergency Action Plan. Officers draw up the Action Plan and this was approved by Cabinet in November last year. A full funding plan will be drawn up during 2022-23 for subsequent financial years to ensure that delivery of the Council's carbon emissions reductions targets for its activities and services are fully costed. .

5.9 **National Waste Strategy (including Food Waste)**

Final consultation on The National Waste and Resources Strategy concluded in July 2021. DEFRA had indicated the final Strategy would be produced by the end of 2021 however as yet it has not been published and there is no indication of when this will occur. This uncertainty places risk regarding the delivery of the service after the expiry of the current Waste Contract in February 2024. Although yet to be confirmed, it seems likely that the Strategy will mandate changes to refuse and recycling collections including the introduction of a mandatory weekly food waste collection. However, the delay in the

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publication of the National Waste Strategy constrains the ability to amend the specification in advance of the contract re-procurement.

5.10 **Public Health**

The COVID-19 pandemic 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.

5.11 **Local Plan Failure to Adopt**

Crawley's refreshed Local Plan 2021-2037 was published for another round of "Regulation 19" consultation on 6th January 2021 and this consultation period closed on 30th June 2021. The Local Plan document was out to consultation alongside a wide range of supporting evidence and documentation. Officers have been reviewing the written representations received from the consultation from residents, stakeholders, other local authorities, businesses and developers alongside further evidence related to the Plan. That review was interrupted by the Natural England position statement on Water Neutrality, issued on 14th September last year, which requires new development to be "water neutral" (that water consumption volumes post development are at least the same as or less than pre-development). Natural England has required the Crawley Local Planning Authority (alongside the other LPAs in the affected "Sussex North" water supply zone) to have specialist consultants draw up a "Water Neutrality Strategy" in order to define and determine how water neutrality can be achieved to unlock new development. The Crawley Local Plan process is therefore on hold, pending the drawing up and then agreement of the Water Neutrality Strategy with Natural England and other stakeholders. Once the Strategy is in place, consideration will need to be given as to whether there is an impact on the existing submission Local Plan document 2021-2037 and what revisions to the document are required to take account of the new Water Neutrality Strategy. At that point a revised timetable for the Local Plan process will be drawn up once this matter has been considered in full.

This timetable will include the expected submission timing of the refreshed submission Local Plan document to the Planning Inspectorate and its subsequent examination. Subject to process and the outcome of the examination, the Local Plan document would then come back to Cabinet and the Full Council for approval to adopt as policy.

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. The adoption of the Local Plan is a Full Council decision - there is a risk the Council may not agree to adopt the Local Plan. Where this has occurred in other Authorities it has been due to political changes since the approval for publication and submission, or because of Main Modifications required by the Inspector which were not accepted by the Council (there is no allowance to adopt a Plan except in accordance with the Inspector's modifications, the only other option would be to withdraw the Plan and start work on a new 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.

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5.12 **Brexit**

The implications to the supply chain is now being impacted due to leaving the EU. There is now evidence of a rising cost of materials and other building supply together with shortages of key building and supply chain workers. This is impacting on Crawley Homes' repairs, with a shortage of staff / sub-contractors and building materials together with a backlog of works due to lockdown. This is being monitored by Crawley Homes and will be reported to Cabinet later in the year. This is also impacting on the refuse collection contract with a shortage of workers including drivers. Biffa has introduced recruitment and retention bonus payments for refuse vehicle drivers which has helped to mitigate problems experienced in the summer 2021.

- **Port Health (Gatwick Airport)**

The introduction of Sanitary and phytosanitary (SPS) checks for EU goods entering Great Britain has been delayed until either January or July 2022 (different elements affected). SPS, including the import and export of live animals, products of animal origin and some plants and other **agri-food products, are subject to additional checks at the border** to ensure they comply with food safety and biosecurity regulations. This is because these products could pose a risk to public, animal or plant health.

As the majority of the EU food trade is imported through the short straits to Dover and Ashford, this is likely to have minimal impact on our Port Health Team at Gatwick. The majority of food imports we receive are from outside the EU and DEFRA's predictions on EU trade moving through Gatwick are low. However, there is always the risk that should there be delays at these ports, then air freight could be seen as a short-term solution until issues at the port are resolved. Given the extended timetable, these ports should be better prepared and the risk low.

5.13 **Covid-19**

The impact of the pandemic on the town and the ongoing implications remains significant and there will inevitably be a sustained and growing call on Council resources and services to support residents and businesses. The key implications of the pandemic include likely widening of pre-pandemic health inequalities, pressure on front line health services, increasing unemployment, increasing levels of homelessness and need for housing and reduced viability of some local businesses.

This additional demand comes alongside delivering against our statutory duties around maintaining public health and infectious disease control in an environment where infection rates, increasing personal freedom and impact on acute health care services is still delicately balanced.

We are trying to mitigate this through supporting eligible residents to apply for Council tax reduction and additional hardship reliefs up to £150 on Council tax bills. At a local level Crawley Borough Council has chosen not to enforce eviction for arrears due to the pandemic for our own properties.

The Environmental Health and Licensing team continue to work in partnership with other statutory agencies such as Public Health England and West Sussex Public Health to manage local outbreaks, enforce where appropriate and implement robust prevention programmes. Short term funding to build greater capacity into these teams comes to an end in March 2022, therefore this should be considered a risk for 2022/23 onwards.

The longer term impact on physical and mental health will have long lasting impacts on Councils and delivery of services. Work is underway with the WSCC Director of Public Health, Local Care Network and Crawley CCG to understand the health inequalities impacting Crawley residents and how these can be addressed. The WSCC funded

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Crawley Wellbeing hub has been extended for a further five years (to March 2027) and continues to provide generic health and wellbeing support to local residents whilst focusing on our most disadvantaged residents and communities experiencing the greatest health inequalities. This includes providing direct support to our more vulnerable residents identified through the work of the Covid help hub. From early 2022 it is anticipated that this provision will also be offered from a central location as plans are progressing to deliver a community hub from within County Mall shopping centre, creating an opportunity to engage residents that are otherwise hard to reach and / or not engaging via traditional routes. This will also create an accessible space to improve partnership working with both internal and external partners.

The Community Development team continues to work in partnership with local voluntary, community and statutory partners to ensure residents can access the services they need. The Community Ambassadors programme, developed in July 2020 in response to the social, economic and health inequalities which were highlighted through COVID-19, continues to thrive involving over 50 community groups and representatives from a wide range of backgrounds with a significant onward reach into the community. The Community Ambassadors meet regularly and have recently introduced a community newsletter promoting the positive work and achievements of those involved and a Facebook site is currently under construction to facilitate better reach into communities.

The community and voluntary sector small grants programme has recently launched with an additional priority of 'Community Spirit' which aims to connect community groups and residents through the delivery of positive activities whilst also promoting community cohesion and supporting residents out of isolation.

5.14 **Council No Overall Control**

In May 2021, the Crawley Borough Council Elections resulted in a no overall control. The main risk of no overall control and political stability is that decisions may not be taken or agreement not reached on key matters.

5.15 **Water Neutrality**

The Water Neutrality Statement issued by Natural England on 14 Sept 2021 requests that in determining planning applications Local Planning Authorities in the affected Sussex North water supply zone must ensure the water neutrality of each and every scheme which involves the potential for additional water consumption. This is having a hugely significant impact on the Council's Planning function and has brought to a halt major new residential and commercial developments in the Borough, including our own council development schemes which are now caught up in the water neutrality work. Applications for approximately 930 residential dwellings are currently stuck in the planning system with decisions on hold pending the completion of the Water Neutrality Strategy and the securing of delivery solutions to ensure these developments can be "water neutral". Such solutions will include programmes to retrofit existing building stock with water efficiency appliances in order to reduce water consumption volumes. Such water savings will be able to "offset" additional water consumption brought about by the new developments and the "offsetting" will therefore help to ensure such new developments can be "water neutral". Intense discussions at Chief Executive Level are taking place between the Local Planning Authorities affected, Natural England, Southern Water, the Environment Agency and government representatives. These discussions are chaired by the Council's Chief Executive and seek long term strategic infrastructure solutions to this situation. There are also detailed technical discussions taking place between planning officers from amongst the Local Planning Authorities affected in order to ensure the correct new procedures are put in place to be able to undertake water neutrality assessments of planning applications

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to ensure compliance with Natural England's position statement and the Habitats regulations. In the meantime the Council's planning officers have agreed a new screening proforma with Natural England so that most householder and minor planning applications can proceed to decision without hindrance. The Development Management Team have already brought some major planning applications back to Planning Committee for consideration where those applications demonstrated "on site" water neutrality. Further applications will be referred to Planning Committee where "on site" water neutrality can be demonstrated.

5.16 **Cost of Living**

The cost of living with increased utility bills, inflation, and the cost of fuel is impacting on everyone. Provisions have been included within budgets for additional costs of fuel but only at 10%. All employees nationally will be paying more National Insurance from April of this year. These different factors may impact on people's ability to pay their bills to us which will impact on the levels of arrears to the Council. This will impact on staff morale where it is their job to collect income such as council tax, business rates and rent, especially if they are dealing more and more with people in financial difficulty.

In addition we may see a reduction in the purchase of discretionary services from the council.

There are concerns for both our own housing stock and private housing around the rising numbers of people in fuel poverty which could result in rising numbers of damp and mould issues. The housing ombudsman is pushing for a more proactive response from landlords with regards to mould and damp issues. This could impact on Crawley homes responsive repairs budgets.

The recently announced allocation from the Department of Works and Pensions for discretionary housing payments (DHP's) to help people in need with housing costs has reduced from £321,114 in the current financial year to £222,971 in 2022/2023, this is a reduction of 30.6%. This will mean that the benefits team will have to be more cautious in handing out DHP's to vulnerable customers.

CMT will monitor the impacts of this as part of their quarterly monitoring reports and feedback to Councillors as appropriate.

Report authors and contact officer: CMT, Karen Hayes, Head of Corporate Finance

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TOWN HALL PROJECT
RISK REGISTER

File Ref:	Town Hall Development	Monitored by:	Project Board	Date Printed:	
Name of Doc:	Risk Register 3 March 22				
Version No:					
File path:	T:\Town Hall Project/risk register .doc			No of Pages	12

Likelihood	Impact
5 = Almost Certain	5 = Catastrophic
4 = Likely	4 = Major
3 = Possible	3 = Moderate
2 = Unlikely	2 = Minor
1 = Rare	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 03/02/2022
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"> Pre app meetings held between Westrock and planning officers Conditions for the scheme have been identified and so that ownership and dates can be agreed. Planning conditions project tracker created for WR. 	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"> Project agreement includes timescale to build phase 2 Initial rental income projection incorporates phase 2 development impact 	Planning application for Phase 2 submitted
PB3	Errors or omissions in legal or contractual documentation	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> Internal/External procurement and legal advice taken on all aspects of the contractual arrangements. Legal agreements signed 18 Oct 2019 having sought external advice throughout negotiations. We are now in a fixed price contract with Kier. 	
PB4	Decision gateways and need for CBC authority result in delays making key decisions	2 4 8	1 4 4	1 4 4	<ul style="list-style-type: none"> Clear decision making leads identified at member and officer level agreed by Cabinet 	

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 03/02/2022
					<ul style="list-style-type: none"> Robust project management and Governance structure established Continued working with consultants to ensure work to timeline. Management structure regarding the relationship with the contractor, the Council and the Development manager is in place. Steering group set up between key officers from CBC and Westrock to Discuss issues. 	
PB5	Westrock unable to obtain development funding for project Phase 2 (market housing)	2 4 8	1 2 2	1 4 4	<ul style="list-style-type: none"> Project agreement will stipulate time period, with CBC having the option to buy back. 	Planning application for Phase 2 submitted
PB6	Impact of changes to values of offices/housing	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> Valuations obtained, these will be refreshed during the project. Proposed rents still in line with previous estimates Flats are not as saleable post pandemic but option to consider the buy to rent market. 	Westrock have moved away from market sale to build to rent, and are confident about the market for this offer. CBC have worked to secure the 18 affordable units within this context.
PB7	Project exceeds budget	2 4 8	1 4 4	2 4 8	<ul style="list-style-type: none"> Budget agreed and clearly communicated in Final design brief Regular Project Board and Steering Group meetings to review and keep cost projections up to date Contingencies sums identified covering 10% of project costs. 2.4% remaining Value engineering opportunities being explored at Stage 5 Monthly reports and Client meetings to ensure works are agreed and information provided to design team. Regular budget review meetings between Westrock and CBC Cat A and Cat B are now fixed price. 	Final account discussions commencing which should close down remaining risk on Cat A and Cat B.
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"> 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. The latest results from the contractor see 	Ongoing

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 03/02/2022
					<p>Improvements.</p> <ul style="list-style-type: none"> • Kier half year results issued on 21 April 21 show improved results despite the impact of the pandemic with significant progress on operational and financial turnaround strategy. • There is the potential of releasing part of the 5% bond in December 2021 based on Progress. 	

Responsibility – Group 1 – New Town Hall Design and Build

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 03/03/2022
G1-1	Errors in detailed design specification – New Town Hall	2 4 8	1 4 4	2 4 8	<ul style="list-style-type: none"> • Consultant Architects appointed as our client to oversee design brief. • Board to monitor mitigation actions to reduce costs, use of value engineering and errors • 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. • Expert advice was given when designing the commercial space and canopy. • Cat B Commercial Office fit out design and fixed cost has been agreed. 	
G1-1 DHN	Errors in detailed design specification - DHN	2 4 8	1 4 4	2 4 8	<ul style="list-style-type: none"> • Consultant Architects appointed as our client to oversee design brief. • Board to monitor mitigation actions to reduce costs, use of value engineering and errors • Regular design team meetings held to ensure variations are discussed before change requested. Consultant procured (Ramboll) 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 • Design review undertaken with Ramboll and RPS and signed off before partial possession. 	Build complete and partially handed over. Final handover in late spring

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 03/03/2022
G1-2	New Town Hall not delivered on time	2 3 6	1 2 2	3 2 6	<ul style="list-style-type: none"> Robust monitoring governance agreed with all parties. Monthly meetings with Contractor and Design Team to ensure programme is monitored and changes communicated. Covid-19; Kier and the CMT (Construction Management team) are monitoring the situation. Programme negotiation being undertaken with Kier and Westrock. Kier reporting ongoing problems with supply chain and any additional design changes. 	Provision for financial penalties built into the contract however the impact of Brexit and the Coronavirus could impact
G1-2 DHN	DHN not delivered on time	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> Temporary heat being provided to the New Town Hall from DHN boilers. Connection of DHN to New Town Hall will take place before PC of new Town Hall. 	Build complete and partially handed over. Final handover in late spring
G1-3	Members facilities do not meet their requirements	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> Regular consultation with Members and Member Working Group, they are aware of decisions that need to be made Member sign-off to this element of the final design brief of these elements Procurement programme has been aligned with Member engagement to ensure sufficient input from members Sample furniture and fabrics made available as part of the selection process. Agreement on furniture for Council Chamber, Executive offices and support for principles for the shared lounge. 	
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"> Regular consultation with staff via a number of formats, new ways of working stream within Transformation Plan is picking this up this area of work Desk ratio demonstrates meeting needs and will work with staff to co-ordinate remaining elements. Will be delivering office etiquette guidelines and trails for new ways of working Links with the transformation plan Regular updates at Managers Conference on key issues, activities and timeline People Board created to consider policies and processes to support staff working in the new agile way. Workshop to look at requirement for IT build room and post/print rooms Storage request exceed suggested level in the design which will be targeted as part of the transformation board. 	

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 03/03/2022
					<ul style="list-style-type: none"> desk scope to meet requirements. CMT agreed principles of layouts based on working environments. Staff will need to accept some compromise and adjustments in terms of ease of access to storage to allow overall space to work for all teams. 	
G1-5	Customer facilities do not meet their requirements	2 3 6	1 2 2	2 2 4	<ul style="list-style-type: none"> Crawley Homes Tenants Panel have been consulted. Will undertake a consultation with customers Trial for customer appointment booking system is underway in the current building. Will offer significant improvements to current arrangements. Sufficient time to trail new arrangements for customers. TAG (Town Access Group) are being consulted as part of the process, they have Inputted into changes in detailed design. Plans will reflect safe working environments and COVID restrictions where feasible Plans around engagement have been more restricted due to the pandemic, however there will be opportunities to engage. Payment Kiosks to be delivered after PC in line with income management tender. 	
G1-7	New Town Hall building as completed not to required quality/specification	2 4 8	1 2 2	3 2 6	<ul style="list-style-type: none"> Establish robust project management structure Maintain regular contact between CBC/developers to monitor construction against design specification Regular design team meetings held with Ramboll to ensure Stage 4 designs meet requirements. Within the contract there is a requirement for Kier to provide warranties. Building control are regularly going to the Town Hall site to assess progress Regular contact with planning to ensure design and planning conditions are signed off. Kier reviewing BREEAM assessment score during construction to ensure excellence is achieved during construction. WR have appointed WSI (West Sussex Inspections) as Clerk of Works from end of November 2021. WR have appointed Potter Raper as architectural Clerk of Works from 14-02-2022. 	Client Team will move to a quality assurance footing in the final weeks of the project.

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 03/03/2022
G1-7 DHN	DHN building as completed not to required quality/specification	2 4 8	1 2 2	1 3 3	<ul style="list-style-type: none"> Establish robust project management structure Maintain regular contact between CBC/developers to monitor construction against design specification Regular design team meetings held with Ramboll to ensure Stage 4 designs meet requirements. Developers appoint Clerk of Works/Site Agent to oversee construction Within the contract there is a requirement for Kier to provide warranties. Building control are regularly going to the site to assess progress Regular contact with planning to ensure design and planning conditions are signed off. 	Build complete and partially handed over. Final handover in late spring
G1-9	Health & Safety – ensure compliance during and after the construction period and for the future.	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> Robust project management from construction contractor(s) Consultation programme to include all relevant authorities with regard to health & safety matters Covid-19; Kier CMT (Construction Management Team) to monitor the situation. Kier have implemented their "COVID19-STAYING SAFE" procedures Discussions have been taking place with the contractor they have reviewed site safety and they are implementing further health and safety measures. 	
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 2 4	<ul style="list-style-type: none"> Covered by the contract Early warning of any problems so that the impact of the risk could be prepared for; Impact of Covid is being managed well, early warning notifications will be issued by the contractor, no big issues at the moment. 	Ongoing risk
G1-11	The commercial entrance for the building is delayed Links to group 3	2 2 4	2 2 4	2 2 4	<ul style="list-style-type: none"> Possible for commercial tenants to use the Council staff entrance until the commercial entrance is complete. Included in the Kier delivery programme. 	Ongoing risk

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 03/03/2022
G1-12	<p>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.</p> <p>Links to group 2 and 3</p>	1 1 1	1 1 1	2 2 4	<ul style="list-style-type: none"> Car Park improvements part of development plan Need to review spaces allocations and control systems Car Park management plan to be submitted to planning. 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. Communications have been sent to staff with regards to parking arrangements. ANPR to be installed spring 2022. 	Kingsgate Car park will provide a closer alternative for CBC staff if required.
G1-13	WSCC Eastern Gateway project impact on infrastructure	1 3 3	2 2 4	3 3 9	<ul style="list-style-type: none"> Early coordination with WSCC on programme dates. Discussions taking place with WSCC on the risk to delivery to the scheme. 	

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 03/03/2022
G2-1	Unable to deliver new ways of working to support reduced council operating space	3 3 9	1 2 2	3 2 6	<ul style="list-style-type: none"> Structured approach through Digital & IT Strategy to deliver key projects Information Gov project will support digitalisation of historic documents and reduce storage requirements. Changes to customer behaviour has resulted in less cash payments and appointments which is likely to continue going forward. Channel shift group looking at range of operational efficiencies for council processes as well as new ways of providing services. New Ways of Working programme created to manage interdependencies Staff have effectively delivered services during the pandemic remotely with hybrid working. Looking to build upon learning and embed these practices. 	
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"> Current plans allow for six month mobilisation, there would be financial penalties if we exceed the six months New Ways of Working programme created to manage interdependencies Additional resources and expertise to manage the mobilisation planning and decant of current building if needed Delays in procurement & delivery of key furniture can be mitigated by reuse of existing desks and other items if required. Discussions underway with contractors to support disposal of furniture and mobilisation to new building. Existing furniture being offered initially to the voluntary sector. Potential impact if current self-pay kiosks fail to operate as out of service agreement. Customers would be directed to other methods or locations. 	Furniture and AV procurement in place. Mobilisation programme in development.

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 03/03/2022
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"> 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; 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; Phased transfer of staff to the new Town Hall so not to disrupt operations; Managers will plan contingency measures if key staff were to leave before the New Town Hall is completed; The transformation programme looks at digital transformation and new ways of working and changing the culture around agreed values and behaviours A staff guide to the New Town Hall has been created. 	Ongoing risk
G2-4	Scanning solution isn't ready in time to avoid double handling of scanning for teams.	3 3 9	3 2 6	3 2 6	<ul style="list-style-type: none"> Information Management Board closely monitoring Tender for contract due to close 22 Nov with contract starting in January. Will look to prioritise scanning according to volumes or access requirements. Aligning scanning with the implementation of new folder structure. Programme outlined with discussions underway with key services 	Scanning contract in place.
G2-5	Purchase of furniture, fixtures and equipment exceeds budget	2 4 8	2 3 6	3 2 6	<ul style="list-style-type: none"> Furniture tender evaluated with estimated costs within budget. AV tender due to close 22 Nov Both will have options for VE products if required. Additional furniture for the 3rd floor could be achieved within budget. Still further items including glass manifestation etc. to be costed. 	Furniture and AV procurement in place. Mobilisation programme in development.

Responsibility – Group 3 – Commercial Space

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 03/03/2022
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"> Financial projections are cautious for letting, work will take place with Westrock to minimise the impact A robust communications plan will be put into place 	Planning application for Phase 2 submitted
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"> Design set at required level to attract commercial occupiers Use of consultant architect to provide advice. Market changed due to the pandemic due to more hybrid working. Design cannot be split further than half floors and support External advisors state that the quality of the car park is not material to commercial customers Consultant letting agents who will provide advice appointed in June 2020. Professional advice received from the Commercial Agents will help to decrease the impact of the risk. Regular meetings with Commercial Agents on and changes to the design. Marketing has commenced, stating first new Grade A office space in Town Centre for 7 years. 	
G3-3	<p>Letting the top floors commercial office space may be difficult in the new business environment due to:</p> <ul style="list-style-type: none"> An oversupply of available office space in the Borough and with neighbouring Councils The impact of home working on the need for organisations to require new office space to accommodate their staff. <p>This risk could be reduced by the potential for London based organisations to move to Crawley where the costs will be cheaper.</p>	2 4 8	1 1 2	2 5 10	<ul style="list-style-type: none"> Consultant letting agent appointed to market and promote the letting of the office space. Consultant letting agents consider that there is not an oversupply of new, Grade A office space. The ability to let half floors will enable a flexible letting strategy thus marketing the building to those occupiers requiring smaller floor sizes. Joint London Agent to be appointed in March. 	19/11/20 Risk G-3 and G-4 amalgamated

Responsibility – Group 4 – Facilities Management (FM)

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 03/03/2022
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 4 8	<ul style="list-style-type: none"> Work with commercial letting agent to clearly define requirements. Ensure FM provisions are flexible and adaptable to meet various tenants needs Visiting other providers to see how they operate both public and private sector FM Will need to operate two buildings during the mobilisation period. 	

Responsibility – Group 5 – Heat Network

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 03/03/2022
G5-1	District Heat Network not being progressed impacts detrimentally on overall scheme	2 2 4	1 2 2	1 3 3	<ul style="list-style-type: none"> See comments in Group 1. 	
G5-2	Operational efficiencies DHN costs more to maintain as the O&M contractor does not have the direct relationship with the design and build		1 2 2	2 4 8	<ul style="list-style-type: none"> Ongoing meetings with O&M contractor to update on design Robust commissioning schedule to be implemented 	
G5-3	Commercial risks -DHN performance does not meet design criteria so costs more to run -Completed scheme does not meet HNIP funding requirements - gas prices are high and will impact on the revenue model		1 2 2	2 4 8	<ul style="list-style-type: none"> Confirm gas and electricity with LASER / 12 month price Obtain confirmation that final designs meet ERs and funding requirements 	

Responsibility – Group 6 – Benefits Realisation

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 03/03/2022
G6-1	Project benefits not realised	3 2 6	3 2 6	3 2 6	<ul style="list-style-type: none"> Monthly monitoring of anticipated project benefits from other groups, to track progress. Monthly E&S Plan updates from Kier and bi-monthly meetings to track progress. 	

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

Agenda Item 8

Crawley Borough Council

Report to the Audit Committee

15 March 2022

Internal Audit Plan 2022-23

Report of the Head of Corporate Finance – FIN/565

1. Purpose

- 1.1 The purpose of this paper is to present the Internal Audit Plan 2022-23 to the Audit Committee in accordance with the requirements of the Public Sector Internal Audit Standards.

2. Recommendations

- 2.1 The Committee is requested to approve the Internal Audit Plan 2022-23 as attached.

3. Reasons for the Recommendations

- 3.1 The Committee has a responsibility to approve the Internal Audit Plan in accordance with the Public Sector Internal Audit Standards.

4. Background

- 4.1 The aim of internal audit's work programme is to provide independent and objective assurance to management, in relation to the business activities; systems or processes under review that:
- The framework of internal control, risk management and governance is appropriate and operating effectively; and
 - Risks to the achievement of the Council's objectives are identified, assessed and managed to a defined acceptable level.
- 4.2 The Internal Audit Plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements. Internal audit focus should remain proportionate and appropriately aligned to key areas of organisational risk.
- 4.3 All auditable areas of review remain within the audit universe and are subject to ongoing assessment. The audit plan will remain fluid to ensure internal audits ability to react to the changing needs of the Council.
- 4.4 Other reviews, based on criteria other than risk, may also be built into the work plan. These may include 'mandatory' audits or reviews requested or commissioned by management. Any commissioned review must be able to clearly demonstrate a contribution to the audit opinion on risk management, control and governance.

Agenda Item 8

4.5 Appendix A provides a copy of the Internal Audit Plan 2022-23 (draft) for review and comment.

5. Implications

5.1 The Internal Audit Plan provides an overview of the audit work to be undertaken to enable the Chief Internal Auditor to form an annual report and opinion used to inform the Council's Annual Governance Statement.

6. Background Papers

6.1 None.

Report author and contact officer: Karen Hayes, Head of Corporate Finance

Internal Audit Plan

2022-23

Crawley Borough Council



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Southern Internal Audit Partnership

Assurance through excellence and innovation

Agenda Item 8 Appendix a

Introduction

The role of internal audit is that of an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation’s objectives.

The aim of internal audit’s work programme is to provide independent and objective assurance to management, in relation to the business activities; systems or processes under review that:

- the framework of internal control, risk management and governance is appropriate and operating effectively; and
- risk to the achievement of the Council’s objectives is identified, assessed and managed to a defined acceptable level.

The internal audit plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of Internal Audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

Internal Audit focus should be proportionate and appropriately aligned. The plan will remain fluid and subject to on-going review and amendment, in consultation with the relevant stakeholders to ensure it continues to reflect the needs of the Council. Amendments to the plan will be identified through the Southern Internal Audit Partnership’s continued contact and liaison with those responsible for the governance of the Council.

Your Internal Audit Team

Your internal audit service is provided by the Southern Internal Audit Partnership. The team will be led by Neil Pitman, Head of Southern Internal Audit Partnership, supported by Iona Bond, Senior Audit Manager and Melanie Weston, Audit Manager.

Conformance with Internal Auditing Standards

The Southern Internal Audit Partnership service is designed to conform to the Public Sector Internal Audit Standards (PSIAS). Under the PSIAS there is a requirement for audit services to have an external quality assessment every five years. In September 2020 the Institute of Internal Auditors were commissioned to complete an external quality assessment of the Southern Internal Audit Partnership against the PSIAS, Local Government Application Note and the International Professional Practices Framework.

In selecting the Institute of Internal Auditors (IIA) a conscious effort was taken to ensure the external assessment was undertaken by the most credible source. As the authors of the Standards and the leading Internal Audit authority nationally and internationally the IIA were excellently positioned to undertake the external assessment.

In considering all sources of evidence the external assessment team concluded:

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles.'

'We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

Conflicts of Interest

We are not aware of any relationships that may affect the independence and objectivity of the team which are required to be disclosed under internal auditing standards.

Crawley Borough Council – Corporate Priorities 2018 - 2022

The purpose of the Council’s corporate priorities 2018 to 2022 document is to set out their strategic direction for the four-year period.

This is linked to the administration’s manifesto, the transformation plan, and the medium-term financial strategy.

The corporate priorities consist of six key headline priority objectives which are underpinned by 24 objectives, projects and initiatives.



The six priorities are:

- **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**

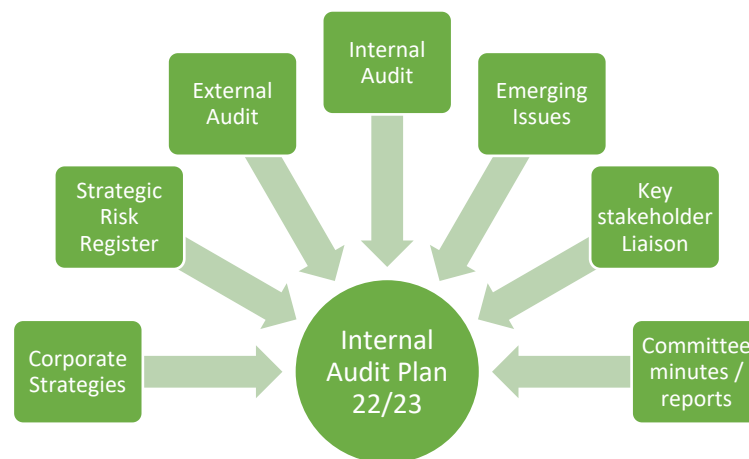
Developing the Internal Audit Plan 2022/23

We have used various sources of information and discussed priorities for internal audit with the following groups:

- Corporate Management Team
- Other Key Stakeholders
- Audit Committee

In accordance with the Public Sector Internal Audit Standards there is a requirement that Internal audit establish a risk-based audit plan to determine the resourcing of the internal audit service, consistent with the organisation's goals.

The Council are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation. We will however continue to work closely with other assurance providers to ensure that duplication is minimised, and a suitable breadth of assurance is obtained.



Internal Audit Plan 2022-23

Audit review	Audit Sponsor	Outline Scope	Proposed Timing
Governance			
Contract Management	Head of Corporate Finance	Assurance over the processes in place for contract management arrangements, particularly around the maintenance of the contracts register and smaller contracts not featured elsewhere within the audit plan.	Q4
Fraud Framework	Head of Corporate Finance	Assurance over the governance arrangements to prevent, detect and investigate fraud and irregularities.	Q1
Decision Making and Accountability	Head of Legal, Democratic and HR	Assurance over the governance processes in place to ensure transparency and equity in the decision-making processes at officer and Member level.	Q3
Health and Safety	Head of Legal, Democratic and HR	Assurances over the processes in place to manage - driver safety checks, managing stress and the move to the new Town Hall.	Q3
HR and Organisational Development	Head of Legal, Democratic and HR	Cyclical assurance over the HR and OD processes in place. Focus of coverage for 2022/23 split into 2 separate reviews: 1) Recruitment and selection and leavers processing 2) Application and monitoring of the adherence to the Flexi time Policy. As part of this review, the relevance of the current policy in relation to new ways of working will also be considered.	Q1 & Q3
IT			
IT Asset management	Head of Digital and Transformation	Assurance that the organisations IT assets are accounted for, deployed, maintained, and appropriately disposed of.	Q3
Cyber Security	Head of Digital and Transformation	Review of cyber security arrangements / controls to support the ongoing cyber risk.	Q4
Core Financial			
Housing Benefits	Head of Corporate Finance	Assurance over the processes in place for the application, assessment and award of housing benefit.	Q2/3

Audit review	Audit Sponsor	Outline Scope	Proposed Timing
Payroll	Head of Corporate Finance	Assurance of the processes in place to ensure the accuracy of the payroll.	Q2
Delivering value for money and modernising the way we work			
Financial Resilience	Head of Corporate Finance	Framework in place to assess the ongoing financial resilience of the Council (MTFS assumptions etc). Impact of COVID, reassessment of financial risks and impact of assumptions in the MTFS (income, reserves, investments). Implications on future saving programmes / work streams.	Q1
Transformation - Governance	Head of Digital and Transformation	Assurance over the framework of governance to support the timely and effective delivery of the Council's transformation programme.	Q1
Delivering affordable homes for Crawley and reducing homelessness			
Housing Allocations	Head of Strategic Housing	Assurance over the transparency and equity in the allocation of available permanent social housing.	Q2
Compliance <ul style="list-style-type: none"> • Asbestos (Q4) • Electrical (Q2) • Fire Safety (Q1) • Gas Safety Checks (Q1) 	Head of Crawley Homes	Assurance over the arrangements in place to ensure that all required legislative checks are being conducted and any remedial works identified are undertaken in a timely manner for the Council's housing stock.	Q1, 2 & 4
HMO's/Enforcement	Head of Strategic Housing	Assurance over the use of and administration of HMO's to ensure they meet the requirements of the Council and meet legislative requirements.	Q2
Protecting the environment			
Sustainability	Head of Economy and Planning	Assurance over the governance arrangements and funding plan established to manage and monitor the Climate Change Action Plan.	Q4
Water Neutrality Strategy	Head of Economy and Planning	Assurances over the processes followed to research, develop, approve and monitor the Water Neutrality Strategy.	Q1/2
District Heat Network	Head of Commercial Services	Assurances over the contract management and monitoring processes in place for metering and billing as part of the District Heat Network.	Q3

Audit review	Audit Sponsor	Outline Scope	Proposed Timing
Environmental Health - Pollution	Head of Community Services	Assurances over the processes in place to ensure that air quality monitoring is undertaken and reported in line with legislative requirements.	Q1
Improving job opportunities and developing the local economy			
Towns Fund	Head of Corporate Finance	Assurances over the governance processes in place for awarded Towns Fund grant funding. This would be in accordance with any grant determination(s) in place.	Q3
Crawley Growth Programme	Head of Economy and Planning	Assurances over the governance processes in place for awarded Crawley Growth Programme Funding. This would be in accordance with any grant determination(s) in place.	Q3
Providing high quality leisure and culture facilities and supporting health and wellbeing services			
Parks and Open Spaces	Head of Community Services	Assurance over the management and operational arrangements in place, including income generation and collection at Tilgate Park.	Q3
Play Service	Head of Community Services	Assurance over the safeguarding and health and safety processes in place for the mobile outreach supervised play programme.	Q2
Leisure Contracts (K2, The Hawth)	Head of Commercial Services	Assurance over the payment claims process and accuracy of claims submitted under the terms of the Variation to Contract arrangements in place.	Q2 & Q3
Community Facilities - Regulatory Compliance	Head of Commercial Services	Assurance over the arrangements in place to ensure that all required legislative checks are being conducted and any remedial works identified are undertaken in a timely manner (for non housing stock).	Q1
Creating stronger communities			
Environmental Health - Taxi and Private Hire Licenses	Head of Community Services	Assurance over the processes in place for the application, assessment and award of taxi and private hire licenses.	Q1

Crawley Borough Council

Report to the Audit Committee

15 March 2022

Internal Audit Charter 2022-23

Report of the Head of Corporate Finance – FIN/566

1. Purpose

- 1.1 The purpose of this paper is to present the Internal Audit Charter 2022-23 to the Audit Committee in accordance with the requirements of the Public Sector Internal Audit Standards.

2. Recommendations

- 2.1 The Committee is requested to approve the Internal Audit Charter 2022-23 as attached.

3. Reasons for the Recommendations

- 3.1 The Committee has a responsibility to approve the Internal Audit Charter in accordance with the Public Sector Internal Audit Standards.

4. Background

4.1 Context

The Accounts and Audit (England) Regulations 2015 state:

'a relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management control and governance processes, taking into account public sector internal auditing standards or guidance'

The Public Sector Internal Audit Standards (attribute standard 1000) requires that all internal audit activities maintain an 'internal audit charter'.

The Charter is a formal document that defines the internal audit activity's purpose, authority and responsibility consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards.

The Internal Audit Charter establishes internal audits position within the organisation including:

- Recognising the mandatory nature of the Public Sector Internal Audit Standards
- Defining the scope of internal audit responsibilities.
- Establishing the organisational independence of internal audit.
- Establishing accountability and reporting lines (functional and administrative).
- Arrangements that exist with regard anti-fraud and anti-corruption.
- Establishing internal audit rights of access.

Agenda Item 9

- Defining the terms 'board' and 'senior management' for the purpose of internal audit.

In accordance with the Standards the Internal Audit Charter should be reviewed annually (minimum) and approved by senior management and the Audit Committee.

Appendix A provides a draft copy of the Internal Audit Charter 2022-23 for review and comment.

Report author and contact officer: Karen Hayes, Head of Corporate Finance



Internal Audit Charter – 2022/23

Introduction

The Public Sector Internal Audit Standards (the Standards) provide a consolidated approach to audit standards across the whole of the public sector providing continuity, sound corporate governance and transparency.

The Standards form part of the wider mandatory elements of the International Professional Practices Framework (IPPF) which also includes:

- the mission;
- core principles;
- definition of internal audit; and
- Code of Ethics.

The Standards require all internal audit activities to implement and retain an 'Internal Audit Charter'.



The purpose of the Internal Audit Charter is to formally define the internal audit activity's purpose, authority, and responsibility.

Mission and Core Principles

The IPPF 'Mission' aims *'to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.'*

The 'Core Principles' underpin delivery of the IPPF mission:

- Demonstrates integrity;
- Demonstrates competence and due professional care;
- Is objective and free from undue influence (independent);
- Aligns with the strategies, objectives and risks of the organisation;
- Is appropriately positioned and adequately resourced;
- Demonstrates quality and continuous improvement;
- Communicates effectively;
- Provides risk-based assurance;
- Is insightful, proactive, and future-focused; and
- Promotes organisational improvement.

Authority

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which state that a relevant body must:

‘undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control’.

The standards for ‘proper practices’ in relation to internal audit are laid down in the Public Sector Internal Audit Standards (updated 2017).

Purpose

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation’s objectives.

This is achieved through internal audit providing a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

The role of internal audit is best summarised through its definition within the Standards, as an:

‘independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

Responsibility

The responsibility for maintaining an adequate and effective system of internal audit within Crawley Borough Council lies with the S151 Officer.

For the Council, internal audit is provided by the Southern Internal Audit Partnership.

The Chief Internal Auditor (Head of Southern Internal Audit Partnership) is responsible for effectively managing the internal audit activity in accordance with the ‘Mission’, ‘Core Principles’, ‘Definition of Internal Auditing’, the ‘Code of Ethics’ and ‘the Standards’.

Definitions

For the purposes of this charter the following definitions shall apply:

The Board – the governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. At the Council this shall mean the Audit Committee.

Senior Management – those responsible for the leadership and direction of the Council. At the Council this shall mean the Corporate Management Team.

Position in the organisation

The Chief Internal Auditor reports functionally to the Board, and organisationally to the S151 Officer who has statutory responsibility as proper officer under Section 151 of the Local Government Act 1972, for ensuring an effective system of internal financial control and proper financial administration of the Council's affairs.

The Chief Internal Auditor has direct access to the Chief Executive who carries the responsibility for the proper management of the Council and for ensuring that the principles of good governance are reflected in sound management arrangements.

The Chief Internal Auditor has direct access to the Council's Monitoring Officer where matters arise relating to Monitoring Officer responsibility, legality and standards.

Where it is considered necessary to the proper discharge of the internal audit function, the Chief Internal Auditor has direct access to elected Members of the Council and in particular those who serve on committees charged with governance (i.e. the Audit Committee).

Internal audit resources

The Chief Internal Auditor will be professionally qualified (CMIIA, CCAB or equivalent) and have wide internal audit and management experience, reflecting the responsibilities that arise from the need to liaise internally and externally with Members, senior management and other professionals.

The S151 Officer will provide the Chief Internal Auditor with the resources necessary to fulfil the Council's requirements and expectations as to the robustness and scope of the internal audit opinion.

The Chief Internal Auditor will ensure that the internal audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the audit strategy and operational audit plan.

The annual operational plan will identify the resources required to complete the work, thereby highlighting sufficiency of available resources. The Chief Internal Auditor can propose an increase in audit resource or a reduction in the number of audits if there are insufficient resources.

'Senior Management' and 'the Board' will be advised where, for whatever reason, internal audit is unable to provide assurance on any significant risks within the timescale envisaged by the risk assessment process.

The annual operational plan will be submitted to 'senior management' and 'the Board', for approval. The Chief Internal Auditor will be responsible for delivery of the plan. The plan will be kept under review to ensure it remains responsive to the changing priorities and risks of the Council.

Significant matters that jeopardise the delivery of the plan or require changes to the plan will be identified, addressed and reported to 'senior management' and 'the Board'.

If the Chief Internal Auditor, 'the Board' or 'Senior Management' consider that the scope or coverage of internal audit is limited in any way, or the ability of internal audit to deliver a service consistent with the Standards is prejudiced, they will advise the S151 Officer accordingly.

Independence and objectivity

Internal auditors must be sufficiently independent of the activities they audit to enable them to provide impartial, unbiased and effective professional judgements and advice.

Internal auditors must maintain an unbiased attitude that allows them to perform their engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgement on audit matters to others.

To achieve the degree of independence and objectivity necessary to effectively discharge its responsibilities, arrangements are in place to ensure the internal audit activity:

- retains no executive or operational responsibilities;
- operates in a framework that allows unrestricted access to 'senior management' and 'the Board';
- reports functionally to 'the Board';
- reports in their own name;
- rotates responsibilities for audit assignments within the internal audit team; and
- completes individual declarations confirming compliance with rules on independence, conflicts of interest and acceptance of inducements.

If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to 'Senior Management' and 'the Board'. The nature of the disclosure will depend upon the impairment.

Due professional care

Internal auditors will perform work with due professional care, competence and diligence. Internal auditors cannot be expected to identify every control weakness or irregularity, but their work should be designed to enable them to provide reasonable assurance regarding the controls examined within the scope of their review.

Internal auditors will have a continuing duty to develop and maintain their professional skills, knowledge and judgement based on appropriate training, ability, integrity, objectivity and respect.

Internal auditors will apprise themselves of the '*Mission*', *Core Principles*', *Definition of Internal Auditing*', the '*Code of Ethics*' and the '*Standards*' and will work in accordance with them in the conduct of their duties.

Internal auditors will be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest. They will ensure that any suspicions of fraud, corruption or improper conduct are promptly reported in accordance with the Council's Anti-fraud and Corruption Strategy.

Internal auditors will treat the information they receive in carrying out their duties as confidential. There will be no unauthorised disclosure of information unless there is a legal or professional requirement to do so. Confidential information gained in the course of internal audit work will not be used to effect personal gain.

Access to relevant personnel and records

In carrying out their duties, internal audit (on production of identification) shall have unrestricted right of access to all records, assets, personnel and premises, belonging to the Council or its key delivery partner organisations.

Internal audit has authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. Such access shall be granted on demand and not subject to prior notice.

Scope of Internal Audit activities

The Chief Internal Auditor is responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform its governance statement. The annual opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The Council assume a Key Stakeholder role within the Southern Internal Audit Partnership (SIAP). The SIAP currently provides internal audit services to a wide portfolio of public sector clients (Annex 1) through a variety of partnership and sold service delivery models.

A range of internal audit services are provided (Annex 2) to form the annual opinion for each member / client of the SIAP. The approach is determined by the Chief Internal Auditor and will depend on the level of assurance required, the significance of the objectives under review to the organisation's success, the risks inherent in the achievement of objectives and the level of confidence required that controls are well designed and operating as intended.

In accordance with the annual audit plan, auditors will plan and evaluate their work so as to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls.

The Council maintain an in-house Corporate Fraud & Inspection Team responsible for conducting reactive fraud and irregularity investigations and proactive fraud work. This includes participation in the National Fraud Initiative (NFI) in which data from the Council's main systems are matched with data supplied from other Local Authorities and external agencies to detect potential fraudulent activity.

The Corporate Fraud & Inspection Team will inform the SIAP of the outcomes of all reactive fraud and irregularity investigations and proactive fraud work on a regular basis. SIAP will monitor the outcomes of this work to contribute to its assessment of the wider control environment and will review the governance arrangement to prevent, detect and investigate fraud and irregularities on a cyclical basis.

Reporting

Chief Internal Auditor's Annual Report and Opinion

The Chief Internal Auditor shall deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit report and opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report will incorporate as a minimum:

- The opinion;
- A summary of the work that supports the opinion; and
- A statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Senior Management

As those responsible for the leadership and direction of the Council. It is imperative that the Senior Management Team are engaged in:

- approving the internal audit charter (minimum annually);
- approving the risk based internal audit plan;
- receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters;
- making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope and resource limitations; and
- receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance.

The Board

Organisational independence is effectively achieved when the Chief Internal Auditor reports functionally to the Board. Such reporting will include:

- approving the internal audit charter;
- approving the risk based internal audit plan;
- approving the internal audit resource plan;
- receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters, including the annual report and opinion;
- making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope or resource limitations;
- receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance; and
- approval of significant consulting services not already included in the audit plan, prior to acceptance of the engagement.

Review of the internal audit charter

This charter will be reviewed annually (minimum) by the Chief Internal Auditor and presented to '*Senior Management*' and '*the Board*' for approval.

Southern Internal Audit Partnership – Client Portfolio

Strategic Partners:	Hampshire County Council
Key Stakeholder Partners:	West Sussex County Council Havant Borough Council East Hampshire District Council Winchester City Council New Forest District Council Mole Valley District Council Epsom & Ewell Borough Council Reigate & Banstead Borough Council Tandridge District Council Crawley Borough Council Arun District Council
Blue light Key Stakeholder Partners:	Hampshire & IoW Fire & Rescue Authority West Sussex Fire Service Office of the Hampshire Police & Crime Commissioner / Hampshire Constabulary Office of the Sussex Police & Crime Commissioner / Sussex Police Force Office of the Surrey Police & Crime Commissioner / Surrey Police Force
External clients:	Waverley Borough Council Hampshire Pension Fund West Sussex Pension Fund New Forest National Park Authority Ringwood Town Council Lymington & Pennington Town Council Langstone Harbour Authority Chichester Harbour Authority Isle of Wight College

Assurance Services

- **Risk based audit:** in which risks and controls associated with the achievement of defined business objectives are identified and both the design and operation of the controls in place to mitigate key risks are assessed and tested, to ascertain the residual risk to the achievement of managements' objectives. Any audit work intended to provide an audit opinion will be undertaken using this approach.
- **Developing systems audit:** in which:
 - the plans and designs of systems under development are assessed to identify the potential weaknesses in internal control and risk management; and
 - programme / project management controls are assessed to ascertain whether the system is likely to be delivered efficiently, effectively and economically.
- **Compliance audit:** in which a limited review, covering only the operation of controls in place to fulfil statutory, good practice or policy compliance obligations are assessed.
- **Quality assurance review:** in which the approach and competency of other reviewers / assurance providers are assessed in order to form an opinion on the reliance that can be placed on the findings and conclusions arising from their work.
- **Fraud and irregularity investigations:** Internal audit may also provide specialist skills and knowledge to assist in or lead fraud or irregularity investigations, or to ascertain the effectiveness of fraud prevention controls and detection processes. Internal audit's role in this respect is outlined in the Council's Anti Fraud and Anti Corruption Strategy.
- **Advisory / Consultancy services:** in which advice can be provided, either through formal review and reporting or more informally through discussion or briefing, on the framework of internal control, risk management and governance. It should be noted that it would not be appropriate for an auditor to become involved in establishing or implementing controls or to assume any operational responsibilities and that any advisory work undertaken must not prejudice the scope, objectivity and quality of future audit work.

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Crawley Borough Council Audit results report

Year ended 31 March 2021

March 2022

FIN/567



Building a better
working world

3 March 2022



Crawley Borough Council
Town Hall
The Boulevard
Crawley
United Kingdom
RH10 1UZ

Dear Audit Committee Members,

We are pleased to attach our audit results report, summarising the status of our audit for the forthcoming meeting of the Audit Committee and management of Crawley Borough Council. We will update the Audit Committee at its meeting scheduled for 15 March 2022 on further progress to that date and explain the remaining steps to be completed before we can issue our audit report.

The audit is designed to express an opinion on the 2020/21 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Crawley Borough Council's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on value for money arrangements.

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

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on the 15 March 2022.

Yours faithfully,

Elizabeth Jackson

Associate Partner

For and on behalf of Ernst & Young LLP

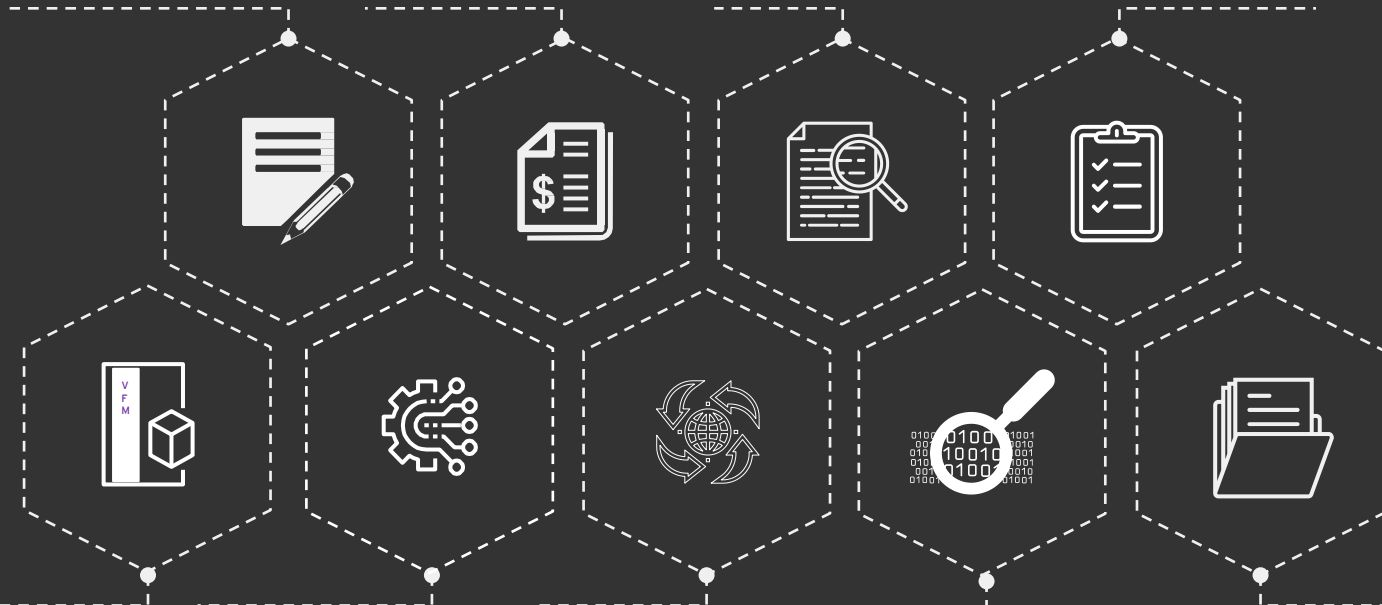
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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit Committee and management of Crawley Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Crawley Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee, and management of Crawley Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Executive Summary



Executive Summary

Audit Scope

In our audit planning report tabled at the 19 July 2021 and the update issued at December 2021 Audit Committee meetings respectively, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

▶ Changes in materiality

We updated our planning materiality assessment using the draft results and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure, we have updated our overall materiality assessment to £2,654,000 (Audit Planning Report – £2,952,000). This results in updated performance materiality, at 75% of overall materiality, of £1,990,000, and an updated threshold for reporting misstatements of £132,000. These thresholds decreased as a result of lower gross expenditure reported in the draft 2020/21 financial statements (£132,704,000) versus the audited 2019/20 financial statements (£147,603,000) .

▶ Additional audit procedures as a result of Covid-19

Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but result in the following impacts on our audit strategy were as follows:

- ▶ Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Council's systems. We undertook the following to address this risk:
 - ▶ Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
 - ▶ Agreed IPE to scanned documents or other system screenshots.

Status of the audit

Our audit work in respect of the Council opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- ▶ Completing our work in a number of areas of the audit, such as asset valuations, capital additions, financing Income, Operating Income, Employee Benefits, Reserves, HRA disclosures, Short Term Debtors and journal testing
- ▶ Completion of EY review of audit work
- ▶ Receipt of the signed financial statements and signed letter of management representation
- ▶ Whole of Government Accounts




Details of each outstanding item, actions required to resolve and responsibility is included in Appendix B.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Narrative Report and Accounts which could influence our final audit opinion.

Appendix B

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item 	Actions to resolve 	Responsibility 
Valuations	Our internal specialists are currently reviewing the other land and buildings and investment property valuations. Once we have received their report, we will need to consider the implications of their review and findings over key assumptions used by the valuer across the remaining land and building and investment properties revalued in the year. Our remaining work on the valuations is complete subject to review.	EY
Completion of our work on the additions of property, plant and equipment	We have received the evidence from officers and need to tick this through to our sample	EY
Journal entry testing	We have received the evidence from officers and need to tick this through to our sample	EY
Resolution of work on Financing Income, Operating Income, Employee Benefits, Reserves, HRA disclosures and Short Term Debtors	We have received responses to our audit queries from officers and need to complete our documentation in these areas	EY
Going concern	We have received the going concern assessment from officers and are performing our procedures over this area	EY
Completion of our planned procedures over the rents overcharging issue for the financial statements and value for money	We are waiting to receive the internal audit report regarding the rents overcharging issue. We have discussed the progress of work in this area with officers and will update the Committee verbally	EY and Internal Audit
Completion of review of revised financial statements	We are currently reviewing the latest draft financial statements to confirm that they include all the expected amendments arising from the audit and our review of the financial statements.	EY
Completion of EY review of audit work	Completion of EY review procedures	EY
Completion of Conclusion procedures	Completion of our conclusion audit steps such as subsequent events procedures to the date of signing the audit report	EY
Receipt of the signed financial statements and signed letter of management representation	We will need to perform our final audit procedures following receipt of the signed financial statements and letter of representation	EY and officers
Whole of Government Accounts	Once we receive the NAO instructions on this for 2020/21 we will be able to complete our work in this area	EY

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Statement of Accounts. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that key disclosures on going concern and asset valuations remain to be finalised and audited. A draft of the current opinion is included in Section 3.

Executive Summary

Auditor responsibilities under the new Code of Audit Practice 2020

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

The specified reporting criteria are:

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

Status of the audit - Value for Money

As reported to the Audit Committee in December 2021, we have completed our value for money risk assessment and identified one risk of significant weakness in the Council's arrangements in relation to the overcharging of rents in the housing rents account.

We have not completed our planned value for money procedures on the housing rents overcharge issue. We will complete this work prior to issuing our audit report. We plan to issue the value for money commentary within the Auditor's Annual report by 3 months after the audit report, in line with the extension provided by the NAO for 2020/21, within our Auditor's Annual Report.



Executive Summary

Audit differences

- ▶ There are currently two unadjusted known differences as at 3 March 2022 which we set out in more detail in Section 4 Audit Differences.
- ▶ We have not identified any other differences requiring Management adjustment.
- ▶ Management have corrected disclosure misstatements in disclosures relating to the annual governance statement, Note 18 disclosure (Financial Instruments), Note 2 Accounting Standards that have been issued but have not yet been adopted, Narrative report, Note 9 Adjustments between Accounting Basis and Funding Basis and Collection Fund disclosure note.

As elements of our audit work are ongoing at the time of writing this report, further adjusted and unadjusted misstatements may be identified. We will update the Audit Committee at the next meeting on whether we identified any further issues that need to be reported to you.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement (AGS) for consistency with our knowledge of Crawley Borough Council. We have the following matters to report as a result of this work:

Crawley Borough Council disclosed to us in April 2021 that they had been overcharging rent to council housing tenants since April 2014 for all new tenancies since this date in properties that pre-dated April 2014. This was identified due to the Council performing a forensic investigation after being contacted by the Regulator for Social Housing following the first mandatory data return on the setting of target rents to the Regulator. The Council's return identified them as an outlier as the target rents were around 8% higher than the Governments formula rent and valuations suggested they should be. The Council came under the Regulator from April 2020.

The Council have estimated the total cost of reimbursing the rents for the period 1 April 2014 to date is expected to be in the region of about £3.3m which is greater than planning materiality of £2.6m at year end.

The Council have made an initial determination that this should be accounted for as a post balance sheet non-adjusting event. We are currently reviewing the management briefing paper to determine our view of the 2020/21 reporting requirements.

We have identified inadequate disclosure relating to this issue as it was not reported in the AGS. Although the Council has publicly reported the issue, we have requested management amends the AGS to include reference to the issue arising in the year and action taken.

Whole of Government Accounts

We have not yet been able to perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. This is because HM Treasury are continuing to review the online 2020/21 WGA Data Collection Tool (DCT) and update the guidance that is available for preparers. Based on the last available update the DCT and guidance was not expected to be available until early 2022. Therefore the 2020/21 WGA component data will not be available for auditors to review until after that.

We have no other matters to report.



Executive Summary

Areas of audit focus

In our audit planning report, and subsequent update, we identified a number of key areas of focus for our audit of the financial report of the Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Fraud Risk	Findings & Conclusions
Misstatements due to fraud or error	We have not identified any material weaknesses in controls or evidence of material management override, instances of inappropriate judgements being applied; or any other transactions during our audit which appear unusual or outside the Council's normal course of business.
Inappropriate capitalisation of revenue expenditure	Our sample testing of additions to PPE: <ul style="list-style-type: none"> • Found costs had been correctly classified as capital and included at the correct value. • Did not identify any revenue items that were incorrectly classified as capital. Our review of judgements taken by management found them to be reasonable.
Significant Risk	Findings & Conclusions
Valuation of Land & Buildings in Property, Plant & Equipment (PPE) under Existing Use Value (EUV) and Investment Properties (IP) under Fair Value (FV)	Our work in this area remains in progress as at 3 March 2022. Further details are set out in Section 2 of this report.
Rents Issue	Our work in this area remains in progress as at 3 March 2022. Further details are set out in Section 2 of this report.

Executive Summary

Areas of audit focus continued

Area of audit focus / Inherent risk	Findings & Conclusions
Valuation of Land & Buildings in PPE under Depreciated Replacement Cost (DRC) and Housing Revenue Account (HRA) properties (Inherent risk)	Our work in this area remains in progress as at 3 March 2022. Further details are set out in Section 2 of this report.
Pension Liability and Asset Valuation (Inherent risk)	<p>We modified our planned approach to address the requirements of the revised auditing standard on accounting estimates by testing the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model.</p> <p>We have completed our work and are satisfied that the pension asset valuation is materially fairly stated. Further details are set out in Section 2 of this report.</p>
Going Concern (Area of audit focus)	Our work in this area remains in progress as at 3 March 2022.
Accounting for Covid-19 related government grants (Inherent risk)	Based on our work, we are satisfied that the accounting treatment adopted for Covid-19 related government grants accorded with the Council's assessment of whether it was acting as agent or principal, the underlying conditions of the grant and whether those conditions had been met.

We request that you review these and other matters set out in this report to ensure:

- ▶ There are no residual further considerations or matters that could impact these issues
- ▶ You concur with the resolution of the issue
- ▶ There are no further significant issues you are aware of to be considered before the financial report is finalised.

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

Control observations

We have adopted a fully substantive approach, and have not tested the operation of controls. We have, however, updated our understanding of the key processes and the controls which are in place to detect or prevent error. Through this work, we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Independence

We can confirm that we remain independent of Crawley Borough Council and include an update in Section 09.



02

Areas of Audit Focus





Areas of Audit Focus

Fraud Risk

Misstatements due to fraud or error

What is the risk?

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

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

What judgements are we focused on?

Our assessment of risk led us to create a series of criteria for the testing of journals, focusing specifically on areas that could be open to management manipulation. We have also focused specifically on capitalisation of assets as a potential area of manipulation, which is recorded as a separately identified significant risk - Inappropriate capitalisation of revenue expenditure.

Our work on estimates focussed on the valuation of Land & Buildings in PPE under EUV and IP under Fair Value as significant risk, and the valuation of Land & Buildings in PPE under (DRC) and HRA properties, and IAS19 pension estimates as areas of higher inherent risk and are reported further in this report.

What did we do?

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

What are our conclusions?

Our work is ongoing in this area. To date:

- ▶ We have found no evidence that management had attempted to override internal controls.
- ▶ Our work on journals testing is ongoing.
- ▶ We have not identified any instances of materially inappropriate judgements being applied.
- ▶ We have not identified any other transactions during our audit which appeared unusual or outside the Council's normal course of business.

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



Areas of Audit Focus

Fraud risk



Further details on procedures/work performed

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

We have:

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

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

- ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- ▶ Assessing accounting estimates for evidence of management bias, including estimates with a higher level of inherent risk relating to the revaluation of PPE, IP & surplus assets and pension liability and asset valuation.
- ▶ Evaluating the business rationale for significant unusual transactions.

We utilised our data analytics capabilities to assist with our work.

Having re-evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. We continued to conclude that only those procedures included under 'Inappropriate capitalisation of revenue expenditure' were required - See the next page for further details.



Areas of Audit Focus

Fraud risk

Risk of misstatements due to fraud or error - specifically in inappropriate capitalisation of revenue expenditure

What is the risk?

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

The Council is under financial pressure to achieve budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way to achieve these targets.

We consider the risk applies to capitalisation of revenue expenditure and revenue expenditure funded from capital under statute (REFCUS). Management could manipulate revenue expenditure by incorrectly capitalising expenditure which is revenue in nature and should be charged to the comprehensive income and expenditure account.

What judgements are we focused on?

We focused on whether expenditure was properly capitalised in its initial recognition, or whether subsequent expenditure on an asset enhances the asset or extends its useful life.

What did we do?

Our approach focussed on:

- ▶ For significant additions we examined invoices, capital expenditure authorisations, leases and other data that support the additions. We reviewed the sample selected against the definition of capital expenditure in IAS 16.
- ▶ We extended our testing of items capitalised in the year by lowering our testing threshold. We will also review a larger random sample of capital additions below our testing threshold.
- ▶ Journal testing - we used our testing of Journals to identify high risk transactions, such as items originally recorded as revenue expenditure and subsequently capitalised.
- ▶ Revenue Expenditure Funded by Capital Under Statute (REFCUS) - We extended our testing of items that were classified as REFCUS in the year by lowering our testing threshold. We challenged management's classification to ensure that items were appropriately included in this category. Expenditure that is classed as REFCUS is mainly in the form of capital grants where the Council does not receive an asset on the Balance Sheet.

What are our conclusions?

We have completed our work as follows:

- ▶ Our sample testing of additions to property, plant and equipment is ongoing
- ▶ From our work on REFCUS, we did not identify any misstatements. We are consequently satisfied that the expenditure under REFCUS was appropriately classified.
- ▶ Our data analytical procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.



Areas of Audit Focus

Significant risk

Rents Issue

What is the risk?

Crawley Borough Council disclosed to us in April 2021 that they had been overcharging rent to council housing tenants since April 2014 for all new tenancies since this date in properties that pre-dated April 2014. This was identified due to the Council performing a forensic investigation after being contacted by the Regulator for Social Housing following the first mandatory data return on the setting of target rents to the Regulator. The Council's return identified them as an outlier as the target rents were around 8% higher than the Governments formula rent and valuations suggested they should be. The Council came under the Regulator from April 2020.

There is risk of inappropriate accounting for the transactions based on the interpretation of the regulations.

What judgements are we focused on?

We have focused on whether the overcharge costs have been correctly calculated. Over and above the reasonability and accuracy of the calculations, we have focused on determining that the accounting effects of the transaction have been recorded in the correct periods based on the requirements of the Regulations.

What are our conclusions?

Based on the extensive work completed by the Council the pre 1 April 2020 financial impact is £1.5m and the impact on 2020/21 is £690k. The Council have made a judgement that the accounting for the total amount should be recognised in the 2021/22 accounts.

We are still concluding on the correct accounting treatment and consulting with our Professional Practice Department and Legal Department. We will update you on our conclusion before we issue the audit report for 2020/21.

What did we do?

In order to address this risk we have carried out a range of procedures including:

- ▶ Obtaining and reviewing the Council's root cause analysis for this issue.
- ▶ Obtaining confirmation from the Regulator regarding the actions they intend to take.
- ▶ Evaluating the procedures undertaken by the client, to determine whether the quantification of the issue is reliable and reasonable.
- ▶ Reviewing the legal advice received by the Council regarding this issue.
- ▶ Determining whether the proposed accounting treatment is correct.
- ▶ Documenting Council's approach to notifying impacted tenants.
- ▶ Considering the impact of repaying the rents on the going concern of the Council.



Areas of Audit Focus

Significant risk

Valuation of Land & Buildings in Property, Plant & Equipment (PPE) under Existing Use Value (EUV) and Investment Properties (IP) under Fair Value (FV).

What is the risk?

The value of land & buildings in PPE under EUV and in IP under FV represent significant balances in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make a high degree of material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

Given the nature of Covid-19 and the fact that 2020/21 was predominantly influenced by local and national lockdowns, we anticipate that the valuer will not be able to conduct site visits due to the restrictions that are in place and that the valuer will have to perform a remote approach to valuing the properties which will further increase the risk around these valuations.

At 31 March 2021, the value of land & buildings in PPE under EUV was £66.9m and in IP under FV was £24.6m.

What did we do?

Our approach focussed on:

- ▶ Considering the work performed by the Council's valuers (Wilks, Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- ▶ Challenging the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists as necessary - for example, significant or unusual movements in valuation; or investments in areas of the economy under stress such as retail.
- ▶ Sampling testing key asset information used by the valuers in performing their valuation (e.g. yield).
- ▶ Considering the annual cycle of valuations to ensure that EUV assets have been valued within a 5 year rolling programme as required by the Code for PPE, and annually for IP. We also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer.
- ▶ Reviewing any EUV and FV properties not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated.
- ▶ Considering changes to useful economic lives as a result of the most recent valuation.
- ▶ Testing accounting entries have been correctly processed in the financial statements.

What are our conclusions?

As at 3 March 2022, our work in this area remains in progress as we have not yet received final outputs from the EYRE consideration of a sample of assets subject to revaluation in the year. The results of the EYRE review are also needed to fully complete our own local team testing of the revaluation.

We will provide a verbal update at the Committee meeting.

From our work performed to date, we have identified an unadjusted misstatement pertaining to the valuation of Investment Property (Ashdown House) asset at the reporting date. This misstatement (£1,120k) is below our performance materiality threshold (2,654k) and therefore we are satisfied that the asset valuation is materially fairly stated and appropriately disclosed for the audit report.



Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the area of focus?	What did we do?	What are our conclusions?
<p>Valuation of Land & Buildings in PPE under Depreciated Replacement Cost (DRC) and Housing Revenue Account (HRA) properties</p> <p>The value of land & buildings in PPE under DRC and HRA properties also represent significant balances in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make a lesser degree of material judgemental inputs and apply estimation techniques are required to calculate these balances held in the balance sheet and HRA notes. Although there is a risk for land & buildings under DRC due to the specialised nature of these assets and insufficient availability of market-based evidence to assist the valuation, these assets and HRA properties are inherently not subject to material uncertainty arising due to market conditions.</p> <p>At 31 March 2021, the value of land & buildings in PPE under DRC was £100.7m and in HRA properties was £700.7m.</p>	<p>Our approach focussed on:</p> <ul style="list-style-type: none"> ▶ Considering the work performed by the Council's valuers (Wilks, Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work. ▶ Challenging the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists as necessary - for example, significant or unusual movements in valuation, or difficult to value specialist assets. ▶ Sample testing key asset information used by the valuers in performing their valuation (e.g. building areas to support valuations based on price per square metre). ▶ Considering the annual cycle of valuations to ensure that properties have been valued within a 5 year rolling programme as required by the Code for PPE. We also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer. ▶ Reviewing properties not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated. ▶ Considering changes to useful economic lives as a result of the most recent valuation. ▶ Testing accounting entries have been correctly processed in the financial statements. 	<p>As at 3 March 2022, our work in this area remains in progress as we have not yet received final outputs from the EYRE consideration of a sample of assets subject to revaluation in the year. The results of the EYRE review are also needed to fully complete our own local team testing of the revaluation.</p> <p>We will provide a verbal update at the Committee meeting.</p>

Other areas of audit focus (continued)

What is the area of focus?	What did we do?	What are our conclusions?
<p>Net Pension Asset Valuation</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by West Sussex County Council.</p> <p>The Council's pension fund asset is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2021 this totalled £28.3m.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the actuary.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We have:</p> <ul style="list-style-type: none"> ▶ Obtained assurances over the information supplied to the actuary in relation to the Council; ▶ Assessed the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team; and ▶ Reviewed and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19. <p>We also considered outturn information available at the time we undertook our work after production of the Council's draft financial statements, for example the year-end actual valuation of pension fund assets. We used this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments were required.</p>	<p>Our planned work in this area is now complete, subject to review. Subsequent to our planning reports, an issue arose across all local government audits in relation to the impact of the revised auditing standard on accounting estimates.</p> <p>We planned to take an audit approach to this estimate based on procedures to evaluate management's process. The new auditing standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model.</p> <p>From our work performed, we have identified an unadjusted misstatement pertaining to the valuation of the pension fund assets at reporting date. This misstatement (£1,025k) is below our performance materiality threshold (£2,654k). We are satisfied that the pension liability and asset valuation is materially fairly stated and appropriately disclosed.</p>

Other areas of audit focus (continued)

What is the area of focus?	What did we do?	What are our conclusions?
<p>Going Concern</p> <p>Covid-19 has created a number of financial pressures throughout local government, increasing service demand and expenditure. The Council has incurred additional expenditure in a number of areas of its operations and has experienced some income losses. The extent of support from MHCLG has developed over time, but does not include all financial consequences of Covid-19.</p> <p>CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis.</p> <p>However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'.</p> <p>To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.</p>	<p>We have met the requirements of the revised auditing standard on going concern (ISA 570) and considered the adequacy of the Council's going concern assessment and its disclosure in the accounts by:</p> <ul style="list-style-type: none"> ▶ Challenging management's identification of events or conditions impacting going concern. ▶ Testing management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias). ▶ Reviewing the cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern. ▶ Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern. ▶ Challenging the disclosure made in the accounts in respect of going concern and any material uncertainties. 	<p>As at 3 March 2022 our work in this area remains in progress as we have not yet received final outputs from management.</p> <p>We will provide a verbal update at the Committee meeting.</p>

Other areas of audit focus (continued)

What is the area of focus?	What did we do?	What are our conclusions?
<p>Accounting for Covid-19 related government grants</p> <p>We also considered outturn information available at the time we undertook our work after production of the Council's draft financial statements, for example the year-end actual valuation of pension fund assets. We used this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments were required.</p>	<p>We considered the Council's judgement on material grants received in relation to whether it is acting as:</p> <ul style="list-style-type: none"> ▶ Agent, where it has determined that it is acting as an intermediary; or ▶ Principal, where the Council has determined that it is acting on its own behalf. <p>For grants received where the Council acted as principal, we have further considered whether any associated restrictions and conditions have been met and that grants have been claimed and recognised in accordance with the scheme rules.</p>	<p>Based on our work, subject to review, we are satisfied that the accounting treatment adopted for Covid-19 related government grants and accorded with the Council's assessment of whether it was acting as agent or principal, the underlying conditions of the grant and whether those conditions had been met.</p>
<p>Valuation of NNDR Appeals Provision</p> <p>Crawley Borough Council's NNDR Appeal Provision was valued at £4.1m at 31 March 2021. This is a high value estimate driven by internal calculations and judgement.</p>	<p>We have:</p> <ul style="list-style-type: none"> ▶ Agreed data used to calculate the provision to reports received from the Valuations Office Agency. ▶ Confirmed appeals percentage provided for its reasonability, considering the government's baseline data for predicting business rates appeals. ▶ Repeat performed the calculations to confirm arithmetical correctness. ▶ Compared the level of appeals at 31 March 2021 and 31 March 2020 to assess the reasonableness of amounts provided for at year end. 	<p>Based on our work, subject to review, we are satisfied that the accounting treatment adopted for provisions is appropriate and the calculations are accurate.</p>



03

Audit Report



Draft audit report

Our draft opinion on the financial statements

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

Opinion

We have audited the financial statements of Crawley Borough Council for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- ▶ Expenditure and Funding Analysis
- ▶ Comprehensive Income and Expenditure Statement,
- ▶ Movement in Reserves Statement,
- ▶ Balance Sheet,
- ▶ Cash Flow Statement
- ▶ the related notes 1 to 24
- ▶ Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the related notes 1 to 8
- ▶ Collection Fund and the related notes 1 to 3

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- ▶ give a true and fair view of the financial position of Crawley Borough Council as at 31 March 2021 and of its expenditure and income for the year then ended; and
- ▶ have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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



Audit Report

Draft audit report (cont.)

Our draft opinion on the financial statements

Other information

The other information comprises the information included in the Statement of Accounts 2020/21, other than the financial statements and our auditor's report thereon. The Head of Corporate Finance is responsible for the other information contained within the Statement of Accounts.

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

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

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- ▶ in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- ▶ we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- ▶ we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;

- ▶ we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- ▶ we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;
- ▶ we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014;

We have nothing to report in these respects

Responsibility of the Head of Corporate Finance

As explained more fully in the Statement of the Head of Corporate Finance Responsibilities set out on page 2, the Head of Corporate Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Corporate Finance is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to cease operations, or have no realistic alternative but to do so.

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



Audit Report

Draft audit report (cont.)

Our draft opinion on the financial statements

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- ▶ We obtained an understanding of the legal and regulatory frameworks that are applicable to the council and determined that the most significant are:
 - ▶ Local Government Act 1972,
 - ▶ Local Government and Housing Act 1989 (England and Wales),
 - ▶ Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
 - ▶ Local Government Act 2003,
 - ▶ The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,

- ▶ Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948)
- ▶ Business Rate Supplements Act 2009
- ▶ The Local Government Finance Act 2012,
- ▶ The Local Audit and Accountability Act 2014, and
- ▶ The Accounts and Audit Regulations 2015.

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

- ▶ We understood how Crawley Borough Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Council's committee minutes, through enquiry of employees to confirm Council policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.
- ▶ We assessed the susceptibility of the Council's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified manipulation of reported financial performance through inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.



Audit Report

Draft audit report (cont.)

Our draft opinion on the financial statements

- ▶ To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Council's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.
- ▶ To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

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

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

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

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

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

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

Delay in certification of completion of the audit

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

Use of our report

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

Elizabeth Jackson

Associate Partner

For and on behalf of Ernst & Young LLP

Luton

Date



04

Audit Differences





Audit Differences

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

Summary of adjusted and unadjusted differences

There have been no misstatements greater than £1,990k at 3 March 2022 which have required management correction.

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit Committee and provided within the Letter of Representation:

Uncorrected misstatements 31 March 2021 (£'000)	Effect on the current period:		Net assets (Decrease)/Increase			
	OCI Debit/(Credit)	Comprehensive Income and Expenditure Statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)
Errors						
Investment Property valuation: Differences in the Ashdown house valuation of £1,120k identified.		1,120		(1,120)		
Pension fund liabilities and assets valuation: Differences in the pension fund assets of £1,025k identified.	(1,025)			1,025		

A small number of other amendments were made to disclosures appearing in the financial statements as a result of our work.



05

Value for Money



Value for money

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

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

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

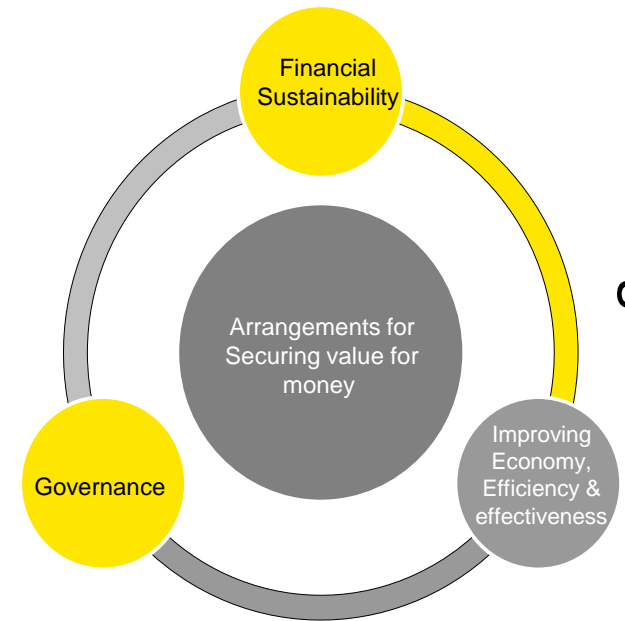
Risk assessment

As reported to the Audit Committee in December 2021, we have completed our value for money risk assessment and identified one risk of significant weakness in the Council's arrangements in relation to the overcharging of rents in the housing rents account.

We have revisited our risk assessment and have not identified any additional risks of significant weakness in the Council's arrangements.

Status of our VFM work

We have not completed our planned value for money procedures on the housing rents overcharge issue. We will complete this work prior to issuing our audit report. We plan to issue the value for money commentary within the Auditor's Annual report by 3 months after the audit report, in line with the extension provided by the NAO for 2020/21, within our Auditor's Annual Report.





Responding to a risk of significant weakness in VFM arrangements

What is the risk/area of focus?

What will we do?

What are our conclusions?

Rents Issue

Crawley Borough Council disclosed to us that it came to their attention in April 2021 that they had been overcharging rent to council housing tenants since April 2014 for all new tenancies post April 2014 in properties that pre-date April 2014. This was identified due to the Council performing a forensic investigation after being contacted by the Regulator for Social Housing, who had identified that the Council was identified as being an outlier in that its target rents were around 8% higher than the Governments formula rent and valuations suggested they should be, following a first mandatory data return about the setting of target rents. The Council came under the Regulator from April 2020.

Consider whether the refund amounts calculated have been reasonably derived.

Consider whether there is a clear audit trail / documentation in support of the refund amounts.

Consider whether there are any wider implications or indications of poor arrangements.

Gain an understanding of what lead to this error.

Our work in this area is still ongoing.

This is a breach of laws and regulations, therefore there is a risk that the Council's arrangements led to this breach being enabled.



06 Other reporting issues

Other reporting issues

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

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2020/21 with the audited financial statements.

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

Financial information in the Statement of Accounts 2020/21 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements. However, we conclude that there has been inadequate disclosure of the rents issue on the AGS and have requested that management report the issue arising in the year and action taken to address it.

Whole of Government Accounts

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

We have not yet been able to perform the procedures required by the NAO on the Whole of Government Accounts submission. This is because HM Treasury are continuing to review the online 2020/21 WGA Data Collection Tool (DCT) and update the guidance that is available for preparers. Based on the last available update the DCT and guidance was not expected to be available until early 2022. Therefore the 2020/21 WGA component data will not be available for auditors to review until after that. Group Audit Instructions and the timetable for 2020/21 will necessarily follow any changes HMT make to the DCT and process.

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").

We did not identify any issues which required us to issue a report in the public interest apart from the rents issue that the council has already considered and brought to the attention of the public. Therefore, we have concluded that this has been sufficiently reported publicly and further reporting by the auditor is not required.

Other matters

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

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

We have nothing to report.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed.

Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements, however we have noted two control exceptions as follows:

- Through our audit of cash and cash equivalents, we identified an immaterial salary control account that was included as part of cash and cash equivalents. This account is not cash in nature. This account is part of the monthly bank reconciliations that go through various levels of management review which did not pick up this error. The Council should review the accounts categorised as cash and cash equivalents to ensure that they meet the definition of such an asset and should not be reclassified.
- As part of the audit of Property, Plant and Equipment, for assets valued under the Depreciated Replacement Cost method, we struggled to obtain floor plans for the assets selected for sampling due to such records not being maintained by the Council. The Council should hold all records pertinent to the assets held on the Balance Sheet. The Council should review the data held to ensure that it is sufficient.

We then considered whether circumstances arising from COVID-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention.



08

Independence

Relationships, services and related threats and safeguards

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

There are no relationships from 1 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The table below sets out a summary of the fees that are due to us for the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute.

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

	Final fee 2020/21	Planned fee 2020/21	Final Fee 2019/20
	£	£	£
Scale Fee - Code work	50,291	50,291	50,291
2019/20 fee variation determined by PSAA (Note 1)	27,398	27,398	14,200
2019/20 additional audit fee for risk based work (Note 2)	-	-	8,434
2020/21 PSAA expected additional minimal core fees (Note 3):			
• VFM	8,500	-	-
• ISA 540 accounting estimates			
2020/21 proposed fee variation - other (Note 4)	TBC	-	-
Total Fees	TBC	77,689	72,925

- (1) We outlined in our 2019/20 Annual Audit Letter (AAL) the basis on which the scale fees are set by PSAA. We also outlined a combination of factors which mean that we do not believe the existing scale fees provide a clear link with both a public sector organisation's risk and complexity and therefore it endangers the sustainability of Local Audit in the future. Based on these factors, and in light of requests from PSAA to provide further detailed analysis we have estimated the impact on the Council totalling £27,398, which has been shared with management but we did not reach agreement on that rebasing. A total of £14,200 has now been approved by PSAA.
- (2) We outlined in our 2019/20 AAL the basis for the additional Scale Fee Variation expenses relating to additional work required for Going Concern and significant risks, as well as additional Covid-19 related costs totalling £13,133. This was discussed with management although an additional fee was not agreed. An additional fee has now been approved by PSAA totalling £8,434.
- (3) Additional Value for Money work required due to changes in the Code of Practice on Local Authority Accounting impact from 2020/21 and additional work to address the new ISA540 risk. PSAA determined fee ranges for this work and communicated these in August 2021 in 'Additional information for 2020/21 audit fees'.
- (4) Additional work completed in relation to the rents overcharging issue.

Other communications

EY Transparency Report 2021

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2021:

[EY UK 2021 Transparency Report | EY UK](#)






09

Appendices

Required communications with the Audit Committee

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

		Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Crawley Borough Council's audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report presented at the Crawley Borough Council Audit Committee meeting on 19 July 2021 and the update issued at December 2021 Audit Committee meetings respectively
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit planning report presented at the Crawley Borough Council Audit Committee meeting on 19 July 2021 and the update issued at December 2021 Audit Committee meetings respectively
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report presented to the Audit Committee on 15 March 2022.

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
	<ul style="list-style-type: none"> ▶ Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the audit committee ▶ Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof ▶ The valuation methods used and any changes to these including first year audits ▶ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework ▶ The identification of any non-EY component teams used in the group audit ▶ The completeness of documentation and explanations received ▶ Any significant difficulties encountered in the course of the audit ▶ Any significant matters discussed with management ▶ Any other matters considered significant 	
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty related to going concern ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The appropriateness of related disclosures in the financial statements 	Audit Results Report presented to the Audit Committee on 15 March 2022.
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit Results Report presented to the Audit Committee on 15 March 2022.
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit Results Report presented to the Audit Committee on 15 March 2022.

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit Committee responsibility. 	Audit Results Report presented to the Audit Committee on 15 March 2022.
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report presented to the Audit Committee on 15 March 2022.
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit planning report presented at the Crawley Borough Council Audit Committee meeting on 19 July 2021 and the update issued at December 2021 Audit Committee meetings respectively</p> <p>Audit Results Report presented to the Audit Committee on 15 March 2022.</p>

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
	<p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> ▶ Relationships between EY, the company and senior management, its affiliates and its connected parties ▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▶ Related safeguards ▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence 	
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit Results Report presented to the Audit Committee on 15 March 2022.
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	Audit Results Report presented to the Audit Committee on 15 March 2022.




Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	<p>Audit planning report presented at the Crawley Borough Council Audit Committee meeting on 19 July 2021 and the update issued at December 2021 Audit Committee meetings respectively</p> <p>Audit Results Report presented to the Audit Committee on 15 March 2022.</p>
Group Audits	<ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements. 	Not Applicable to Crawley Borough Council
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit Results Report presented to the Audit Committee on 15 March 2022.
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit Results Report presented to the Audit Committee on 15 March 2022.
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report presented to the Audit Committee on 15 March 2022.

Appendix B

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item 	Actions to resolve 	Responsibility 
Valuations	Our internal specialists are currently reviewing the other land and buildings and investment property valuations. Once we have received their report, we will need to consider the implications of their review and findings over key assumptions used by the valuer across the remaining land and building and investment properties revalued in the year. Our remaining work on the valuations is complete subject to review.	EY
Completion of our work on the additions of property, plant and equipment	We have received the evidence from officers and need to tick this through to our sample	EY
Journal entry testing	We have received the evidence from officers and need to tick this through to our sample	EY
Resolution of work on Financing Income, Operating Income, Employee Benefits, Reserves, HRA disclosures and Short Term Debtors	We have received responses to our audit queries from officers and need to complete our documentation in these areas	EY
Going concern	We have received the going concern assessment from officers and are performing our procedures over this area	EY
Completion of our planned procedures over the rents overcharging issue for the financial statements and value for money	We are waiting to receive the internal audit report regarding the rents overcharging issue. We have discussed the progress of work in this area with officers and will update the Committee verbally	EY and Internal Audit
Completion of review of revised financial statements	We are currently reviewing the latest draft financial statements to confirm that they include all the expected amendments arising from the audit and our review of the financial statements.	EY
Completion of EY review of audit work	Completion of EY review procedures	EY
Completion of Conclusion procedures	Completion of our conclusion audit steps such as subsequent events procedures to the date of signing the audit report	EY
Receipt of the signed financial statements and signed letter of management representation	We will need to perform our final audit procedures following receipt of the signed financial statements and letter of representation	EY and officers
Whole of Government Accounts	Once we receive the NAO instructions on this for 2020/21 we will be able to complete our work in this area	EY

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Statement of Accounts. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that key disclosures on going concern and asset valuations remain to be finalised and audited. A draft of the current opinion is included in Section 3.

Management representation letter

Management Representation Letter

[To be prepared on the entity's letterhead]

[Date]

Elizabeth Jackson
Ernst & Young LLP
Grosvenor House
Grosvenor Square
Southampton
SO15 2BE

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 2021. 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 2021 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 2020/21.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with [the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have

Management representation letter

Management Rep Letter

not corrected these differences identified by, and brought to the attention from, the auditor because they are judgemental variances between two technical expert methodologies and are below the materiality threshold.

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

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

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - ▶ Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - ▶ Additional information that you have requested from us for the purpose of the audit; and
 - ▶ Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the Full Council, Cabinet, Audit Committee and Governance Committee held through the year to the most recent meeting of the Council on 23 February 2022, Cabinet on 2 February 2022, Audit Committee on 07 February 2022 and Governance Committee on 25 January 2022.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Management representation letter

Management Rep Letter

6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter dated 02 March 2021, through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Note 43 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than Note 5 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

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

H. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.
3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. Except as disclosed in Notes 18 and 22 to the financial statements, we have no other line of credit arrangements.

Management representation letter

Management Rep Letter

I. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

J. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of property, plant and equipment, investment property, HRA properties and IAS19 pension fund liability, and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

K. Estimates

- i. **Revaluation of land and buildings classified as property, plant and equipment, investment property and HRA properties**
- ii. **Pension liability and asset valuation**

1. We confirm that the significant judgments made in making the revaluation of land and buildings classified as property, plant and equipment, investment property, and HRA properties, and the pension liability and asset valuation have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the land and buildings classified as property, plant and equipment, investment property, and HRA properties, and the pension liability and asset valuation.

3. We confirm that the significant assumptions used in making the land and buildings classified as property, plant and equipment, investment property, and HRA properties, and the pension liability and asset valuation appropriately reflect our intent and ability to carry out these valuations on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
5. We confirm that appropriate specialized skills or expertise has been applied in making the land and buildings classified as property, plant and equipment, investment property, and HRA properties, and the pension liability and asset valuation.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements, including due to the COVID-19 pandemic.

L. Retirement benefits

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

Yours faithfully,



Appendix B

Management representation letter

Management Rep Letter

(Chief Financial Officer)

I confirm that this letter has been discussed and agreed at the Audit Committee on 15 March 2022.


(Chair of the Audit Committee)

Appendix D

Implementation of IFRS 16 Leases

In previous reports to the Crawley Borough Council Audit Committee, we have highlighted the issue of new accounting standards and regulatory developments. IFRS 16 introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases. The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

IFRS 16 does not come into effect for the council until 1 April 2022. However, officers should be acting now to assess the council's leasing positions and secure the required information to ensure the council will be fully compliance with the 2022/23 Code. The following table summarises some key areas officers should be progressing.

IFRS 16 theme	Summary of key measures 
Data collection	Management should: <ul style="list-style-type: none"> ▶ Put in place a robust process to identify all arrangements that convey the right to control the use of an identified asset for a period of time. The adequacy of this process should be discussed with auditors. ▶ Classify all such leases into low value; short-term; peppercorn; portfolio and individual leases ▶ Identify, collect, log and check all significant data points that affect lease accounting including: the term of the lease; reasonably certain judgements on extension or termination; dates of rent reviews; variable payments; grandfathered decisions; non-lease components; and discount rate to be applied.
Policy Choices	The council needs to agree on certain policy choices. In particular: <ul style="list-style-type: none"> ▶ Whether to adopt a portfolio approach ▶ What low value threshold to set and agree with auditors ▶ Which asset classes, if any, are management adopting the practical expedient in relation to non-lease components ▶ What is managements policy in relation to discount rates to be used?
Code adaptations for the public sector	Finance teams should understand the Code adaptations for the public sector. The Code contains general adaptations, (e.g. the definition of a lease); transitional interpretations (e.g. no restatement of prior periods) and adaptations that apply post transition (e.g. use of short-term lease exemption).
Transitional accounting arrangements	Finance teams should understand the accounting required on first implementation of IFRS 16. The main impact is on former operating leases where the authority is lessee. However, there can be implications for some finance leases where the council is lessee; and potentially for sub-leases, where the council is a lessor, that were operating leases under the old standard.
Ongoing accounting arrangements	Finance teams need to develop models to be able to properly account for initial recognition and subsequent measurement of right of use assets and associated liabilities. This is more complex than the previous standard due to more regular remeasurements and possible modifications after certain trigger events.
Remeasurements and modifications	Finance teams need to familiarise themselves with when the 'remeasurement' or 'modification' of a lease is required and what to do under each circumstance. A modification can lead to an additional lease being recognised. It is also important to know when remeasurements require a new discount rate is to be applied to the lease.

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ED None

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Crawley Borough Council

Report to Audit Committee

15 March 2022

Approval of the 2020/21 Statement of Accounts

Report of the Head of Corporate Finance (FIN/568)

1. Purpose

- 1.1 The purpose of this report is to seek member approval of 2020/21 Statement of Accounts.

2. Recommendations

- 2.1 That the Committee:
- a) Endorse the Annual Governance Statement as signed by the Leader and the Chief Executive.
 - b) Approve the 2020/21 Statement of Accounts.
 - c) Authorise the Chair of the Committee to sign the 2020/21 Letter of Representation.
 - d) Authorise the Chair of the Committee to sign the 2020/21 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 September, or as soon as reasonably practicable after the audit if the audit has not been concluded by this date.

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 (Amendment) Regulations 2021 have moved the latest date for approval to 30 September 2021, though the 2015 regulations allow the approval to be as soon as reasonably practicable after the audit if the audit has not been concluded by this date.
- 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.

Agenda Item 11

- 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 2020/2021 comparing actual expenditure against approved budgets was considered by Cabinet in June.

5. Narrative Statement

- 5.1 The Narrative Statement is attached as Appendix A. The Narrative Statement, Statement of Accounts, and the Annual Governance Statement are shown as separate documents.
- 5.2 The narrative statement includes a brief explanation of the financial statements (see pages 26 to 28).

6. Statement of Accounts 2020/21

- 6.1 The 2020/2021 Statement of Accounts is attached as Appendix B.
- 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 £19.7 million (page 9). Note 10 details the contributions to, and use of, earmarked reserves. The Council's total usable reserves have increased during the year from £78.6 million to £100.9 million. The main reason for this are set out in 6.5 and 6.6 below.
- 6.5 The Business Rates Equalisation Reserve increased during the year from £5.2m to £21.8m. This was due to the business rate reliefs that were awarded to leisure, nurseries and retail and hospitality businesses after the budget for the year was set. The balance of this reserve should be read in conjunction with the Collection Fund Adjustment Account balance in the Unusable Reserves of £18.1m (page 64).
- 6.6 The Council held £1.8m in a Covid Grants reserve for government grants that had been received but not paid out to businesses or individuals by the year-end.
- 6.7 The Balance Sheet (pages 11 - 12) shows that the Council's total assets less liabilities have increased from £701.2m to £797.6m. The main reason for this is the revaluation of assets of £88.1m (page 61).
- 6.8 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.

Agenda Item 11

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*
- (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 2020/2021 review are set out in Appendix C. The Annual Governance Statement has been approved and signed by the Leader and the Chief Executive.

8. Audit of Accounts for 2020/2021

- 8.1 The audit of the accounts commenced in November. Ernst & Young’s Audit Results Report (elsewhere on the agenda) shows that the audit is substantially complete. Two unadjusted differences have been identified: £1.1m on the valuation of an investment property is down to a difference in professional opinions, and £1.0m on the valuation of pension fund assets is due to an estimated valuation for illiquid assets being used in the pension valuation report provided to the Council.

9. Letter of Representation

- 9.1 The Letter of Representation (Appendix D) 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 2020/21 – Report to Cabinet 30/06/2021 \(FIN/526\)](#)

The Accounts and Audit Regulations 2015

The Accounts and Audit (Amendment) Regulations 2021

Code of Practice on Local Authority Accounting in the UK 2020/2021 (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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Narrative Report

2020 – 2021

Narrative Report (Continued)

1. An Introduction to Crawley Borough Council

Crawley Borough covers just under 18 sq miles and has a population of approximately 114,000 residents, which is growing and forecast to reach 122,000 by 2034. It is situated in the north eastern part of the county of West Sussex.

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

Despite having just two per cent of the West Sussex land mass, Crawley contributes 26 per cent of its annual economic wealth output. Since 2013, Crawley's economy grew by 23%, one of the fastest growing in the south east, and in 2018, was worth £5.94bn in Gross Value Added with over 101,000 jobs; the second highest job density in the country outside London.

Gatwick Airport is located within the borough and, over the past 60 years, has grown to become the world's busiest single runway airport with over 46 million passengers in 2019. Crawley is also home to Manor Royal, the South East's premier business park, employing over 30,000 people and accommodating 600 businesses across 240 hectares. The land between Manor Royal and the airport is required to be safeguarded for a potential second runway.

The town is divided into fourteen 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'. Recent public sector investment in the public realm at Queens Square, Queensway and The Pavement has further enhanced the town centre, creating an attractive, vibrant and enjoyable space for residents and visitors.

Since March 2020, the global COVID-19 pandemic has had a devastating impact on the local economy, largely as a result of the contraction in the aviation industry with Gatwick Airport passenger numbers falling to just 10 million in 2020 and only a fraction of flights operating. In April 2020, a Centre for Cities report predicted that 57% of Crawley's employment base was at risk of redundancy or furlough as a result of the crisis – the highest proportion of any urban area in the country. This in view of the large number of jobs benefitting residents working in aviation, transportation, retail, hospitality and leisure.

At the height of the pandemic, Crawley's unemployment claimant count trebled to 8.3% with over 6,000 unemployed local residents claiming universal credit. Youth unemployment (18-24yrs) rose to almost 13% and, with major redundancies realised across many sectors, 25,800 Crawley residents (1 in 3) were furloughed.

The Council was swift to respond to the economic crisis, establishing the Crawley Economic Recovery Taskforce with over 50 local stakeholders in early 2020, to evaluate the true impact on the local economy and drive the development of a coherent recovery plan for the town.

Working in partnership, the Council is continuing to pro-actively lead and facilitate the development of major programmes of new infrastructure, amenity, residential development and economic regeneration and unlock further investment to boost recovery. The combined value of this public and private sector investment in the town is set to reach over £400m including £21.1m from the Towns Fund, £31.4m through the Crawley Growth Programme, £70m at Crawley Station Gateway, £23m investment in digital infrastructure from City Fibre and £46.5m in the New Town Hall regeneration scheme. These plans will build on Crawley's previous economic

Narrative Report (Continued)

success to achieve the sustainable economic recovery needed to bring about benefits to local residents and businesses.

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

Narrative Report (Continued)

Housing

Responsibility for:

- 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

- Secured £21.1m funding from the Towns Fund to deliver the Crawley Town Investment Plan, developed in partnership with the Town Deal Board comprising 50 representatives from local business, community and public organisations.
- Development of a Crawley Economic Recovery Plan in response to the pandemic – going out to consultation June 2021.
- Planning permission granted for the £70m Station Gateway Scheme which will deliver 306 high quality residential units, a new railway station and commercial space.
- Bridgefield House completed with 98 affordable housing units (Crawley Homes)
- Paid 4,419 Business grants totalling £20.10m
- Paid 595 test and trace isolation payments totalling £292,000

Narrative Report (Continued)

- Gave out over £50m in business rates reliefs
- Installation of 5 new signs in Memorial Gardens, completing the town centre wayfinding project.
- Employ Crawley saw the launch of a new Youth Hub in October 2020, delivered in partnership with Job Centre Plus, in response to the rapid increase in unemployment amongst young people caused by the pandemic.
- Opening of new play area in Memorial Gardens comprising 15 pieces of brand new play equipment including a wheelchair swing funded by County Mall (and the mosaic!)
- New Town Hall and DHN construction
- Launch of the new Town Centre Business Improvement District (October 2020) which will bring c£2.5m private investment in to the town centre over the next four years.
- Regular updates on the CBC Website and targeted e-newsletters providing updates, information and guidance for businesses and residents about Brexit transition.
- Delivered Virtual Crawley STEMfest Fair delivered between 12 November and 2 December 2020 in partnership with STEMSussex to around 60,000 students.
- Sponsored Gatwick Diamond Business Awards 'Professional Services category' in November 2020
- Safe and successful re-opening of the Town Centre, twice (May 2020 and April 2021) including new temporary signage, queue management and business guide.

Some statistical information on our achievements

767 people assisted by the Health and Wellbeing team, this included:

- 28 people who completed a virtual 12 week weight loss programme
- 21 people who reduced their alcohol intake
- 9 people who attended a falls prevention programme
- 46 people who accessed a virtual physical activity programme
- 107 people who received falls prevention support via telephone.
- 5 people who were helped to cook healthy food.
- 84 people provided with assistance to stop smoking with 37 successful. A 38% quit rate which is higher than the national average of 26%.
- 6 workplaces who we supported with providing health and wellbeing to their employees
- Over 10 outreach events including virtual talks and presentations to local community groups.
- 26,001 visits to Tilgate Park Zoo
- 5,076 attendances at the Hawth Theatre (163,360 last year)
- 198,765 attendances at our Leisure Centres (1,095,465 last year)
- 7,674 residents in receipt of Council Tax Reduction (formally Council Tax Benefit) – an increase of 7.3% on the previous year.

Narrative Report (Continued)

- 143 Households were prevented from becoming Homeless
- 140 Households who Homelessness was relieved
- 1,895 Households on the Housing Register
- 217 Affordable Homes delivered in year with 190 Homes that are on site and due to be completed over the next two years.
- 29 People were helped to work through 'Employ Crawley'
- 659 Freedom of Information requests processed
- 39,808 myCrawley transactions (24,880 last year)
- 8,206 twitter followers and 8,654 Facebook
- 800 Planning Applications processed, 415 Pre-Application enquiries, 21 appeals, 179 Planning Enforcement Investigations.
- 124,228 calls into the Contact Centre
- 2,416,092 scheduled refuse collections
- 9,984 Green Garden Waste Bin customers
- Collected 33,424 tonnes of refuse, recycling and garden waste
- £90,321,757 collected in Business Rates - the majority of this is passed to the Government and West Sussex County Council
- £64,288,928 of Council Tax collected, Crawley Borough Council kept 11.3p in each £1 collected with the balance transferred to West Sussex County Council and the Sussex Police and Crime Commissioner.

Corporate Priorities in 2020/21

1. Delivering resources

We will:

- Continue to balance the budget (over a four 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

Narrative Report (Continued)

- 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.

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.

Narrative Report (Continued)

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 2020/21

In February 2020 the Council set a net expenditure budget for 2020/21 of £15.8million. This resulted in a Band D Council Tax for Crawley of £208.89 and a total Band D Council Tax including the precepts from West Sussex County Council and Sussex Police and Crime Commissioner of £1,847.54.

Narrative Report (Continued)

	Latest Budget £000's	Outturn £000's	Variance £000's
Cabinet	592	413	(179)
Public Protection & Community Engagement	1,623	1,555	(68)
Environmental Services & Sustainability	5,170	5,362	192
Housing	1,801	2,426	625
Wellbeing	9,832	11,528	1,696
Planning & Economic Development	(367)	(470)	(103)
	18,651	20,814	2,163
Depreciation	(3,579)	(3,579)	0
Renewals Fund	772	772	0
NET COST OF SERVICES	15,844	18,007	2,163
Investment Interest	(621)	(678)	(57)
Interest Paid	8	40	32
Council Tax	(7,532)	(7,532)	0
RSG	(60)	(60)	0
NNDR	(21,172)	(21,172)	0
New Homes Bonus	(1,831)	(1,831)	0
Levy Account Surplus	(82)	0	82
Covid Grants Received (see below)	(2,022)	(5,514)	(3,492)
Additional Grants Received	(1,021)	(1,021)	0
Year End Financing	1,240	1,240	0
Net contribution from / (-to) Reserves	(17,249)	(18,521)	(1,272)

The 2020/2021 budget provided for a transfer to the Local Development Framework Reserve of £200,000 and to the Capital Programme Reserve of £969,550. 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 Capital Programme Reserve of £2,242,000, which will result in lower borrowing for the Town Hall project. A summary of all the movements in reserves is shown in the following table:

Narrative Report (Continued)

Reserves	Budgeted transfers £000	Actual transfers £000
Local Development Framework	200	200
In Year Surplus to Capital Programme	970	2,242
	1,170	2,442
Business Grants & Isolation Payments *		1,813
Council tax income guarantee *		81
Business Rates equalisation reserve *		16,629
Other movements		(1,504)
Total Transfer to/(from) Reserves	1,170	19,461

* The Business Grants & Isolation Payments Reserve is from grants that were received by the Council in 2020/21, but is for supporting businesses and individuals through 2021/22 due to Covid. The Council Tax Income Guarantee Reserve and the Business Rate Equalisation Reserve are made up of grants received from the government to offset losses on the Collection Fund. The legislation that governs Collection Fund accounting means that the deficit as a result of the loss of Business Rate and Council Tax income in year will not be charged to the Council's General Fund until 2021/22 and 2022/23. As a result these reserves have been identified separately as they are exceptional balances that will be drawn down in 2021/22 and 2022/23 to either provide grants to businesses or individuals due to Covid, or are to offset losses on the Collection Fund already incurred.

Summary of the Housing Revenue Account

The Council continues to be the provider of rental accommodation within the borough with a stock of 8,242 dwellings at 31 March 2021. The Council is required to maintain a separate ring-fenced account to record all the financial transactions relating to those dwellings.

The change in stock can be summarised as follows:

	31 March 2020	31 March 2021
Stock at 1 April	7,956	8,099
Less Sales	(31)	(43)
Demolitions/Disposals	-	-
Add New Build	165	180
Acquisitions	9	6
Transfer to/from GF	-	-
Stock at 31 March	8,099	8,242

Narrative Report (Continued)

The income from tenants in council property was £47.9m in the year with other income to the HRA of £2.1m. The council took out loans on 28th March 2012 for £260.325m, borrowed from the Public Works Loan Board (PWLB). Interest on these loans amounted to £8.309m. This payment replaces the negative housing subsidy. As a result there is more certainty within the Housing Revenue Account as interest on the loans has been fixed over 26 years and a robust business plan to invest additional resources in place.

The balance was invested in the provision of council housing including management and maintenance of over 8,000 dwellings, 4,600 garages and 1,611 leasehold properties. There was a transfer to the Major Repairs reserve in the year of £22.395m for future investment in housing stock.

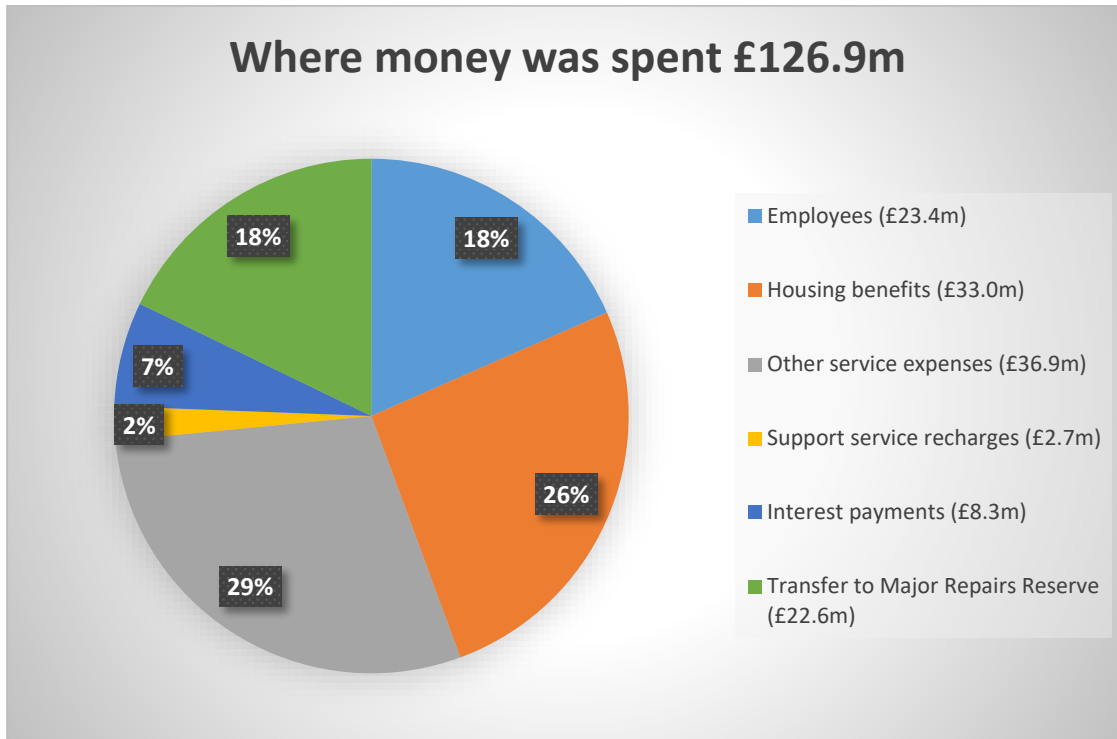
The Housing Revenue account saw an underspend in year due to reduced expenditure on repairs and maintenance and reduced staffing costs in the year due to vacancies. Delays due to the pandemic to the housebuilding programme saw rents lower than budgeted.

HOUSING REVENUE ACCOUNT			
Expenditure Description	Latest Estimate £'000s	Outturn £'000s	Variation £'000s
Income			
Rental Income	(48,591)	(47,941)	650
Other Income	(2,120)	(2,135)	(15)
Interest received on balances	(132)	(284)	(152)
Total income	(50,843)	(50,360)	483
Expenditure			
Employees	3,914	3,789	(125)
Repairs & Maintenance	11,406	10,740	(666)
Other running costs	2,101	2,031	(70)
Support services	3,096	3,096	0
	20,517	19,656	(861)
Net (Surplus) / Deficit	(30,326)	(30,704)	(378)
Use of Reserves:			
Debt Interest Payments	8,309	8,309	0
Depreciation, Revaluation & Impairment	6,548	6,548	0
Transfer (from) Housing Reserve	15,469	15,847	378
Total	30,326	30,704	378

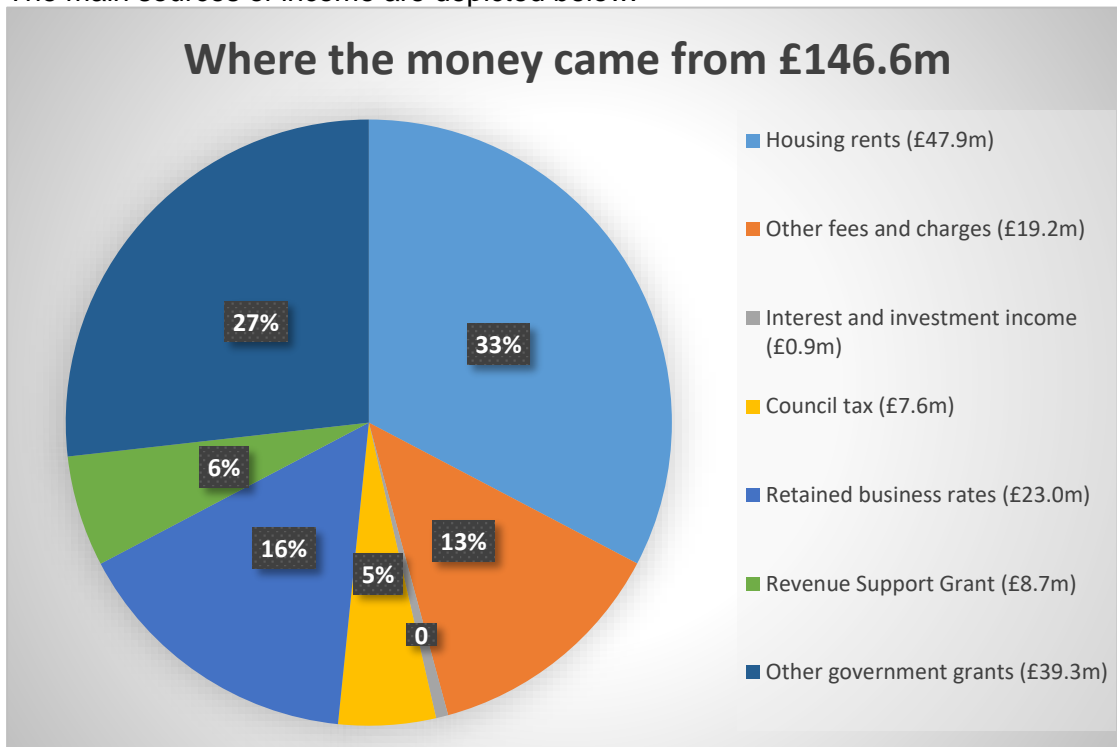
Narrative Report (Continued)

Total Revenue Expenditure

Overall the Council incurred expenditure in 2020/21 of £126.9m on its services to the public.



The main sources of income are depicted below:



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

Narrative Report (Continued)

expenditure of £19.7m agrees to the surplus 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 £190m from 2020/21. This includes £112m within Crawley Homes for investment in new and existing housing stock.

In 2020/21 the Council spent £42.217 million on capital assets, which was funded from the sale of assets, capital grants, external funding and revenue resources

Portfolio Description	Outturn 2020/21 £000's	2021/22 Latest Budget £000's	2022/23 Latest Budget £000's	2023/24 Latest Budget £000's
New Town Hall Redevelopment – Joint responsibility	17,734	24,326	3,000	-
Cabinet	-	330	500	200
Environmental Services & Sustainability	310	354	141	-
Planning & Economic Development	306	1,279	7,524	7,776
Housing Services	842	6,991	-	4,839
Wellbeing	322	1,344	216	-
Total General Fund	19,514	34,624	11,381	12,815
Housing Revenue Account	22,703	33,294	30,906	24,633
Total Capital	42,217	67,918	42,287	37,448

The table below summarises the approved resources available to fund the capital programme to 2023/24.

Funded By				
Capital Receipts	13,016	16,685	659	7,546
Capital Reserve	3,556	954	-	-
Better Care Fund	650	1,868	-	-
Lottery & External Funding	6,407	183	6,577	2,779
1-4-1 Receipts	2,827	5,490	6,259	5,288
HRA Revenue Contribution	15,452	29,484	25,147	21,115
Replacement Fund/Revenue Financing	210	1,232	23	-
Section 106	99	1,022	622	720
Borrowing	-	11,000	3,000	-
TOTAL FUNDING	42,217	67,918	42,287	37,448

Narrative Report (Continued)

Financial outturn

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

	General Fund £'000	HRA £'000	Combined £'000
Total Portfolio (General Fund) and HRA Surplus	20,814	(30,704)	(9,890)
Revaluation losses	(823)	-	(823)
Movement in investment properties	(939)	-	(939)
Capital grants	979	-	979
Revenue expenditure funded from capital	(1,190)	-	(1,190)
Pensions	(1,565)	-	(1,565)
Accumulated absences	1	-	1
HRA Bad debt provision	-	(228)	(228)
Net Cost of Services in the Expenditure and Funding Analysis	17,277	(30,932)	(13,655)

5. Corporate Risks

The risks listed below were produced for the Audit Committee in July 2021.

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

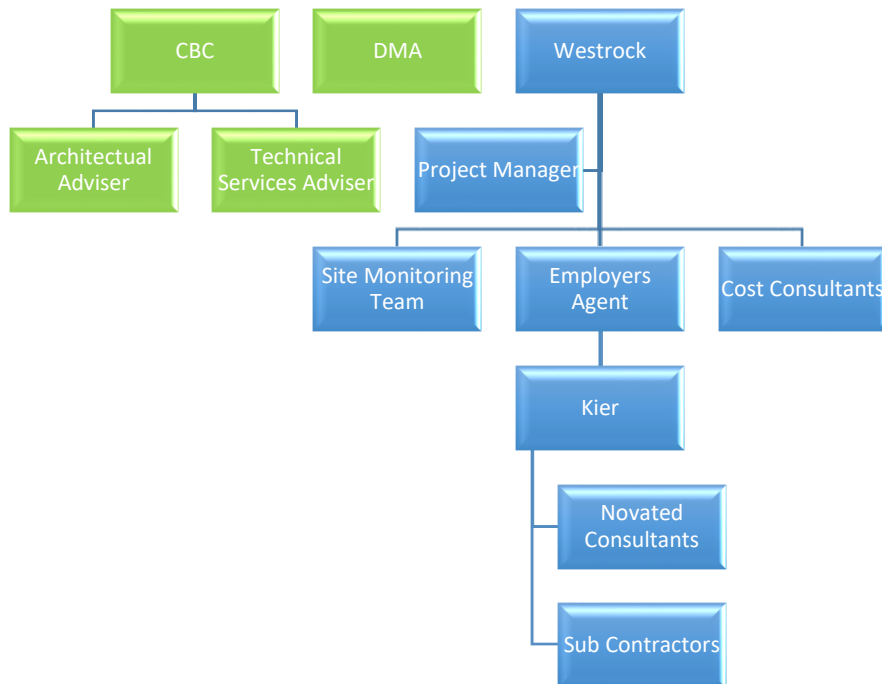
- New Town Hall**
 Despite the challenges of Covid, the construction of the New Town Hall building continues to budget, and working across stakeholders continues to improve. Handover of the building has moved from Dec 2021 to Feb 2022 but this is advantageous to the Council to realign interdependencies with the District Heat Network and to avoid lost time over the Christmas period. Commercial agents have been appointed and very early indications for tenants are positive, but this remains a key risk. Conversely Covid has accelerated new ways of working that increases confidence that the organisation will be ready to move, and allows the Council to occupy a smaller amount of space. Nonetheless there is significant work required to implement all aspects of new ways of working ahead of the move. Decisions on layout and capacity within the new space have been put on hold wherever possible until the post-Covid picture is clearer. Significant progress has been made around facilities management approach and this will continue. The wider benefits of

Narrative Report (Continued)

the redevelopment is being actively pursued albeit that some skills and educational opportunities have been lost due to Covid. The project board overseeing the development has structured itself around these risk areas, and has developed a programme that identifies and manages interdependencies and is actively managing the identified risk.

Governance Structure –

Contractual Arrangements



Narrative Report (Continued)

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

- **District Heat Network**
The final element of the Town Hall Site Redevelopment is the District Heat Network. This element has taken considerably more time to get to contract but this has now been achieved, and the impact of delays mitigated across the wider programme. The project team structure has been agreed and this will continue to report into the Town Hall Board and member oversight mechanisms in the same way as above. The mechanisms for identifying and managing risk also mirror the wider approach. To date works have progressed largely to programme and budget and the remaining design areas are being finalised. The procurement of the O&M Contractor has been completed and this a key milestone in the project.

- **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

Narrative Report (Continued)

bring forward regeneration sites to achieve new homes, jobs, and commercial space.

The Queensway scheme was completed on time and within budget in October 2019. The Town Centre signage scheme was rolled out and completed last year with an additional phase delivered, providing 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 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, which is due to be considered by planning committee.

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 attends six weekly Programme Delivery Team meetings with West Sussex County Council. A "mid-term" programme review to take place summer 2021

- 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 "mid-term" programme review to take place summer 2021

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

Narrative Report (Continued)

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. A “mid-term” programme review to take place summer 2021

- 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. A “mid-term” programme review to take place summer 2021

- **Three Bridges Railway Station**

On 11th February 2015 [SHAP/43](#), Cabinet approved the allocation of £430,000 of S106 funding towards the delivery of improvement works to the Station Forecourt. Network Rail have formally agreed to extend the S106 funding spend deadline to end March 2021. 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 have been 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 7th February 2018), subject to receipt of the CIL funds.

At the Full Council meeting on 26 February 2020, 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

Narrative Report (Continued)

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. This course of action was approved by Cabinet in March this year and a response received in June has confirmed the Highway Authority's support for the proposed scheme and the preferred design option. A planning application is in preparation for the scheme as well as a budget review and work to secure the outstanding Community Infrastructure Levy required to finance the scheme.

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. Projections for the current 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. Delivery is expected to remain at a similar level for the following 4 year monitoring period to 2025.

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 and therefore more resource intensive to bring forward, or finding other opportunities such as regeneration.

- Work has been undertaken that will seek to identify these future sites and opportunities, feeding into the Local Plan and developing programmes of work. The Strategic Housing Board has reviewed and strengthened its governance to adapt to the new development environment and the associated risks this will bring.

Work has been undertaken that will seek to identify these future sites and opportunities, feeding into the Local Plan and developing programmes of work. Planning and Housing teams continue to work proactively to maximise opportunities afforded by development within neighbouring Districts and Boroughs adjoining the Council's boundaries.

The Strategic Housing Board has reviewed and strengthened its governance to adapt to the new development environment and the associated risks this will bring.

Narrative Report (Continued)

- **Transformation Programme**

The Council had 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 more flexible working arrangements, thereby achieving in a matter of days, a shift in mind-set towards more agile ways of working that might well have taken months to achieve.

Given this progress and recognising the wider financial and community impacts of Covid, a review of the Transformation Programme has been completed and our plans refreshed to refocus our objectives. These are Channel Shift, New Ways of Working, People Strategy, Service Redesign, Commercialisation and Assets.

At a programme level, the key risks are:

- Financial – restricting the scope of work and change arising
- Capacity to deliver the scale of the Transformation Programme given other pressures
- The interdependencies between the areas of work not being recognised

The Transformation Board at CMT level brings together and provides oversight at 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 to support implementation.

A further senior management group – Corporate Project Assurance Group - ensures appropriate governance of projects and that key projects beyond the transformation programme are not adversely impacted from the constraint of capacity and resources.

- **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 Office 365 in the cloud, means that core communication tools like Outlook are available from anywhere. The rollout of hybrid devices, the new Virtual Private Network (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 face-to-face 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 some its line of business systems. This has been a key consideration in the development of the Move to Cloud work outline below. Until such time there remains the following risk.

- The Surrey Data Centre were to go offline – CBC would retain access to Office 365 (MS Teams, Outlook etc.), but not service specific systems hosted at Surrey until the data centre was restored.

Narrative Report (Continued)

- **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 and ways of mitigating this are being investigated. 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:

- Covid V19 financial impact makes the revenue investment difficult to achieve.

- **Data Breaches**

This risk relates to 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.

The Council has made some considerable strides in this area in recent months. Most significantly it has re-secured its PSN certification providing assurance that its infrastructure is robust and secure. This will continue to be tested on an annual basis. Secondly, and in preparation for the move to the new Town Hall, an Information Management project has been set up to audit all information assets and policies, and prepare them for transfer to a new electronic document and record management system. Thirdly the Information Governance Board has been refreshed and this will oversee all aspects of this work, and is currently reviewing guidance and training for staff.

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

The Budget Strategy report to [Cabinet](#) on 25th November 2020 identified future budget gaps and mitigations. The budget report which was presented to Cabinet and Full Council included the outcome of decisions made on savings, taking into account the results of the resident's survey.

The Budget and Council Tax 2021/22 [FIN/514](#) report to Cabinet on 3rd February 2021 and Full Council on 24th February 2021 included the outcome of decisions made on savings, taking into account the results of the resident's survey. The report identified in Table 6 £1.819m of savings and efficiencies in order to address the gap and the impact of the pandemic. Despite this there is still a small budgeted use of reserves of £155,506. The future budget gap was identified of £447,000 for 2022/2023, however there are many unknowns going forward. The proposed Fair Funding Review has now been delayed together with a review of business rates retention and the future of Local Government financial settlements are unknown. There has been a consultation document of the [future of New Homes Bonus](#).

Narrative Report (Continued)

This will be responded to and will impact on future assumptions.

The impact of Covid19 is having a significant impact on both the current and future years. In year savings, efficiencies and other mitigations of £1.78m have been identified, despite receiving Government support there is still a budgeted shortfall of £109,000 identified in the Quarter 3 [FIN/516](#) report to Cabinet on 3rd February 2021. The Corporate Management Team will be working on the budget position throughout the new financial year and assessing the impact on the budget due to Covid-19 and will report through regular Quarterly budget monitoring reports to Cabinet.

- **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 and the impact of Covid 19 is adding other pressures on staff.

Recognising these challenges, the Transformation Plan has as one of its objectives the creation of a People Strategy overseen by a People Board. This will bring corporate drive to addressing some of the following challenges. This group was established at the end of 2020 and will shortly seek wider representation from staff, managers and Unison as it develops its agenda.

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, legal and some Planning and Surveying roles. 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 address candidate attraction and retention.

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 are discussing succession planning and putting

Narrative Report (Continued)

processes in place to plan for the future.

- **Challenges and Risks: Workforce capacity, resilience and health and wellbeing.**

Workforce capacity

The challenges facing the workforce has been unprecedented over the last year 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 job 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 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 or duration that this would be for. 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.

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 which means 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 have been about their ability to remain safe and maintain the social distance requirements whilst undertaking their jobs. Despite these challenges the workforce have largely responded well. We have also conducted three staff surveys to gauge the impact of the pandemic on our staff, services, productivity and morale. Feedback from these staff surveys have confirmed that staff are coping and performing well although the third lockdown did take its toll on staff, particularly their wellbeing and fatigue.

Narrative Report (Continued)

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 with ongoing support and a comprehensive staff wellbeing programme

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 staff stay safe and healthy giving them access to health initiatives and links to 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.

Challenges and risks we face

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

The Coronavirus pandemic is unprecedented, and should a further spike of the virus occur we could see our workforce health impacted and have a reduced workforce for some time. It is therefore paramount that we continue to establish a core of staff who can be deployed to key critical areas as and when needed.

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, 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.

- **Climate Emergency**

In July 2019 the Council declared 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 Climate Change Scrutiny Panel was established in autumn 2019 and undertook an assessment of the Council's carbon emissions and a series of meetings to support that assessment. Unfortunately that assessment was significantly delayed due to the pandemic. The Scrutiny Panel presented a report in February this year to Cabinet with recommendations for the Council's Climate Change Emergency Action Plan. Officers will draw up the Action Plan over the coming months and this will be submitted to Cabinet for approval, alongside an audit of the Borough's carbon emissions. The officer Climate Emergency Advisory Group is evaluating the recommendations of the Scrutiny Panel as part of the development of the Council's Climate Emergency Action Plan which will be brought to Cabinet for consideration later this year.

Narrative Report (Continued)

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

Final consultation on The National Waste and Resources Strategy concluded in July 2021 with DEFRA indicating the final Strategy will be produced by the end of the year. Although yet to be confirmed, it seems likely that the Strategy will mandate changes to refuse and recycling collections 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 Covid-19 pandemic 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 2021-2037 has been published for another round of "Regulation 19" consultation, which commenced on 6th January 2021. Officers have reviewed the written representations received from the previous consultation from residents, stakeholders, other local authorities, businesses and developers and have completed further supporting evidence ahead of the next steps, including a review of the impact of the COVID-19 crisis on the Borough's economic growth forecasts. Some additional further evidence remains outstanding and until that has been completed and published the consultation on the Local Plan will remain open, to allow sufficient time for stakeholders to review the Local Plan in light of the full evidence base and make their representations accordingly. Following the completion of this current "Regulation 19" consultation, officers will consider the written representations received and the intention is to submit the refreshed Local Plan in summer 2021 in order for an examination of it by the government Planning Inspectorate in autumn 2021. Subject to process and the outcome of the examination, the Local Plan document would then come back to Cabinet and Full Council for approval to adopt as policy.

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. The adoption of the Local Plan is a Full Council decision, there is a risk the council may not agree to adopt the Local Plan. Where this has occurred in other authorities it has been due to political changes since the approval for publication and submission, or because of Main Modifications required by the Inspector which were not accepted by the council (there is no allowance to adopt a Plan except in accordance with the Inspector's modifications, the

Narrative Report (Continued)

only other option would be to withdraw the Plan and start work on a new 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.

- **Brexit**
The implications to the supply chain are yet to be seen due to leaving the EU, this will be monitored and reported during the next financial year.

- **Covid-19**
Whilst not a specific Crawley Borough Council organisation risk there is a very large community risk of the pandemic on our residents. These include inequalities, health, housing and businesses. We are trying to mitigate this through help and support including providing Government grants and supporting eligible residents to apply for Council tax reduction. Some impacts however, will not show until the housing eviction ban has been lifted, courts reopen and furlough schemes end and there may be an increase in job losses which will result in increased demands on services.

6. Summary Position

It is clear that the Council's financial and non-financial performance in 2020/21 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 2021/22 and future years.

In 2020/21, the Council has faced and dealt successfully with significant challenges due to the impact of Covid-19. These challenges will continue into 2021/22 and beyond, 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 2021/22. These will be assessed during 2021/22 and appropriate steps will be taken to manage council finances going forward.

7. Explanation of the Financial Statement

The Statement of Accounts for 2020/21 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 2021. 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

Narrative Report (Continued)

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

The accounts provide the reader with information on the cost of services provided by the Council in the year 2020/21, 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 2021. 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.

Narrative Report (Continued)

- 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 2020/21 (the Code) issued by the CIPFA/LASAAC Local Authority Code Board. Additional notes have been provided wherever possible to assist understanding of the financial statements.

- Supplementary Financial Statements

Housing Revenue Account

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

Collection Fund

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

- Glossary of Terms

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

8. Covid-19

Covid has caused major disruption to the economy, businesses and individuals in 2020/21 and will continue into 2021/22 and beyond. The Council has been affected by a significant fall in income and higher levels of expenditure. Even with £5.68m of grants to help with the impact of Covid, the Council reported a £1.272m underspend in the year which was added to the Capital Programme Reserve to reduce the future borrowing requirement for the Council.

The majority of the Council's staff were swiftly transitioned to working remotely from home. This had some advantages such as flexibility and less commuting, but had negative impacts of having less social contact. Despite Covid, the Council saw a lower sickness record in 2020/21 than was recorded in 2019/20. The Council provided additional support to staff during this time, including training mental first aiders, holding virtual workshops, providing access to counselling services and access to mindfulness online course.

As part of a savings exercise to tackle the financial impact of Covid and the projected budget deficit in future years, officers identified £1.775m of in-year savings and ongoing savings of £0.506m. In December 2020, Full Council agreed to transfer the garages from the Housing Revenue Account to the General Fund resulting in additional income to the General Fund of £0.808m. The 2021/22 budget was set in February 2021 and further savings of £0.819m (of which £0.506m would be achievable in 2021/22) were approved.

The Council received £27.977m of grant funding from the Government to support businesses and paid out £20.096m during the year. Further funding of £5.811m, which included a new restart scheme, was received in 2021/22 and £6.027m has been paid on to businesses by mid-July 2021.

Narrative Report (Continued)

Council tax payers were assisted by hardship grants of £0.613m and isolation support grants of £0.298m. These schemes continue into 2021/22.

At 31 March 2021, the Council had £5.5m of General Fund reserves and £9.7m of CBC Earmarked Reserves. In addition, there were £23.7m of Earmarked Reserves to cover collection fund deficits and business grants due to be paid in 2021/22.

The Council had investments of £109.094m at 31 March 2021 of which £17.094m was available at less than one week notice. The Council has sufficient cash for its services throughout the medium term, and is also able to borrow short term for revenue purposes, though it is not expected for this to be necessary.

9. Crawley Homes Rent issue

In April 2021 the Council was contacted by the Regulator for Social Housing following a first mandatory data return about the setting of target rents. The Council was identified as an outlier in that its target rents were higher than the Government's formula rent and valuations suggested they should be.

Forensic investigation identified that the issue dates back to changes to the Tenancy Agreement agreed in October 2013 and implemented in April 2014. One of the changes implemented was to move from charging rent based on a 48-week year to a 52-week year. Actual rents were changed but the target rents on the system were not. This has affected 2,259 tenancies, of which 1,757 are current tenancies.

Existing tenancies were not affected by this change, and neither have new tenancies within properties built since April 2014. New tenancies since April 2014 within properties that pre-date April 2014 have consequently been overcharged in the region of 8%.

The total impact was £3.3m to be repaid to the DWP (£1.7m) and current and former tenants and this will be reported in the 2021/22 financial statements.

10. Change in accounting policies

There were no changes to accounting policies in the year.

11. Further Information

Further information about the 2020/21 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:

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Statement of Accounts

2020 – 2021

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Statement of Responsibility for the Statement of Accounts**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 2021. This is a replacement of the one signed on 29th July 2021.

Karen Hayes
Head of Corporate Finance
Date: 4th March 2022

Member Sign Off

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

Councillor Jennifer Millar-Smith
Chair of the Audit Committee
Date: 4th March 2022

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.

2019/20			2020/21			
Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000		Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
1,448	116	1,564	Public Protection & Community Engagement	1,171	64	1,235
4,691	462	5,153	Environmental Services & Sustainability	4,001	223	4,224
7,262	9,024	16,286	Cabinet	5,718	338	6,056
1,126	5,503	6,629	Housing	608	186	794
5,921	868	6,789	Wellbeing	8,747	889	9,636
161	2,191	2,352	Planning and Economic Development	(366)	1,916	1,550
(29,328)	17,429	(11,899)	Housing Revenue Account	(30,932)	23,457	(7,475)
(2,256)	1,062	(1,194)	All other segments	(2,602)	301	(2,301)
(10,975)	36,655	25,680	Net Cost of Services	(13,655)	27,374	13,719
14,034	(23,523)	(9,489)	Other income and Expenditure	(6,023)	(11,044)	(17,067)
3,059	13,132	16,191	(Surplus) or Deficit	(19,678)	16,330	(3,348)
(25,423)			Opening General Fund and HRA Balance	(22,364)		
3,059			(Surplus) or Deficit on General Fund and HRA Balance in Year	(19,678)		
(22,364)			Closing General Fund and HRA Balance at 31 March	(42,042)		

Agenda Item 11 Appendix b

Comprehensive Income and Expenditure Statement

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.

	2019/20			2020/21		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
			Public Protection & Community Engagement			
1,741	(177)	1,564		1,535	(300)	1,235
			Environmental Services & Sustainability			
11,107	(5,954)	5,153		7,422	(3,198)	4,224
17,719	(1,433)	16,286	Cabinet	11,685	(5,629)	6,056
44,430	(37,801)	6,629	Housing	38,362	(37,568)	794
19,278	(12,489)	6,789	Wellbeing	15,967	(6,331)	9,636
			Planning and Economic Development			
7,999	(5,647)	2,352		6,784	(5,234)	1,550
36,145	(48,044)	(11,899)	Housing Revenue Account	42,611	(50,086)	(7,475)
(926)	(268)	(1,194)	All other segments	(2,288)	(13)	(2,301)
137,493	(111,813)	25,680	Cost of Services	122,078	(108,359)	13,719
			Other operating expenditure (Note 11)			(2,097)
			Financing and investment (income) and expenditure (Note 12)			6,500
			Taxation and Non-specific grant income (note 13)			(21,470)
			(Surplus) or Deficit on Provision of Services			(3,348)
			(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			(88,096)
			Remeasurements of the net defined benefit liability			(4,950)
			Other Comprehensive (Income) and Expenditure			(93,046)
			Total Comprehensive (Income) and Expenditure			(96,394)

Movement in Reserves Statement

Details of Movement in Reserves in the year

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

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2020	19,166	3,198	37,103	15,875	3,288	78,630	622,613	701,243
Movement in reserves during 2020/21								
Total Comprehensive Income and Expenditure	3,392	(44)	-	-	-	3,348	93,046	96,394
Adjustments between accounting basis & funding basis under regulations	16,286	44	(5,943)	7,221	1,333	18,941	(18,941)	-
Increase/Decrease in 2020/21	19,678	-	(5,943)	7,221	1,333	22,289	74,105	96,394
Balance at 31 March 2021 carried forward	38,844	3,198	31,160	23,096	4,621	100,919	696,718	797,637
Analysed by:								
CBC Earmarked Reserves (Note 10)	9,673	-						
Amount uncommitted	5,456	3,198						
Total CBC Balance at 31 March 2021	15,129	3,198						
Non-CBC Earmarked Reserves (Note 10)	23,715	-						
Total Balance at 31 March 2021	38,844	3,198						

Movement in Reserves Statement (Continued)

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2019	22,225	3,198	41,714	22,388	3,258	92,783	571,308	664,091
Movement in reserves during 2019/20								
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)	-
Increase/Decrease in 2019/20	(3,059)	-	(4,611)	(6,513)	30	(14,153)	51,305	37,152
Balance at 31 March 2020 carried forward	19,166	3,198	37,103	15,875	3,288	78,630	622,613	701,243
Analysed by:								
Amounts earmarked (Note 10)	13,927	-						
Amount uncommitted	5,239	3,198						
Total Balance at 31 March 2020	19,166	3,198						

Balance Sheet

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

31 March 2020		Notes	31 March 2021
£'000			£'000
822,755	Property, Plant & Equipment	14	911,230
52	Heritage Assets	15	52
25,587	Investment Property	16	24,648
581	Intangible Assets	17	639
10,000	Long Term Investments	18	-
11,136	Long Term Debtors	18	12,705
<u>24,785</u>	Net Pension Assets	39	<u>28,383</u>
894,896	Long Term Assets		977,657
78,273	Short Term Investments	18	92,134
-	Assets Held for Sale	21	-
41	Inventories		38
6,227	Short Term Debtors	19	16,036
<u>9,152</u>	Cash and Cash Equivalents	20	<u>16,236</u>
93,693	Current Assets		124,444

Balance Sheet (Continued)

31 March 2020		Notes	31 March 2021
£'000			£'000
(68)	Short Term Borrowing	18	(68)
(22,552)	Short Term Creditors	22	(38,581)
<u>(2,123)</u>	Provisions	23	<u>(4,335)</u>
(24,743)	Current Liabilities		(42,984)
(260,275)	Long Term Borrowing	18	(260,280)
<u>(2,328)</u>	Capital Grants Receipts in Advance	34	<u>(1,200)</u>
(262,603)	Long Term Liabilities		(261,480)
<u>701,243</u>	Net Assets		<u>797,637</u>
78,630	Usable Reserves	24	100,919
<u>622,613</u>	Unusable Reserves	25	<u>696,718</u>
<u>701,243</u>	Total Reserves		<u>797,637</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.

2019/20		2020/21
£'000		£'000
(16,191)	Net surplus/(deficit) on the provision of services	3,348
44,617	Adjustments to net surplus or deficit on the provision of services for non-cash movement (Note 26)	52,356
(19,044)	Adjustment for items included in the Net surplus or deficit on the provision of services that are investing and financing activities (note 26)	(19,391)
9,382	Net cash flows from Operating Activities	36,313
(9,705)	Investing Activities (Note 27)	(15,025)
3,852	Financing Activities (Note 28)	(14,204)
3,529	Net increase or (decrease) in cash and cash equivalents	7,084
5,623	Cash and cash equivalents at the beginning of the reporting period	9,152
9,152	Cash and cash equivalents at the end of the reporting period (Note 20)	16,236

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1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Crawley Borough Council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. 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 2020/21, 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 cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and

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 (i.e. where the cash flows do not take the form of a basic debt instrument).

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 a financial 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, 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 Council.

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 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

Business Improvement District (BID) schemes apply in Manor Royal and the Town Centre. These schemes are funded by a BID levy paid by non-domestic ratepayers. The Council acts as agent under the schemes, 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 2021/22 for application from 1 April 2021:

- Definition of a Business: Amendments to IFRS 3 issued in October 2018.
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) issued in September 2019.
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) issued in August 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 IFRS 16 for local government to 1 April 2022.

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

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 are mostly functioning, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. The Council's property valuers Wilks Heads & Eve have therefore not reported on the basis of "material valuation uncertainty". With the unknown future impact that the coronavirus pandemic might have on the real estate market the Council's property valuers Wilks Head & Eve recommend that the Council keep the valuation of the portfolio under frequent review.

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 2021 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.	If the useful life of assets is reduced by 1 year, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £481,563.91 for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £28.3m. A 1 year increase in member life expectancy would result in an increase in the pension liability of around £8.8m to £14.7m. A 0.5% increase in the Salary Increase Rate would result in an increase in the pension liability of £2.4m. A 0.5% increase in the Pension Increase Rate would result in an increase in £25.39m.
Arrears	At 31 March 2021, the Council had a balance of sundry debtors of £23.411m. A review of significant balances suggested that an impairment of doubtful debts of (£7.439m) 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.	If Collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £7.439m to set aside as an allowance.
Business Rates	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.	A 1% increase in the success rate of appeals would increase the provision by £1.5m. The Council's overall financial losses would be protected by the safety net.
Fair value measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using valuation techniques (eg quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not	The Council uses the discounted cash flow (DCF) model to measure the fair value of some of its investment properties and financial assets. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy

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.

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 30 July 2021. 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 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

After the balance sheet date, the Council became aware that more than 2,200 housing tenancies have been overcharged since April 2014. Tenants have been paying the amount of rent as set out in their Tenancy Agreement, but the rent within the agreement was set too high. A decision was made to refund this overpayment to tenants and it is estimated that the total to be refunded is £3.3m. This has not been adjusted in the financial statements as there was no legal obligation to refund.

Notes to Main Financial Statements (Continued)

6. Note to the Expenditure and Funding Analysis

2020/21	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	-	64	-	64
Environmental Services & Sustainability	20	219	(16)	223
Cabinet	98	244	(4)	338
Housing	193	217	(224)	186
Wellbeing	364	526	(1)	889
Planning and Economic Development	1,480	295	141	1,916
Housing Revenue Account	22,875	335	247	23,457
All other segments	-	-	301	301
Net Cost of Services	25,030	1,900	444	27,374
Other income and expenditure from the Expenditure and Funding Analysis	(30,818)	(548)	20,322	(11,044)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(5,788)	1,352	20,766	16,330

Notes to Main Financial Statements (Continued)

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
Net Cost of Services	33,082	3,677	(104)	36,655
Other income and expenditure from the Expenditure and Funding Analysis	(28,999)	1,228	4,248	(23,523)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	4,083	4,905	4,144	13,132

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.

Notes to Main Financial Statements (Continued)

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:

2019/20			2020/21	
Income from Services £' 000	Depreciation £' 000	Services	Income from Services £' 000	Depreciation £' 000
(177)	-	Public Protection & Community Engagement	(211)	-
(5,952)	438	Environmental Services & Sustainability	(3,044)	445
(16,074)	530	Cabinet	(7,796)	356
(1,721)	-	Housing	(1,728)	-
(12,452)	2,078	Wellbeing	(5,884)	1,944
(9,790)	831	Planning and Economic Development	(9,260)	853
(48,044)	-	Housing Revenue Account	(50,086)	-
-	-	All other segments	-	-
(94,210)	3,877		(78,009)	3,598

8. Expenditure and Income Analysed by Nature

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

2019/20 £' 000	Expenditure/Income	2020/21 £' 000
	Expenditure	
28,557	Employee benefit expenses	24,734
69,680	Other services expenses	64,691
6,601	Support service recharges	2,727
34,103	Depreciation, amortisation, impairment	29,030
8,310	Interest payments	8,349
-	Precepts and levies	-
1,032	Payments to Housing Capital Receipts Pool	1,031
(744)	Gain on the disposal of assets	(2,038)
147,539	Total expenditure	128,524
	Income	
(77,765)	Fees, charges and other service income	(68,195)
(940)	Interest and investment income	(952)
(13,691)	Income from council tax, non-domestic rates	(12,618)
(38,952)	Government grants and contributions	(50,107)
(131,348)	Total income	(131,872)
16,191	(Surplus) or deficit on the Provision of Services	(3,348)

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.

Notes to Main Financial Statements (Continued)

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.

2020/21	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grant Unapplied
	£'000	£'000	£'000	£'000	£'000

Adjustments to the Revenue Resources

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

• Pension Cost (transferred to or from) the Pension Reserve)	1,017	335	-	-	-
• Financial instruments (transferred to the Financial Instruments Adjustment Account)	-	-	-	-	-
• Council tax and NDR (transfers to or from) Collection fund Adjustments Account	17,969	-	-	-	-
• Holiday pay (transferred to the Accumulated Absences Reserve)	(1)	1	-	-	-

Notes to Main Financial Statements (Continued)

2020/21	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grant Unapplied £'000
<ul style="list-style-type: none"> Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) 	3,797	31,440	-	-	1,333
Total Adjustments to Revenue Resources	22,782	31,776	-	-	1,333
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts reserve	(1,681)	(9,109)	10,790	-	-
Transfer of capital grants and contributions to capital grants unapplied	-	-	-	-	-
Administration costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	-	-	-	-
Transfer of deferred sale proceeds credit as part of the gain /loss on disposal from revenue to the Deferred Capital Receipts Reserve	(1,055)	-	-	-	-
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	-	(22,623)	-	22,623	-
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)	(4,792)	-	-	-	-
Total Adjustments between Revenue and Capital Resources	(6,496)	(31,732)	9,758	22,623	-
Adjustments to Capital Resources					
Use of the Capital Receipts reserve to finance capital expenditure	-	-	(15,836)	-	-
Use of Major Repairs Reserve to financial capital expenditure	-	-	-	(15,402)	-
Application of capital grants to finance capital expenditure	-	-	-	-	-
Cash Payments in relation to deferred capital receipts	-	-	135	-	-
Total Adjustments to Capital Resources	-	-	(15,701)	(15,402)	-
Total Adjustments	16,286	44	(5,943)	7,221	1,333

Notes to Main Financial Statements (Continued)

2019/20	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grant Unapplied
Comparative Figures	£'000	£'000	£'000	£'000	£'000

Adjustments to the Revenue Resources

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

• Pension Cost (transferred to (or from) the Pension Reserve)	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	-	-	-
• 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)	19,948	29,583	-	-	206
Total Adjustments to Revenue Resources	24,521	30,182	-	-	206

Adjustments between Revenue and Capital Resources

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)	-	-	-	-
Total Adjustments between Revenue and Capital Resources	(10,175)	(31,396)	12,691	20,751	-

Notes to Main Financial Statements (Continued)

2019/20	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grant Unapplied
Comparative Figures	£'000	£'000	£'000	£'000	£'000
Adjustments to Capital Resources					
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	-	-
Total Adjustments to Capital Resources	-	-	(17,302)	(27,264)	(176)
Total Adjustments	14,346	(1,214)	(4,611)	(6,513)	30

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 2020/21.

	Balance at 1 April 2019 £'000	Transfers Out 2019/20 £'000	Transfers In 2019/20 £'000	Balance at 31 March 2020 £'000	Transfers Out 2020/21 £'000	Transfers In 2020/21 £'000	Balance at 31 March 2021 £'000
General Fund:							
Capital Programme	3,947	(392)	-	3,555	(3,555)	2,242	2,242
Restructuring Impact Reserve	695	-	-	695	(295)	-	400
Vehicles and Plant	369	(496)	570	443	(203)	775	1,015
Insurance Fund	378	-	-	378	-	-	378
ICT Replacement	200	(230)	100	70	-	100	170
Specialist Equipment at K2 Crawley and Hawth	-	(34)	100	66	-	100	166
Risk Management	49	(37)	170	182	(82)	75	175
Quick Wins	18	-	-	18	(18)	-	-
Heritage Strategy	34	(6)	-	28	(10)	-	18
Pathfinder	24	-	-	24	-	-	24
Local Development Framework	540	(164)	20	396	(153)	200	443
Health & Wellbeing Grant	217	(61)	-	156	(8)	22	170
Connecting Communities	56	-	-	56	(8)	-	48
Homeless grant	81	-	-	81	-	60	141
Town Centre and Regeneration Reserve	163	(67)	-	96	-	28	124
Investment Acquisition	5,000	(5,000)	-	-	-	-	-
Waste Collection	226	-	-	226	-	-	226
Worth Park HLF	76	(43)	-	33	-	-	33
Grant to voluntary organisations	75	-	-	75	(75)	24	24
Welfare Reform	200	-	-	200	(131)	361	430
Transparency	3	-	8	11	(11)	9	9
Shore gap fund	7	-	-	7	-	-	7
Tilgate Park Investment	32	(24)	-	8	(8)	-	-
New Museum	85	(9)	4	80	(20)	-	60
Leap Project Small Business Grants	25	(25)	-	-	-	-	-
Town Centre Partnership	42	(17)	-	25	(25)	-	-
Town Centre Markets	14	-	-	14	(14)	-	-

Notes to Main Financial Statements (Continued)

	Balance at 1 April 2019 £'000	Transfers Out 2019/20 £'000	Transfers In 2019/20 £'000	Balance at 31 March 2020 £'000	Transfers Out 2020/21 £'000	Transfers In 2020/21 £'000	Balance at 31 March 2021 £'000
EU Exit Funding	154	-	184	338	-	-	338
Park Improvement Fund	18	(18)	-	-	-	87	87
Clean Our High Streets	20	(20)	-	-	-	-	-
Business Rates Pool Cycling	70	(10)	-	60	-	55	115
Shop Fronts	21	(21)	-	-	-	-	-
Town Centre BID Feasibility	17	(17)	-	-	-	-	-
Homeless Accommodation Acquisition	374	(16)	341	699	-	830	1,529
Queen Square	-	(11)	392	381	-	-	381
Supported Accommodation	-	-	120	120	-	-	120
Town Funds	-	-	173	173	(1,039)	1,000	134
Covid-19 LA Support Grant	-	-	41	41	(604)	1,208	645
HMO Licenses	-	-	-	-	-	21	21
CBC Earmarked Reserves	13,230	(6,718)	2,223	8,735	(6,259)	7,197	9,673
Business Rates Equalisation*	4,000	-	1,192	5,192	-	16,629	21,821
Covid Grants*	-	-	-	-	-	1,813	1,813
Council Tax Income Guarantee*	-	-	-	-	(52)	133	81
Total Earmarked Reserves	17,230	(6,718)	3,415	13,927	(6,311)	25,772	33,388

* The Business Grants & Isolation Payments Reserve is from grants that were received by the Council in 2020/21, but is for supporting businesses and individuals through 2021/22 due to Covid. The Council Tax Income Guarantee Reserve and the Business Rate Equalisation Reserve are made up of grants received from the government to offset losses on the Collection Fund. The legislation that governs Collection Fund accounting means that the deficit as a result of the loss of Business Rate and Council Tax income in year will not be charged to the Council's General Fund until 2021/22 and 2022/23. As a result these reserves have been identified separately as they are exceptional balances that will be drawn down in 2021/22 and 2022/23 to either provide grants to businesses or individuals due to Covid, or are to offset losses on the Collection Fund already incurred.

Notes to Main Financial Statements (Continued)

11. Other Operating Expenditure

2019/20 £'000		2020/21 £'000
1,032	Payment to the Government Housing Receipts Pool	1,032
(745)	Gains/losses on the disposal of non-current assets	(2,039)
(2,504)	Notional Shared Equity Income	(1,090)
(2,217)	Total	(2,097)

12. Financing and Investment Income and Expenditure

2019/20 £'000		2020/21 £'000
8,310	Interest payable and similar charges	8,349
435	Net interest on the net defined benefit liability	(548)
(1,537)	Interest receivable and similar income	(1,617)
597	Impairment losses	664
1,013	Income and expenditure in relation to investment properties and changes in their fair market value	(348)
8,818	Total	6,500

13. Taxation and Non Specific Grant Incomes

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

2019/20 £'000		2020/21 £'000
(7,197)	Council Tax Income	(7,390)
(6,494)	Retained Business Rates	(5,227)
(1,992)	Non-ringfenced government grants	(6,710)
(407)	Capital grants and contributions	(2,143)
(16,090)	Total	(21,470)

Notes to Main Financial Statements (Continued)

14. Property, Plant and Equipment

Movements on Balances

Movements in 2020/21

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost or Valuation								
At 1 April 2020	608,915	169,871	15,595	3,863	3,316	-	36,556	838,116
Additions	10,274	391	378	69	(42)	-	25,483	36,553
Revaluation increases/(decreases) recognised in the Revaluation Reserve	77,807	2,152	-	-	-	-	-	79,959
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(16,624)	(1,524)	-	-	-	-	-	(18,148)
Derecognition – Disposals	(8,642)	(3)	(1,287)	-	-	-	-	(9,932)
Assets Reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-
Other movements in asset classification*	28,978	(3,211)	-	286	2,572	-	(28,625)	-
At 31 March 2021	700,708	167,676	14,686	4,218	5,846	-	33,414	926,548
Accumulated Depreciation and Impairment								
At 1 April 2020	(1,518)	(2,817)	(10,722)	(80)	(225)	-	-	(15,362)
Depreciation charge	(6,275)	(2,755)	(1,029)	(21)	(48)	-	-	(10,128)
Depreciation written out to the Revaluation Reserve	5,793	2,344	-	-	-	-	-	8,137
Depreciation written out to the Surplus/Deficit on the Provision of Services	260	555	-	-	-	-	-	815
Impairment losses/(reversals) recognised in the Revaluation Reserves	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition – Disposals	21	-	1,198	-	-	-	-	1,219
Other movements in depreciation and impairment	(25)	681	-	-	(655)	-	-	1
At 31 March 2021	(1,744)	(1,992)	(10,553)	(101)	(928)	-	-	(15,318)
Net Book Value								
At 31 March 2021	698,964	165,684	4,133	4,117	4,918	-	33,414	911,230
At 31 March 2020	607,397	167,054	4,873	3,783	3,091	-	36,556	822,754

Notes to Main Financial Statements (Continued)

*£28,625k Assets under construction completed and transferred to council Dwellings, £3,211 transferred from Other Land & buildings Infrastructure and Community Assets after a review of assets was carried out and re-classification required.

Comparative 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
Cost or Valuation								
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)	-
At 31 March 2020	608,915	169,871	15,595	3,863	3,316	-	36,556	838,116
Accumulated Depreciation and Impairment								
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)	-	-	-
At 31 March 2020	(1,518)	(2,817)	(10,722)	(80)	(225)	-	-	(15,362)
Net Book Value								
At 31 March 2020	607,397	167,054	4,873	3,783	3,091	-	36,556	822,754
At 31 March 2019	591,344	181,768	4,275	3,803	3,137	-	31,168	815,495

Capital Commitments

At 31 March 2021, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2021/22 and future years budgeted to cost £51,939,512. Similar commitments at 31 March 2020 were £58,707,744.

The major commitments are:

	£'000
HRA Programmed Repairs	11,983
HRA Affordable Housing	14,141
Community – Park and Recreation	320
Cabinet – New Town Hall	21,836
Cabinet – District Heat Network	2,118
Cabinet – Crawley Growth Programme	1,542
	51,940

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations of land and buildings are carried out externally by Wilks Head Eve Chartered Surveyors, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

	Council Dwellings £' 000	Other Land & Buildings £' 000	Vehicles, Plant, Furniture & Equipment £' 000	Infrastructure Assets £' 000	Community Assets £' 000	Surplus Assets £' 000	Assets under construction £' 000	Total £' 000
Carried at historical cost	-	-	4,133	4,117	4,918	-	33,414	46,582
Value at fair value as at:								
31 March 2021	698,964	135,651	-	-	-	-	-	834,615
31 March 2020	-	9,202	-	-	-	-	-	9,202
31 March 2019	-	11,625	-	-	-	-	-	11,625
31 March 2018	-	2,148	-	-	-	-	-	2,148
31 March 2017	-	7,058	-	-	-	-	-	7,058
	698,964	165,684	4,133	4,117	4,918	-	33,414	911,230

15. Heritage Assets

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

	Public Works of Art 2020/21 £' 000
Cost or Valuation	
01 April 2020	52
Additions	-
Disposals	-
31 March 2021	52

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

Public Works of Art

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

16. Investment Properties

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

	2019/20 £'000	2020/21 £'000
Rental income from investment property	(1,261)	(1,593)
Direct operating expenses arising from investment property *	2,274	1,245
Net (Gain)/Loss	1,013	(348)

*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:

	2019/20 £'000	2020/21 £'000
Balance at the start of the year	20,041	25,587
Additions:		
• Purchases	7,448	-
• Subsequent expenditure	39	-
Disposals	-	-
Net gains/losses from fair value adjustments	(1,941)	(939)
Transfers:		
• to/from Property, Plant and Equipment	-	-
• to/from Assets Held for Sale	-	-
• to/from Land and Buildings	-	-
Balance at end of the year	25,587	24,648

Revaluations

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

Fair Value

	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2021 £'000
Recurring fair value measurements using:				
Office Units	-	15,934	-	15,934
Commercial Units	-	8,714	-	8,714
Total	-	24,648	-	24,648

2019/20 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 2020 £'000
Office Units	-	16,838	-	16,838
Commercial Units	-	8,749	-	8,749
Total	-	25,587	-	25,587

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 seven of the eight 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 £19,250.91 charged to revenue in 2020/21 was charged to appropriate service headings in the Net Expenditure of Services.

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

	2019/20			2020/21		
	Internally Generated Assets £'000	Other Assets £'000	Total £'000	Internally Generated Assets £'000	Other Assets £'000	Total £'000
Balance at start of year:						
▪ Gross carrying amounts	-	3,577	3,577	-	3,628	3,628
▪ Accumulated amortisation	-	(3,030)	(3,030)	-	(3,047)	(3,047)
Net carrying amount at start of year	-	547	547	-	581	581
Additions:						
▪ Purchases	-	68	68	-	77	77
Assets reclassified	-	-	-	-	-	-
Disposals	-	(17)	(17)	-	-	-
Other movements in Asset classification						
Amortisation for the period	-	(34)	(34)	-	(19)	(19)
Derecognition: Disposal	-	17	17	-	-	-
Net carrying amount at end of year	-	581	581	-	639	639
Comprising:						
▪ Gross carrying amounts	-	3,628	3,628	-	3,705	3,705
▪ Accumulated amortisation	-	(3,047)	(3,047)	-	(3,066)	(3,066)
	-	581	581	-	639	639

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 2020 £'000	As at 31 March 2021 £'000	As at 31 March 2020 £'000	As at 31 March 2021 £'000
Investments				
Loans and receivables	-	-	-	-
Available-for-sale financial assets	-	-	-	-
Financial assets at amortised cost	10,000	-	78,273	92,134
Total Investments	10,000	-	78,273	92,134
Cash and Cash Equivalents				
Loans and receivables	-	-	-	-
Financial assets at amortised cost	-	-	9,614	16,600
Financial liabilities at amortised cost	-	-	(462)	(364)
Total cash and cash equivalents	-	-	9,152	16,236
Debtors				
Loans and receivables	-	-	-	-
Shared equity loans valued at fair value through profit and loss	5,069	6,499	-	-
Financial assets carried at contract amounts	-	-	-	-
Financial assets at amortised cost	6,067	6,206	3,570	11,353
Total included in Debtors	11,136	12,705	3,570	11,353
Debtors that are not financial instrument	-	-	2,658	4,683
Total Debtors	11,136	12,705	6,227	16,036
Borrowings				
Financial liabilities at amortised cost	(260,275)	(260,280)	(68)	(68)
Total Borrowings	(260,275)	(260,280)	(68)	(68)
Creditors				
Financial liabilities at amortised cost	-	-	(10,838)	(22,846)
Total included in Creditors	-	-	(10,838)	(22,846)
Creditors that are not financial instruments	-	-	(11,714)	(15,735)
Total Creditors	-	-	(22,552)	(38,581)

Notes to Main Financial Statements (Continued)

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:

	31 March 2020		31 March 2021	
	Surplus or Deficit on the Provision of Services £'000	Other Comprehensive Income and Expenditure £'000	Surplus or Deficit on the Provision of Services £'000	Other Comprehensive Income and Expenditure £'000
Net gains/losses on:				
- Financial assets measured at fair value though profit or loss	(341)	-	(382)	-
-Financial assets measured at amortised cost	596		718	
Total net gains/losses	255	-	336	-
Interest revenue:				
- Financial assets measured at amortised cost	(1,196)	-	(844)	-
Total interest revenue	(1,196)	-	(844)	-
Interest expense	8,310	-	8,349	-

Notes to Main Financial Statements (Continued)

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 2020 £'000	As at 31 March 2021 £'000
Fair Value through Profit and Loss				
Shared equity loans	Level 3	Historic cost adjusted by house price indices and discounted to the balance sheet date	5,069	6,499

Transfer between Levels of the Fair Value Hierarchy

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

Changes to the Valuation Technique

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

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

	Shared Equity Loans	
	31 March 2020 £'000	31 March 2021 £'000
Opening balance	2,688	5,069
Included in Surplus or Deficit on the Provision of Services	132	535
Additions	2,440	1,055
Disposals	(191)	(160)
Closing balance	5,069	6,499

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

	31 March 2020 £'000	31 March 2021 £'000
Assumption		
Period over which shared equity loan receivable are discounted	9 years	9 years
Nominal discount rate	3.5%	3.5%
Number of loans under the shared equity scheme outstanding at the year-end	106	126

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 31st March 2021, 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 31st 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

	31 March 2020		31 March 2021	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Cash and Cash Equivalents	462	462	364	364
PWLB debt	260,343	297,368	260,348	299,128
Short term creditors	10,838	10,838	22,846	22,846
Total Liabilities	271,643	308,668	283,558	322,338

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 2021) arising from a commitment to pay interest to lenders above current market rates.

Notes to Main Financial Statements (Continued)

Financial Assets	31 March 2020		31 March 2021	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Money market loans<1 year	18,968	18,968	17,094	17,094
Short term investments	59,305	59,305	92,134	92,134
Long term investments	10,000	10,055	-	-
Short term debtors	3,570	3,570	11,353	11,353
Long term debtors	6,067	6,067	6,206	6,206
Total Assets	97,910	97,965	126,787	126,787

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 2021) 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 2021			Total £'000
	Quoted Prices in active markets for identical assets (Level 1) £'000	Other Significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	
Recurring fair value measurements using:				
Financial Liabilities				
Financial liabilities held at amortised cost:				
Cash and cash equivalents	-	364	-	364
PWLB	-	299,128	-	299,128
Short term creditors	-	-	22,846	22,846
Total	-	299,492	22,846	322,338
Financial Assets				
Financial assets held at amortised cost:				
Money market loans<1 year	17,094	-	-	17,094
Short term investments	-	92,134	-	92,134
Long term investments	-	-	-	-
Short term debtors	-	-	11,353	11,353
Long term debtors	-	-	6,206	6,206
Total	17,094	92,134	17,559	126,787

31 March 2020

	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
Recurring fair value measurements using:				
Financial Liabilities				
Financial liabilities held at amortised cost:				
Cash and cash equivalents	-	462	-	462
PWLB	-	293,375	-	293,375
Short term creditors	-	-	10,226	10,226
Total	-	293,837	10,226	304,063
Financial Assets				
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
Total	18,968	69,360	9,637	97,965

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.

- No early repayment or impairment is recognised for any financial instrument
- The fair values of other long-term loan and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- 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.

Notes to Main Financial Statements (Continued)

19. Debtors

	31 March 2020 £'000	31 March 2021 £'000
Central Government Departments	1,429	2,384
Other Local Authorities*	590	7,475
NHS Bodies	-	-
Public Corporations and Trading Funds	-	-
Other Entities and Individuals	4,208	6,177
Total Debtors	6,227	16,036

*includes £6.784m due from WSCC to cover the large collection fund deficit.

20. Cash and Cash Equivalent

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

31 March 2020 £'000		31 March 2021 £'000
(462)	Cash overdrawn	(364)
-	Bank Call account	-
9,614	Money Market Funds	16,600
9,152	Total Cash and Cash Equivalents	16,236

21. Assets Held for Sale

	Current 2019/20 £'000	2020/21 £'000
Balance Outstanding at start of year	4,452	-
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)	-
Balance outstanding at year end	-	-

22. Creditors

	As at 31 March 2020 £'000	As at 31 March 2021 £'000
Central Government Departments	6,069	8,087
Other Local Authorities	6,341	910
NHS Bodies	-	171
Other Entities and Individuals*	10,142	29,413
Total Creditors	22,552	38,581

*Includes £6.718m of Covid grants due to be paid to businesses or individuals, and £9.416m to suppliers on two of the major developments in the capital programme.

23. Provisions

	Accumulated Absences £'000	NNDR Appeal £'000	Total £'000
Balance at 1 April 2020	175	1,948	2,123
Additional provisions made in 2020/21	176	3,617	3,793
Amounts used in 2020/21	(175)	(1,406)	(1,581)
Unused amounts reversed in 2020/21	-	-	-
Unwinding of discounting in 2020/21	-	-	-
Balance at 31 March 2021	176	4,159	4,335

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.

Notes to Main Financial Statements (Continued)

24. Usable Reserves

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

25. Unusable Reserves

31 March 2020 £'000		31 March 2021 £'000
	Unusable Reserves Held for Capital Purposes	
253,725	Revaluation Reserve	335,870
335,254	Capital Adjustment Account	340,666
9,191	Deferred Capital Receipts Reserve	10,111
598,170	Total Unusable Reserves Held for Capital Purposes	686,647
	Unusable Reserves Held for Revenue Purposes	
24,785	Pension Reserve	28,383
(167)	Collection Fund Adjustment Account	(18,136)
(175)	Accumulated Absences Account	(176)
24,443	Total Unusable Reserves Held for Revenue Purposes	10,071
622,613	Total Unusable Reserves	696,718

Notes to Main Financial Statements (Continued)

(a) Revaluation Reserve

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

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

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

31 March 2020 £'000			31 March 2021 £'000
251,575	Balance at 1 April		253,725
15,392	Upward revaluation of asset	92,468	
(7,903)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(4,372)	
7,489	Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		88,096
(4,524)	Difference between fair value depreciation and historical cost depreciation	(4,627)	
(815)	Accumulated gains on assets sold or scrapped	(1,324)	
(5,339)	Amount written off to the Capital Adjustment Account		(5,951)
253,725	Balance at 31 March		335,870

Notes to Main Financial Statements (Continued)

(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.

2019/20 £'000		2020/21 £'000
329,053	Balance at 1 April	335,254
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
	<ul style="list-style-type: none"> • Charges for depreciation and impairment of non-current assets • Revaluation losses on Property, Plant and Equipment • Amortisation of intangible assets • Revenue expenditure funded from capital under statute • Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement 	
(10,183)		(10,127)
(19,454)		(17,333)
(36)		(19)
(7,819)		(5,613)
(12,978)		(8,751)
(50,470)		(41,843)
5,339	Adjusting amounts written out of the Revaluation Reserve	5,951
(45,131)	Net written out amount of the cost of non-current assets consumed in the year	(35,892)
	Capital financing applied in the year:	
	<ul style="list-style-type: none"> • Use of the Capital Receipts Reserve to finance new capital expenditure • Use of the Major Repairs Reserve to finance new capital expenditure • Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing • Application of grants to capital financing from the Capital Grants Unapplied Account • Statutory provision for the financing of capital investment charged against the General Fund and HRA balances • Capital expenditure charged against the General fund and HRA balances 	
17,470		15,836
27,264		15,402
2,676		6,213
176		-
-		-
5,688		4,792
53,274		42,243
(1,942)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(939)
-	Movement in the donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-
335,254	Balance at 31 March	340,666

(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.

2019/20 £'000		2020/21 £'000
6,919	Balance at 1 April	9,191
2,440	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,055
(168)	Transfer to the Capital Receipts Reserve upon receipt of cash	(135)
9,191	Balance at 31 March	10,111

(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.

2019/20 £'000		2020/21 £'000
(16,164)	Balance at 1 April	24,785
45,854	Actuarial gains or losses on pensions assets and liabilities	4,950
(8,777)	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	(5,109)
3,872	Employer's pensions contribution and direct payments to pensioners payable in the year	3,757
24,785	Balance at 31 March	28,383

Notes to Main Financial Statements (Continued)

(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.

2019/20 £'000		2020/21 £'000
91	Balance at 1 April	(167)
	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	
(258)		(17,969)
(167)	Balance at 31 March	(18,136)

(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.

2019/20 £'000		2020/21 £'000
(166)	Balance at 1 April	(175)
166	Settlement or cancellation of accrual made at the end of the preceding year	175
(175)	Amounts accrued at the end of the current year	(176)
	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	
(9)		(1)
(175)	Balance at 31 March	(176)

26. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

31 March 2020 £'000		31 March 2021 £'000
1,186	Interest received	933
(8,304)	Interest paid	(8,344)
-	Dividends received	-

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

31 March 2020 £'000		31 March 2021 £'000
10,183	Depreciation	10,126
19,454	Impairments and downward valuations	17,333
36	Amortisation	19
-	Increase/(decrease) in impairment for bad debts	-
(2,794)	Increase/(decrease) in creditors	14,802
387	(Increase)/decrease in debtors	(2,432)
(14)	(Increase)/decrease in inventories	3
4,905	Movement in pension liability	1,352
12,978	Carrying amount of non-current assets and non-current assets held for sale, sole or derecognised	8,751
(518)	Other non-cash items charged to the net surplus or deficit on the provision of services	2,402
44,617		52,356

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

(1)	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	-
(16,162)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(11,845)
(2,881)	Any other items for which the cash effects are investing or financing cash flows	(7,546)
(19,044)		(19,391)

Notes to Main Financial Statements (Continued)

27. Cash Flow Statement – Investing Activities

The cash flows for operating activities include the following items:

2019/20 £'000		2020/21 £'000
(44,596)	Purchase of property, plant and equipment, investment property and intangible assets	(28,248)
(151,645)	Purchase of short-term and long-term investments	(247,200)
(18)	Other payments for investing activities	-
13,822	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	10,839
169,437	Proceeds from short-term and long-term investments	243,100
3,295	Other receipts from investing activities	6,484
(9,705)	Net cash flows from investing activities	(15,025)

28. Cash Flow Statement – Financing Activities

2019/20 £'000		2020/21 £'000
-	Cash receipts of short and long-term borrowing	-
-	Other receipts from financing activities	-
-	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	-
-	Repayments of short and long term borrowing	-
3,852	Other payments for financing activities	(14,204)
3.852	Net cash flows from financing activities	(14,204)

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.

	2019/20 £'000	2019/20 £'000	2020/21 £'000	2020/21 £'000
Turnover for commercial operations	1,253		1,419	
Turnover related to non-commercial lets	4,533		4,275	
Total Turnover		5,786		5,694
Expenditure	(2,657)		(2,036)	
Movement in Fair Value of investment Properties	(1,943)		(939)	
		(4,600)		(2,975)
Net Surplus/(deficit) on trading operations		1,186		2,719

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

	2019/20 £'000	2020/21 £'000
Net Surplus on trading operations	1,186	2,719
Net Surplus credited to Financing and Investment Income and Expenditure	1,186	2,719

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)

	2019/20 £'000	2020/21 £'000
WSSC-Verge/Shrub maintenance		
Expenditure incurred in providing verge/shrub maintenance	216	194
Income – contribution from WSSC	(182)	(170)
Net (surplus)/deficit arising on agency arrangement	34	24

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

WSCC-Civil Parking Enforcement	2019/20 £'000	2020/21 £'000
Expenditure incurred in providing a CPE/CPZ service	547	534
Income raised from fees and charges	(1,110)	(621)
Contribution to expenditure	(547)	(534)
Income Share	1,090	613
Management Fee Payable	(150)	(48)
Net (surplus)/deficit arising on agency arrangement	(170)	(56)

31. Members' Allowances

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

	2019/20 £'000	2020/21 £'000
Salaries	n/a	n/a
Allowance	325	332
Expenses	-	-
Total	325	332

Notes to Main Financial Statements (Continued)

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	2020/21	123,413	1,239	-	-	25,845	150,497
	2019/20	132,266	2,217	-	-	26,347	160,830
Deputy Chief Executive	2020/21	101,865	-	-	-	21,494	123,359
	2019/20	96,856	-	-	-	21,405	118,261
Head of Corporate Finance (S.151 Officer)	2020/21	75,559	-	-	-	15,943	91,502
	2019/20	73,871	60	-	-	16,254	90,185
Head of Legal, Democratic Services and HR	2020/21	39,191	-	-	-	7,971	47,162
	2019/20	74,865	-	-	-	16,254	91,119

During 2020/21 the Head of Legal, Democratic & HR retired and the position was vacant for several months.

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 2019/20	Number of Employees 2020/21
£50,000 - £54,999	16	16
£55,000 - £59,999	8	10
£60,000 - £64,999	2	3
£65,000 - £69,999	1	-
£70,000 - £74,999	3	3
£75,000 - £79,999	-	2
£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	
	2019/20 Qty	2020/21 Qty	2019/20 Qty	2020/21 Qty	2019/20 Qty	2020/21 Qty	2019/20 £	2020/21 £
£0 - £20,000	-	1	1	-	1	1	12,652	3,511
£20,001–£40,000	-	-	-	-	-	-	-	-
£40,001–£60,000	-	-	-	-	-	-	-	-
£60,001–£80,000	-	-	-	-	-	-	-	-
£80,001–£100,000	-	-	-	-	-	-	-	-
£100,001–£150,000	-	-	-	-	-	-	-	-
£150,001–£200,000	-	-	-	-	-	-	-	-
£200,001–£250,000	-	-	-	-	-	-	-	-
TOTAL	-	1	1	-	1	1	12,652	3,511

33. External Audit Cost

In 2020/21 the Council incurred the following fees payable to Ernst & Young LLP relating to external audit and inspection:

	2019/20 £'000	2020/21 £'000
Fees payable with regard to external audit services carried out by the appointed auditor	76	150
Additional fees paid to appointed auditor via a third party	-	1
Fees payable in respect of other services provided by the auditor during the year*	3	3
Total	79	154

*The fees for other services payable in 2020/21 related to the audit of the Capital Pooling return for 2019/20, 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 2020/21:

	2019/20 £'000	2020/21 £'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	-	60
Capital Grants and Contributions	407	2,143
New Homes Bonus	1,473	1,831
Preventing Homelessness	49	-
Covid 19 related Grants	-	3,800
Other Grants	470	1,019
Business Rate Grants	898	15,432
	3,297	24,285
Credited to Services		
Rent Allowance	18,986	17,509
Rent Rebates	15,875	15,108
Benefits Administration	521	513
NNDR Collection	212	213
Covid 19 related Grants	-	5,505
Other Grants	958	2,406
Total	36,552	41,254

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;

	2019/20 £'000	2020/21 £'000
Capital Grants Receipts in Advance		
S106 – Transport	216	181
S106 – Amenity Space	488	429
S106 – Other Grants	1,624	590
Total	2,328	1,200

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 2021 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 £608,536 in which ten members had an interest. Additionally one member had an interest in an organisation which received Covid Support Grants of £19,907.50. The grants 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.

Capital Expenditure and Capital Financing	2019/20 £'000	2020/21 £'000
Opening Capital Financing Requirement	260,325	260,325
Capital Investment		
Property, Plant and Equipment	37,881	36,553
Investment Properties	7,487	-
Intangible Assets	68	77
Revenue Expenditure Funded from Capital under Statute	7,819	5,613
Long Term Debtors	18	-
Sources of Finance		
Capital receipts	17,470	15,836
Capital reserves	-	3,556
Major Repairs Reserve	27,264	15,402
Government Grants and other contributions	2,851	6,213
Revenue contributions	5,688	1,236
Closing Capital Financing Requirement	260,325	260,325

	2019/20 £'000	2020/21 £'000
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by government financial assistance)	-	-
Increase/(decrease) in Capital Financing Requirement	-	-

37. Leases

Council as Lessor

Operating Leases

The Council leases out property and equipment under operating leases for the following purposes:

- For the provision of community services, such as sports facilities, tourism services and community centres
- For economic development purposes to provide suitable affordable accommodation for local businesses.

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

	31 March 2020 £'000	31 March 2021 £'000
Not later than one year	5,019	4,766
Later than one year and not later than five years	14,004	14,327
Later than five years	21,124	20,242
	40,147	39,335
Contingent rents	670	698

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 2020/21 £698,158 contingent rents were receivable by the authority (2019/20 £669,896).

38. Termination Benefits

The Council terminated the contracts of a number of employees in 2020/21, incurring liabilities of £3,511 (£12,652 in 2019/20). 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 2021/22 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 £22,900	5.80%	2.90%
3	£22,901 to £37,200	6.50%	3.25%
4	£37,201 to £47,100	6.80%	3.40%
5	£47,101 to £65,900	8.50%	4.25%
6	£65,901 to £93,400	9.90%	4.95%
7	£93,401 to £110,000	10.50%	5.25%
8	£110,001 to £165,000	11.40%	5.70%
9	£165,001 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 2020/21 the Council made a contribution of £3.472 million, 21.4% of pensionable pay (2019/20 £3.562 million, 22.1%). In addition the Council made a contribution for unfunded benefits of 0.285 million (2019/20 £0.310 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
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.

	2019/20 £'000	2020/21 £'000
Comprehensive Income & Expenditure Statement		
Cost of Services		
- Current service cost	(7,549)	(5,657)
- Past service cost	(793)	-
- (Gains)/losses from settlements	-	-
Financing and Investment Income and Expenditure		
Net interest comprising:		
- Interest on plan assets	6,227	5,882
- Interest cost on defined benefit obligation	(6,662)	(5,334)
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	(8,777)	(5,109)
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
- Changes in demographic assumptions	12,894	(473)
- Changes in financial assumptions	22,280	(59,106)
- Other experience	17,182	2,571
- Return on assets (excluding amounts included in net interest)	(6,502)	61,958
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	37,077	(159)
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	4,905	(8,866)
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to scheme	(3,562)	(3,472)
Contributions in respect of unfunded benefits	(310)	(285)

Notes to Main Financial Statements (Continued)

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:

	2019/20	2020/21
	£'000	£'000
Fair value of the employer assets	257,231	322,410
Present value of funded liabilities	(228,427)	(290,030)
Present value of unfunded liabilities	(4,019)	(3,997)
Net Asset	24,785	28,383

Reconciliation of the Movements in the Fair Value of Plan Assets

	2019/20	2020/21
	£'000	£'000
Opening fair value of scheme assets	260,295	257,231
Interest income on plan assets	6,227	5,882
Remeasurement gain/(loss):		
- Return on assets excluding amounts included in net interest	(6,502)	61,958
Contributes from employer	3,562	3,472
Contributions from employees into the scheme	1,088	1,115
Contributions in respect of unfunded benefits	310	285
Benefits paid	(7,439)	(7,248)
Unfunded benefits paid	(310)	(285)
Closing fair value of scheme assets	257,231	322,410

Reconciliation of Present Value of the Scheme Liabilities

	2019/20	2020/21
	£'000	£'000
Opening balance at 1 April	(276,459)	(232,446)
Current service cost	(7,549)	(5,657)
Past service cost	(793)	-
Interest cost on defined benefit obligation	(6,662)	(5,334)
Remeasurement (gains)/losses:		
- Changes in demographic assumptions	12,894	(473)
- Changes in financial assumptions	22,280	(59,106)
- Other experience	17,182	2,571
Contributions from employees into the scheme	(1,088)	(1,115)
Benefits paid	7,439	7,248
Unfunded benefits paid	310	285
Closing balance at 31 March	(232,446)	(294,027)

Notes to Main Financial Statements (Continued)

Local Government Pension Scheme assets comprised:

	Period Ended 31 March 2020			Period Ended 31 March 2021		
	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000
Equity Securities						
Consumer	22,851.2	-	22,851.2	33,494.1	-	33,494.1
Manufacturing	17,645.6	-	17,645.6	18,821.1	-	18,821.1
Energy and Utilities	6,253.6	-	6,253.6	4,938.5	-	4,938.5
Financial Institutions	28,618.3	-	28,618.3	29,210.4	-	29,210.4
Health and Care	17,261.4	-	17,261.4	21,561.2	-	21,561.2
Information Technology	27,440.4	-	27,440.4	44,744.1	-	44,744.1
Other	7,108.1	-	7,108.1	10,684.4	-	10,684.4
Debt Securities						
Corporate Bonds (investment grade)	-	-	-	-	-	-
Corporate Bonds (non-investment grade)	-	-	-	-	-	-
UK Government	5,839.1	-	5,839.1	4,094.4	-	4,094.4
Other	-	-	-	-	-	-
Private Equity	-	5,886.6	5,886.6	-	5,136.8	5,136.8
Real Estate						
UK Property	-	19,883.6	19,883.6	-	21,877.9	21,877.9
Overseas Property	-	-	-	-	-	-
Investment Funds and Unit Trusts						
Equities	-	-	-	-	-	-
Bonds	85,169.9	-	85,169.9	108,495.8	-	108,495.8
Hedge Funds	-	-	-	-	-	-
Commodities	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-
Other	3,073.8	-	3,073.8	5,057.2	-	5,057.2
Cash and Cash Equivalents	10,199.4	-	10,199.4	14,294.1	-	14,294.1
Totals	231,460.8	25,770.2	257,231.0	295,395.3	27,014.7	322,410.0

Basis of estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2019/20	2020/21
Mortality assumptions:		
Longevity at 65 for current pensioners:		
• Men	22.2	22.1
• Women	24.2	24.4
Longevity at 65 for future pensioners:		
• Men	23.3	23.1
• Women	25.9	26.1
Rate of increase in salaries	2.30%	3.35%
Rate of increase in pensions	1.90%	2.85%
Rate for discounting scheme liabilities	2.30%	2.00%

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 2021:		
0.5% decrease in Real Discount Rate	10%	28,352
0.5% increase in the Salary Increase Rate	1%	2,422
0.5% increase in the Pension Increase Rate (CPI)	9%	25,358

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.

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.

Information about the Defined benefit obligation

	Liability split
Active members	39.20%
Deferred members	23.80%
Pensioner members	37%
Total	100%

The weighted average duration of the funded liabilities is 19 years (19 years in 2019/20)

Analysis of projected amount to be charged to operating profit for the period to 31 March 2022

	Assets	Obligation	Net (liability)/asset	
Period Ended 31 March 2022	£'000	£'000	£'000	% of pay
Projected Current service cost*	-	8,520	(8,520)	(51.70%)
Past service cost including curtailment	-	-	-	-
Effect of settlements	-	-	-	-
Total Service Cost	-	8,520	(8,520)	(51.70%)
Interest income on plan assets	6,421	-	6,421	38.90%
Interest cost on defined benefit obligation	-	5,902	(5,902)	(35.80%)
Total Net Interest cost	6,421	5,902	519	3.10%
Total Included in Profit and Loss	6,421	14,422	(8,001)	(48.60%)

*The current service cost includes an allowance for administration expenses of 0.4% of payroll.

The contribution paid by the Employer are set by the Fund following an actuarial valuation. For further details on the approach adopted to set contribution rates for the employer, please refer to the latest formal valuation report and Funding Strategy Statement.

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 2021, the total amount guaranteed was £980,579.

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 used 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 2020/21 was approved by Full Council on 24 February 2020 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 £109.1m 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 2021 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 2021:

Credit Rating	31 March 2020		31 March 2021	
	Long-term £000	Short-term £000	Long-term £000	Short-term £000
AAA	-	9,614	-	16,600
AA+	-	-	-	-
AA	-	-	-	-
AA-	-	17,081	-	-
A+	-	4,934	-	494
A	-	5,017	-	-
A-	-	-	-	-
BBB+	-	-	-	-
Unrated local authorities	10,000	51,241	-	92,134
Total investments	10,000	87,887	-	109,228

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	5,220	168
Less than 3 months	902	276
3 to 6 months	480	191
6 months to 1 year	510	284
More than 1 year	1,170	1,122
	8,282	2,041

* 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 2021 was £1.1m.

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:

	31 March 2020 £'000	31 March 2021 £'000
Less than 1 year	87,887	109,227
Between 1 and 2 years	10,000	-
Between 2 and 3 years	-	-
More than 3 years	-	-
Total	97,887	109,227

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.

Notes to Main Financial Statements (Continued)

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 2020 £'000	Actual 31 March 2021 £'000
Less than one year	0%	10%	-	-
Between 1 and 2 years	0%	10%	-	11,000
Between 2 and 5 years	0%	20%	36,000	38,000
Between 5 and 10 years	0%	40%	80,000	86,000
Between 10 and 20 years	0%	55%	144,325	125,325
Between 20 and 30 years	0%	10%	-	-
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 2021, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(143)
Increase in Government grant receivable for financing costs	-
Impact on Surplus or Deficit on the Provision of Services	(143)
Share of overall impact credited to the HRA	(225)
Decrease in fair value of loans and investments at amortised cost*	-
Decrease in fair value of fixed rate borrowing*	24,252

*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, 2021.

43. Going Concern

These accounts have been prepared on a going concern basis: there is an assumption that the Council's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code of Practice in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provision confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority

financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a local authority's services will continue to operate for the foreseeable future.

Even if the Council's assets were transferred to another public body, with perhaps no compensation, the continued use of the property for the public benefit means that the Council does not need to consider the restriction on its own ability to make use of the property from the going concern perspective. Therefore, the performance of local authority assets would not need to be impaired under these circumstances.

Current & historical financial position:

In February 2020, the Council set its Revenue Budget and Capital programme for 2020/21. As a consequence of the impasse over Brexit and the subsequent General Election, the Government implemented a one-year Spending Review for 2020/21. The Council, as with all other Local Authorities, received a one-year funding settlement for the year. After a number of years of austerity, which saw significant reductions in the Council's core funding, the one-year funding settlement provided an increase in funding and due to the lateness of the settlement resulted in a budgeted transfer to reserves of £1,169,550.

Covid has fundamentally impacted on the income generation and expenditure of the Council. Service areas were overspent by £2.163m after identifying £1.775m of in-year savings. Income losses included K2 Crawley, Tilgate Park, Community Centres and Car Parking.

The Council received £1.841m to cover additional expenditure and £1.496m for lost income. After these grants, the Council underspent by £1.272m for the year-ended 31 March 2021.

The Budget Strategy identified a budget gap of £2.250m in 2021/22, though there is much uncertainty over future funding. To address this, total savings of £1.819m were agreed in the 2021/22 Budget Report, increasing to £2.132m in future years. With Covid funding of £0.649m and other changes addressed in the Budget Report, the budget gap has been reduced to £0.156m which will be funded from reserves.

At 31 March 2021, there were unallocated reserves of £5.239m and earmarked reserves of £9.506m which includes £0.645m in a Covid Expenses reserve. The Budget Strategy has identified that £2.239m of unallocated reserves could be used to offset future budget gaps. This forecast maintains the general fund reserves above the minimum level set by the s151 of £3m.

Cash position

The Council had investments of £109.094m at 31 March 2021 of which £17.094m was available at less than one week notice. The Council has sufficient cash for its services throughout the medium term, and is also able to borrow short term for revenue purposes, though it is not expected for this to be necessary.

Conclusion:

The Council concludes that it is appropriate to prepare the financial statements on a going concern basis, and that no material impact exists relating to the Council's ability to continue to provide its statutory services, based on the review of the forecasted reserve and cash position 12 months from the date of approval of the financial statements.

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.

2019/20 £'000		2020/21 £'000
	Expenditure	
10,698	Repairs and Maintenance	10,742
8,531	Supervision and Management	8,831
254	Rent Rebates	163
-	(Increase)/decrease in provision for bad & doubtful debts	-
6,342	Depreciation & Impairments of non-current assets (Note 5)	6,548
<u>10,321</u>	Revaluation Losses	<u>16,327</u>
36,146	Total Expenditure	42,611
	Income	
(43,513)	Dwelling Rents	(45,605)
(2,367)	Non-dwelling Rents (gross)	(2,336)
(2,130)	Charges for Services and Facilities	(2,145)
<u>(35)</u>	Contributions towards expenditure	<u>-</u>
(48,045)	Total Income	(50,086)
<u>(11,899)</u>	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	<u>(7,475)</u>
(11,899)	Net Income for HRA Services (cost if positive)	(7,475)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:	
(1,410)	Notional Shared Equity Income	-
3,685	(Gain) or loss on sale of HRA non-current assets	(488)
8,309	Interest payable and similar charges	8,309
(167)	Interest and Investment Income	(284)
268	Impairment Losses	39
<u>-</u>	Non Specific Grant Income	<u>(57)</u>
(1,214)	(Surplus) or deficit for the year on HRA services	44

Movement on the HRA Statement

2019/20 £'000		2020/21 £'000
(3,198)	Balance on HRA at the end of the previous year	(3,198)
1,214	(Surplus) or deficit for the year on the HRA income and expenditure statement	44
(1,214)	Adjustment between accounting basis and funding basis under regulation (note 9 of the main financial statement)	(44)
-	Net (increase) or decrease before transfers to or from reserves	-
	Transfers to or (from) reserves	-
-	(Increase) or decrease in year on the HRA	-
<u>(3,198)</u>	Balance on the HRA at the end of the current year	<u>(3,198)</u>

1. Housing Stock

The Council was responsible for over 8,000 dwellings in 2020/21. The stock at the year-end was made up as follows:

	31 March 2020	31 March 2021
Houses	4,347	4,368
Flats and Maisonettes	3,171	3,275
Bungalows	434	434
Hostels – lettable units	55	55
Number of rented units	8,007	8,132
Shared Ownership *	92	110
Total Stock	8,099	8,242

*Shared ownership properties are owned in part by the Council. A rent, based on the proportion of the dwelling owned by the Council is charged to the occupier who is also responsible for maintaining the property.

The change in stock can be summarised as follows:

	31 March 2020	31 March 2021
Stock at 1 April	7,956	8,099
Less Sales	(31)	(39)
Demolitions/Disposals	-	-
Add New Build	165	180
Acquisitions	9	2
Transfer to/from GF	-	-
Stock at 31 March	8,099	8,242

2. Stock Valuation

The following statement shows the value of HRA assets in the Balance Sheet. Valuation of land and buildings are carried out externally by Wilks Head Eve Chartered Surveyors. The basis for valuation is set out in the Statement of Accounting Policies.

	31 March 2020 £'000	31 March 2021 £'000
Property, Plant and Equipment:		
Council Dwellings	607,397	699,159
Other Land and Buildings	23,687	25,713
Vehicles, Plant & Equipment	198	173
Investment Properties	-	-
Intangible Assets	-	-
Total	631,282	725,045

Notes to the Housing Revenue Account (Continued)

The vacant possession value of dwellings within the Council’s HRA, excluding hostels, as at 31 March 2021 was £2,097 million (£1,830 million at 31 March 2020). The difference between the vacant possession value and the balance sheet value of dwellings within the HRA show the economic cost to Government of providing council housing at less than open market rents.

3. Major Repairs Reserve (MRR)

Authorities are required to set up a Major Repairs Reserve, and to transfer into it a sum equal to depreciation. Authorities are permitted to make an additional transfer for an amount to the Major Repairs Reserve in excess of any charge for depreciation.

	31 March 2020 £'000	31 March 2021 £'000
Balance on MRR 1 April 2020	22,388	15,875
Transfer amount equal to depreciation	6,343	6,548
Additional transfer	14,408	16,075
Financing of capital expenditure	(27,264)	(15,402)
Balance on MRR 31 March 2020	<u>15,875</u>	<u>23,096</u>

Notes to the Housing Revenue Account (Continued)

4. Capital Expenditure

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

		£'000
Opening Capital Financing Requirement		260,325
Capital Investment		
Enhancements to Council Housing	9,719	
Other Capital Expenditure	8,005	
Acquisition of Council Dwellings	556	
		18,280
 Sources of Finance		
Usable Capital Receipts	2,878	
Revenue Contribution to Capital	-	
Major Repairs Reserve	15,402	
Government Grant	-	
		(18,280)
 Closing Capital Financing Requirement		260,325

	£'000	£'000
A summary of capital receipts is as follows:		
Capital Receipts		
Sale of Dwellings	7,496	
Less Pooled Housing Capital Receipts	(1,032)	
		6,464
Miscellaneous HRA Land Sales		28
		6,492

5. Depreciation & Impairment of Non-Current Assets

Depreciation charges for council dwellings within the HRA amounted to £6,274,771. Depreciation on other HRA assets amounted to £273,160. No impairment charges were applied to HRA assets during the financial year, giving a total charge for depreciation and impairment losses of £6,547,931.

6. Rent Arrears

Rent arrears at the end of the financial year totalled £1,028,131 (£1,057,089 in 2019/20).

A provision of £854,274 (£848,194 in 2019/20) 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 2020/21

INCOME	Notes	Business Rates £'000	Council Tax £'000	Total £'000
Council Tax Receivable	3	-	65,449	65,449
Business Rates Receivable	2	84,512	-	84,512
Total Income		84,512	65,449	149,961
EXPENDITURE				
Apportionment of Previous Year (Surplus)/Deficit				
Central Government		(323)	-	(323)
Crawley Borough Council		(259)	(51)	(310)
West Sussex County Council		(807)	(346)	(1,153)
Sussex Police and Crime Commissioner		-	(47)	(47)
Total Expenditure		(1,389)	(444)	(1,833)
Precepts, Demands and shares				
Central Government		(62,175)	-	(62,175)
Crawley Borough Council		(49,740)	(7,481)	(57,221)
West Sussex County Council		(12,435)	(51,524)	(63,959)
Sussex Police and Crime Commissioner		-	(7,159)	(7,159)
		(124,350)	(66,164)	(190,514)
Charges to Collection Fund				
Less write offs of uncollectible amounts		-	-	-
Less: (Increase) / Decrease in Impairment of debts		(1,140)	(804)	(1,944)
Less: (Increase) / Decrease in Provision for Appeals		(655)	-	(655)
Less: Transitional Protection Payments		(1,868)	-	(1,868)
Less: Cost of Collection		(213)	-	(213)
Less: Disregarded Amounts		(5)	-	(5)
		(3,881)	(804)	(4,685)
Surplus / (Deficit) arising during the year		(45,108)	(1,963)	(47,071)
Surplus / (Deficit) b/fwd 1st April		(839)	165	(674)
Surplus / (Deficit) c/fwd 31st March	1	(45,947)	(1,798)	(47,745)

COLLECTION FUND 2019/20

INCOME	Notes	Business Rates £'000	Council Tax £'000	Total £'000
Council Tax Receivable	3	-	63,033	63,033
Business Rates Receivable	2	126,548	-	126,548
Total Income		126,548	63,033	189,581
EXPENDITURE				
Apportionment of Previous Year Surplus				
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)
Precepts, Demands and shares				
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)
Charges to Collection Fund				
Less write offs of uncollectible amounts		-	-	-
Less: (Increase) / Decrease in impairments of debt		(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)
Surplus / (Deficit) arising during the year		(948)	(232)	(1,180)
Surplus / (Deficit) b/fwd 1st April		109	397	506
Surplus / (Deficit) c/fwd 31st March	1	(839)	165	(674)

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 2021 will be distributed as follows:

	2020-21		
	Business Rates £'000	Council Tax £'000	Total £'000
Central Government	(22,416)	-	(22,416)
Crawley Borough Council	(17,934)	(203)	(18,137)
West Sussex County Council	(5,597)	(1,400)	(6,997)
Sussex Police	-	(195)	(195)
	(45,947)	(1,798)	(47,745)

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

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 (49.9p for 2020/21) 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 51.2p for 2020/21. At year-end, the total rateable value was £269 million.

3. Income from Council Tax

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

	£'000
Council Tax benefits paid by the General Fund	4
Balance payable by Council Tax Payers	<u>65,445</u>
Total Council Tax due for year	<u>65,449</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 2020/21 are shown in the following table.

Band	Number of Properties (a)	Net Properties (b)	Ratio to Band D	Equivalent Number of Band D
A	1,198	717	6/9	478
B	7,219	4,712	7/9	3,665
C	21,916	17,854	8/9	15,871
D	8,794	7,819	9/9	7,819
E	3,788	3,538	11/9	4,324
F	2,259	2,141	13/9	3,093
G	467	441	15/9	734
H	8	4	18/9	8
	45,649	37,226		35,992
Less provision for bad debts				(180)
Council Tax Base				35,812

Notes

(a) Number of properties per October 2019 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 £1,847.54

The Council Tax Surplus as at 31 March 2021 was £1,798,503.08

Glossary of Terms

Accounting Period

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

Accounting Policies

Accounting Policies are the specified principles, bases, conventions, rules and practices applied by the authority in preparing and presenting its financial statements.

Accounting Standards

A set of rules explaining how accounts are to be kept. By law, local authorities must follow 'proper accounting practices', which are set out in Act of Parliament and in professional codes and statements of recommended practice.

Accruals

The concept that income is accounted for when it is earned and expenditure when it is incurred, rather than when the money is received or paid.

Actuarial Gains and Losses

The changes in actuarial deficits or surpluses that arise because:

- (a) events have not coincided with actuarial assumptions made for the last valuation (experience gains or losses), or
- (b) the actuarial assumptions have changed.

Actuarial Valuation

Every three years the Actuary reviews the assets and liabilities of the Pension Fund and reports to the Council on the fund's financial position and recommended employers contribution rates.

Agency Arrangements

Services which are performed by or for another Authority or public body, where the agent is reimbursed for the cost of the work done.

Amortisation

A term that applies to Intangible Assets and Capital Grants. It is an accounting adjustment that spreads the cost of an asset over its useful life.

Amortised Cost

The amortised cost of a financial asset or a financial liability is

- the amount at which the financial asset or financial liability is measured at initial recognition (usually "cost").
- minus any repayments of principal
- minus any reduction for impairment or uncollectibility, and
- plus or minus the cumulative amortisation of the difference between that initial amount and the maturity amount.

Amortisation is calculated using the **effective interest method**.

Appropriations

The transfer of resources between various revenue reserves.

Area Based Grant

Area based grant is a non ring fenced general grant allocate directly to the Council.

Glossary of Terms (Continued)

Asset

An item having value to the authority in monetary terms. Assets are categorised as either current or fixed:

- A **current** asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A **fixed** asset provides benefits to the Council and to the services it provides for a period of more than one year and may be **tangible** e.g. a school building, or **intangible**, e.g. computer software licences.

Asset Register

A record of Council assets including land and buildings, housing, infrastructure, vehicles equipment etc. This is maintained for the purpose of calculating capital charges that are made to service revenue accounts. It is updated annually to reflect new acquisitions, disposals, revaluations and depreciation.

Audit Commission

The body responsible for the appointment of external auditors to local authorities, co-ordinating audits throughout the country, and operates a quality control framework to ensure auditing standards are met.

Audit of Accounts

The audit of the accounts of an audited body comprises all work carried out by auditors in accordance with the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Available for Sale Financial Asset

An available for sale financial asset is a non derivative financial asset that is not classified as loans and receivables, held to maturity investments or financial assets at fair value through profit or loss.

Balances

These represent the accumulated surplus of revenue income over expenditure.

Balance Sheet

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

Baseline Funding Level

Set at the outset of the *retained business rates* scheme and based on collected business rates before commencement of the scheme. Increases each year in line with the small business non-domestic rate *multiplier*.

Benefit Payable during Employment

Benefits payable during employment covers:

- Short-term employee benefits, such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees.
- Benefits earned by current employees but payable 12 months or more after the end of the reporting period, such as disability benefits.

Budget

An expression, mainly in financial terms, of the Council's intended income and expenditure to carry out its objectives

Capital Adjustment Account

The capital adjustment account provides a specific accounting mechanism to reconcile the different rates at which assets are depreciated under the Code and are financed through the capital controls system. Statute required that the charge to the General Fund Balance is determined by the capital control system.

Glossary of Terms (Continued)

Capital Expenditure

Expenditure on the acquisition of a fixed asset or expenditure which adds to the life or value of an existing fixed asset.

Capital Financing

This term describes the method of financing capital expenditure, the principal methods now being, capital receipts, the Major Repairs Reserve, government grants and revenue contributions.

Capital Programme

The capital schemes the Council intends to carry out over a specified period of time.

Capital Receipts

Monies received from the sale of assets, which may be used to finance new capital expenditure or to repay outstanding loan debt as laid down within rules set by Central Government.

Carrying Amount

The carrying amount is the amount at which an asset is recognised in the Balance Sheet after deducting any accumulated depreciation and accumulated impairment losses.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the main professional body for accountants working in the public service. It draws up the Accounting Code of Practices and issues professional guidance that is used to compile these accounts.

Collection Fund

The Collection Fund is a separate account kept by every billing authority into which Council Tax and Business Rates are paid.

Community Assets

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

Comprehensive Income and Expenditure Statement

The comprehensive income and expenditure statement shows the accounting costing the year of providing services in accordance with generally accepted practices, rather than the amount to be funded from taxation.

Consistency

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

Contingent Asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

Contingent Liabilities

A contingent liability is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
- a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

Glossary of Terms (Continued)

Corporate and Democratic Core

These are the activities that a local authority engages in specifically because it is a democratically elected division making body. These are over and above what a private company would have if it were providing similar services. These costs are not apportioned to services but are shown separately. Examples of costs are Councillors' allowances, committee support and time spent by professional officers in giving policy advice.

Creditors

Amounts owed by the Council for goods and services provided for which payment has not been made at the end of the financial year.

Current Asset

A current asset is an asset that is intended to be sold within the normal operating cycle; the asset is held primarily for the purpose of trading or the Council expects to realise the asset within 12 months after the reporting date.

Current Liability

A current liability is an amount which will become payable or could be called in within the next accounting period; examples are creditors and cash overdrawn.

Current Service (Pensions) Cost

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Curtailement

Curtailements will show the cost of the early payment of pensions benefits if any employee has been made redundant in the previous financial year.

Debtors

Sums of money due to the Council but not received at the end of the financial year.

Deferred Capital Receipts

This represents capital income still to be received. These transactions arise when fixed assets are sold and the amounts owed by the purchasers are repaid over a number of years. The balance is reduced by the amount repayable in any financial year.

Deferred Liabilities

Liabilities which by arrangement are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time. The main example of this is outstanding finance lease obligations.

Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation

A provision made in the accounts to reflect the value of assets used during the year. Depreciation forms part of the capital charge made to service revenue accounts.

Glossary of Terms (Continued)

Derivatives

Derivatives are securities or financial instruments whose value is derived from another, underlying asset.

Earmarked Reserves

These are amounts set aside for a specific purpose or a particular service, to meet future liabilities, for which it is not appropriate to establish provisions.

Effective Interest Method

This is a method of calculating the amortised cost of a financial asset or financial liability, and of allocating the interest income or interest expense over the relevant period. The effective interest rate in a financial instrument is the rate that exactly discounts the cash flows associated with the instrument (either through to maturity or to the next re-pricing date) to the net carrying amount at initial recognition, i.e. a constant rate on the carrying amount. The effective interest rate is sometimes termed the level yield to maturity (or the next re-pricing date), and is the internal rate of return of the financial asset or liability for that period.

Equity

The Council's value of total assets less total liabilities.

Events after Balance Sheet Date

Events after the balance sheet date are those events, favourable or unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Expected Rate of Return on Pensions Assets

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Extraordinary Items

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Finance Lease

A finance lease transfers all of the risks and rewards of ownership of a fixed asset to the lessee and such assets have been valued and included within Fixed Assets in the Balance Sheet.

Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term covers both financial assets and financial liabilities, from straightforward trade receivables (invoices owing) and trade payables (invoices owed) to complex derivatives and embedded derivatives.

Fixed Assets

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

Glossary of Terms (Continued)

General Fund

The General Fund is the main revenue account of the Council which provides the finance for all of its services other than council housing (e.g. leisure services, environmental services etc).

Going Concern

Going Concern defines that the functions of the Council will continue in operational existence for the foreseeable future.

Government Grants

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

Heritage Assets

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.

Historic Cost

The actual cost of an asset in terms of past consideration as opposed to its current value.

Housing Benefits

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by Central Government.

Housing Revenue Account

Local authorities are required to maintain a separate account - the Housing Revenue Account - which sets out the expenditure and income arising from the provision of council housing.

Impairment

A reduction in the value of a fixed asset to below its carrying amount on the balance sheet.

Income

Amounts that the Council receives or expects to receive from any source, including fees, charges, sales and grants.

Intangible Assets

Fixed assets that do not have physical substance, e.g. computer software licences

Interest Cost (Pensions)

The expected increase during the year in the present value of the scheme liabilities because the benefits are one year closer to settlement.

Interest on pension scheme liabilities

The expected increase during the period in the present value of the scheme liabilities because the benefits are one year closer to settlement.

Internal control

The whole system of controls, financial and otherwise, that is established in order to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards advise the accounting treatment and disclosure requirement of transactions so that the Council's accounts present fairly the financial position of the Council. IFRS applies to local authorities with effect from 1 April 2010.

Glossary of Terms (Continued)

Investments (Non-Pensions Fund)

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pensions fund, that do not meet the above criteria should be classified as current assets.

Investments (Pensions Fund)

The investments in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

Investment Property

Investment property is property (land or a building) held solely to earn rentals or for capital appreciation.

LABGI – Local Authority Business Growth Incentive Grant

A Government grant payable to Councils for the growth, over a year, in the value of Non-domestic Rateable values in the area.

LASAAC

Local Authority (Scotland) Accounts Advisory Committee.

Levy

Applied to the surplus of *retained business rates* over the *baseline funding level*. The levy rate for the Council is 50%.

Liability

A liability is where the Council owes payment to an individual or another organisation.

- A **current** liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A **deferred** liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

Liquid Resources

Current asset investments that are readily disposable by the Council without disrupting its business and are either:

- readily convertible to known amounts of cash at or close to the carrying amount; or
- traded in an active market.

Major Repairs Reserve

The major repairs reserve controls an element of capital resources required to be used on Housing Revenue Account (HRA) assets or for capital financing purposes.

Materiality

The concept that the Statement of Accounts should include all amounts which, if omitted, or misstated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

Movement in Reserves Statement

The movement in reserves statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves and other reserves.

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 updated annually by the retail price index (RPI) (although exceptionally a less increase may be imposed) and the other multiplier adjusted accordingly.

National Non-Domestic Rate (NNDR)

The rates paid by businesses. The amount paid is based on the rateable value set by Valuation Office Agency multiplied by a rate in the £ set by the government which is the same throughout the country.

Negative Subsidy

If the Housing Revenue Account subsidy produces a result, which assumes that the Council's income is higher than its expenditure, a 'Negative Subsidy' situation arises. In this case the Council must pay an amount equivalent to the notional surplus, from its Housing Revenue Account to the government.

Net Book Value

The amount at which fixed assets are included in the balance sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

Non-Distributed Costs

These are overheads for which no user now benefits and as such are not apportioned to services.

Net Realisable Value

The open market value of the asset less the expenses to be incurred in realising the asset.

Operating Lease

A lease where the ownership of the fixed asset remains with the lessor and the annual rent is charged to the relevant service account.

Operational Assets

Fixed assets held and occupied, used or consumed by the Council in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Other Comprehensive Income and Expenditure

Other comprehensive income and expenditure comprises items of expense and income (including reclassification adjustments) that are not recognised in the Surplus or Deficit on the Provision of Services as required or permitted by the Code. Examples include changes in the revaluation surplus; actuarial gains and losses on defined benefit plans; and gains and losses on the re-measuring available-for-sale financial assets.

Outturn

Actual income and expenditure in a financial year.

Past Service Costs

The increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

Pension Scheme Liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Pooling Arrangements (Capital Receipts)

Since 1st April 2004, 75% of 'Right to Buy' capital receipts have to be paid to the Government; the remaining element can be used to finance capital expenditure. A proportion of other housing receipts must also be paid over unless it is intended to use the receipts for affordable housing or regeneration projects.

Glossary of Terms (Continued)

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)

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)

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.

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Annual Governance Statement

FOREWORD

This Annual Governance Statement reflects the governance arrangements within the Council for the period 1st April 2020 to 31st March 2021 and takes into account the effects of COVID-19 on the operations at the Council during that period.

As was the case last year, the Council has considered its responses to COVID-19 since 31st March 2020 to reflect on these and confirm that governance arrangements were, and remained, robust.

Crawley Borough Council's Response to COVID-19 to 31st March 2021

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

- Regular, and where required, daily COVID-19 meetings convened from 6th March 2020 and continued throughout 2020/2021 – 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 initially hosted weekly Facebook Live question and answer sessions, which moved to monthly as the year progressed.
- The Chief Executive hosts fortnightly Q&A sessions with all council staff.
- Governance arrangements were confirmed under which the Chief Executive could make Urgent Decisions in liaison with Leader of the Council and the Mayor.
- Regular updates of local Covid activity was also sent to Councillors during periods of national lockdown
- Key decisions were taken through the Chief Executive, in consultation with both party leaders.
- A New Norms Group was established to lead on managing the workspace environments and ensuring they were COVID-19 secure, to advise on remote working best practice and to put in place support for those staff who were struggling.
- All Service areas engaged in the response; examples are:
 - Creation of a support network
 - Mapping of vulnerable people

- Implementation of a Help Hub by 27th March 2020 to provide virtual and physical support (food, medicine and welfare checks) which continued until demand ceased
- 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 26th March 2020 and their administration continued during the year
- Benefits Team additional support to deal with increase in claims
- Benefits Team administering Test and Trace isolation payments
- Infrastructure in place by 24th March 2020 to process small business grants - redeployment of Corporate Finance staff in Council Tax, Business Rates, Benefits team and Economic development and this continued throughout the year
- Significant Council enforcement and Covid compliance checks of local businesses and open space areas
- Assistance with local track and trace arrangements
- Preparations to get our High Streets open safely.

Examples of the how good governance was maintained during the Council's response to COVID-19 March 2020 - 31st March 2021

- All COVID-19 meetings, held daily initially and subsequently 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.
- Future committee meeting dates were agreed and scheduled for the year,
- Legislative changes were considered in respect of holding public meetings and decision making and virtual Council meetings were held. This continued throughout the financial year 2020/2021.

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 2020/2021 will be considered by the Audit Committee at its meeting on 19th July 2021. 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, the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has approved and adopted a Code of Corporate Governance which is consistent with the principles and reflects the requirements outlined in the 2016 CIPFA/SOLACE Framework, 'Delivering Good Governance in Local Government'. This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.

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 2021 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 2021 and up to the date of the approval of the Annual Report and Statement of Accounts for the financial year 2020/2021. 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 on 27th January 2021 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 35 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

Head of Paid Service

The Head of Paid Service is responsible for the strategic management of the authority as a whole and the staff employed. 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.

Towards the end of 2020/2021, two potential frauds, totalling less than £10,000 were identified and reported to the Head of Corporate Finance. These were passed to the Fraud and Investigations Team and discussed with the Audit and Risk Manager. The outcome of their investigations was that there was insufficient evidence to take action but improvements to the system of internal control have been accepted by management, and implementation will be confirmed by Internal Audit.

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 they provide.

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

The Council held its annual Question Time on 16th March 2021, which gave residents the opportunity to ask questions about topics important to them. This meeting was held virtually.

Consultations

The council keeps a Forward Plan of planned consultations and future decisions. Internally, a consultation toolkit has been developed to guide council staff through the consultation process. The agreed process ensures that engagement activity is relevant, accessible, transparent and responsive. To increase awareness, consultations are proactively promoted

ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

Complaints

Crawley Borough Council is committed to delivering a high quality service and aims to achieve the highest possible standards but recognises that despite its best intentions and hard work, things can go wrong. When there is service failure or users are unhappy about the way a matter has been handled, the Council openly wants to hear about such experiences and operates a two stage complaints system. Stage 1 is where the complaint is dealt with locally by the relevant service area. If the complainant continues to remain dissatisfied with the Stage 1 response, a request can be made to a further review, conducted by a senior officer, normally Head of Service as a Stage 2 complaint. Following this if the matter is still not resolved satisfactorily then the complainant is asked to take the matter up with the Local Government and Social Care Ombudsman. We also use our complaints information to improve service delivery and undertake root cause analysis where appropriate, in order to ensure on-going continuous improvement.

The Housing Ombudsman deals with any complaints that relate to the housing managed service.

DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL, AND ENVIRONMENTAL BENEFITS

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
- Quarterly reporting to CMT
- 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 service and ensure that a more timely response can be applied to service improvement*** and also against service plans and strategies. This is encapsulated within the Performance Management Framework.

The Council recognises that to drive improvement it needs to closely monitor and review its performance. The Council routinely monitors its spend against budgets, and its departments have agreed purpose and collect data to measure their performance.

The Council's Complaints Procedure allows stakeholders to raise issues where the Council needs to improve and is a means of managing performance and recognising the contribution complaints make to service improvement. Outcomes are passed to CMT on a quarterly basis.

Information Management

Regular meetings are held in respect of the governance arrangements operating around information management. The Information Governance Board has oversight of information management within the Council and is trialling joint arrangements with Horsham DC to share knowledge, best practice and reduce duplication. The Council has also created an Information Management Project Board in 2019 with a remit, amongst other things, to ensure that appropriate governance and policies are in place overseeing the corporate approach to information management, ensuring accountability and that everyone is aware of their respective roles and responsibilities.

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. All Member financial seminars have taken place three times during the year to keep Councillors updated on the financial situation due to COVID-19 and the impact on future budgets.

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

In 2020 the Council updated the Transformation Plan to reflect the significant progress made against the previous plan (2017/18). The purpose of the Transformation Plan for 2020-22 is to 'prepare the organisation to embrace new ways of working, providing easily accessible and more efficient services for our users, deliver value for money and creating a more commercial culture in order to sustain financial stability'.

Our Transformation Plan consists of six pillars:-

1. Channel Shift, a programme to automate and digitise as many processes as possible and includes gathering of metrics and a change in the IT Board Terms of Reference to allow transparent prioritisation by responsible officers;
2. New Ways of Working; continuing to develop and embed genuinely agile ways of working for all service across the organisation;
3. People Strategy; further embedding our values and behaviours, reflecting the changes COVID-19 has brought to the relationship between staff and the organisation, our recruitment, retention and succession strategies, training and development opportunities and the policies and governance within which these are developed and managed;
4. Service Redesign - a set of thematic reviews including Community Wellbeing and Engagement, Access Crawley, Enforcement, Technical Services and the Corporate Centre;
5. Commercialisation and Income Generation to create a culture of commercialisation. Continuing to develop our PIPES strategy, reviewing the council's pricing strategy and the development of partnerships across public, private, voluntary and not for profit sectors;
6. Assets; The Asset Review Group have initially prioritised:
 - A dispersed model for Patch Working Teams
 - Consider potential opens for capital from land receipts
 - Implementing recommendations from the Neighbourhood Parade review once concluded.

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 16th 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, Crawley Economic Recovery Taskforce/Towns Fund Board
- We are also statutory members of the Local Safeguarding Children Board, the Adult Safeguarding Board and the West Sussex Health & Wellbeing Board.
- Strategic Housing - the Council both leads and participates in a range of groups providing a multi-agency response to tackling street homelessness and providing improved outcomes for care leavers, ex-offenders and people with supported housing needs. The Chief Executive continues to chair the West Sussex Strategic Housing Partnership.

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 work of CMT in their development and maintenance of the governance environment. The Audit and Risk Manager produces an annual report and specifically comment's on the governance framework, as does the External Auditor. Areas identified for improvement are acted upon by CMT.

Financial Measures

Crawley Borough Council publishes its Annual Statement of Accounts in accordance with CIPFA guidelines and the annual Budget is approved by Full Council and monitored and reported upon regularly.

Consultations

To be effective this policy aims to inspire and support a genuine two-way dialogue with all sections of the community and other stakeholders. There are a number of ways people can get involved and connect with the council. Local people have the option to engage in a dialogue through: social media sites (including Facebook and twitter), petition schemes, neighbourhood forums, council meetings (open to the public), their local Councillor and annual Crawley Question Time.

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 online publication, Crawley Live, is published quarterly and sent to every household in Crawley to keep residents informed. Various methods are used (depending on the scope of the consultation) to seek people's views, including questionnaires, public events and exhibitions, focus groups, satisfaction surveys and feedback forms. A list of current consultations and consultation events is available on the council's website at www.crawley.gov.uk/consultation

Public Consultation

Where appropriate the council has carried out public consultations. There were a number carried out during 2020/2021, which included Conservation Areas and Locally Listed Buildings, Dormans Play Area, Crawley Community Safety survey 2021-2022, Budget Consultation, Taxi Licensing Fees and Hackney Carriage and Private Hire Standards. All information gathered from public consultations is analysed and considered as part of the council's decision-making process. The consultation that was held on the budget savings options had the best response rate of all consultations. This enabled Councillors to make informed decisions around budget savings. The results of the consultation are available on the Council's website.

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.

Councillor's attendance at meetings is recorded via the Modern.Gov system. In the event of continual non-attendance for 4 months the matter will be passed to the Leader of the political group concerned for action to be taken. Should a Councillor fail to attend any formal meeting of the Council, for a period of 6 months, they relinquish being a

Councillor. Each Group may seek approval from the Full Council to extend the 6 month non-attendance period, in exceptional circumstances.

Performance issues relating to staff are dealt with by the Manager / Head of Service.

Legal Compliance

The Council's Constitution clearly defines the roles and responsibilities of the Chief Executive, Chief and Senior Officers, Councillors and Committees and outlines procedural standards, scheme of delegation and protocol on Council/Officer relations.

The Monitoring Officer, who is the Head of Legal & Democratic Services Manager is responsible for legal compliance, Conduct and Compliance and working with departments to advise on legal issues across the Council.

Financial Compliance

The Head of 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 them to consider whether the decision is appropriate. They may recommend that the Cabinet reconsider or amend the decision. They may also be consulted by the Cabinet or the Council on forthcoming decisions and the development of policy.

Financial management

The Head of 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 is 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 Finance team, ensure that new policies or service proposals are costed, financially appraised, fully financed and identifies the key assumptions and financial risks that face the council.

Risk management

All significant (strategic) risks are discussed 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, Delivering Affordable Housing, the Transformation Programme, Public Health and Council No Overall Control.

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 the 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.

During the year there was one audit with limited assurance, this was the fleet management audit. The report had one high priority finding and four medium priority ones. The management update progress was reported to the Audit Committee on 15th March 2022.

In addition there was one audit with no assurance, this was the Car Parking Visitor Parking permits with ten high priority findings and one medium priority. Managers reacted immediately to some issues with an action plan to implement all recommendations by February 2022. These are being followed up by a follow up audit.

Governance Committee

The Governance Committee will deal with Constitutional matters, the Conduct of Councillors, Political Management Arrangements, and Corporate Governance, Councillors' Allowances, Elections and all non-Executive functions not specifically delegated to another Committee or Sub-Committee of the Council. This Committee specifically monitors and reviews the Corporate Governance of the Council including giving consideration of the Authority's Annual Governance Statement.

Annual accounts

The Council publishes full audited accounts each year which are published on the website at <http://www.crawley.gov.uk/pw/sitesearch/index.htm?q=accounts%23>

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.

Crawley Homes Rent issue

In April 2021 the Council was contacted by the Regulator for Social Housing following a first mandatory data return about the setting of target rents. The Council was identified as an outlier in that its target rents were higher than the Government's formula rent and valuations suggested they should be.

Forensic investigation identified that the issue dates back to changes to the Tenancy Agreement agreed in October 2013 and implemented in April 2014. One of the changes implemented was to move from charging rent based on a 48-week year to a 52-week year. Actual rents were changed but the target rents on the system were not. This has affected 2,259 tenancies, of which 1,757 are current tenancies.

Existing tenancies were not affected by this change, and neither have new tenancies within properties built since April 2014. New tenancies since April 2014 within properties that pre-date April 2014 have consequently been overcharged in the region of 8%.

Tenants have paid the rent they would have signed up to pay as part of their Tenancy Agreement, but that rent level was set higher than it ought to have been. Given that rents have been set as part of a valid Tenancy Agreement and that all subsequent actions have been taken in line with that Tenancy Agreement, the Council has acted legally throughout.

A [report](#) to the Overview and Scrutiny Commission on 22 November 2021 and Cabinet on 24 November 2021 gave the background and actions to the historic overcharge to HRA rents.

A briefing note was prepared, this provided information around the issue itself, the communications with Members and key staff, how this was communicated with the regulator and the Department of Works and Pensions.

The regulator responded to the actions of the Council saying that due to the prompt action and the steps taken by the council that the regulator would not be publishing a regulatory notice. The regulator did point out that the impact was large and impacted a number of tenants but the error did predate the regulators oversight.

The DWP were satisfied that the housing benefits element of the adjustment could be repaid to them in the financial year 2021/22, this was adjusted in the payment from the DWP in January 2022.

Clear audit trails were kept on the correspondence with tenants and councillors were kept up to date with the actions taken by the team dealing with the issue. The total impact was £3.3m to be repaid to the DWP (£1.7m) and current and former tenants.

A link to the [website](#) was given to affected tenants.

The impact of the adjustment was reported as part of Quarter 3 budget monitoring to [Cabinet](#) in February 2022. On the same agenda was the Budget and Council tax report which included the reduced rental income for future years. The impact of the adjustment resulted in a lower balance in the HRA reserve which is used for the provision for new housing properties, however there is still sufficient within this reserve to meet the current capital programme for the HRA.

An internal audit of the whole process was undertaken during the year and is ongoing, however the feedback is that there are good robust procedures in place and a clear audit trail.

Head of IA opinion:

The Head of Audit is required to provide an independent opinion on the overall adequacy of the effectiveness of the Council’s governance, risk and control framework. Their Annual Report and Opinion has been considered and any significant issues incorporated as a result.

From the work undertaken during 2020/21, reasonable assurance can be provided that there is generally a sound system of internal control, designed to meet the Council’s objectives and that controls are applied consistently. Report [FIN/528](#) Audit and Risk Manager’s annual report to the Audit Committee on 19 July 2021 gave a substantial assurance opinion. Where weaknesses are identified, i.e. Limited Assurance reports and Priority One recommendations are made; these are tracked by the Audit Committee until implemented or discharged.

SIGNIFICANT GOVERNANCE ISSUES

There are no significant governance issues to report.

Conclusion

To the best of our knowledge, the governance arrangements as defined above, have been operating effectively during the year and remain fit for purpose.

Signatures:

_____ Date: _____
Leader of the Council

_____ Date: _____
Chief Executive



4th March 2022

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

This letter of representations is provided in connection with your audit of the financial statements of Crawley Borough Council ("the Council") for the year ended 31 March 2021. 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 2021 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 2020/21.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on

Local Authority Accounting in the United Kingdom 2020/21, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.

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

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

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the[Council (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls, or others; or
 - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.¹
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the Cabinet, Council and Audit Committee held through the year to the most recent meeting on the following date: 23rd February 2022.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with applicable financial reporting framework.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter dated 2 March 2021 through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

¹ ISA (UK) 580.11(a), ISA (UK) 210.6(b)(iii)

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to 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. Going Concern

1. Note 43 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than events described in Note 5 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto. The overpayment of housing tenancies was refunded in the financial year 2021/2022.

G. Other information

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

Yours faithfully,

Karen Hayes (Head of Corporate Finance)

Date: 3 March 2022

Cllr Millar-Smith (Chair of the Audit Committee)

Date: 3 March 2022

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

*for a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement

comprehensive income and expenditure statement

The Comprehensive Income and Expenditure Statement shows how resources have been generated and expended in accordance with International Financial Reporting Standards. It shows whether the authority's operations resulted in a surplus or deficit. The key lines that summarise performance are highlighted below.

Comprehensive Income and Expenditure Statement (extract)

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation [or rents]. Authorities raise taxation [and rents] to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Comprehensive Income and Expenditure Statement 20X0/X1	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
People Directorate	74,297	(26,014)	48,283
Neighbourhoods	58,225	(38,688)	19,537
Business Change	11,624	(11,370)	254
Corporate and Central Services	24,021	(3,830)	20,191
Cost of Services	168,167	(79,902)	88,265
Other Operating Expenditure (Note 9)	2,218	–	2,218
Financing and Investment Income and Expenditure (Note 10)	11,340	(2,359)	8,981
Taxation and Non-specific Grant Income and Expenditure (Note 11)	–	(84,876)	(84,876)
(Surplus) or Deficit on Provision of Services			14,588
(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets			(36,597)
(Surplus) or Deficit on Revaluation of Available-for-Sale Financial Assets			(101)
Remeasurement of the Net Defined Benefit Liability (Asset)			(8,444)
Other Comprehensive Income and Expenditure			(45,142)
Total Comprehensive Income and Expenditure			(30,554)

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
Balance at 31 March 20X0	22,118	3,129	10,065	1,600	450	37,362	1,350,567	1,387,929
Movement in reserves during 20X0/X1								
Total Comprehensive Income and Expenditure	(14,983)	395	–	–	–	(14,588)	45,142	30,554
Adjustments from income & expenditure charged under the accounting basis to the funding basis	14,835	(291)	(750)	–	–	13,794	(13,794)	–
Increase or (decrease) in 20X0/X1	(148)	104	(750)	–	–	(794)	31,348	30,554
Balance at 31 March 20X1 carried forward	21,970	3,233	9,315	1,600	450	36,568	1,381,915	1,418,483

* Capital Fund Scotland

** Applicable in England Only

An overall increase in usable reserves can arise despite a loss being shown in the Comprehensive Income and Expenditure Statement where statutory provisions allow a different charge to revenue from the authority expenditure incurred (eg replacement of depreciation by minimum revenue provision (MRP)). The adjustment to usable reserves is balanced by a movement in unusable reserves.

Unusable reserves such as the Capital Adjustment Account and the Pensions Reserve with debit balances will need to be funded in the future, even if it is over a long period, so increases in these balances show an increasing burden on future taxpayers.

balance sheet

The balance sheet in local authorities is very similar to other public sector or private sector balance sheets. The balance sheet presents an authority's financial position, ie its net resources at the financial year end. The balance sheet is composed of two main balancing parts: its net assets and its total reserves. The net assets part shows the assets the authority would have control of after settling all its liabilities. The balance of these assets and liabilities is then shown as being attributable to the various reserves of the authority.

For local authorities balance sheet presentation is split between the usable reserves and unusable reserves. Usable reserves are those which the authority can utilise to support future service provision. Unusable reserves cannot be used to support services and include gains and losses where amounts can only become available to support services if the assets are sold. These gains and losses are referred to as unrealised.

Balance sheet (extract)

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

Balance Sheet	Notes	31 March 20X1 £000	
Property, plant and equipment	12	628,924	The authority's property portfolio
Highways Network Asset	13	1,028,700	The Highways Network Asset (not applicable to district councils). This will be the largest asset balance in a local highways authority balance sheet
Heritage assets	14	3,379	
Investment property	15	4,020	
Intangible assets	16	709	
Long-term investments	17	948	Long term assets ie those expected to provide benefits to the authority beyond 12 months
Long-term debtors	17	3,798	
Long-term assets		1,670,478	
Short-term investments	17	24,060	Current assets ie those anticipated to be consumed in 12 months – the normal operating cycle for the authority
Assets held for sale	22	1,409	
Inventories	18	1,769	
Short-term debtors	20	15,351	
Current assets		42,589	Reconciles to the cash and cash equivalents balance in the cash flow statement
Bank overdraft		(13,767)	
Short-term borrowing	17	(9,500)	Current liabilities ie those liabilities anticipated to be settled within 12 months
Short-term creditors	23	(21,960)	
Current liabilities		(45,227)	
Provisions	24	(4,297)	
Long-term 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)	
Long-term liabilities		(249,357)	
Net assets		1,418,483	Total assets less total liabilities

\ reserves

Reserves – including the General Fund and (where relevant) the Housing Revenue Account – are an indication of the resources available to an authority to deliver services at the balance sheet date. The key messages that members will be looking for in terms of reserves – especially the General Fund and the HRA – are how the balances have changed over the year, whether the balances are still adequate, and what the balances mean in terms of future budgets and services.

Information on the level of reserves can be found in the balance sheet and related notes, and in the Movement in Reserves Statement (and related notes). This latter statement will be more useful in explaining the changes that have taken place during the year.

	Notes	31 March 20X1 £'000
Usable reserves	24	36,568
Unusable Reserves	25	1,381,915
		<u>1,418,483</u>

The minimum requirement in presenting resources is to include only two lines – usable reserves (such as General Fund) and unusable reserves (such as the Revaluation Reserve and the Capital Adjustment Account).
If there are some reserves you do want to show on the balance sheet, that's fine, as long as these totals are shown.

While the balance sheet aims to show those reserves over which members have control, don't forget that some of the unusable reserves will become a charge against the revenue account – or usable reserves – over time. And in some cases, such as the Unequal Pay Back Pay Account, this might be within a year or two.

As indicated above, not all reserves can be used to deliver services, and the Code reflects this by reporting reserves in two groups – 'usable' and 'unusable' reserves. Usable reserves such as the General Fund are those where members will be involved in deciding on the levels maintained, and their use. Unusable reserves such as the Revaluation Reserve and the Capital Adjustment Account are not subject to such member influence.

cash flows

The final statement required by the Code is the cash flow statement.¹ The cash flow statement shows changes in cash flows of the authority during the financial year. It shows net cash flows split into three activities: operating, investing and financing. The cash flow statement shows the resulting movement in the authority’s cash and cash equivalents. Cash and cash equivalents include short term investments that are readily convertible and which are subject to only insignificant risk of changes in value.

Cash Flow Statement (extract)

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority’s future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.

	20X0/X1 £000	
Net (surplus) or deficit on the provision of services	14,588	Surplus or deficit taken from the Comprehensive Income and Expenditure Statement
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(36,267)	
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	11,523	
Net cash flows from Operating Activities (Note 26)	(10,156)	Three groups of transactions: <ul style="list-style-type: none"> ■ Operating ■ Investing ■ Financing
Investing Activities (Note 27)	(24,585)	
Financing Activities (Note 28)	35,140	
Net increase or decrease in cash and cash equivalents	399	
Cash and cash equivalents at the beginning of the reporting period	(14,166)	
Cash and cash equivalents at the end of the reporting period (Note 19)	(13,767)	Cash and cash equivalents figure in the balance sheet

¹ Note the format of the cash flow statement shown is produced under the indirect method.

a checklist of questions to ask about a local authority's financial statements

To assist with the understanding of local authority financial statements a checklist about the core financial statements and the Expenditure and Funding Analysis has been included below.

Checklist	
Expenditure and Funding Analysis	
1	Have any significant differences between budget reports and net expenditure chargeable to General Fund and Housing Revenue Account balances been explained?
2	Are the major statutory adjustments clearly explained and easily understood?
Comprehensive Income and Expenditure Statement	
3	Is the purpose of the Comprehensive Income and Expenditure Statement clear (ie does it show actual financial performance under accounting standards before fiscal adjustments)?
4	Do the service net expenditure figures clearly demonstrate the financial performance of the services on the face of the Comprehensive Income and Expenditure Statement during the year?
5	Are the material items of income and expenditure in the Comprehensive Income and Expenditure Statement presented separately on the face of the Statement or explained in the notes?
6	Do the notes to the Comprehensive Income and Expenditure Statement provide easily understandable information relating to the Statement (or lines within the Statement)?
7	Are there any unexplained significant variances between current and previous year information?
Movement in Reserves Statement	
8	Can the major movements in net worth that occur within the Movement in Reserves Statement be easily identified? Are these explained within the financial statements or Narrative Report?
9	Do the opening balances in the Movement in Reserves Statement match with the closing balances of the preceding year? Are any adjustments to opening balances explained on the face of the Statement and/or in the notes?
10	Is there a clear explanation of the statutory adjustments in the adjustments from income and expenditure charged under the accounting basis to the funding basis line in the Movement in Reserves Statement? (Note this may be linked with the Expenditure and Funding Analysis.)
11	Do the entries on the statutory adjustment line net to nil?
12	Do the related notes on reserves clearly explain the line or columnar items not explained in the Statement?

Checklist	
13	Does the Total Comprehensive Income and Expenditure line in the Movement in Reserves Statement agree with the information in the Comprehensive Income and Expenditure Statement?
14	How have the balances of usable reserves moved during the year? Are these balances sufficient to support an authority's financial plans in the immediate future and over the medium term?
Balance Sheet	
15	Does the property, plant and equipment information tell the story of the authority's property portfolio during the year (including the major movements in that portfolio ie major disposals and acquisitions)? Do these balances reflect the authority's asset management strategy? (Note the same question can be asked for local authorities with substantial portfolios of investment properties.)
16	For highways authorities – do the movements in the Highways Network Asset represent the transport management/investment decisions of the authority?
17	Has there been any substantial movement in the pension asset or liability? If yes, has the reason for such a movement been explained and the subsequent consequences described in the financial statements or the Narrative Report?
18	Have there been any new provisions or significant movements in provisions in the year? If yes, have the reasons for making these provisions been set out in the financial statements or any material movements been explained?
19	Have there been any significant movements in the authority's borrowings during the year? Are these movements reflected in your council's borrowing strategy and what impact will this have on the prudential indicators or future investment plans?
20	Are there any significant movements in an authority's investment portfolio? Do these agree with the plans in the authority's treasury management strategies and statutory investment plans?
21	Are there any other significant movements in balances in the balance sheet that are not clearly explained?
22	Do the balance sheet reserves agree with the totals in the Movement in Reserves Statement?
Cash Flow Statement	
23	Do the cash balances in the cash flow statement agree with the relevant balances in the balance sheet?
24	Are the council's cash balances reflected adequately in the council's treasury management strategies?

reminders and questions raised on the IFRS-based code

IFRS – what is it?

International Financial Reporting Standards (IFRSs) are a suite of accounting standards used across the world. The Code of Practice on Local Authority Accounting is based on IFRS standards as adapted or interpreted for local authority circumstances.

The pension deficit is meaningless – why do we have to show it?

The deficit doesn't have to be funded from this year's budget, but it's still a true cost estimated by actuaries – it represents the amount that will need to be found from future budgets to pay for pension entitlements already incurred in delivering services. So it's a real call on future funding arising from past activity. Not showing this would hide the liability that the authority has incurred.

This also applies to other reserves. Like the Pension Reserve, the Capital Adjustment Account, the Unequal Pay Back Pay Account and similar reserves all do one thing: they hold expenditure that the authority has incurred but not yet financed. Think of them as being a bit like a credit card balance – these amounts will have to be funded in future, either from taxation or from usable reserves.

Concerns have been expressed that all these reserves make the balance sheet incomprehensible. But all that needs to be shown on the balance sheet itself are 'usable reserves' and 'unusable reserves' – the details can all go in a note. This will help to declutter the balance sheet.

The financial statements do not clearly demonstrate traditional measures of local authority performance ie General Fund and HRA balances

The IFRS-based Code sets out that local authority financial statements are intended to be used for assessing the stewardship of local authority resources and for making economic decisions. Thus the information is intended for two purposes. The Comprehensive Income and Expenditure Statement presents information on the real economic cost of providing services in the year and it does not show the movement in General Fund and HRA balances. This reconciliation is provided in the Movement in Reserves Statement, whose bottom line shows the General Fund and HRA resources available at year end. CIPFA has reviewed options for making this even clearer. The new Expenditure and Funding Analysis brings together both the accounting measures of performance and the performance against General Fund for council tax setting purposes.

The accounts are too long!

Yes, the accounts can be long, but local authorities have a complex story to tell. But notes only need to be produced if they are material – leaving out notes that aren't material or required by legislation is a good start. CIPFA/LASAAC as standard setter is continuously challenging the need to introduce disclosures and reporting requirements for local government.

What changes were made to the 2016/17 Code?

CIPFA and CIPFA/LASAAC consulted widely in preparation for these changes, particularly the Telling the Story consultation in the summer of 2015. CIPFA also engaged a working group to consider a wide range of proposals for change. Following feedback from consultations from local authority accounts preparers and the work of the Working Group, the Telling the Story consultation set out proposals for change that CIPFA/LASAAC considers will reconnect the financial statements of local authorities with the way those authorities are both organised and funded.

The changes to the 2016/17 Code therefore have two main strands:

- to allow local authorities to report on the same basis as they are organised by breaking the formal link between the Service Reporting Code of Practice (SeRCOP) and the Comprehensive Income and Expenditure Statement
- to introduce a new Expenditure and Funding Analysis which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the Comprehensive Income and Expenditure Statement in a way that is accessible to the lay reader. This analysis is supported by a streamlined Movement in Reserves Statement and replaces the current segmental reporting note.

The changes to the Code will for the first time allow local authorities to bring together the funding framework and the accounting framework in one analysis.

further reading

Financial Statements: A Good Practice Guide for Local Authorities (CIPFA, 2013)

Clear out the Clutter (Public Finance, April 2014)

Simplified Accounts: Small Isn't Always Beautiful (Public Finance, September 2015)

Code of Practice on Local Authority Accounting in the United Kingdom (CIPFA, issued annually)

Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners
(CIPFA, issued annually)



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