

Crawley Borough Council

Audit Committee

Agenda for the **Audit Committee** which will be held in **Committee Rooms B & C - New Town Hall**, on **Monday, 20 March 2023** at **7.00 pm**

Nightline Telephone No. 07881 500 227



Chief Executive

Membership:
Councillors

J Millar-Smith (Chair), T Rana (Vice-Chair), M L Ayling, T G Belben
and Y 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 8 November 2022.	
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/614 of the Operational Benefits and Corporate Fraud Manager.	
6. Internal Audit Progress Report	15 - 28
To consider report FIN/615 of the Head of Corporate Finance.	
7. Risk Management Update	29 - 50
To consider report LDS/198 of the Head of Governance, People & Performance.	
8. Internal Audit Annual Plan 2023-2024	51 - 60
To consider report FIN/616 of the Head of Corporate Finance.	

	Pages
<p>9. Internal Audit Charter 2023-2024</p> <p>To consider report FIN/620 of the Head of Corporate Finance.</p>	61 - 72
<p>10. Internal Audit Quality Survey</p> <p>As part of their internal quality assessment, Southern Internal Audit Partnership will soon be issuing their annual survey. Committee members are encouraged to complete and return the survey, which they should receive via email in early April 2023.</p>	
<p>11. IFRS 16: Explanation and Impact</p> <p>To consider report FIN/617 of the Head of Corporate Finance.</p>	73 - 74
<p>12. Audit Planning Report: Year Ended 31 March 2022</p> <p>To consider report FIN/621 submitted by Ernst and Young.</p> <p>RECOMMENDATION</p> <p>That the Audit Planning Report for the year ended 31 March 2022 be noted.</p>	75 - 124
<p>13. Audit Results Report: Year Ended 31 March 2022</p> <p>To consider report FIN/618 submitted by Ernst and Young.</p> <p>RECOMMENDATION</p> <p>That the Audit Results Report for the year ended 31 March 2022 be received and noted.</p>	125 - 176
<p>14. Approval of the 2021/22 Statement of Accounts</p> <p>To consider report FIN/619 of the Head of Corporate Finance.</p>	177 - 322
<p>15. 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

Tuesday, 8 November 2022 at 7.00 pm

Councillors Present:

J Millar-Smith (Chair)

M L Ayling, T G Belben and Y Khan

Also in Attendance:

Elizabeth Jackson Associate Director, Ernst & Young

Officers Present:

Chris Corker Operational Benefits and Corporate Fraud Manager

Karen Hayes Head of Corporate Finance

Mez Matthews Democratic Services Officer

Paul Windust Chief Accountant

Apology for Absence:

Councillor T Rana

1. Disclosures of Interest

No disclosures of interests were made.

2. Minutes

The minutes of the meeting of the Audit Committee held on 25 July 2022 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. Draft Risk Management Strategy

The Committee considered report [FIN/589](#) of the Head of Corporate Finance which sought the Committee's support and comments on the draft Risk Management Strategy. The Committee noted that approval of the Risk Management Strategy was the responsibility of the Cabinet Member for Resources and therefore any comments

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8 November 2022

made by the Committee would be submitted to the Cabinet Member for their consideration prior to its approval and adoption.

In presenting the Strategy, the Head of Corporate Finance informed that Committee that they had received feedback from Zurich that the Council had good risk management and governance in place. Zurich had offered to provide risk management training for Councillors which would outline the Councillors' duties in relation to managing risks. The Committee's attention was particularly drawn to the four levels of risk, the scoring mechanisms used by the Council and the Audit Committee's responsibilities relating to risk management which were set out in the draft Strategy.

The Committee then discussed the draft Strategy and considered whether it had any comments it wished to submit to the Cabinet Member for Resources. In doing so the Committee:

- Noted that although strategic risks were reviewed by the relevant Cabinet Member on a quarterly basis, operational risks were not reviewed in the same way. Consequentially, the Committee was of the view that it might be helpful and insightful for operational risks to be reviewed by the relevant Cabinet Member on a quarterly basis.
- Acknowledged that Appendix 1 to the Strategy, which set out roles and responsibilities relating to risk management, identified that the Corporate Project Assurance Group (CPAG) had responsibility for monitoring and managing strategic and significant risks and ensuring improvement plans were adequate and managed effectively. The Committee expressed the opinion that, in addition to CPAG, it would be beneficial for that role to be undertaken at a senior Cabinet Member level.
- Received clarification on the meaning of the "reputation" risk level set out in Appendix 3 to the Strategy. A preference was expressed that the section be amended so "reputation" not only referred to any publicity's impact on the Council's reputation, but also took into account the potential impact such action could have on the public's trust in the Council. Although the Committee felt public trust in the Council was imperative, it acknowledged that it would be challenging to measure such a risk. It was therefore agreed that the view of Zurich be sought on the matter and that, should Zurich deem it appropriate, reference to "reputation" be amended to include the risk to public trust in the Council. The Head of Corporate Finance assured the Committee that it would be informed of Zurich's response via email.

Having been moved, seconded, and voted upon, it was agreed that the following comments be submitted to the Cabinet Member for Resources' consideration when approving the Risk Management Strategy:

- That operational risks be reviewed by the relevant Cabinet Member on a quarterly basis.
- That, in addition to the Corporate Projects Assurance Group (CPAG), Cabinet Members' involvement in monitoring and managing strategic and significant risks and ensuring improvement plans were adequate and managed effectively be increased.
- That, should Zurich deem it appropriate, reference to "reputation" in the Strategy be widened to include the risk to public trust in the Council.

RESOLVED

1. The Committee support the draft Risk Management Strategy.
2. That the comments provided above by the Committee be submitted to the Cabinet Member for Resources for their consideration.

5. Fraud and Investigation Team Report

The Committee considered report [FIN/603](#) of the Operational Benefits and Corporate Fraud Manager, which focused on activity for the period from 11 July 2022 to 28 October 2022. The report indicated that the Team had continued to perform very successfully.

The Committee was provided with details of cases investigated and the Team's investigations, whilst a discussion took place on the Team's work generally. The Committee sought and received clarification on several points raised, including the Council's ability to reclaim its financial loss in relation to incorrectly claimed single person discount, current and potential future data matching exercises, the circumstances in which a single person discount could be claimed and the Council's investigations into non-domestic rates. The Committee praised the team on both the work undertaken and the recent successful prosecutions.

RESOLVED

That the Fraud and Investigation Team Report be noted.

6. Internal Audit Progress Report

The Committee considered report [FIN/591](#) of the Head of Corporate Finance. The purpose of the report was to update the Committee on the status of 'live' internal audit reports, the progress against the Annual Audit Plan and provide a summary of internal audit as well as any significant issues which might impact the annual audit opinion.

The Head of Corporate Finance presented the report on behalf of Southern Internal Audit Partnership (SIAP), the Council's internal Auditors, and advised that no reports published had provided limited or no assurance.

The Committee noted all the Audit Plan Reviews in progress, along with other work as detailed in the report and was informed that the "satisfactory" assurance opinion level had recently been amended to the term "reasonable". Following a query from the Committee, the Head of Corporate Finance advised that updating the Health and Safety policies had been delayed due to the amount of other work which had been taken priority in relation to Covid but was assured that those policies were now up to date. In addition, the Committee was informed that the Fraud policies identified in the Fraud Framework Audit had now also been updated in consultation with the Leader and notification of those decisions would be published online shortly as Significant Operational Decisions.

RESOLVED

That the Committee receive the report and note progress to date, as at 31 October 2022.

7. Risk Management Update

The Committee considered report [FIN/602](#) of the Head of Corporate Finance which provided an update on the Council's Strategic Risks. The Committee noted that the new Town Hall Risk Register had not been included in the report as the Council was currently in the process of moving towards mobilisation - an updated Risk Register would be brought to the next Committee meeting.

The Committee discussed the update provided on Strategic Risk Management and considered the Strategic Risk Register. A detailed discussion took place, with the Committee expressing particular concern regarding homelessness, in particular the Council's duty to support those with a link to Crawley and the number of people currently residing in hotels due to a lack of alternative accommodation. The Committee noted the financial pressures on the Council to provide accommodation and the lack of funds available to fulfil that need, especially for future years.

The Committee did not make any comments which it wished to be drawn to the attention of the Chief Executive or the Cabinet, although it did note that most of the risks identified were wide ranging and outside the control of the Council.

RESOLVED

That the Committee confirm its satisfaction with the risk management arrangements.

8. Appointment of External Auditors

The Committee noted that on 17 October 2022 Public Sector Audit Appointments (PSAA) informed the Head of Corporate Finance of the outcome of its procurement to let audit contracts from 2023/24. Ernst & Young was successful in winning a contract in the procurement, and PSAA proposed appointing that firm as the Auditor of Crawley Borough Council for five years from 2023/24.

RESOLVED

That the Committee note that Ernst & Young had been appointed as the Council's external Auditors for five years from 2023/24.

9. 2022/23 Scale Fee for Crawley Borough Council

The Committee considered report [FIN/592](#) which set out the Scale Fee for 2022/23. In addition, the Committee noted the subsequent correspondence received from Public Sector Audit Appointment (PSAA) (as detailed on the Agenda) which announced the outcome of the PSAA's procurement for audit services for opted-in bodies from 2023/24 onwards.

The Head of Corporate Finance drew the Committee's attention to Tables 1 and 2 of the report which cited £9,000 of recurring approved fee variations for consolidation into the 2022/23 Fee Scale. The Committee was advised that the additional fees being charged by the Council's external Auditors (Ernst & Young) were significantly higher than the £9,000 identified in the report, a matter which the Committee would have the opportunity to discuss later in the meeting when it considered the Auditor's Annual Report Year Ended 31 March 2021 (minute 11 refers).

RESOLVED

That the Committee note the Scale Fee for the 2022/23 Audit and the subsequent information provided by the PSAA on 3 October 2022.

10. Audit Results Report Year Ended 31 March 2021

The Committee considered report [FIN/600](#) which had been submitted by Ernst & Young (EY), the Council's external Auditors. The report summarised the current status of the Audit indicating that, subject to satisfactory completion of items identified in the report, EY had completed its Audit of the Council's financial statements for the year ended 2020/21.

The Committee sought and received clarification on several issues raised. Following a specific query from the Committee, it was advised that there was little benefit in valuing the Council's housing stock for audit purposes and that many organisations in the public sector had lobbied the Chartered Institute of Public Finance and Accountancy (CIPFA) to remove that type of account as it did not add value to the reader.

Several Committee members expressed their dissatisfaction at the increased level of fees being charged by EY for its Audit. Whilst it was noted that the Committee would have the opportunity to discuss the issue in more detail later in the meeting, when it considered the Auditor's Annual Report Year Ended 31 March 2021 (minute 11 refers), the Chair requested that EY provide a detailed breakdown of its costs to assist Council officers and Councillors in understanding the reasonableness of the increased costs. Although the Associate Director for EY was unable to guarantee that such information could be passed to the Council and advised that providing that information would not be preferred by EY, they agreed to contact Public Sector Audit Appointment (PSAA) to ascertain whether that level of detail could be disclosed. The Associate Director informed the Committee that some costs had been written-off by EY, however the Head of Corporate Finance asserted that the Council's Finance Team had undertaken a significant amount of additional work itself to complete the Audit which had diverted them away from other work which would have benefited the residents of Crawley.

Following a request from the Associate Director of EY, that Committee confirmed it was satisfied that the misstatements in the Accounts remain unadjusted as they were below the adjustment threshold and represented a difference of opinion rather than errors in the Accounts. The Associate Director then stated they were content in providing a clear Audit Results Report on that basis.

RESOLVED

That the Audit Results Report for the year ended 31 March 2021 be received and noted.

11. Auditor's Annual Report Year Ended 31 March 2021

The Committee considered report [FIN/601](#) which had been submitted by Ernst & Young (EY), the Council's external Auditors.

The Committee took the opportunity to address its dissatisfaction with both the final proposed fee being charged by EY for 2020/21 and EY's delay in completing the

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Council's Audit. The Committee was extremely displeased that the proposed fee was significantly higher than that initially proposed, especially considering the final fee for the housing benefit subsidy claim had not yet been finalised, which meant that the total final fee was likely to be even higher than that identified in the report.

The Associate Director for EY asserted that the requirements for each Audit increased every year which led to higher costs and that, regardless of which audit firm undertook the work, costs were likely to be on par with that charged by EY. Following a query from the Committee, the Associate Director advised that there was little overlap on the statutory work undertaken by the internal Auditor and external Auditor and therefore costs could not be reduced by sharing information. In response to a request raised by the Head of Corporate Finance, the Associate Director said they did not currently have a timetable in place for the Audit going forward so could not guarantee that Crawley Borough Council might be brought forward in EY's Audit Plan.

The Associate Director acknowledged the Council's dissatisfaction and EY's delay in completing the Audit. The Chair advised the Committee that, along with the Head of Corporate Finance, they would be writing to the PSAA imminently to formally request arbitration regarding the fees proposed by EY.

RESOLVED

That the Auditor's Annual Report for the year ended 31 March 2021 be received and noted.

12. Head of Corporate Finance

The Head of Corporate Finance advised the Committee that this would be their last Audit Committee as they would be retiring from the Council on 19 January 2022. The Chair took the opportunity to thank the Head of Corporate Finance for their continued hard work and support, especially having remained in post for significantly longer than anticipated due to the challenges in recruiting a suitable replacement. The Chair wished the Head of Corporate Finance a happy and well-earned retirement, advising that they would present a gift on behalf of the Committee outside the meeting.

Closure of Meeting

With the business of the Audit Committee concluded, the Chair declared the meeting closed at 9.02 pm

J Millar-Smith (Chair)

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Crawley Borough Council

Report to Audit Committee

20 March 2023

Fraud and Investigation Team Report

Report of the Operational Benefits & Corporate Fraud Manager - FIN/614

1. Purpose

- 1.1. This report describes the activity of the Corporate Fraud & Investigation Team for the period 29 October 2022 to 5 March 2023. All outcome figures are taken from closed cases. Year to date figures are also included in the report for 2022/23.

2. Recommendation

- 2.1. That the Committee notes 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. Information & Analysis

- 4.1 The Fraud Team are currently investigating the following case types:

Case Type	Number of open cases
Council Tax Support	17
Housing Cases	14
Non Domestic Rates	2
Single Person Discount	1
Council Tax Liability	1
Enforcement	2
Right to buy	5
Fly Tipping	2
Total	44

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

4.2. Housing Fraud

During the reporting period the team have achieved the following:

	In period	2022/23 (YTD)
Properties recovered	5	10
Notional value of savings	£90,000	£180,000

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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.

4.3. 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>2022/23 YTD</u>
Discounts removed	5 (£2,980)	13 (£8,435)

4.4. 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	2022/23	In period	2023/23
New billable CT or Rates	£114,406	£408,434	£457,500	£2,105,457

5. **Significant Cases**

- 5.1. The investigation team were asked to assist our Private Sector Housing Team after they received an allegation of an unlicensed house of multiple occupation (HMO) in Southgate owned by Mr Biazzo.

Under section 72 of the Housing Act 2004 offences in relation to licensing of HMOs, it is determined that a person commits an offence, if he is a person having control of or managing an HMO which is required to be licensed but is not so licensed. An HMO licence is required if a property is occupied by 5 or more persons, forming 2 or more households.

The investigation team were able to provide evidence to show 7 bedrooms, with 7 separate tenancies acting as separate households sharing basic facilities. The property was also not up to required standards including fire safety.

After a full review a decision was taken to impose a financial penalty of £7,500 and all deficiencies of the property have now been addressed by the Landlord.

The £7,500 penalty has been paid in full.

- 5.2 Mr Miller was seen littering chewing gum by Crawley Wardens. Mr Miller whose identification was not known at the time refused, when asked, to give his details to

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the wardens. It is an offence to litter and an offence to refuse to give his name and address when required to do so under the Environmental Protection Act 1990.

The investigation team were asked to help in this case.

We were able to trace Mr Miller from the body worn cameras and gathered the required evidence to instigate proceeding.

Mr Miller pleaded guilty to 2 offences and was fined £153, with £150 costs and £61 court surcharge.

6. Implications

- 6.1. There are no implications from the report.

7. Background Papers

- 7.1. None

Report author and contact officer:

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

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Crawley Borough Council

Report to the Audit Committee

20 March 2023

Internal Audit Progress Report

Report of the Head of Corporate Finance – FIN/615

1. Purpose

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

2. Recommendations

- 2.1 The Committee is requested to receive this report and note progress to date, as at 28 February 2023.

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 Committee approved its Internal Audit Plan at its meeting of 15 March 2022.

- 4.2 Under the Accounts and Audit (England) Regulations 2015, the Council is responsible for:

- ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of functions and includes arrangements for the management of risk; and
- undertaking an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance.

- 4.3 In accordance with proper internal audit practices (Public Sector Internal Audit Standards), the Chief Internal Auditor is required to provide a written status report to the Audit Committee, summarising:

- The status of 'live' internal audit reports (outstanding management actions);
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that may impact on the Chief Internal Auditor's annual opinion.

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- 4.4 The progress report is attached at Appendix A and provides a clear and transparent articulation of internal audit activity, performance, and outcomes during the period up to the end of February 2023.

Report author and contact officer: Carolin Martlew, Head of Corporate Finance

Southern Internal Audit Partnership

Assurance through excellence
and innovation

CRAWLEY BOROUGH COUNCIL

INTERNAL AUDIT PROGRESS REPORT February 2023

Prepared by: Iona Bond, Senior Audit & Counter Fraud Manager

February 2023

1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that 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 standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

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’.

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 organisations’ objectives.

2. Purpose of report

In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

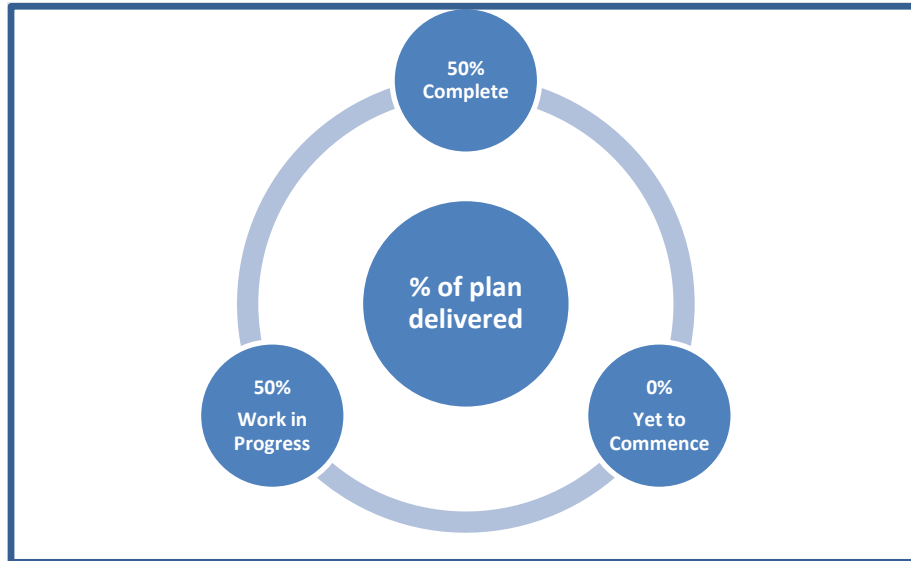
- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. The assurance opinions are categorised as follows:

Substantial	<i>A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited</i>
Reasonable	<i>There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.</i>
Limited	<i>Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.</i>
No	<i>Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.</i>

* Some reports listed within this progress report (pre 2022-23 audit plan) refer to categorisations previously adopted by the Council. Opinions applied to all work from 2022/23 are in accordance with the CIPFA standard definitions, reference is provided at Annex 2

3. Performance dashboard



Compliance with Public Sector Internal Audit Standards

An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. The report 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.'

4. Analysis of 'Live' audit reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)*	Not Accepted	Not Yet Due	Complete	Overdue		
								L	M	H
2021/22										
Health and Safety	15.06.2022	HofGP&P	Limited	7 (2)	0	0 (0)	5 (2)		2	
Car Parking (Staff Permits) Follow Up	28.06.2022	HofComS	N/A	3 (3)	0	1 (1)	2 (2)			1
2022/23										
Houses in Multiple Occupation	23.12.2022	HofSS	Reasonable	3 (3)	0	3 (3)	0			
Payroll	19.01.2023	HofCF	Reasonable	3 (0)	1 (0)	1 (0)	2 (0)			
Air Quality Management	07.02.2023	HofCoS	Reasonable	3 (0)	0	3 (0)	0 (0)			
Housing Benefits	14.02.2023	HofCF	Reasonable	3 (0)	0	2 (0)	1 (0)			
Total								0	2	1

*Total number of actions (total number of high priority actions)

Audit Sponsor

HofCF	Head of Corporate Finance	HofD&T	Head of Digital and Transformation
HofE&P	Head of Economy and Planning	HofComS	Head of Commercial Services
HofCoS	Head of Community Services	HofGP&P	Head of Governance, People and Performance
HofCH	Head of Crawley Homes	HofSS	Head of Strategic Housing

5. Executive Summaries of reports published concluding a 'Limited' or 'No' assurance opinion

There have been no reports published concluding a "Limited" or "No" assurance opinion to date for 2022/23.

6. Planning & Resourcing

The internal audit plan for 2022-23 was presented to the Corporate Management Team (CMT) and the Audit Committee in March 2022.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. One further audit has been removed from the Plan since our last progress report to Committee in November 2022. This is shown in the table in section 8.

We are satisfied that the revised audit plan for the year remains robust and sufficient to enable an annual assurance statement to be provided.

Progress against the plan is detailed within section 7.

7. Rolling Work Programme

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Governance								
Contract Management	HofCF	✓						
Fraud Framework	HofCF	✓	✓	✓	✓	✓	Reasonable	
Decision Making and Accountability	HofGP&P	✓	✓	✓	✓	✓	Substantial	
Health and Safety – Driver Safety Checks	HofGP&P	✓	✓	✓				
Recruitment & Selection, Leavers and Retention	HofGP&P	✓	✓	✓	✓			
IT								
Cyber Security	HofD&T	✓	✓	✓				
Core Financial								
Housing Benefits	HofCF	✓	✓	✓	✓	✓	Reasonable	
Payroll	HofCF	✓	✓	✓	✓	✓	Reasonable	
Delivering value for money and modernising the way we work								
Financial Resilience	HofCF	✓	✓	✓	✓	✓	Reasonable	
Transformation - Governance	HofD&T	✓	✓	✓	✓	✓	Substantial	
Delivering affordable homes for Crawley and reducing homelessness								

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Housing Allocations	HofSS	✓	✓	✓	✓	✓	Substantial	
Compliance - Electrical	HofCH	✓	✓	✓				
Compliance - Fire Safety	HofCH	✓	✓	✓				
Compliance - Gas Safety Checks	HofCH	✓	✓	✓	✓			
HMO's/Enforcement	HofSS	✓	✓	✓	✓	✓	Reasonable	
Protecting the Environment								
District Heat Network	HofComS	✓						
Environmental Health - Pollution	HofCoS	✓	✓	✓	✓	✓	Reasonable	
Improving job opportunities and developing the local economy								
Towns Fund	HofCF	✓	✓	✓				
Crawley Growth Programme	HofE&P	✓	✓					
Providing high quality leisure and culture facilities and supporting health and wellbeing services								
Parks and Open Spaces	HofCoS	✓	✓	✓				
Play Service	HofCoS	✓	✓	✓	✓	✓	Reasonable	
Leisure Contracts (The Hawth)	HofComS	✓	✓	✓	✓	✓	Substantial	
Leisure Contracts (K2)	HofComS	✓	✓	✓	✓	✓	Substantial	
Creating stronger communities								
Taxi and Private Hire Licenses	HofComS	✓	✓					

8. Adjustments to the Internal Audit Plan

The following adjustments to the plan have been made:

Plan Variations	
Audit Review	Reason
Flexi time Policy	No longer considered a priority area for review. Time better utilised in 2023/24 for coverage of wider flexible/hybrid working arrangements post move into new Town Hall.
Water Neutrality	Delays in production of the overall Strategy due to complexities in multi agency involvement.
Sustainability	More timely for 2023/24
IT Asset Management	More timely for 2023/24 post move into new Town Hall
Community Facilities – Regulatory Compliance	Capacity issues within the service area. Rescheduled for 23/24 (Q2)
Compliance - Asbestos	Capacity issues within the service area. Rescheduled for 23/24 (Q1)
Health and Safety – New Town Hall	Capacity issues within the service area. Rescheduled for 23/24 (Q1)

Overdue 'High Priority' Management Actions

Audit Review	Report Date	Opinion	Priority	Due Date	Revised Due Date
Car parking (Staff Permits) Follow Up	26.06.2022	Reasonable	High	31.10.2022	30.06.2023

Annexe 2

Overdue 'Low & Medium Priority' Management Actions (July 2022)

Audit Review	Report Date	Opinion	Priority	Due Date	Revised Due Date
Health and Safety	15.06.2022	Reasonable	Medium	31.08.2022	31.03.2023
			Medium	30.09.2022	31.03.2023

Crawley Borough Council Assurance Opinions (Pre 2022/23)

- Substantial** *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** *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** *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** *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.*

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Agenda Item 7

Crawley Borough Council

Report to the Audit Committee

20 March 2023

Risk Management Update

Report of the Head of Governance, People & Performance – LDS/198

1. Purpose

- 1.1 The Committee is asked to review the action taken by the Corporate Management Team and staff to mitigate Strategic Risks.

2. Recommendations

- 2.1 The Committee is requested to consider the contents of this report and confirm it is satisfied with risk management arrangements.
- 2.2 Review the Strategic Risk register (Appendix A) and determine whether there are any matters that it wishes to draw to the attention of the Chief Executive or to Cabinet.

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 its meetings. The internal audit service (SIAP) 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.
- 4.2 The Corporate Management Team made a commitment to amend the strategic risks from a long list to one in tabular format; with risk scores without controls in place; what mitigations are in place which gives residual scores.
- 4.3 The focus of effective risk management is the identification and management of risks and opportunities. It increases the probability of success, reduces the likelihood of failure and the uncertainty of achieving objectives. Risk management should be a continuous and evolving process which runs throughout the Council's strategies and service delivery.
- 4.4 This enables the Audit Committee to meet its responsibilities to provide the Council with independent assurance of the adequacy of the risk management framework and associated control environment.

5. Risk Management Arrangements

- 5.1 The Council's approach to risk management is set out in its [Risk Management Strategy](#) which has been updated. The final version was approved by the Cabinet Member for Resources on the 13 December 2022. The objectives of a risk management strategy are to:

Agenda Item 7

- Integrate risk management into the culture of the Council by engendering a positive attitude and understanding to risk throughout service areas
 - Manage risk in accordance with best practice
 - Prevent injury, damage and financial loss to those connected with the Council's delivery of services.
- 5.2 Since the last Audit Committee, Zurich Municipal has provided risk management training to both managers and Members, which outlined our duties in relation to understanding and managing risks. Dedicated training on Accident and Investigation and Claims Defensibility has also been provided for relevant officers, with a particular focus on tree maintenance, trips and falls on our land and housing repairs.
- 5.3 Heads of Service are currently preparing and reviewing operational risks by Division. These will be regularly shared with Portfolio Holders at briefings from the start of the new municipal year.

6. Strategic Risk Register

- 6.1 A strategic risk is defined as an event or action that will affect an organisation's overall ability to achieve its corporate objectives and execute strategies successfully. By their nature, strategic risks are generally not service or objective specific; they are areas of risk that cut across service and objective boundaries.
- 6.2 The Strategic Risk Register (Appendix A) is reviewed by the Corporate Management Team and it includes a summary of the current analysis of residual risk as well as detail on each Strategic Risk. One of the key risks is the New Town Hall.
- 6.3 Now that the project has moved onto the next stage, the risk register for the New Town Hall has been thoroughly reviewed and refreshed by the project board and is shown in Appendix B. Risks are beginning to be closed out and this will continue over the coming months as this stage of the project comes to an end.
- 6.4 Appendix A shows the remaining Strategic Risks, this includes a new risk regarding damp and mould which has been escalated to a Strategic Risk. Crawley Homes has received unprecedented demand from residents for advice, support, inspections and repairs relating to damp and mould following the death of Awaab Ishak in Rochdale. Workflows have been amended for call triage and inspections and additional sub-contractors have been taken on to reduce the wait times for damp and mould treatment. Inspections are being prioritised and pro-active work is underway to contact all tenants who have reported damp and mould issues in the last five years to make sure it hasn't re-emerged.
- 6.5 The risks regarding Organisational Capacity, Recruitment and Succession Planning have been consolidated into 2 risks, previously 4. One covers professional and manual / front facing roles, whilst the other covers retirement.
- 6.6 The risk tolerance of the Council is the threshold above which the level of risk is not acceptable and requires further action to reduce the risk. The level has been agreed by the Corporate Management Team to be any risk with a residual score of 15 or above (red risks). This is set out in the Risk Management Strategy.
- 6.7 Risks around the provision of affordable housing, cost of living, homelessness, water neutrality and climate change emergency are exceeding this score. In these cases, there are external factors that are affecting the score, these scores are being constantly reviewed and updates will be provided to future Audit Committees.

Report author and contact officer: Anna Pedlow, Corporate Performance Manager

Strategic Risk Register

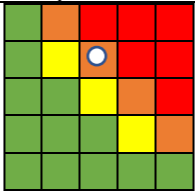
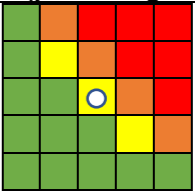
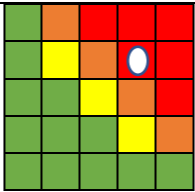
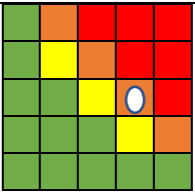
This register details the strategic risks faced by Crawley Borough Council in relation to achieving its priorities and includes the mitigation action being taken to control these risks. The register is owned by the Chief Executive and Corporate Management Team and is updated regularly.

Below is the matrix we use when scoring risk for any project or activity. We have also considered the risk appetite, based on guidance included in the Orange Book – Management of Risk, Principles and Concepts (2020)

Impact/ Consequence	Likelihood				
	1 Rare	2 Unlikely	3 Possible	4 Likely	5 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

Risk Appetite	Description
Opposed	Avoidance of risk and uncertainty is key objective
Minimalist	Preference for safe options that have a low degree of inherent risk
Cautious	Preference for safe options that have a low degree of residual risk
Mindful	Willing to consider all options and choose one that is most likely to result in successful delivery
Enterprise	Eager to be innovative and to choose options that suspend previous held assumptions and accept greater uncertainty

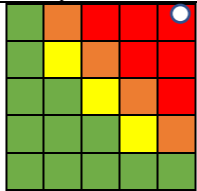
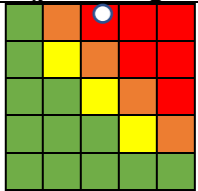
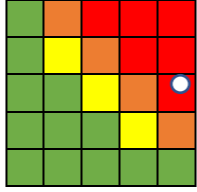
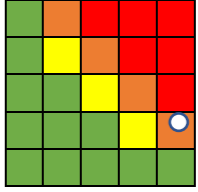
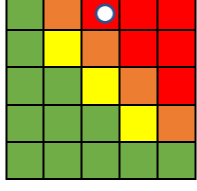
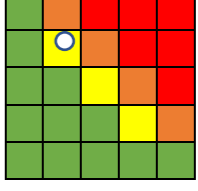
Risk Title	Risk Description	CMT Owner	Risk score (no controls)	Mitigations	Risk score (post mitigation)	Risk Appetite
New Town Hall	PC has now been achieved and at the time of writing mobilisation is underway. The Council must be out of the current building by late-April or incurs penalties. This is a new building and there are likely to be issues as we settle in. Focus now shifts to agreeing the final account with Kier.	Deputy Chief Executive		<p>Significant planning has been undertaken for mobilisation and the risk of not being out of the current building in time is minimal. Processes in place to deal with any issues arising and messaging to go to staff and members.</p> <p>Mechanisms within the contract are being used to address delay and cost concerns. Significant effort was taken to ensure these were robust before entering the contract. Professional advice being taken throughout, and communication with key stakeholders being maintained. The Council is close to announcing its first commercial tenant, and interest whilst low in numbers has proven strong. A London-based commercial agent has also been appointed to capture companies wishing to move out of the capital.</p>		Mindful
District Heat Network	The District Heat Network Phase 1 has reached practical completion and has been handed over. The key risks moving forward therefore relate to the ongoing operation, maintenance, and billing. The inflationary context in particular creates a pricing risk, attempting to ensure value for residents whilst achieving the required return. There is significant reputational risk in getting this balance wrong, especially in the context of potential expansion.	Head of Major Projects & Commercial Services		<p>The operation, maintenance and billing has already been contracted out to a specialist, and the onboarding went very well. Two rounds of price setting have been undertaken, which seems to demonstrate that the DHN is able to balance value with return. However, the score remains consistent given that volatility in energy prices.</p> <p>DHN operation is scheduled to be considered as part of the 2022/23 internal audit plan (Q4).</p>		Mindful

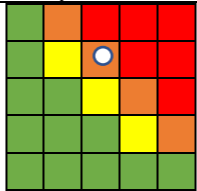
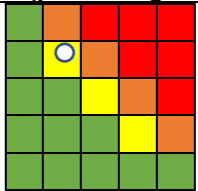
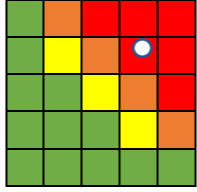
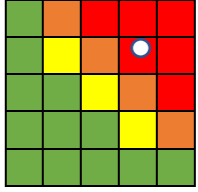
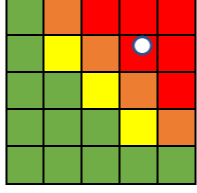
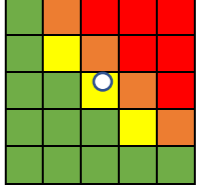
Risk Title	Risk Description	CMT Owner	Risk score (no controls)	Mitigations	Risk score (post mitigation)	Risk Appetite
<p>LEP Infrastructure - Crawley Growth Programme</p>	<p>Risk of failure to deliver the Crawley Growth Programme due to:</p> <ul style="list-style-type: none"> Budget overspend for the future project delivery within the Programme and scheme delivery time overruns. Discontinuation or withdrawal of support from key partners. A sustained period of economic downturn which slows up private sector investment on key regeneration sites in the town centre. Ineffective co-ordination of delivery across projects, leading to multiple disruption in the town centre and Manor Royal when this was avoidable. 	<p>Head of Economy & Planning</p>		<p>Regular financial monitoring and audit work carried out, including quarterly updates to CPAG. The Head of Corporate Finance attends six weekly Programme Delivery Team meetings with West Sussex County Council.</p> <p>A mid-term programme review was undertaken in Q3 2022 to agree a way forward and delivery programme for the remaining projects. The agreed funding protocol between CBC and WSCC is being updated to reflect that outcome of the review.'</p> <p>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.</p> <p>Regular interaction to identify and resolve issues promptly at project Board level with the Manor Royal Business District, Network Rail, GTR, Metrobus etc.</p> <p>The target date for delivery of regeneration site outcomes is 2030 to take account of the economic cycle and potential for a sustained downturn, which has been exacerbated by the impact of the COVID-19 crisis nationally and internationally.</p> <p>Careful planning and close cooperation between CBC, WSCC officers and third-party partners / contractors. All partners within the Crawley Growth Programme follow a Communications protocol to ensure effective coordination and communications around project delivery.</p>		<p>Mindful</p>
<p>Delivering the Affordable Housing Programme</p>	<p>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.</p>	<p>Head of Strategic Housing Services</p>		<p>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.</p> <p>Pilot project in Council's housing stock has generated sufficient water savings to enable development of two key affordable housing sites to be progressed. This work will continue to generate further water savings to support more housing development</p>		<p>Mindful</p>

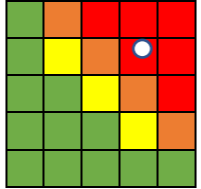
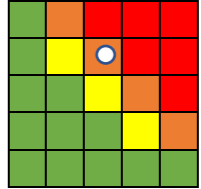
Risk Title	Risk Description	CMT Owner	Risk score (no controls)	Mitigations	Risk score (post mitigation)	Risk Appetite
Delivering the Affordable Housing Programme	Beyond the medium term, the majority of larger sites within the Council boundary that can easily be built upon will have been developed. This 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.	Head of Strategic Housing Services		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. Should the proposal to remove the Duty to Co-operate come into effect this work may be compromised.		Minimalist
Homelessness	Following increased demand for temporary accommodation during the pandemic, levels of homelessness continue to rise. The on-going economic impacts from the pandemic, cost of living rises and increased additional demand arising from asylum and refugee resettlement programmes are placing an unprecedented burden on the Council in meeting temporary accommodation duties. Demand for TA significantly outstrips supply necessitating heavy reliance on expensive nightly paid accommodation with significant budgetary implications. The full TA budget allocation for 2022/23 has been fully spent during Q1.	Head of Strategic Housing Services		Efforts to relieve and prevent homelessness using all available options continue. 5 additional units of TA have been secured and negotiations are in progress in relation to a potential further 45 units including acquisition of a 27unit HMO. All potential acquisition opportunities continue to be explored. Three potential sites have been identified for modular housing and consultation in relation to 2 of these sites is being taken forward. The 3 rd presents issues that mean securing planning consent will be more challenging. Homelessness grant reserves will offset impacts for the current financial year. Under the new Government formula there has been a significant reduction in Homelessness Prevention Grant allocation for the next 2 years which, although offset by transitional protection arrangements to bring it to existing funding levels still represents a reduction in real terms. Representation is being made to Government.		Mindful
Migration/Asylum pressures	Currently Crawley is host to a number of individuals either seeking asylum or providing Afghan Bridging accommodation. These are arrangements made directly by the Home Office. In addition, new legislation has recently been passed to provide Chagossians UK Citizenship entitlement from British Overseas Territories. The application process goes live on 23 November. Estimates by the Foreign, Commonwealth & Development Office are that 3,000-5,000 will take up this entitlement with a view to moving to the UK, and that the majority will first head to Crawley due to an already established community in the town. No impact analysis or implementation planning has been put in place by the Government. Potential impacts are wide but none more serious than potential impact on housing and homelessness, in addition to the risks set out in the above entry.	Chief Executive		Representation to Government officials has been made and will be extended to Ministers now they have been appointed. Discussions ongoing.		Cautious

Risk Title	Risk Description	CMT Owner	Risk score (no controls)	Mitigations	Risk score (post mitigation)	Risk Appetite
Three Bridges Station	A way forward for the scheme is unable to be agreed.	Head of Economy & Planning		A planning application for the scheme was submitted autumn 2022 and will be considered by the Planning Committee in Q4 2022/3. Work is being progressed with Network Rail and GTR on the processing of the Station Change procedure, the completion of which is required prior to the works starting on site. The scheme features as part of the overall Crawley Growth Programme review jointly with West Sussex County Council which took place in Q3 2022. A comprehensive risk register is overseen by the Project Board of the Crawley Growth programme.		Cautious
Disaster Recovery and Business Continuity - Data Breaches (Technical issue)	Inadequate data sharing and data security arrangements, including failure to maintain public services network accreditation (PSN). Failure to maintain technical security safeguards – e.g. that firewalls are up to date or that the latest advice from NCSC has not been assessed and followed where appropriate.	Head of Digital & Transformation		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. This will continue to be tested on an annual basis. The migration to the Azure Cloud provides an extremely high level of confidence as it has the weight of Microsoft's technology and finance to support it and is used globally. MFA (multi-factor authentication) has been rolled out to all staff with network accounts – this was done face to face for complete assurance. Immutable back-ups are being secured for all of CBC's systems, as recommended by NCSC. The council recruited an Information Security Officer.		Minimalist
Disaster Recovery and Business Continuity - Data Breaches (Human error)	Improper disclosure of confidential information (in any format i.e. digital, paper etc.) could bring both financial loss (ICO fines, or worse, a ransomware attack) as well as reputational damage to the organisation. Failure to comply with GDPR legislation could lead to major reputational damage, loss of public confidence and the inability to operate key business processes	Head of Digital & Transformation and Head of Governance, People & Performance (Data Protection Officer)		A recent audit report identified a few areas of weakness, all of which have now been addressed. Training and awareness are key, as well as clear procedures for staff on what to do in the event of suspicious activity or possible breach. Additional training and testing of staff responses (with further training for those that fail) has been commissioned and began rollout in October 22 with a phishing test exercise and training programme. 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 the Information Governance Board has been refreshed. The council recruited an Information Security Officer		Minimalist

Risk Title	Risk Description	CMT Owner	Risk score (no controls)	Mitigations	Risk score (post mitigation)	Risk Appetite
Disaster Recovery and Business Continuity - Health & Safety Breaches	<p>Failure to comply with the requirements set out by Health & Safety legislation which covers the functions of the Council.</p> <p>Lack of clarity and / or understanding regarding the legal duties of Managers to ensure that risk assessments in respect of places, activities and people are regularly undertaken.</p>	Head of Governance, People & Performance		<p>Review the council's Health & Safety Handbook for Employees and Health & Safety Policy. Provide training where appropriate.</p> <p>Evaluate the Council's Health & Safety compliance status.</p> <p>Implement a Health & Safety Action Plan for compliance.</p>		Minimalist
Maintaining a balanced budget	A balanced budget is not achieved in the Medium Term, resulting in an increased use of reserves, which is not sustainable.	Head of Corporate Finance		<p>Quarterly budget monitoring reports are submitted to Cabinet and Overview & Scrutiny Commission, the cost-of-living crisis, increased pay offer and a high number of homeless placements has resulted in a projected in year overspend. This impacts on future years. A challenge of budgets exercise has taken place to identify savings, efficiencies, and increased income in order to mitigate future budget gaps of £413,080.</p> <p>Budget projections will be constantly monitored, an all-Member seminar took place on 5th January 2023 updating Members on the moving position of budgets and future gaps. The budget report FIN/606 to Cabinet on 1 February identifies a savings target of £701,000 for future years. This target is considerable and public consultation of options for savings may have to be considered.</p>		Mindful
Organisational Capacity, Recruitment & Succession Planning	<p>Failure to recruit and retain a range of employees including:-</p> <ol style="list-style-type: none"> professional roles e.g. lawyers, accountants, planners, EHOs manual / front facing roles e.g. Civil Enforcement Office's, Community Wardens, Neighbourhood Services 	Head of Governance, People & Performance		<p>HR is undertaking benchmarking exercise to ensure that the Council is 1) aware of market salaries and trends and 2) may consider measures which might make it more competitive with the view to attracting quality candidates.</p> <p>People Board and HR Team working on developing the Council's "Employer Value Proposition". This will shape future recruitment campaigns and communications with existing staff.</p> <p>HR are working closely with managers to ensure that they properly plan and execute a professional recruitment campaign including quality, modern adverts and better communication and feedback with candidates before, during and after the process.</p> <p>Address the skills gap (and therefore lack of candidates) in the market by potentially "growing our own" experienced staff</p>		Mindful
Organisational Capacity, Recruitment & Succession Planning Key staff retirement	Impact of ageing workforce and an increase of key staff retiring.	Head of Governance, People & Performance		Managers need to undertake PDRs and have open and honest discussions with reports. They should be aware, in advance, of upcoming events e.g. retirements and be planning for recruitment / stepping up / reassigning duties with an appropriate knowledge handover, exit interview etc		Mindful

Risk Title	Risk Description	CMT Owner	Risk score (no controls)	Mitigations	Risk score (post mitigation)	Risk Appetite
Climate Emergency	<p>Failure to reduce carbon emissions by at least 50% and as close to net zero as possible by 2030.</p> <p>Failure to achieve carbon zero by 2040 at the latest.</p>	Head of Economy & Planning		<p>The Council's Climate Change Emergency Action Plan is in place.</p> <p>Officers will be drawing on funds from within the agreed Council budget for 2023-2024 to progress the delivery of Climate Change Action Plan tasks and the Council's carbon emissions reductions targets.</p> <p>Indications are that HMG will reduce intervention to support this work moving forward, reducing the availability of external funding, and increasing the risk of not being able to deliver on key aspects of the plan.</p>		Mindful
National Waste Strategy (including Food Waste)	<p>The National Waste & Resources Strategy is delayed which may impact on the Waste Contract.</p> <p>Letter received from DEFRA in December 2022 indicating the Government response will be released in the 'near future' If released in early 2023, it will provide a basis to plan any mandated changes to the collection regime.</p>	Head of Major Projects & Commercial Services		To be closely monitored. 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 publication of the National Waste Strategy constrains the ability to amend the specification in advance of the contract re-procurement.		Mindful
Local Plan	Failure to adopt the Local Plan within the timeframe set by the government	Head of Economy & Planning		The Crawley Local Plan review was delayed due to the need to demonstrate Water Neutrality for all planned development within the Sussex North Water Resource Zone, cumulatively across all the Plans in the area. A Water Neutrality Strategy to support the emerging Local Plans has been prepared with the other authorities within the area, and this has been endorsed by Natural England. An Offsetting Implementation Scheme now needs to be established to deliver the agreed policy approach, which must be in place to support the Local Plan at Examination. A Project Manager has been appointed working across all the councils to progress this work. The Viability Assessment for the Local Plan was updated, taking account of the Water Neutrality requirements, other evidence has been updated due to the time delay and the Local Plan has now been formally approved by Full Council to progress to a further Regulation 19 Consultation in May 2023. Representations made to the Plan will then be considered through independent Examination, with interested parties (including those supporting and objecting) and the council questioned by the Inspector who can also query any part of the Plan they wish. The Inspector may find the Local Plan unsound or propose modifications to make it sound. At that point, modifications would then have to be subject to further public consultation and the Plan with any modifications would then have to be approved by Full Council.		Cautious

Risk Title	Risk Description	CMT Owner	Risk score (no controls)	Mitigations	Risk score (post mitigation)	Risk Appetite
Water Neutrality	Failure to agree a Water Neutrality Strategy	Head of Economy & Planning		A Water Neutrality Strategy to support the emerging Local Plans has been prepared with the other authorities within the area, and this has been endorsed by Natural England following work between the affected council officers and Chief Executives, Natural England, Southern Water, the Environment Agency and government representatives. These parties continue to meet regularly to secure the Offsetting Implementation Scheme. This now needs to be established to deliver the agreed policy approach and enable all the planned development to come forward, following the success of pilot schemes progressed in Crawley with off-site offsetting secured through retrofitting that has reduced water use in Crawley Homes stock. A Project Manager has been appointed working across all the councils to progress this work. The Council's screening proforma with Natural England enables most householder and minor planning applications to proceed to decision without hindrance. Some developers are securing their own private offsite offsetting measures which is also enabling some limited development to take place where these satisfy the Natural England's water neutrality requirements.		Cautious
Cost of Living	Impact of more residents presenting themselves as homeless and being unable to pay their debts.	CMT		<p>A webpage has been created https://crawley.gov.uk/council-information/help-money-worries designed to direct people to help.</p> <p>Home visits are taking place where the council is aware that someone is claiming Universal Credit but has not responded to requests for them to claim Council tax reduction. Claims then are being fast tracked. Debt officers are discussing a range of payment plans to manage debt. Modelling work being investigated to identify those that are not currently in debt but are likely to become so.</p> <p>Staff have been trained on Breathing Space. Reserves review taking place to identify reserves to support people being impacted by the cost of living. A project will take place to look at ways of helping to support people, this will include the Wellbeing bus. Will lever in community and voluntary sector support.</p>		Mindful
Towns Fund and related programmes	Risks associated with the delivery of this programme are mainly centered around budget overspend and timescales exceed beyond the Towns Fund end date. A detailed risk register has been produced for each project within the programme.	Head of Economy & Planning		Regular financial monitoring and project monitoring undertaken by the Towns Deal Board and relevant project boards. The Head of Corporate Finance attends the s151 officer meetings involving other local authorities with Towns Fund programmes. Internal assurance is via the Corporate Projects Assurance Group (CPAG), through quarterly reporting on programme / risk updates.		Mindful

Risk Title	Risk Description	CMT Owner	Risk score (no controls)	Mitigations	Risk score (post mitigation)	Risk Appetite
Damp and Mould	<p>Unprecedented demand for residents in Crawley Homes and in the private sector for advice, support, inspections and repairs relating to damp and mould following the death of Awaab Ishak in Rochdale.</p> <p>Demand for services is impacting on business-as-usual service delivery.</p> <p>Unable to secure temporary surveying resources.</p> <p>Potential for cases being triaged incorrectly and failure to address structural issues.</p> <p>Risk of regulatory involvement.</p>	Head of Crawley Homes		<p>Workflows have been amended for call triage and inspections. Additional sub-contractors have been taken on to reduce the wait time for damp and mould treatment. Inspections are prioritised with building surveyors where structural issues are diagnosed. Pro-active work underway to contact all tenants who have reported damp and mould in the last five years to make sure it has not re-emerged.</p> <p>Continued efforts to attempt to secure additional resource, including outside of the Council's usual framework for procuring temporary staff.</p>		Mindful

TOWN HALL PROJECT
RISK REGISTER

File Ref:	Town Hall Development	Monitored by:	Project Board	Date Printed:	
Name of Doc:	Risk Register 03-Mar-2023				
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 03/03/2023
PB1	Planning conditions requires amending which impacts on financial viability of the scheme.	2 4 8	4 4 4	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. 	Project now at a stage where planning conditions are either met or do not impact on financial viability. Risk closed.
PB2	Impact of construction of 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"> Phase 1 construction complete so focus for this risk is entirely on Phase 2 Planning application for Phase 2 being developed and will need consideration to this risk. 	
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. 	Final account and defect processes currently underway.
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 03/03/2023
					<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. Main risk sits with Westrock and not CBC Key CBC risk is no delivery of remaining affordable units or public square and being located to a derelict site. 	Planning application for Phase 2 being developed and funding currently being sought
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, 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 processes underway. 	Final account discussions commencing which should close down remaining risk on Cat A and Cat B.

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 03/03/2023
PB8	Contractor is declared bankrupt and is unable to complete the construction contract	2 2 4	2 2 4	2 2 4	<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 was a 5% retention of construction costs until practical completion of the project, in addition to a further 3% retention previously negotiated for quality purposes. 5% retention has now been paid given practical completions. 3% retention remains during snagging and defects period. Kier's financial reporting watched closely throughout the project. 	

Responsibility – Group 1 – New Town Hall Design and Build

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 03/03/2023
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. Defect process in place to capture final errors 	
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 	Build completed and handed over. DHN providing heat and power. In defects period until May 2024.

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 03/03/2023
					line with original ER's <ul style="list-style-type: none"> Design review undertaken with Ramboll and RPS and signed off before partial possession. 24 month defects period active to May 2024 	
G1-2	New Town Hall not delivered on time	2 3 6	1 2 2	2 2 4	<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. Practical Completion 26 October. Late delivery implications being considered as part of the final account process. Commercial space income reprofiled within the budget strategy. 	
G1-2 DHN	DHN not delivered on time	2 3 6	4 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 handed over. Risk closed
G1-3	Members facilities do not meet their requirements	2 3 6	1 2 2	1 2 2	<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. 	Members moved across 22 February. Broad satisfaction with space, with facilities being adapted to feedback. Heritage items to be finalised.
G1-4	Staff facilities / infrastructure do not meet their requirements.	2 3 6	1 2 2	2 2 4	<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. 	Two thirds of staff moved across at time of writing. Space well received. Feedback only highlighting minor adaptation needed.

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 03/03/2023
					<ul style="list-style-type: none"> 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. • Part use of third floor increases storage and 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. 	<p>Building opening to the public on 8 March 23.</p> <p>Payment kiosks have been delayed due to contractor issues. Scheduled to arrive in June. Alternative payment arrangement in place.</p>
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 	<p>Number of defects higher than would be expected. These are being addressed with internal mitigations being put in place. CBC taking advice.</p>

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 03/03/2023
					<ul style="list-style-type: none"> 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. 	
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 handed over. Defects period in place as covered in other risks. Risk closed
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 "COVID-19 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. 	Build complete and handed over. Risk closed
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. 	Build complete and handed over. Defects period in place as covered in other risks. Risk closed

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 03/03/2023
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. 	Build complete and handed over. Defects period in place as covered in other risks. Risk closed
G1-12	Delivery of improved car park facilities, allocated spaces and management plan. Consider risk of staff morale by using the Orchard St car park instead of Exchange Road. Links to group 2 and 3	1 1 1	1 1 1	2 2 4	<ul style="list-style-type: none"> • Car Park improvements part of the redevelopment plan • Kingsgate car park procured since risk identification meaning capacity no longer an issue • ANPR installed in Exchange Road Car Park and Kingsgate will be upgraded to same system Spring 2023. • Some prospective tenants indicating that allocated parking would be attractive • Strategic review of car parks upcoming 	
G1-13	WSCC Eastern Gateway project impact on infrastructure	1 3 3	2 2 4	2 2 4	<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. • Works complete and signed off by WSCC, but outstanding subsequent query to be resolved prior to closing. 	

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 03/03/2023
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 although this is not a requirement prior to mobilisation. 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. 	Complete. Risk closed.
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. 	On track to open on 8 March after which risk can be closed if no problems.

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/Comments 03/03/2023
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. Procurement underway for a mobilisation and disposal contract to assist with the move. 	<p>Mobilisation nearing completion with no major complications</p> <p>Risk closed</p>
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. Services are preparing and sending boxes for scanning and undertaking quality assessments with a view to completing by end of August. 	<p>Scanning contract in place and scanning all but complete.</p> <p>Risk closed.</p>
G2-5	Purchase of furniture, fixtures and equipment exceeds budget	2 4 8	2 3 6	2 2 4	<ul style="list-style-type: none"> Still further items including glass manifestation etc. to be costed. Regular budget management taking place to review spend against available budgets. 	Approaching very end of the project and within budget, but remains open for now in case of need for further purchases.

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 03/03/2023
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	4 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. 	Space has been well received by prospective tenants and agents, and we are well positioned. As this is about design and financial risks capture elsewhere, this risk is now closed.
G3-3	Letting the top floors commercial office space may be difficult in the new business environment due to: <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. 	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 appointed in March. Dedicated agents' event held September 2022 to promote the space as part of Invest Crawley programme. 	Space has been well received by agents and prospective tenants. Building is well positioned. Decisions taking longer as firms and existing landlords adjust. Risk remains until tenanted.

Responsibility – Group 4 – Facilities Management (FM)

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 03/03/2023
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. 	Reception arrangements in place and have been well received by agents and prospective tenants.

Responsibility – Group 5 – Heat Network

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 03/03/2023
G5-1	District Heat Network not being progressed impacts detrimentally on overall scheme	2 2 4	4 2 2	4 3 3	<ul style="list-style-type: none"> • See comments in Group 1. 	Practical completion achieved. Risk closed.
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		4 2 2	2 3 6	<ul style="list-style-type: none"> • Ongoing meetings with O&M contractor to update on design • Robust commissioning schedule to be implemented 	PC has been agreed and Pinnacle Power satisfied with design and build standard. Risk closed
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 3 6	<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 • Aligning timing of setting heat tariff along side gas procurement. 	Design criteria and HNIP funding requirements have been met. Gas prices have increased significantly. The approach now is to mitigate the risk between our purchase of gas and the heat price charged to customers. This will need to be managed on an on going basis to ensure gas purchase cycle and setting of heat charge are aligned.

Responsibility – Group 6 – Benefits Realisation

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 03/03/2023
G6-1	Project benefits not realised	3 2 6	3 2 6	1 2 2	<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. 	Achieved. Final benefit report being produced prior to risk closure

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

20 March 2023

Internal Audit Plan 2023-24

Report of the Head of Corporate Finance – FIN/616

1. Purpose

- 1.1 The purpose of this paper is to present the Internal Audit Plan 2023-24 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 2023-24 as attached as Appendix A to this report.

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 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 2023-24 (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: Carolin Martlew, Head of Corporate Finance

Southern Internal Audit Partnership

Assurance through excellence
and innovation

CRAWLEY BOROUGH COUNCIL INTERNAL AUDIT PLAN 2023-24

Prepared by: Iona Bond, Senior Audit & Counter Fraud Manager

February 2023

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 strategic lead will be Iona Bond, Senior Audit and Counter Fraud Manager, supported by Vanessa Anthony, 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 2023 - 2027

The purpose of the Council’s corporate priorities 2023 to 2027 document is to set out their strategic direction for the four-year period. This is linked to the administration’s Manifesto, the Budget Strategy and the Transformation Plan.

The corporate priorities consist of six key headline priority objectives which are underpinned by 33 objectives, projects and initiatives.

The six priorities are:

- **Delivering value for money and modernising the way we work**
- **Delivering affordable homes for Crawley and addressing homelessness**
- **Enabling a sustainable economic recovery and improving job opportunities**
- **Reconnecting communities**
- **Providing high quality leisure and culture facilities and supporting health and wellbeing services**
- **Protecting the environment**

Developing the Internal Audit Plan 2023/24

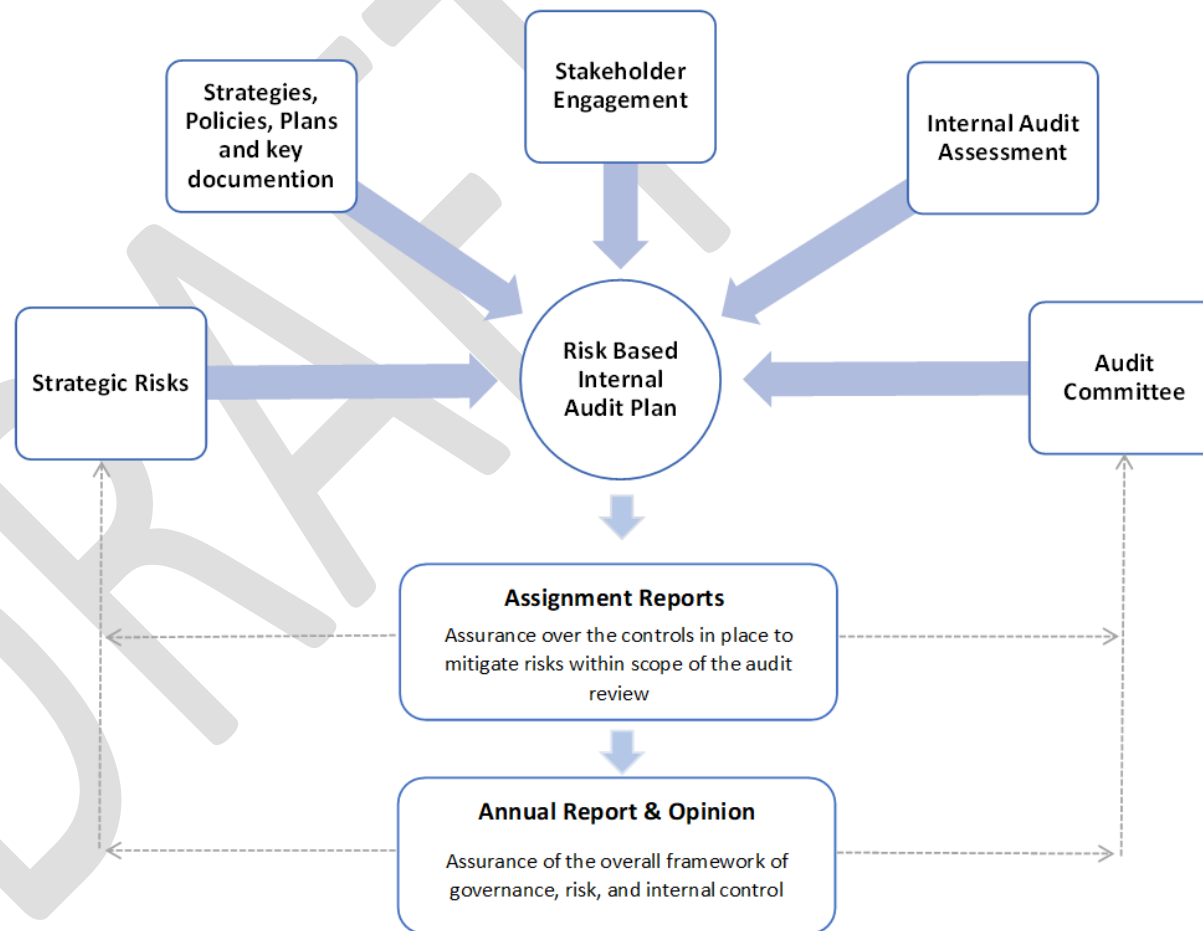
In accordance with the Public Sector Internal Audit Standards there is a requirement that internal audit establish a risk-based audit plan to determine the resourcing of the internal audit service, consistent with the organisation’s goals.

Based on conversations with key stakeholders, review of risk registers, key corporate documents and our understanding of the organisation, the Southern Internal Audit Partnership have developed an annual audit plan for the coming year.

Audit planning is a perpetual process throughout the course of the year to ensure we are able to react to new and emerging risks and the changing needs of the organisation.

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 2023-24

Audit Review	Audit Sponsor	Indicative Scope	Corporate Risks	Proposed Timing
Governance				
Procurement	Head of Corporate Finance	Assurance over the robustness of procurement and decision-making process, emergency procurements / purchases, compliance with Contract Standing Orders. Due diligence of new suppliers.		Q3
Corporate Performance and Complaints	Head of Legal, Democratic and HR	Assurance over the processes in place to manage and respond to complaints.		Q1
Health and Safety	Head of Legal, Democratic and HR	Assurances over the health and safety processes established within the new Town Hall.	✓	Q1
Information Governance	Head of Legal, Democratic and HR	Assurance over information governance arrangements to include FOI, SAR, Transparency and General Data Protection Regulation (GDPR).	✓	Q4
IT				
Cyber Security	Head of Digital and Transformation	An annual review to review on a cyclical basis of key initiatives including: <ul style="list-style-type: none"> · cyber security policies, procedures · training and awareness · detection and recovery · cyber risk assessments · monitoring incidents · key risk indicators and remediation · assessing relationships with third parties and suppliers. 		Q4
IT Asset Management	Head of Digital and Transformation	Assurance that the organisations IT assets are accounted for, deployed, maintained, and appropriately disposed of.		Q2
PCI	Head of Corporate Finance	Compliance to meet industry standards.		Q3

Audit Review	Audit Sponsor	Indicative Scope	Corporate Risks	Proposed Timing
Core Financial				
Main Accounting	Head of Corporate Finance	Cyclical review as a key financial system.		Q1
Housing Rents	Head of Crawley Homes	Cyclical review as a key financial system.		Q4
Delivering value for money and modernising the way we work				
Commercial Properties	Head of Corporate Finance	Assurance over the governance and processes in place to manage the commercial property portfolio.		Q4
Delivering affordable homes for Crawley and reducing homelessness				
Homelessness	Head of Strategic Housing	Assurance over the processes in place to manage and prevent homelessness.		Q3
Statutory Checks: <ul style="list-style-type: none"> Asbestos (Q1) Lifts (Q2) Water Safety (Q3) 	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 – Q3
Responsive repairs	Head of Crawley Homes	Assurance over the arrangements in place for the management and operation of the responsive repairs contract.		Q2
Protecting the Environment				
Water Neutrality Strategy	Head of Economy and Planning	Assurances over the processes followed to research, develop, approve and monitor the Water Neutrality Strategy.	✓	Q1
Climate Action Plan	Head of Economy and Planning	Assurance over the governance arrangements and funding plan established to manage and monitor progress against the Climate Change Action Plan.	✓	Q4
Improving job opportunities and developing the local economy				
Crawley Growth Programme	Head of Economy and Planning	Assurances over the processes in place for awarded Crawley Growth Programme Funding. This would be in accordance with any grant determination(s) in place.	✓	Q3

Audit Review	Audit Sponsor	Indicative Scope	Corporate Risks	Proposed Timing
Towns Fund	Head of Corporate Finance	Assurances over the processes in place for awarded Towns Fund Programme Funding. This would be in accordance with any grant determination(s) in place.	✓	Q2
Providing high quality leisure and culture facilities and supporting health and wellbeing services				
Community Facilities	Head of Major Projects and 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.		Q2
Creating Stronger Communities				
Community Safety and Enforcement	Head of Community Services Head of Crawley Homes	Assurance over the processes in place to manage and prevent anti social behaviour.		Q3
Other				
Parking (and Enforcement)	Head of Community Services	Assurance over collection of car park income (end to end review from point of pay to banking and reconciliation).		Q1
Environmental Health – Port Health	Head of Community Services	Assurance over the processes in place to manage regulatory activities, e.g. food safety, pollution control, enforcement. For 2023/24 the focus will be on Port Health.		Q2
Development Management	Head of Economy and Planning	Assurance over the process in place to manage and collect Community Infrastructure Levy.		Q2
Miscellaneous				
Management				Q1 – Q4
Total Days				393

Agenda Item 9

Crawley Borough Council

Report to the Audit Committee

20 March 2023

Internal Audit Charter 2023-2024

Report of the Head of Corporate Finance – FIN/620

1. Purpose

- 1.1 The purpose of this paper is to present the Internal Audit Charter 2023-2024 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 2023-2024 as attached as Appendix A to this report.

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 The Internal Audit 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 Public Sector Internal Audit Standards require the charter to be reviewed and approved annually.

- 4.2 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 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 2023-2024 for review and comment.

Report author and contact officer: Carolin Martlew, Head of Corporate Finance



**Southern Internal
Audit Partnership**

The logo for Southern Internal Audit Partnership features the company name in a bold, dark blue sans-serif font. A thin green curved line is positioned beneath the words 'Internal' and 'Audit'.

Assurance through excellence
and innovation

CRAWLEY BOROUGH COUNCIL
Internal Audit Charter 2023/24

Prepared By: Iona Bond, Senior Audit and Counter Fraud Manager
February 2023

Internal Audit Charter – 2023/24

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 & Governance 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 Policy.

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.

SIAP will review the governance arrangements 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;
- 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.

Annex 1

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 Guildford Borough Council
Blue light Key Stakeholder Partners:	Hampshire & IoW Fire & Rescue Authority West Sussex Fire Service Office of the Hampshire & IoW 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

Annex 2

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.

Crawley Borough Council

Report to Audit Committee

20 March 2023

IFRS 16: Explanation and Impact

Report of the Head of Corporate Finance – FIN/617

1. Purpose

- 1.1 The purpose of this report is to explain the impact of IFRS 16 Leases on the Council.

2. Recommendations

- 2.1. That the Committee notes this report.

3. Reasons for the Recommendations

- 3.1. The Code of Practice on Local Authority Accounting mandates the adoption of IFRS 16 from 1 April 2024. This has been postponed a number of times: the latest followed an emergency consultation on deferring implementation until 1 April 2024 in an attempt to alleviate current delays to the publication of audited financial statements. The proposed deferral was approved but allowed early adoption from 1 April 2022 or 1 April 2023. The Council elected to adopt from 1 April 2022.

4. Background

- 4.1. The adoption of IFRS 16 will be a change in accounting policy for the 2022/23 financial statements. The previous accounting standard was IAS 17.
- 4.2. Traditionally there was a distinction between finance leases and operating leases. Finance leases were accounted for as acquisitions (with the asset on the balance sheet, together with a liability to pay for the asset acquired). In contrast, operating leases were treated as 'pay as you go' arrangements with rentals expensed in the year they are paid. IFRS 16 removes this distinction.

Agenda Item 11

5. Planning for IFRS 16

- 5.1. Work on IFRS commenced before the start of the 2022/23 financial year as any impacts needed to be built into the Budget and Treasury Management Strategy. Identification of leases involved reviewing the financial records and through discussions with service departments. All leases had to be identified, even if they were for a peppercorn rent or hidden within a service contract.
- 5.2. Once identified, the leases were assessed against accounting policy criteria – short-term leases (lease terms of 12 months or less) were outside the scope, as were leases with underlying assets of low value (judged to be under £10,000).

6. Impact of IFRS 16

- 6.1. Two qualifying leases were identified with a combined annual rental value of £13,601. IFRS 16 would bring then bring these assets onto the balance sheet with a corresponding lease liability. In the Comprehensive Income and Expenditure Statement, the annual rental is replaced with depreciation (and statutory reversal), a minimum revenue provision (MRP) and an interest expense. The following table shows the changes to the 2022/23 accounts:

	Before IFRS 16 £	After IFRS 16 £
<u>Comprehensive Income and Expenditure Statement</u>		
Operating Leases in Net Cost of Services	13,601	-
Depreciation in Net Cost of Services		12,901
Statutory Reversal of Depreciation		(12,901)
MRP (within Financing and Investments I&E)		12,901
Interest (within Financing and Investments I&E)		700
Total impact on General Fund Balance	13,601	13,601
<u>Balance Sheet at 1 April 2022</u>		
Property, Plant and Equipment		44,336
Short Term Borrowing		(13,395)
Long Term Borrowing		(30,941)
Total impact on Balance Sheet	0	0

- 6.2. As these leases bring borrowing onto the Balance Sheet, the prudential and treasury management indicators in the Treasury Management Strategy for 2022/23 had to be adjusted. These included the Capital Financing Requirement (CFR), the MRP, the Authorised Limit and the Operational Limit for Debt.

7. Background Papers

- Code of Practice on Local Authority Accounting in the UK 2022/2023 (Chartered Institute of Public Finance and Accountancy)
- IFRS 16 Leases: An Early Guide for Local Authority Practitioners (Chartered Institute of Public Finance and Accountancy)
- [CIPFA Bulletin 10 – Closure of the 2021/22 Financial Statements](#)

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

Crawley Borough Council Audit planning report

Year ended 31 March 2022

February 2023

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Agenda Item 12



Building a better
working world

24 February 2023



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

Dear Members

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2021/22 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for Crawley Borough Council, and outlines our planned audit strategy in response to those risks. We have not yet completed our value for money risk assessment and any changes to our risk assessment will be communicated to the Committee at the earliest opportunity.

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

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Elizabeth Jackson

For and on behalf of Ernst & Young LLP

Contents



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/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) 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

Overview of our 2021/22 audit strategy



Overview of our 2021/22 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change in risk or focus from prior year	Details
Misstatements due to fraud or error (management override)	Fraud risk	No change in risk or focus	As identified in ISA 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 would otherwise appear to be operating effectively.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	Fraud risk	No change in risk or focus	<p>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.</p> <p>We believe the risk of manipulation is most likely to manifest in the incorrect capitalisation of revenue expenditure through either inappropriate additions to Property, Plant and Equipment (PPE) and Investment Property (IP) or incorrect classification of expenditure as Revenue Expenditure Funded from Capital Under Statute (REFCUS), as there is an incentive to reduce expenditure which is funded from Council Tax.</p>
Valuation of PPE using Existing Use Value (EUUV) and Investment Property (IP) at Fair Value (FV) method	Significant risk	No change in risk or focus	The value of these assets 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, covering both those assets that are revalued within the year and the continuing material accuracy of those valued in prior periods.

Overview of our 2021/22 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change in risk or focus from prior year	Details
Valuation of PPE and HRA using Depreciated Replacement Cost (DRC) method	Inherent risk	No change in risk or focus	<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.</p> <p>Management is required to make a lesser degree of material judgmental 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>
Accounting for Pension Fund Asset	Inherent risk	No change in risk or focus	<p>The Council's pension fund asset is a material estimated balance and the Code requires that this asset be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.</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 and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>
Valuation of NNDR Appeals Provision	Inherent risk	No change in risk or focus	<p>Crawley Borough Council's NNDR Appeal Provision was valued at £5,716,000 at 31 March 2022. This is a high value estimate driven by internal calculations and judgement.</p>

Overview of our 2021/22 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change in risk or focus from prior year	Details
Transfer of HRA Garages to the General Fund	Inherent risk	New inherent risk	In December 2020, Full Council agreed to transfer the garages from the Housing Revenue Account to the General Fund from 1 April 2021. Although the transfer of garages has been agreed by the Council, there is a risk that moving garages from Housing Revenue Account to the General Fund may not be in line with the CIPFA code requirements.
Housing Rents Issue	Inherent risk	Changed from Significant Risk to Inherent Risk	During 2020/21 audit period, the 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 since this date in properties that pre-dated April 2014. As the issue came to light in 2021/22, the Council investigated the issue and made the repayments during the year. The risk is that the Council have not accounted for this correctly in 2021/22.
Infrastructure assets	Area of focus	New area of focus for 2021/22	An issue was raised through the National Audit Office's Local Government Technical Group during 2022 that some local authorities were not writing out the gross cost and accumulated depreciation on highways infrastructure assets when a major part / component has been replaced or decommissioned. We concluded that the Council's infrastructure assets balance was materially fairly stated in 2020/21 financial statements. However, following the guidance issued by DLUHC and CIPFA's adaption to the Code of Practice on Local Authority Accounting in December 2022 we will focus testing on the useful economic lives and records held to support the assets to ensure the new approach to infrastructure assets is comprehensive.

Overview of our 2021/22 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change in risk or focus from prior year	Details
Going Concern Disclosure	Inherent risk	No change in risk or focus	<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 2021/22 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</p> <p>We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'. To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.</p>

Overview of our 2021/22 audit strategy

Council Materiality

Planning
materiality

£2.44m

Materiality has been set at £2.44m, which represents 2% of the 2021/22 gross expenditure on provision of services. The amount we consider material at the end of the audit may differ from our initial determination, and will be determined on the final version 2021/22 financial statements in March 2023.

Performance
materiality

£1.83m

Performance materiality has been set at £1.83m, which represents 75% of planning materiality.

Audit
differences

£122,000

We will report all uncorrected misstatements relating to the primary statements (expenditure and funding analysis, comprehensive income and expenditure statement, movement in reserves, balance sheet, movement in reserves statement, cash flow statement, housing revenue account, and collection fund) greater than £122,000. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

Overview of our 2021/22 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of Crawley Borough Council give a true and fair view of the financial position as at 31 March 2022 and of the income and expenditure for the year then ended; and
- ▶ Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 03.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and,
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the valuation of pension assets, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the ISA 540 (revised) and the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of Crawley Borough Council Council's audit, we will discuss these with management as to the impact on the scale fee.

Effects of climate-related matters on financial statements and Value for Money arrangements

Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to an entity. It is nevertheless important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks may be relevant in the context of qualitative disclosures in the notes to the financial statements and value for money arrangements.

We make inquiries regarding climate-related risks on every audit as part of understanding the entity and its environment. As we re-evaluate our risk assessments throughout the audit, we continually consider the information that we have obtained to help us assess the level of inherent risk.

Overview of our 2021/22 audit strategy

Value for money conclusion

We include details in Section 03 but in summary:

- ▶ We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.
- ▶ Planning on value for money and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.
- ▶ We will provide a commentary on the Council's arrangements against three reporting criteria:
 - ▶ 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.
- ▶ The commentary on VFM arrangements will be included in the Auditor's Annual Report.



02

Audit risks



Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

<p>Misstatements due to fraud or error * (management override)</p>	<p>What is the risk?</p> <p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK) 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.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>	<p>What will we do?</p> <p>We will undertake our standard procedures to address the fraud risk, which include:</p> <ul style="list-style-type: none"> ▶ Identifying fraud risks during the planning stages; ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks; ▶ Understanding the oversight given by those charged with governance of management’s processes over fraud; ▶ Consideration of the effectiveness of management’s controls designed to address the risk of fraud; ▶ Determining an appropriate strategy to address those identified risks of fraud; and ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including: <ul style="list-style-type: none"> ▶ Testing of journal entries and other adjustments in the preparation of the financial statements. ▶ Reviewing accounting estimates for evidence of management bias. ▶ Evaluating the business rationale for significant unusual transactions.
<p>Financial statement impact</p> <p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p>		

Our response to significant risks (continued)

Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure and REFCUS *

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.

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 will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Sample test additions to property, plant and equipment to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised;
- ▶ Test REFCUS, if material, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ring fenced capital resources; and
- ▶ Use our data analytics tool to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes within the general ledger.

Financial statement impact

We have assessed that the risk of fraud in revenue and expenditure recognition is most likely to occur through the inappropriate capitalisation of revenue expenditure. This would have the impact of reducing revenue expenditure and increasing additions to PPE.

The draft 2021/22 financial statements show the Council incurred additions to PPE of £41.1m with nil additions to IP and REFCUS of £4.0m.

Our response to significant risks (continued)

Valuation of PPE using Existing Use Value (EUV), Investment Property (IP) at Fair Value (FV) method

Financial statement impact

The valuation of land and buildings and investment properties represent material figures within the Council's financial statements.

Those valuations are reliant upon judgements and assumptions which can have a material impact on the values on the Council's balance sheet.

The draft 2021/22 financial statements show land and buildings assets were valued at £190.68m, Council Dwellings at £785.35m and Investment Properties at £17.89m.

What is the risk?

The value of land & buildings in PPE and in IP 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.

Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.

What will we do?

We will:

- ▶ Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Challenge the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists (as necessary - such as significant or unusual movements in valuation, difficult to value specialist assets, etc.)
- ▶ Sample testing key asset information used by the valuer in performing their valuation (e.g. building areas to support valuations based on price per square metre);
- ▶ Consider the annual cycle of valuations to ensure that all relevant properties 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;
- ▶ Review assets not subject to valuation in 2021/22 to confirm that the remaining asset base is not materially misstated;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation; and
- ▶ Test accounting entries have been correctly processed in the financial statements.

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 and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Valuation of Land & Buildings in PPE under Depreciated Replacement Cost (DRC) and Housing Revenue Account (HRA) properties

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.

What will we do?

We will:

- ▶ Consider 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;
- ▶ Challenge 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);
- ▶ Consider 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;
- ▶ Review properties not subject to valuation in 2021/22 to confirm that the remaining asset base is not materially misstated;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation; and
- ▶ Test accounting entries have been correctly processed in the financial statements.

Other areas of audit focus (continued)

What is the risk/area of focus?

Accounting for Pension Fund Asset

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

The Council's pension fund asset is a material estimated balance and the Code requires that this asset be disclosed on the Council's balance sheet. At 31 March 2021 this totalled £28.38m and in the draft financial statements as at 31 March 2022 this totalled £37.08m.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary.

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.

Valuation of NNDR Appeals Provision

Crawley Borough Council's share of the NNDR Appeal Provision is valued at £5,716,000 in the draft financial statements to 31 March 2022. This is a high value estimate driven by internal calculations and judgement.

What will we do?

We will:

- ▶ Liaise with the auditors of West Sussex Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council;
- ▶ Assess 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;
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19; and
- ▶ Where outturn information is available at the time we undertake our work after production of the Council's draft financial statements (for example the year-end actual valuation of pension fund assets), we will use this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments are required.

We will:

- ▶ Agree data used to calculate the provision to reports received from the Valuations Office Agency;
- ▶ Confirm appeals percentage provided for is reasonable, considering the government's baseline data for predicting business rates appeals;
- ▶ Repeat perform calculations to confirm arithmetical correctness; and
- ▶ Compare the level of appeals at 31 March 2022 and 31 March 2021 to assess the reasonableness of amounts provided for at year end.

Other areas of audit focus (continued)

What is the risk/area of focus?

Transfer of HRA Garages to the General Fund

In December 2020, Full Council agreed to transfer the garages from the Housing Revenue Account to the General Fund from 1 April 2021. Although the transfer of garages has been agreed by the Council, there is a risk that moving garages from Housing Revenue Account to the General Fund may not be in line with the CIPFA code requirements.

Housing Rent Issue

During 2020/21 audit period, the 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 since this date in properties that pre-dated April 2014. As the issue came to light in 2021/22, the Council investigated the issue and made the repayments during the year. The risk is that the Council have not accounted for this correctly in 2021/22.

What will we do?

We will:

- ▶ Obtain a briefing paper from the Council outlining the arrangements under which such a transfer can be made with due reference to the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22;
- ▶ Perform our own correlation of the movement to CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 to ensure that we concur with the Council's view;
- ▶ Review the communication with those charged with governance to ensure appropriate governance arrangements were observed with regards to the transfer; and
- ▶ Test the accounting for the transfer to ensure that the Council has accounted for this appropriately.

In order to address this risk we will carry out a range of procedures including:

- ▶ Updating our understanding of the areas reviewed in 2020/21
 - ▶ 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.
- ▶ Reviewing the accounting for this issue in the 2021/22 financial statements to ensure that this is in line with CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2021/22

Other areas of audit focus (continued)

What is the risk/area of focus?

Infrastructure Assets (area of focus)

An issue was raised through the National Audit Office's Local Government Technical Group during 2022 that some local authorities were not writing out the gross cost and accumulated depreciation on highways infrastructure assets when a major part / component has been replaced or decommissioned. We concluded that the Council's infrastructure assets balance was materially fairly stated in 2020/21 financial statements. However, following the guidance issued by DLUHC and CIPFA's adaption to the Code of Practice on Local Authority Accounting in December 2022 we will focus testing on the useful economic lives and records held to support the assets to ensure the new approach to infrastructure assets is in place for all assets.

Going Concern

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.

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis.

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'.

To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.

What will we do?

We will:

- Understand the Council's Infrastructure Assets balance and the individual assets comprising this balance
- Sample test expenditure additions to Infrastructure Assets to test whether they are additions to an asset or are replacements component of an asset
- Review the useful economic lives to determine if they are in line with the expected lives set out in the guidance
- Determine if the Council's approach to writing out gross cost and accumulated depreciation on the Infrastructure Assets balance and any replacement additions to determine whether this is materially correct at the balance sheet date.

In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we will seek documented and detailed consideration to support management's assertion regarding the going concern basis. Our audit procedures to review these will include consideration of:

- ▶ Current and developing environment;
- ▶ Liquidity (operational and funding);
- ▶ Mitigating factors;
- ▶ Management information and forecasting; and
- ▶ Sensitivities and stress testing.

Due to the impact of Covid-19, we will consult internally, if required, with our risk department over the level of appropriate disclosure.

Other areas of audit focus (continued)

Auditing accounting estimates

ISA 540 (Revised) - Auditing Accounting Estimates and Related Disclosures applies to audits of all accounting estimates in financial statements for periods beginning on or after December 15, 2019.

This revised ISA responds to changes in financial reporting standards and a more complex business environment which together have increased the importance of accounting estimates to the users of financial statements and introduced new challenges for preparers and auditors.

The revised ISA requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether there is a significant risk or not. At the same time, we expect the number of significant risks we report in respect of accounting estimates to increase as a result of the revised guidance in this area.

The changes to the standard may affect the nature and extent of information that we may request and will likely increase the level of audit work required, particularly in cases where an accounting estimate and related disclosures are higher on the spectrum of inherent risk. For example:

- ▶ We may place more emphasis on obtaining an understanding of the nature and extent of your estimation processes and key aspects of related policies and procedures. We will need to review whether controls over these processes have been adequately designed and implemented in a greater number of cases.
- ▶ We may provide increased challenge of aspects of how you derive your accounting estimates. For example, as well as undertaking procedures to determine whether there is evidence which supports the judgments made by management, we may also consider whether there is evidence which could contradict them.
- ▶ We may make more focussed requests for evidence or carry out more targeted procedures relating to components of accounting estimates. This might include the methods or models used, assumptions and data chosen or how disclosures (for instance on the level of uncertainty in an estimate) have been made, depending on our assessment of where the inherent risk lies.
- ▶ You may wish to consider retaining experts to assist with related work. You may also consider documenting key judgements and decisions in anticipation of auditor requests, to facilitate more efficient and effective discussions with the audit team.
- ▶ We may ask for new or changed management representations compared to prior years.



03

Value for Money Risks





Value for Money

Council responsibilities for value for money

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.

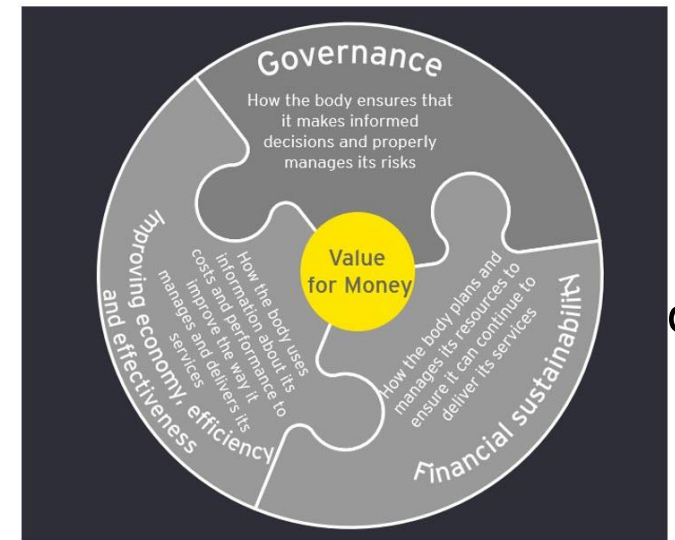
As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Auditor responsibilities

Under the NAO Code of Audit Practice we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 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.
- ▶ 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.





Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes requires us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

In considering the Council's arrangements, we are required to consider:

- ▶ The Council's governance statement;
- ▶ Evidence that the Council's arrangements were in place during the reporting period;
- ▶ Evidence obtained from our work on the accounts;
- ▶ The work of inspectorates and other bodies; and
- ▶ Any other evidence source that we regards as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- ▶ Exposes - or could reasonably be expected to expose - the Council to significant financial loss or risk;
- ▶ Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the Council's reputation;
- ▶ Leads to - or could reasonably be expected to lead to - unlawful actions; or
- ▶ Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- ▶ The magnitude of the issue in relation to the size of the Council;
- ▶ Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- ▶ The impact of the weakness on the Council's reported performance;
- ▶ Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- ▶ Whether any legal judgements have been made including judicial review;
- ▶ Whether there has been any intervention by a regulator or Secretary of State;
- ▶ Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- ▶ The impact on delivery of services to local taxpayers; and
- ▶ The length of time the Council has had to respond to the issue.



Value for Money

Responding to identified risks of significant weakness

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit Committee.

Reporting on VFM

Where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the Code requires that we should refer to this by exception in the audit report on the financial statements.

In addition, the Code requires us to include the commentary on arrangements in the Auditor's Annual Report. The Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Status of our 2021/22 VFM planning

Our risk assessment is not yet complete. As part of completing our risk assessment we will consider:

- ▶ Our entity level controls and understanding the business assessment
- ▶ Council meeting minutes
- ▶ Our planning meetings with management
- ▶ Key financial and budget information
- ▶ Key performance reports
- ▶ Our cumulative knowledge and experience
- ▶ Other documentary evidence available on the Council's website

We have not identified a risk of significant weakness in the Council's arrangements that the Council did not have proper arrangements to secure economy, efficiency and effectiveness on its use of resources at that time in our work completed to date.

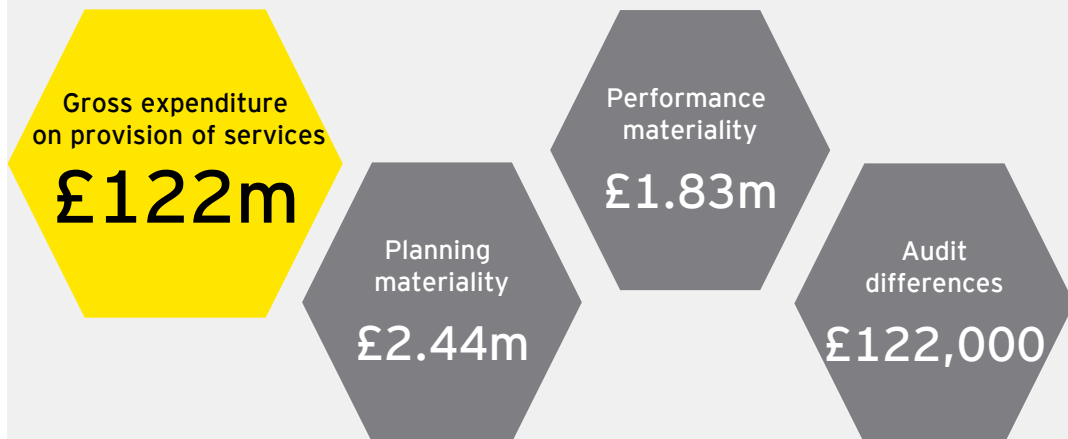


04 Audit materiality

Materiality

Materiality

For planning purposes, materiality for 2021/22 has been set at £2.44m. This represents 2% of the Council's gross expenditure on provision of services from the 2021/22 draft financial statements. We believe this to be the appropriate measurement basis as the Council is expenditure driven in delivering services to its residents as opposed to the income or other available measurement bases. We consider a range of 0.5% - 2.0% which is an industry benchmark. We have used the higher end of the range as the Council has historically maintained a reasonable level of revenue reserves, and achieved financial performance targets. This will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix C.



Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £2.44m which represents 75% of planning materiality. The rationale for using 75% is based on the anticipation of identifying few or no errors during the audit. This expectation has been built on our experience of the Council in the prior year.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Governance Committee, or are important from a qualitative perspective.

Specific materiality - We can set a lower materiality for specific accounts disclosure e.g. remuneration disclosures, related party transactions and exit packages which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this. Where we do this we will notify you.



05 Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice, our principal objectives are to undertake work to support the provision of our audit report to the audited body and to satisfy ourselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our opinion on the financial statements:

- ▶ whether the financial statements give a true and fair view of the financial position of the audited body and its expenditure and income for the period in question; and
- ▶ whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- ▶ whether other information published together with the audited financial statements is consistent with the financial statements; and
- ▶ where required, whether the part of the remuneration report to be audited has been properly prepared in accordance with the relevant accounting and reporting framework.

Other procedures required by the Code:

- ▶ Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the NAO.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

As outlined in Section 03, we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

For 2021/22 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

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

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit:

We will review internal audit plans and the results of their work. We use this to inform our ongoing assessment of risks likely to impact our responsibilities.



06 Audit team

Audit team

Audit team structure:

Elizabeth Jackson*
Partner

Hannah Lill
Senior Manager

Aphiwe Dudeni
Lead Senior

EY Real Estates

Specialist PWC
(consulting
actuary) and EY
Actuaries

* Key Audit Partner

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of PPE, HRA Assets, and Investment Properties	Management specialist: Wilks, Head & Eve (WHE) EY Real Estate Specialists
Pensions disclosure	Management specialist: Hymans Robertson LLP - Actuary EY Actuaries PWC Actuary commissioned by NAO

In accordance with auditing standards, we will evaluate the specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

Developing the right Audit Culture

In July 2021, EY established a UK Audit Board (UKAB) with a majority of independent Audit Non-Executives (ANEs). The UKAB will support our focus on delivering high-quality audits by strengthening governance and oversight over the culture of the audit business. This focus is critical given that audit quality starts with having the right culture embedded in the business.

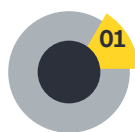


Our audit culture is the cement that binds together the building blocks and foundation of our audit strategy. We have been thoughtful in articulating a culture that is right for us: one that recognises we are part of a wider, global firm and is clear about whose interests our audits serve.

There are three elements underpinning our culture:

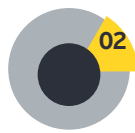
1. Our people are focused on a **common purpose**. It is vital we foster and nurture the values, attitudes and behaviours that lead our people to do the right thing.
2. The essential attributes of our audit business are:
 - ▶ **Right resources** – We team with competent people, investing in audit technology, methodology and support
 - ▶ **Right first time** – Our teams execute and review their work, consulting where required to meet the required standard
 - ▶ **Right reward** – We align our reward and recognition to reinforce the right behaviours

3. The six pillars of Sustainable Audit Quality are implemented.



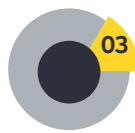
Tone at the top

The internal and external messages sent by EY leadership, including audit partners, set a clear tone at the top - they establish and encourage a commitment to audit quality



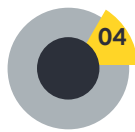
Exceptional talent

Specific initiatives support EY auditors in devoting time to perform quality work, including recruitment, retention, development and workload management



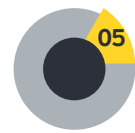
Accountability

The systems and processes in place help EY people take responsibility for carrying out high-quality work at all times, including their reward and recognition



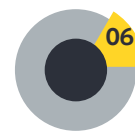
Audit technology and digital

The EY Digital Audit is evolving to set the standard for the digital-first way of approaching audit, combining leading-edge digital tools, stakeholder focus and a commitment to quality



Simplification and innovation

We are simplifying and standardising the approach used by EY auditors and embracing emerging technologies to improve the quality, consistency and efficiency of the audit



Enablement and quality support

How EY teams are internally supported to manage their responsibility to provide high audit quality

A critical part of this culture is that our people are **encouraged and empowered to challenge and exercise professional scepticism** across all our audits. However, we recognise that creating a culture requires more than just words from leaders. It has to be reflected in the lived experience of all our people each and every day enabling them to challenge themselves and the companies we audit.

Each year we complete an audit quality culture assessment to obtain feedback from our people on the values and behaviours they experience, and those they consider to be fundamental to our audit quality culture of the future. We action points that arise to ensure our culture continues to evolve appropriately.

2021 Audit Culture Survey result

A cultural health score of 78% (73%) was achieved for our UK Audit Business

We bring our culture alive by investing in three priority workstreams:

- Audit Culture with a focus on professional scepticism
- Adopting the digital audit
- Standardisation

This investment has led to a number of successful outputs covering training, tools, techniques and additional sources. Specific highlights include:

- Audit Purpose Barometer
- Active Scepticism Framework
- Increased access to external sector forecasts
- Forensic risk assessment pilots
- Refreshed PLOT training and support materials, including embedding in new hire and trainee courses
- Digital audit training for all ranks
- Increased hot file reviews and improved escalation processes
- New work programmes issued on auditing going concern, climate, impairment, expected credit losses, cashflow statements and conducting effective oversight
- Development of bite size, available on demand, task specific tutorial videos

“A series of company collapses linked to unhealthy cultures....have demonstrated why cultivating a healthy culture, underpinned by the right tone from the top, is fundamental to business success.”

Sir John Thompson
Chief Executive of the FRC



07

Audit timeline





Audit timeline

Timetable of communication and deliverables

Timeline

At the point of issuing this report we have completed the audit of 2020/21 in November 2022; this has impacted our timetable for 2021/22.

We started our audit planning in January 2023, including the completion of system walkthroughs, and sent initial requests and samples for testing. We have also scheduled regular catch up calls with management every Thursday to update them of the current status of the engagement - items requested, any issues identified, and progress of the audit procedures. The Audit Manager also holds weekly calls with the Chief Accountant to discuss audit progress and ensure a smooth running of the audit. Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2021/22.

We will keep the Audit Committee updated through our attendance at Committee meetings.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit committee timetable	Deliverables
Planning: Risk assessment and setting of scopes.	January - February 2023		
Walkthrough of key systems and processes	February 2023		Audit Planning Report circulated via email
Year end audit	February - March 2023		
Year end audit	March 2023	Audit Committee	Audit Results Report
Audit Completion procedures	April		Audit opinion
	May		
	June	Audit Committee	Auditor's Annual Report



08

Independence





Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit/additional services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the audit or external experts used have confirmed their independence to us;
- ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Elizabeth Jackson, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we have an investment in the Council; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval.

In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Relationships, services and related threats and safeguards

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2022

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2022: [EY UK 2022 Transparency Report | EY UK](#)



09

Appendices



Appendix A

Fees

Public Sector Audit Appointments Ltd (PSAA) has published the fee scale for the audit of the 2021/22 accounts of opted-in principal local government and police bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2021/22	Scale fee 2021/22	Final Fee 2020/21
	£	£	£
PSAA Scale Fee	50,291	50,291	50,291
Scale fee rebasing (Note 1)	34,248	-	34,248
Revised proposed scale fee	84,539	50,291	84,539
Scale fee variations			
Scale fee variation - Additional audit work (Note 2)	TBC		16,423
Scale fee variation - PSAA pre-approved additional fee for VFM and ISA540 (Note 3):	8,500 - 13,500	£nil	8,500
Total audit fees	TBC	50,291	109,462*
Other non-audit services not covered above: Housing Benefits			
Total fees	TBC		

All fees exclude VAT

** this is our proposed figure that has been submitted to the PSAA*

The agreed fee presented is also based on the following assumptions:

- ▶ Officers meet the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion are unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

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

Notes

Note 1 - This relates to our scale fee rebasing for the audit, to take into account changes in professional and regulatory requirements to that date. This was previously raised in the 2019/20 audit year and as these are related to ongoing requirements, we have included the impact again in our 2020/21 requested fees. This is the same request that was submitted in the prior year and has been adjusted for the increase in PSAA rates.

Note 2 - This figure includes a variation to the scale fee for items specific to the 2020/21 audit year where additional audit work was undertaken by the audit team. We will submitting a request for this additional work undertaken on:

- ▶ Work of EY expert to calculate an auditors estimate of the pension liability and the valuation of assets;
- ▶ Work on the over charging of housing rents for financial statements and value for money




Note 3 - The fee impacts of the NAO's 2020 Code of Audit Practice, and the revised ISA540 on estimates were new during 2020/21. The PSAA communicated fee ranges for each type of auditee, and our assessed impact for the Council is that both ISA540 and VFM Commentary is at the bottom of the ranges.

Appendix B

Required communications with the Audit Committee




We have detailed the communications that we must provide to the Audit Committee.

Our Reporting to you





Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Planning Report - February 2023
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 - March 2023

Appendix B

Required communications with the Audit Committee (continued)




		 Our Reporting to you
Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit Results Report - March 2023
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 - March 2023
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiries of the Audit Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements 	Audit Results Report - March 2023
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 - March 2023

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ 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 - March 2023
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ 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>Communication whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	Audit Planning Report - February 2023 Audit Results Report - March 2023
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 - March 2023
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 - March 2023

Appendix B

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	 What is reported?	  When and where
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit Results Report - March 2023
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - March 2023
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - March 2023
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - March 2023 Auditor's Annual Report - June 2023
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit Planning Report - February 2023 Audit Results Report - March 2023
Value for Money	<ul style="list-style-type: none"> ▶ Risks of significant weakness identified in planning work ▶ Commentary against specified reporting criteria on the VFM arrangements, including any exception report on significant weaknesses. 	Audit Planning Report - February 2023 Audit Results Report - March 2023 Auditor's Annual Report - June 2023

Additional audit information

Objective of our audit

Our objective is to form an opinion on the Council's financial statements under International Standards on Auditing (UK) as prepared by you in accordance with with International Financial Reporting Standards as adopted by the EU, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in the formal terms of engagement between the PSAA's appointed auditors and audited bodies. We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit Committee. The audit does not relieve management or the Audit Committee of their responsibilities.

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the financial statements. Reading other information contained in the financial statements, the Audit Committee reporting appropriately addresses matters communicated by us to the Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

Additional audit information (continued)

Other required procedures during the course of the audit (continued)

Procedures required by the Audit Code	<ul style="list-style-type: none">▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.▶ Examining and reporting on the consistency of consolidation schedules or returns with the Council's audited financial statements for the relevant reporting period
Other procedures	<ul style="list-style-type: none">▶ We are required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice

We have included in Appendix B a list of matters that we are required to communicate to you under professional standards.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines the level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

Department for Levelling Up, Housing and Communities - Measures to improve local audit delays

The following commitments are made within the Department for Levelling Up, Housing and Communities paper titled- Measures to improve local audit delays:

1. FRC to publish updated Key Audit Partner (KAP) guidance by spring 2022, including new routes for an experienced Registered Individual to become a KAP;
2. Work with CIPFA to further develop the proposal for a new local audit training diploma in local government financial reporting and management aimed at different levels of auditor, and a new technical advisory service that could provide support to firms, and in particular new entrants;
3. DLUHC to provide further funding of £45 million over the course of next Spending Review period to support local bodies with the costs of strengthening their financial reporting, new burdens related to appointment of independent members and other Redmond recommendations and increased auditing requirements;
4. CIPFA to publish strengthened guidance on audit committees by April 2022. The guidance will emphasise the role that audit committees should have in ensuring accounts are prepared to a high standard, alongside broader changes including appointment of independent members. Following consultation, consider making the guidance, committees and the independent member statutory;
5. DLUHC to provide via the Local Government Association sector grant for a number of targeted training events for audit committee chairs;
6. NAO rolling over of amendments to 20/21 AGN 03 and 07 to allow for altering the timing of elements on the VfM arrangements work and enable more focus on fully delivering opinions on the financial statements;
7. CIPFA/LASAAC is undertaking a project to improve the presentation of local authority accounts to inform the development of the 22/23 Accounting Code and comply with IFRS and statutory accounting principles HMT to undertake thematic review of financial reporting valuations for non-investment properties to inform development of the Accounting Code from 22/23 onwards;
8. The government has asked CIPFA/LASAAC to consider the merits of a time-limited change to the Accounting Code for 21/22;
9. Delaying implementation of standardised statements and associated audit requirements;
10. PSAA to progress their proposed procurement strategy for the next round of local audit contracts from 2023/24;
11. Extending the deadline for publishing audited local authority accounts to 30 November 2022 for 21/22 accounts, then 30 September for 6 years, beginning with the 22/23 accounts;
12. NAO to prepare for a re-laying of the Code of Audit Practice 2020 in parliament, so that it will apply for the whole of the next appointing period; and,
13. Developing an industry-led workforce strategy, working with the system leader and audit firms, to consider the future pipeline of local audits, and associated questions related to training and qualifications.

EY | Assurance | Tax | Transactions | Advisory

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ED None

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Crawley Borough Council Audit results report

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March 2023

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Agenda Item 13

EY

Building a better
working world

10 March 2023



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

Dear Audit Committee Members,

2021/22 Audit results report

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. Due to the timing of writing this report, this is a status update and a final report will be circulated once our procedures are finalised. We will update the Audit Committee at its meeting scheduled for 20 March 2023 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 2021/22 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on 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, other members of the Council, and senior management. It is not intended to be and should not be used by any one other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 20 March 2023.

Yours faithfully,

Elizabeth Jackson
Partner
For and on behalf of Ernst & Young LLP



01

Executive Summary



Executive Summary

Scope update

In our audit planning report circulated to members of the Audit Committee in February 2023, 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.

Materiality:

In our Audit Plan, we communicated that our audit procedures would be performed using a materiality of £2.44 million. Performance materiality was set at 75 % of overall materiality and thresholds for reporting misstatements were set at 5% of performance materiality. We have made no changes to these materiality levels.

Status of the audit

Our audit work in respect of the Council's opinion audit is ongoing. The main items relating to the completion of our audit procedures that were outstanding at the date of this report are detailed in Appendix B, including actions required to resolve and responsibility. Once the audit procedures have been performed, the following items will need to be completed:

- ▶ Review of the revised financial statements
- ▶ Completion of manager and partner review of work performed
- ▶ Subsequent events review
- ▶ Receipt of signed management representation letter
- ▶ Receipt of signed Narrative Report and financial statements

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.



Executive Summary

Auditor responsibilities under the 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

We are in the process of concluding our risk assessment. We have not identified any risks of significant weaknesses in our work completed to date and have no matters to report by exception in the auditor's report at this stage (see Section 03).

We plan to issue the VFM commentary within three months of issuing the audit report, in line with the extension provided by the NAO for 2021/22, within our Auditor's Annual Report.



Executive Summary

Audit differences

As in previous years we identified a difference between the audited value of the Council's share of pension scheme assets and the estimated value communicated to the Council's actuary earlier in the year to inform its assessment of the Council's pensions liability. This difference, which we consider to be an update to an estimate and not an error, decreases the reported pensions liability and credit balance on the positive pensions reserve by £0.4 million. This has not been adjusted in the financial statements.

We have identified three audit differences to date in the draft financial statements which management have agreed to adjusted for:

- Management have incorrectly classified £0.4 million as Revenue Expenditure Funded from Capital Under Statute. This amount should have been classified as a repayable grant
- Management have incorrectly classified the Disabled Facilities Grant income of £1.0 million as netting against expenditure
- Management have incorrectly included £0.1 million as the 'interest receivables and similar income' in Note 12 - Financing and Investment Income and Expenditure, This amount should have been classified as 'income and expenditure in relation to investment properties and changes in their fair market value' in Note 12.

We will provide the Audit Committee with a verbal update on any further audit differences on 20 March 2023.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have identified some inconsistencies within the Statement which we are currently discussing with management for amendment. We will report amendments to you as required once the work is complete.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission for 2021/22. However, we do not expect any issues in performing this work as the Council falls below the threshold set within the guidance from HM Treasury and the group audit instructions for 2021/22 on which our work is based.

We have no other matters to report.

Executive Summary

Areas of audit focus

In our Audit Plan, we identified a number of key areas of focus for our audit of the financial report of Crawley Borough 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 (management override)	Our work is ongoing in this area. We have not identified any evidence that management has overridden controls in order to prepare fraudulent financial statement balances or postings within the financial statements in our work completed to date.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	<p>We have identified one misclassification of a £0.4 million repayable grant classified as the Revenue Expenditure Funded from Capital Under Statute.</p> <p>We have concluded our work on the testing of additions made to Property, Plant and Equipment during the year, subject to review and have not identified any evidence of manipulation through incorrect capitalisation of revenue expenditure within the Property, Plant and Equipment additions balance.</p>

Significant Risk	Findings & Conclusions
Valuation of PPE using Existing Use Value (EUV)	<p>We employed the use of our own expert to support the work in relation to the valuation of land and buildings on an EUV basis.</p> <p>Our expert are still in a process of reviewing the valuation of 4 properties. The work is still in progress and we will update you with the findings once we have completed our work.</p>
Valuation of Investment Properties (IP) under Fair Value (FV)	<p>We employed the use of our own expert to support the work in relation to the valuation of investment properties on an FV basis.</p> <p>Our expert are still in a process of reviewing the valuation of 3 properties. The work is still in progress and we will update you with the findings once we have completed our work.</p>

Executive Summary

Areas of audit focus

Area of Audit Focus / Inherent Risk	Findings & Conclusions
Valuation of Land & Buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost (DRC)	We employed the use of our own expert to support the work in relation to the valuation of land and buildings on an DRC basis. Our expert are still in a process of reviewing the valuation of 1 property. The work is still in progress and we will update you with the findings once we have completed our work.
Valuation of Housing Revenue Account (HRA) properties	The work is still in progress and we will update you with the findings once we have completed our work.
Accounting for Pension Fund Asset	We tested the Council's pension asset valuation and assessed the work of the Council's actuary. We are satisfied that the pension asset and associated balances within the financial statements are not materially misstated, subject to review. We have undertaken additional audit procedures in responses to the updated ISA540 regarding accounting estimates. These have included the production of a parallel IAS19 report by an EY pensions expert which was then compared to the report prepared by Hymans Robertson. No material differences were identified from this process.
Valuation of NNDR Appeals Provision	We tested the Council's NDR Appeals Provision valuation and assess the management estimate. We are satisfied that the NDR Appeals Provision and associated balances within the financial statements are not materially misstated, subject to review. We therefore not identified any evidence suggest the valuation of NDR Appeals Provision could be misstated.
Transfer of HRA Garages to the General Fund	The work is still in progress. We have asked management to provide a written briefing paper setting out their judgement, based on accounting standards and CIPFA guidance, that allows them to transfer these assets. We are currently waiting for this paper.
Housing Rents Issue	The work is still in progress. We have asked management to provide us with a working paper to support the repayments made in 2021/22.
Infrastructure assets	The work is still in progress.
Going Concern Disclosure	The work is still in progress. We have asked for a cash flow forecast until June 2024.

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 or Management.

Independence

Please refer to Section 07 for our update on Independence.



02

Areas of Audit Focus



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error (management override)

What is the risk?

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

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

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

We did not identify any specific fraud risks in our planning. We continued to update our risk assessment throughout our audit. We have no additional specific fraud risks to report.

What judgements are we focused on?

The risk manifests specifically in whether year-end adjustment journals are appropriate and supported, the application of estimates and judgements, and whether significant or unusual transactions are identified and accounted for appropriately. As part of our work we focus on judgements made which effect the recording of transactions within the general ledger, particularly around journal entries. We considered what the most significant estimates in the financial statements relate to and we reviewed these accounting estimates for evidence of management bias, with a specific focus on the following:

- ▶ IAS 19 disclosures;
- ▶ Valuation of the Local Government Pension Scheme assets and liabilities;
- ▶ Valuation of the Police Pension Fund liability; and
- ▶ Valuation of land and buildings in Property, Plant and Equipment.

As the above estimates have been identified as separate risks within section 2 of this report we have not repeated that information here.

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 audit work is still in progress and is subject to review.

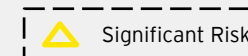
We have found no evidence of weaknesses in controls or that management had attempted to override internal controls. We have not identified any instances of inappropriate judgements being applied to date.

Our testing of journals found the items tested to be appropriately supported and correctly entered into the general ledger.

Our testing of judgements and estimates did not identify inappropriate judgements or bias in estimates.

We did not identify 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.





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 remained alert throughout the course of the audit for where this assessment may have changed. We did not identify any previously unidentified areas of risk (that are not linked to the presumed risk of fraud in revenue and expenditure recognition covered separately).

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.

Performed mandatory procedures regardless of specifically identified fraud risks, including:

- ▶ Reviewing the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of the financial statements.
- ▶ Substantively testing of journals that met specific risk criteria in order to understand their purpose and appropriateness, and we reviewed and tested accounting estimates for evidence of management bias, including those related to pensions and asset valuations.
- ▶ Reviewing and discussing with management and challenging any accounting estimates on revenue or expenditure recognition for evidence of bias, specifically:
 - ▶ IAS 19 disclosures;
 - ▶ Valuation of the Local Government Pension Fund asset and liability; and
 - ▶ Valuation of land and buildings in Property, Plant and Equipment and Investment Properties.

Our work over journals and the valuation of property is still ongoing.

- ▶ Reviewing the transactions in the financial statements for evidence of any significant unusual transactions.



Areas of Audit Focus

Significant risk (Cont.)

Risk of fraud in revenue and expenditure recognition, through 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 believe the risk of manipulation is most likely to manifest in the incorrect capitalisation of revenue expenditure through either inappropriate additions to Property, Plant and Equipment or incorrect classification of expenditure as revenue funded from capital under statute (REFCUS), as there is an incentive to reduce expenditure which is funded from Council Tax.

PPE: Additions totalled £41.085m in the 2021/22 unaudited financial statements.

REFCUS: totalled £4.041m in the 2021/22 unaudited financial statements.

What judgements are we focused on?

We focused on the Council's judgements to classify expenditure as either revenue or capital in nature. We tested a sample of items to confirm that the Council's judgement was supported by sufficient evidence and was genuinely capital in nature.

What did we do?

In response to this risk, we:

- ▶ Tested a sample of PPE additions to ensure that the expenditure incurred and capitalised is clearly capital in nature. We also ensured the transaction was supported by sufficient evidence to verify its value and the period to which it related.
- ▶ Tested a sample of REFCUS, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ring fenced capital resources. As with PPE additions, we also ensured these items were supported by sufficient evidence to verify the value and period to which it related.
- ▶ Performed a review of significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

What is the status of our work?

Our audit work is complete in this area, although subject to review.

We have concluded our work on the testing of additions made to Property, Plant and Equipment during the year and have not identified any evidence of manipulation through incorrect capitalisation of revenue expenditure within the Property, Plant and Equipment additions balance.

We identified one misclassification of £0.4 million repayable grant, which was incorrectly classified as REFCUS.

We are satisfied that the transactions tested were supported by evidence which confirmed the valuation, nature of the expenditure, period to which it related to and confirmed that it was correctly classified, except REFCUS issue noted above.

We were satisfied that journals posted were appropriate.

We identified no evidence of fraud in revenue and expenditure recognition through the above testing.



Areas of Audit Focus

Significant risk (Cont.)

Valuation of Land and Buildings in Property, Plant & Equipment (PPE) under Existing Use Value (EUV)

What is the risk?

The valuation of land and buildings valued on an EUV basis represent material figures within the Council's financial statements. The valuation of these assets is reliant upon expert valuations based on information provided by the Council, which includes a number of judgements and assumptions.

Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.

What judgements are we focused on?

We focussed on whether the appropriate assumptions had been used in calculating the valuation of the assets.

What did we do?

- We:
- ▶ Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations;
 - ▶ Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuation. Additional work has been completed in this area, including detailed review of a sample of assets by our own valuer;
 - ▶ Sample tested key asset information used by the valuer in performing their valuation (e.g. yield adopted and forecast future income has been agreed to external sources)
 - ▶ Instructed our own Property valuation team (EY Real Estates) to review a sample of property valuations performed by the Council's Valuer
 - ▶ Confirmed that the valuation was completed on up-to-date information regarding each asset such that any specific changes to assets that have occurred in year had been communicated to the valuer.
 - ▶ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
 - ▶ Reviewed assets not subject to valuation in 2021/22 to confirm that the remaining asset base is not materially misstated;
 - ▶ Considered changes to useful economic lives as a result of the most recent valuation; and
 - ▶ Tested accounting entries have been correctly processed in the financial statements.

What are our conclusions?

Our work in relation to the valuation of property is still ongoing.

We instructed our property valuation team to review a sample of the valuation performed by the Council. Their review is not yet complete.



Areas of Audit Focus

Significant risk (Cont.)

Valuation of Investment Properties (IP) under Fair Value (FV)

What is the risk?

The valuation of land and buildings valued on an EUV basis represent material figures within the Council's financial statements. The valuation of these assets is reliant upon expert valuations based on information provided by the Council, which includes a number of judgements and assumptions.

Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.

Investment Property assets valued on an FV basis totalled £17.888m in the 2021/22 unaudited financial statements.

What judgements are we focused on?

We focussed on whether the appropriate assumptions had been used in calculating the valuation of the assets.

What did we do?

We:

- ▶ Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations;
- ▶ Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuation. Additional work has been completed in this area, including detailed review of a sample of assets by our own valuer;
- ▶ Sample tested key asset information used by the valuer in performing their valuation (e.g. yield adopted and forecast future income has been agreed to external sources)
- ▶ Instructed our own Property valuation team (EY Real Estates) to review a sample of property valuations performed by the Council's Valuer
- ▶ Confirmed that the valuation was completed on up-to-date information regarding each asset such that any specific changes to assets that have occurred in year had been communicated to the valuer.
- ▶ Confirmed that the valuation was undertaken to ensure all investment property had been revalued in year as required by the Code;
- ▶ Considered changes to useful economic lives as a result of the most recent valuation; and
- ▶ Tested accounting entries have been correctly processed in the financial statements.

What are our conclusions?

Our work in relation to the valuation of property is still ongoing.

We instructed our property valuation team to review a sample of the valuation performed by the Council. Their review is not yet complete.



Areas of Audit Focus

Other areas of audit focus

Valuation of Land & Buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost (DRC)

What is the risk?

The value of land and buildings in PPE under DRC 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 which are required to calculate these balances held in the balance sheet. Although there is a risk for land and buildings under DRC to be misstated due to the specialised nature of these assets and insufficient availability of market-based evidence to assist the valuation, these assets are inherently not subject to material uncertainty arising due to market conditions.

What did we do?

We:

- ▶ Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations;
- ▶ Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuation. Additional work has been completed in this area, including detailed review of a sample of assets by our own valuer;
- ▶ Sample tested key asset information used by the valuer in performing their valuation (e.g. yield adopted and forecast future income has been agreed to external sources)
- ▶ Instructed our own Property valuation team (EY Real Estates) to review a sample of property valuations performed by the Council's Valuer
- ▶ Confirmed that the valuation was completed on up-to-date information regarding each asset such that any specific changes to assets that have occurred in year had been communicated to the valuer.
- ▶ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Reviewed assets not subject to valuation in 2021/22 to confirm that the remaining asset base is not materially misstated;
- ▶ Considered changes to useful economic lives as a result of the most recent valuation; and
- ▶ Tested accounting entries have been correctly processed in the financial statements.

What is the status of our work?

Our work in relation to the valuation of property is still ongoing.

We employed the use of our own expert to support the work in relation to the valuation of land and buildings in PPE valued on an DRC basis. Our expert are in the process of reviewing the valuation of 1 property. The local audit team are currently testing a further 5 assets back to supporting information.



Areas of Audit Focus

Other areas of audit focus (Cont.)

Valuation of Housing Revenue Account (HRA) properties

What is the risk?

The value of HRA properties represents a significant balance 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 which are required to calculate these balances held in the balance sheet and HRA notes. HRA properties are inherently not subject to material uncertainty arising due to market conditions.

At 31 March 2022, the value of HRA properties was £785.350m based on the unaudited financial statements.

What did we do?

We:

- ▶ Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations.
- ▶ Challenged the assumptions used by the Council's valuer by reference to external evidence. This included considering significant or unusual movements in valuation.
- ▶ Sample tested key asset information used by the valuer in performing their valuation (e.g. by completing our own research for prices to other third-party resources including Zoopla, Mouseprice and Rightmove).
- ▶ Sample tested and undertook analytical procedures to support the valuation of HRA properties valued using the beacon approach.
- ▶ Confirmed that the valuation was undertaken to ensure all assets required to be valued within a 5 year rolling programme as required by the Code for PPE had been completed, which confirmed that the entire asset base had been revalued by Wilks, Head & Eve in 2021/22, so there was no risk of material misstatement arising from the lack of valuation of assets.
- ▶ Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation.

What is the status of our work?

Our work in relation to the valuation of property is still ongoing.



Areas of Audit Focus

Other areas of audit focus (Cont.)

Pension Liability Valuation

What is the risk?

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

The Council's pension fund asset is a material estimated balance and the Code requires that this asset be disclosed on the Council's balance sheet. At 31 March 2021 this totalled £28.38m and in the draft financial statements as at 31 March 2022 this totalled £37.08m.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary.

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.

What did we do?

We:

- ▶ Liaised with the auditors of West Sussex Pension Fund, to obtain 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;
- ▶ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19; and
- ▶ Assessed the accuracy of estimated information included in the financial statements and concluded whether any adjustments were required.

What is the status of our work?

In response to the requirements of ISA540, the auditing standard on accounting estimates, we based our audit approach on procedures to evaluate management's process. The 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. Neither we, nor PwC as consulting actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we undertook further procedures to create an auditor's estimate, to gain assurance. We employed the services of an EY Pensions specialist to review the Council's IAS19 reports and run a parallel actuarial model which was compared to that produced by Hymans Robertson. This confirmed there was no material misstatement arising from those estimation procedures undertaken by Hymans Robertson.

We were satisfied there was no evidence of material misstatement arising from the work completed above.

As in previous years we identified a difference between the audited value of the Council's share of pension scheme assets and the estimated value communicated to the Council's actuary earlier in the year to inform its assessment of the Council's pensions liability. This difference, which we consider to be an update to an estimate and not an error, decreases the reported pensions liability and debit balance on the positive pensions reserve by £0.4 million. This has not been adjusted in the financial statements.



Areas of Audit Focus

Other areas of audit focus (Cont.)

Valuation of NNDR Appeals Provision

What is the risk?

Crawley Borough Council's share of the NNDR Appeal Provision is valued at £5.716m in the draft financial statements to 31 March 2022. This is a high value estimate driven by internal calculations and judgement.

What did we do?

We:

- ▶ Agreed data used to calculate the provision to reports received from the Valuations Office Agency;
- ▶ Confirmed appeals percentage provided for is reasonable, considering the government's baseline data for predicting business rates appeals;
- ▶ Reperformed calculations to confirm arithmetical correctness; and
- ▶ Compared the level of appeals at 31 March 2022 and 31 March 2021 to assess the reasonableness of amounts provided for at year end.

What is the status of our work?

Subject to review, no material audit differences have been identified from our work to address this area of focus.



Areas of Audit Focus

Other areas of audit focus (Cont.)

Transfer of HRA Garages to the General Fund

What is the risk?

In December 2020, Full Council agreed to transfer the garages from the Housing Revenue Account to the General Fund from 1 April 2021. Although the transfer of garages has been agreed by the Council, there is a risk that moving garages from Housing Revenue Account to the General Fund may not be in line with the CIPFA code requirements.

What did we do?

We:

- ▶ Obtained a briefing paper from the Council outlining the arrangements under which such a transfer can be made with due reference to the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22;
- ▶ Reperformed our own correlation of the movement to CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 to ensure that we concur with the Council's view;
- ▶ Reviewed the communication with those charged with governance to ensure appropriate governance arrangements were observed with regards to the transfer; and
- ▶ Tested the accounting for the transfer to ensure that the Council has accounted for this appropriately.

What is the status of our work?

Our work in relation to the transfer of the HRA garages is still ongoing.

We have asked management to provide a written briefing paper setting out their judgement, based on accounting standards and CIPFA guidance, that allows them to transfer these assets. We are currently waiting for this paper.



Areas of Audit Focus

Other areas of audit focus (Cont.)

Housing Rents Issue

What is the risk?

During 2020/21 audit period, the 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 since this date in properties that pre-dated April 2014. As the issue came to light in 2021/22, the Council investigated the issue and made the repayments during the year. The risk is that the Council have not accounted for this correctly in 2021/22.

What did we do?

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

- ▶ Updated our understanding of the areas reviewed in 2020/21
 - ▶ Obtained and reviewed the Council's root cause analysis for this issue.
 - ▶ Obtained confirmation from the Regulator regarding the actions they intend to take.
 - ▶ Evaluated the procedures undertaken by the client, to determine whether the quantification of the issue is reliable and reasonable.
 - ▶ Reviewed the legal advice received by the Council regarding this issue.
 - ▶ Determined whether the proposed accounting treatment is correct.
 - ▶ Documented Council's approach to notifying impacted tenants.
 - ▶ Considered the impact of repaying the rents on the going concern of the Council.
- ▶ Reviewed the accounting for this issue in the 2021/22 financial statements to ensure that this is in line with CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2021/22

What is the status of our work?

Our work in relation to the overcharging of housing rents is still ongoing.

We have asked management to provide us with a working paper to support the repayments made in 2021/22.



Areas of Audit Focus

Other areas of audit focus (Cont.)

Infrastructure Assets

What is the risk?

In March 2022, an issue was raised with the National Audit Office's Local Government technical network in relation to the accounting for infrastructure assets. Under the CIPFA Code of Local Authority Accounting, these assets are held at depreciated historic cost. Following more detailed consideration by auditors this year, it has been identified that whilst local authorities add expenditure incurred on replacing or enhancing such assets, most do not appear to be reviewing the Code requirement to establish whether this spend is a replacement of an asset, or a recognised component, and therefore, are not derecognising the old component. As a consequence gross cost/gross accumulation is therefore continually increasing, and the balance sheet may be misstated where the expenditure is a replacement for an asset/component not fully depreciated.

Our work in 2020/21 concluded the Council's current accounting practice is in line with the CIPFA Code. However, as a consequence of the issue above CIPFA is considering a potential Code amendment. We will ensure the Council's accounting treatment of infrastructure assets complies with any updated guidance or Code amendments issued by CIPFA.

What did we do?

We confirmed the Council's accounting practice for infrastructure assets remains in line with the published CIPFA Code of Local Authority Accounting. The Council has therefore not needed to adopt the temporary solution for accounting for infrastructure assets issued by DLUHC and CIPFA. Our work focused on:

- ▶ Obtaining evidence to match the subsequent expenditure to the carrying amount of the replaced part or component that is being derecognised.
- ▶ Understanding the Council's approach to depreciating infrastructure assets, ensuring that the asset lives were reasonable and undertaking sensitivity analysis to understand the potential impact of over or understating the asset lives.
- ▶ Testing the accounting entries have been correctly processed in the financial statements.

What is the status of our work?

Our work in relation to infrastructure assets is still ongoing.



Areas of Audit Focus

Other areas of audit focus (Cont.)

Going Concern Disclosure

What is the risk?

There is a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 during 2021/22, there is a need for the Council to ensure its going concern assessment, including its cashflow forecast, is robust and appropriately comprehensive.

The Council is required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

What did we do?

We:

- ▶ Challenged management's identification of events or conditions impacting going concern.
- ▶ Tested management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).
- ▶ Reviewed the Council's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern including an assessment of any underlying need to borrow.
- ▶ Undertook a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when drawing our conclusions on going concern.
- ▶ Challenged the disclosure made in the accounts in respect of going concern and any material uncertainties.

What is the status of our work?

Our work in relation to going concern is still ongoing.



03

Audit Report



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 ('the Council') for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The financial statements comprise the:

- ▶ Comprehensive Income and Expenditure Statement;
- ▶ Movement in Reserves Statement;
- ▶ Balance Sheet;
- ▶ Cash Flow Statement;
- ▶ the related notes 1 to 43 and the Expenditure Funding Analysis;
- ▶ Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 8; and
- ▶ Collection Fund and the related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:

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

as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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 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 the period to April 2024.

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 Narrative Report 2021-2022 and the Statement of Accounts 2021-2022, 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 Narrative Report 2021-2022 and the Statement of Accounts 2021-2022.

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 (as amended)
- ▶ we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)

- ▶ 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 (as amended)
- ▶ we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in these respects

Responsibility of the Head of Corporate Finance

As explained more fully in the Statement of Responsibility for the Statement of Accounts 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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Head of Corporate Finance determines 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 has no realistic alternative but to do so.



Audit Report

Draft audit report (cont.)

Our draft opinion on the financial statements

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

Auditor's responsibilities for the audit of the financial statements

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

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, 2020, and 2022,
 - ▶ 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 (as amended), and
 - ▶ The Accounts and Audit Regulations 2015.
- ▶ In addition, the Council has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.
- ▶ We understood how 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 the 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



Audit Report

Draft audit report (cont.)

Our draft opinion on the financial statements

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 2021, as to whether 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 2022.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the 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 on our work on value for money arrangements.

In addition, we cannot formally conclude the audit and issue an audit certificate until we have issued our Auditor's Annual Report for the year ended 31 March 2022. We have completed our work on the value for money arrangements and will report the outcome of our work in our commentary on those arrangements within the Auditor's Annual Report.



Audit Report

Draft audit report (cont.)

Our draft opinion on the financial statements

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Crawley Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 (Key Audit Partner)
For and on behalf of Ernst & Young LLP
Luton



04 Audit Differences





Audit Differences

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

Summary of adjusted differences and unadjusted differences

We report to you any corrected and uncorrected misstatements greater than our nominal value of £122,000.

Adjusted misstatements

We have identified three audit differences so far in the draft financial statements which management have agreed to adjust:

- Management have incorrectly classified £0.4 million repayable grant as REFCUS. This amount should have been classified within debtors
- Management have incorrectly classified the Disabled Facilities Grant income of £1.0 million as netting against expenditure
- Management have incorrectly included £0.1 million as the ‘interest receivables and similar income’ in Note 12 - Financing and Investment Income and Expenditure, This amount should have been classified as ‘income and expenditure in relation to investment properties and changes in their fair market value’ in Note 12.

Unadjusted misstatements

As in previous years we identified a difference between the audited value of the Council’s share of pension scheme assets and the estimated value communicated to the Council’s actuary earlier in the year to inform its assessment of the Council’s pensions liability. This difference, which we consider to be an update to an estimate and not an error, decreases the reported pensions liability and credit balance on the positive pensions reserve by £0.4 million. This has not been adjusted in the financial statements.



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.

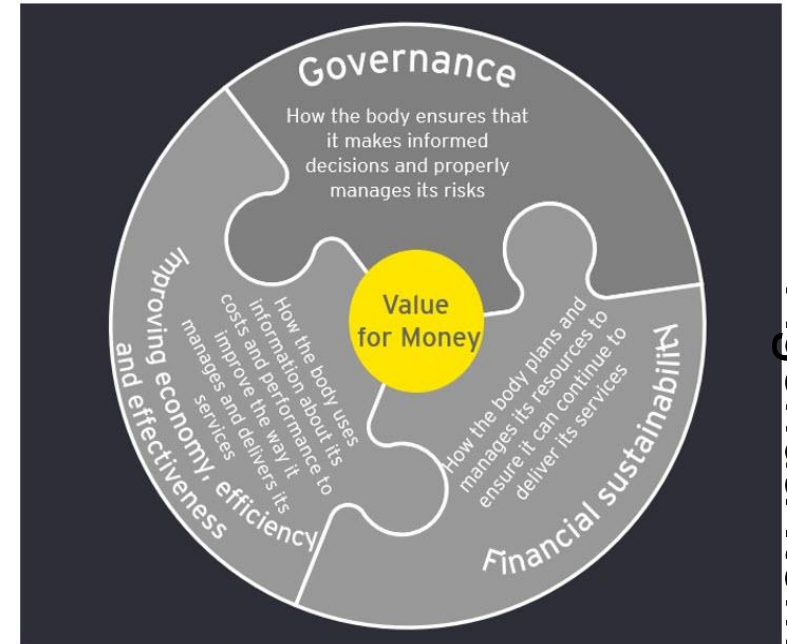
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its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

Risk assessment

We are in the process of concluding our risk assessment. We have not identified any risks of significant weaknesses in our work completed to date and have no matters to report by exception in the auditor's report at this stage (see Section 03).

Status of our VFM work

Our planned VFM procedures are in progress and we have no matters to report by exception in the auditor's report (see Section 03) at this time. We plan to issue the VFM commentary within three months of issuing the opinion.





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 2021/22 Financial Statements document 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.

We have identified some inconsistencies within the Statement which we are currently discussing with management for amendment. We will report amendments to you as required once the work is complete.

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 performed the procedures required on the Whole of Government Accounts submission for 2021/22. However, we do not expect any issues in performing this work as the Council falls below the threshold set within the guidance from HM Treasury and the group audit instructions for 2021/22 on which our work is based.

Other reporting issues

Other reporting issues

Other powers and duties

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

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 no matters to report.



07

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 Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2021 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 next page includes a summary of the fees due for the year ended 31 March 2022 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown below.

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. We confirm that we have not undertaken non-audit work other than the certification of the Council's Housing Benefit Claim.

EY Transparency Report 2022

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2022:

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

Relationships, services and related threats and safeguards

Services provided by Ernst & Young

Description	Planned Fee 2021/22 £	Scale Fee 2021/22 £	Final Fee 2020/21 £
PSAA Scale Fee	50,291	50,291	50,291
Scale fee rebasing (Note 1)	34,248	-	34,248
Revised proposed scale fee:	84,539	50,291	84,539
In-year scale fee variation:			
Scale fee variation - Additional audit work (Note 2)	TBC		16,423
Scale fee variation - PSAA pre-approved additional fee for VFM and ISA540 (Note 3):	8,500 - 13,500		8,500
Total audit related fees	TBC	TBC	109,462
Housing Benefit Claim Certification Fees	TBC	TBC	TBC
Total fees	TBC	TBC	109,462

All fees exclude VAT

** this is our proposed figure that has been submitted to the PSAA*

The agreed fee presented is also based on the following assumptions:

- ▶ Officers meet the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion are unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

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

Relationships, services and related threats and safeguards (Cont.)

Services provided by Ernst & Young

Notes

Note 1 - This relates to our scale fee rebasing for the audit, to take into account changes in professional and regulatory requirements to that date. This was previously raised in the 2019/20 audit year and as these are related to ongoing requirements, we have included the impact again in our 2020/21 requested fees. This is the same request that was submitted in the prior year and has been adjusted for the increase in PSAA rates.

Note 2 - This figure includes a variation to the scale fee for items specific to the 2020/21 audit year where additional audit work was undertaken by the audit team. We will submitting a request for this additional work undertaken on:

- ▶ Work of EY expert to calculate an auditors estimate of the pension liability and the valuation of assets;
- ▶ Work on the over charging of housing rents for financial statements and value for money

Note 3 - The fee impacts of the NAO's 2020 Code of Audit Practice, and the revised ISA540 on estimates were new during 2020/21. The PSAA communicated fee ranges for each type of auditee, and our assessed impact for the Council is that both ISA540 and VFM Commentary is at the bottom of the ranges.






08

Appendices






Appendix A

Required communications with the Joint Governance 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 Joint Governance 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 - February 2023.
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 - February 2023.
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 - March 2023.

Appendix A (Cont.)





		 Our Reporting to you
 Required communications	 What is reported?	  When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty 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 - March 2023.
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 - March 2023.
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the Joint Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit Results Report - March 2023.
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Joint Governance 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 Joint Governance Committee responsibility. 	Audit Results Report - March 2023.

Appendix A (Cont.)

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority 	Audit Results Report - March 2023.
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ 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 - February 2023</p> <p>Audit Results Report - March 2023.</p>
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 - March 2023.
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 - March 2023.




Appendix A (Cont.)

Required communications with the Audit Committee (continued)

		 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. 	Audit Planning Report - February 2023 Audit Results Report - March 2023
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 - March 2023
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 - March 2023
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 - March 2023 Auditor's Annual Report - June 2023
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit Planning Report - February 2023 Audit Results Report - March 2023
Value for Money	<ul style="list-style-type: none"> ▶ Risks of significant weakness identified in planning work ▶ Commentary against specified reporting criteria on the VFM arrangements, including any exception report on significant weaknesses. 	Audit Planning Report - February 2023 Audit Results Report - March 2023 Auditor's Annual Report - June 2023




Appendix B - Outstanding matters

The following significant areas of the audit 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 
Review of completed audit work: LGPS and Pension Fund Liability (IAS 19); Officers Remuneration; Exit packages; NDR Appeals Provisions; REFCUS: PPE additions and disposals: Cash and cash equivalents: Borrowings: Provisions: Collection fund: Net cost of services - Expenditure: HRA expenditure:.	Review to be performed by the Senior Manager and Engagement Partner	EY
Completion of our work over PPE and IP Valuations, including obtaining and considering the implications of the report by our internal specialists	Obtain the report and consider the implications of the work performed by our internal specialists across the valued population of assets. Complete our testing of revalued assets Complete our testing of assets not revalued in year	EY
Completion of our testing of journals	Receipt of supporting evidence for journals selected for testing Testing of journals identified for testing	EY and management
Completion of infrastructure	Review depreciation calculations on the component part of infrastructure, this is in progress. Complete our assessment testing	EY
Completion of housing rents issue work	Receipt of supporting evidence that the rent was repaid to tenants Complete our sample testing	EY and management
Completion of garages transferred to general fund	Receipt of supporting evidence for our sample selected, HRA tenant register and reconciliation report between property team and finance team for total number of garages. Complete our sample testing	EY and management
Completion of going concern assessment	Reviewing of cash forecast and management assessment on going concern, this is in progress. Detail review and consideration of the going concern assessment	EY
Completion of Investments	Receipt of all investment confirmations Complete our testing	EY and management's counterparty
Completion of Finance & Investments, Grants, Net cost of services - Income, Creditors and Debtors	Receipt of supporting evidence for our sample selected. Complete our sample testing	EY and management
Completion of Employee Cost	Review and analyse employee cost data from our data analysis. Complete our testing	EY

Appendix B - Outstanding matters (Cont.)

The following non-significant areas of the audit 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 
Review of completed audit work: Usable and Usable Reserves; cashflow statement; financial instruments and non-significant disclosures	Receipt of supporting evidence for samples selected for testing Testing of samples identified for testing	EY
Complete our value for money risk assessment	Completion of our planned procedures Receipt of the supporting evidence for the Annual Governance Statement Walkthrough	EY and management
Review of the revised financial statements	Obtain and review final revised financial statements and verify all agreed amendments have been made	EY and management
Completion of manager and partner review of work performed	Complete work and review	EY
Subsequent events review	To be performed just before signing	EY and management
Receipt of signed management representation letter	Finalise the letter following completion of the audit	EY and management
Receipt of signed Narrative Report and financial statements	Finalise the financial statements and narrative report following completion of the audit	EY and management
Receipt of the final assurance letters	Obtain letters of assurance	Management

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 Annual Report. 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, directors' remuneration and impairment sensitivities] remain to be finalised and audited. A draft of the current opinion (with outstanding areas highlighted) is included in Section 03.

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

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, that are free from material misstatement, whether due to fraud or error.
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 **[specify reasons for not correcting misstatement]**.



Appendix C (Cont.)

Management representation letter

Management Rep Letter

6. We confirm the Council does not have securities (debt or equity) listed on a recognized exchange.

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 improprieties;
 - ▶ related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
 - ▶ related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
 - ▶ involving management, or employees who have significant roles in internal controls, or others; or

- ▶ in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - ▶ Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - ▶ Additional information that you have requested from us for the purpose of the audit; and
 - ▶ Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.
3. We have made available to you all minutes of the meetings of the Full Council, Cabinet, and Audit Committee and Governance Committee held through the year to the most recent meeting of the Full Council on 22 February 2023, Cabinet on 8 March 2023, Audit Committee on 20 March 2023 and Governance Committee on 13 March 2023.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the [period] end. These transactions have been appropriately accounted for and disclosed in the financial statements.



Management representation letter

Management Rep Letter

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 the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From 11 November 2022, the date of our last management representation letter, through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) 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, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

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, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, 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 information included in the Statement of Accounts 2021/22 and Narrative Report 2021/22, other than the financial statements and your auditor's report thereon.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered, including the impact resulting from the commitments made by the Council, and reflected in the financial statements.
2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of the applicable financial reporting framework, aligned with the statements we have made in the other information or other public communications made by us (see section G).



Appendix C (Cont.)

Management representation letter

Management Rep Letter

I. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet(s), 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.

J. Reserves

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

K. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of our land and buildings, HRA properties and investment properties 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.

L. Estimates

NDR Appeals Provision

1. We confirm that the significant judgments made in making the NDR appeals provision have taken into account all relevant information 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 NDR appeals provision.

3. We confirm that the significant assumptions used in making the NDR appeals provision appropriately reflect our intent and ability to carry out our services 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, are complete and are reasonable in the context of the applicable financial reporting framework.
5. We confirm that appropriate specialized skills or expertise has been applied in making the NDR appeals provision.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements.

Valuation of assets

1. We confirm that the significant judgments made in making the valuation of assets have taken into account all relevant information 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 valuation of assets.
3. We confirm that the significant assumptions used in making the valuation of assets appropriately reflect our intent and ability to carry out our services 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, are complete and are reasonable in the context of the applicable financial reporting framework.
5. We confirm that appropriate specialised skills or expertise has been applied in making the valuation of assets.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements.



Appendix C (Cont.)

Management representation letter

Management Rep Letter

M. 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,

(Head of Corporate Finances)

I confirm that this letter has been discussed and agreed at the Audit Committee on 20 March 2023.

(Chair of the Audit Committee)

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ED None

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Crawley Borough Council

Report to Audit Committee

20 March 2023

Approval of the 2021/22 Statement of Accounts

Report of the Head of Corporate Finance – FIN/619

1. Purpose

- 1.1 The purpose of this report is to seek member approval of 2021/22 Statement of Accounts.

2. Recommendations

- 2.1. That the Committee:
- a) Approve the 2021/22 Statement of Accounts.
 - b) Authorise the Chair of the Committee to sign the 2021/22 Letter of Representation.
 - c) Authorise the Chair of the Committee to sign the 2021/22 Statement of Accounts on behalf of the Council should there be no material changes.

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, the Full Council has delegated the approval to this Committee.

Agenda Item 14

- 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 2021/2022 comparing actual expenditure against approved budgets was considered by Cabinet in July 2022.

5. Narrative Statement

- 5.1. The Narrative Statement is attached as Appendix B. The Narrative Statement and Statement of Accounts are shown as separate documents.
- 5.2. The narrative statement includes a brief explanation of the financial statements (see pages 21 to 23).

6. Statement of Accounts 2021/22

- 6.1. The 2021/2022 Statement of Accounts is attached as Appendix C.
- 6.2. As in previous years, 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 £13.2 million (page 9). Note 10 details the contributions to, and use of, earmarked reserves. The Council's total usable reserves have decreased during the year from £100.9 million to £83.4 million. The main reason for this are set out in 6.5 below.
- 6.5. The Business Rates Equalisation Reserve decreased during the year from £21.8m to £8.0m. This was due to the business rate reliefs that were awarded to leisure, nurseries and retail and hospitality businesses after the budget for the 2020/21 was set, and this has subsequently been reversed out in 2021/22. The balance of this reserve should be read in conjunction with the Collection Fund Adjustment Account balance in the Unusable Reserves which has reduced from £18.1m to £2.5m (page 60).
- 6.6. The Balance Sheet (pages 11 - 12) shows that the Council's total assets less liabilities have increased from £796.9m to £928.1m. The main reason for this is the revaluation of assets of £108.8m (page 61).
- 6.7. An explanatory document "[Understanding Local Authority Financial Statements](#)" aims to give Members and other stakeholders an introduction to the format of the accounts.

Agenda Item 14

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”. The Annual Governance Statement for 2021/22 was considered and endorsed by the Audit Committee at its meeting held on [25 July 2022](#) (minute 10 of that meeting refers).

8. Audit of Accounts for 2021/2022

- 8.1. The audit of the accounts commenced in January and is expected to complete shortly. As stated in Ernst & Young’s Audit Results Report (elsewhere on the agenda) no substantial issues have emerged as a result of the audit.

9. Letter of Representation

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

10. Background Papers

- [Financial Outturn 2021/22 – Report to Cabinet 06/07/2022 \(FIN/572\)](#)
- The Accounts and Audit Regulations 2015
- The Accounts and Audit (Amendment) Regulations 2021
- Code of Practice on Local Authority Accounting in the UK 2021/2022 (Chartered Institute of Public Finance and Accountancy)
- Guidance Notes for Practitioners (Chartered Institute of Public Finance and Accountancy)
- [CIPFA “Understanding Local Authority Financial Statements”](#)
- Audit Committee minutes [25 July 2022](#)

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

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20 March 2023

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

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, that are free from material misstatement, whether due to fraud or error.



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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.
6. We confirm the Council does not have securities (debt or equity) listed on a recognized exchange.

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 improprieties;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls, or others;
or
 - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.
3. We have made available to you all minutes of the meetings of the Full Council, Cabinet, and Audit Committee and Governance Committee held through the year to the most recent meeting of the Full Council on 22 February 2023, Cabinet on 8 March 2023, Audit Committee on 20 March 2023 and Governance Committee on 13 March 2023.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the [period] end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From 11 November 2022, the date of our last management representation letter, through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) 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, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

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 39 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 described in Note 5 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, 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 information included in the Statement of Accounts 2021/22 and Narrative Report 2021/22, other than the financial statements and your auditor's report thereon.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered, including the impact resulting from the commitments made by the Council, and reflected in the financial statements.
2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of the applicable financial reporting framework, aligned with the statements we have made in the other information or other public communications made by us (see section G).

I. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet(s), 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.

J. Reserves

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

K. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of our land and buildings, HRA properties and investment properties 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.

L. Estimates

NDR Appeals Provision

1. We confirm that the significant judgments made in making the NDR appeals provision have taken into account all relevant information 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 NDR appeals provision.
3. We confirm that the significant assumptions used in making the NDR appeals provision appropriately reflect our intent and ability to carry out our services.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty, are complete and are reasonable in the context of the applicable financial reporting framework.
5. We confirm that appropriate specialized skills or expertise has been applied in making the NDR appeals provision.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements.

Valuation of assets

1. We confirm that the significant judgments made in making the valuation of assets have taken into account all relevant information 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 valuation of assets.
3. We confirm that the significant assumptions used in making the valuation of assets appropriately reflect our intent and ability to carry out our services.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty, are complete and are reasonable in the context of the applicable financial reporting framework.
5. We confirm that appropriate specialised skills or expertise has been applied in making the valuation of assets.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements.

M. 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,

Carolin Martlew (Head of Corporate Finance)

CLlr Millar-Smith (Chair of the Audit Committee)

Narrative Report

2021 – 2022

Narrative Report (Continued)

1. An Introduction to Crawley Borough Council

Crawley Borough covers just under 18 sq miles and has a population of approximately 118,500 residents, which is growing and forecast to reach 122,000 by 2034. It is situated in the north eastern part of the county of West Sussex.

Crawley is a bustling modern town and, 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 is 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, publishing its 'One Town' Economic Recovery Plan in December 2021; an overarching strategic plan for all our existing delivery programmes including the Crawley Growth Programme, Towns Fund, Town Centre Regeneration Programme and Employment & Skills Programme.

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:

- development of policy and strategy
- staffing of the Council
- governance
- communications
- finance and procurement
- Councillors' services
- Council owned commercial properties
- Council owned garages
- civil contingencies

Planning and Economic Development

Responsibility for:

- town and country planning (including local planning policy)
- transport planning
- economic development and regeneration
- asset management

Public Protection and Community Engagement

Responsibility for driving up the performance of council services.

Responsibility for:

- community safety and anti-social behaviour
- community and neighbourhood development
- community engagement
- grants to voluntary bodies
- community cohesion and social inclusion and mobility
- town twinning
- issues relation to travellers
- children and young people
- armed forces covenant

Housing

Responsibility for:

Narrative Report (Continued)

- Crawley Homes (landlord role)
- strategic housing
- council tax reduction and housing benefit

Environmental Services and Sustainability

Responsibility for:

- Gatwick Airport Port Health
- public health and safety
- environmental health service
- waste management, refuse and recycling
- streetscene
- licensing
- public conveniences
- community wardens
- car parking and civil enforcement
- climate change and sustainability
- cemeteries and burials
- flood prevention and land drainage

Resources

Responsibility for:

- legal, governance and HR
- audit
- current building management/office accommodation
- customer complaints, Freedom of Information and data protection
- Contact Centre
- shared service provision
- ICT
- transformation programme
- mayoralty

Wellbeing

Responsibility for:

- health and wellbeing
- arts (including The Hawth and Crawley Museum)
- sport and fitness (including K2 Crawley)
- parks, gardens and open spaces
- allotments
- play service
- community centres

Narrative Report (Continued)

3. Council's Performance

- Official opening of Geraint Thomas House, a housing development in partnership with A2Dominion, providing 33 shared ownership and 58 apartments at affordable rent.
- Awarded a total of £18,245 from the Council's small grants fund to 12 voluntary and community organisations.
- Awarded grants totalling £229,931 to fifteen not-for-profit organisations for a range of new and existing activities that will benefit Crawley residents and visitors.
- Acquired an office building to be converted into the Crawley Innovation Centre to help create more than 200 new jobs and benefit directly up to 40 businesses. This project was grant funded by Coast to Capital Local Enterprise Partnership (LEP) and the Government's Towns Fund.
- Bid to host a leg of the Commonwealth Games' Queen's Baton Relay in July 2022.
- Crawley New Town turned 75 and celebrated its diamond anniversary in January.
- Councillors unanimously voted to bring forward the Council's target to reach net zero from 2050 to 2040. The Climate Emergency Action Plan 'Action to Zero' was approved to accelerate its response to the climate and ecological emergency facing the planet.
- Crawley bid for city status as part of the Queen's Platinum Jubilee celebrations.
- Councillors approved the 'One Town' Economic Recovery Plan 2022-2037 to provide a clear vision for Crawley's future socio-economic prosperity, a clear path for recovery from the pandemic and a marker to Crawley's formidable reputation for economic productivity.
- Five Council parks achieved Green Flag Awards: Memorial Gardens, Worth Park, Ifield Mill Pond, Goffs Park and Tilgate Park were among the winners.
- A Council housing development, which consists of six maisonettes and three flats, has been named Scott Summers Court. The affordable rent housing development is named after Royal Marine Scott Summers from Crawley, who died in action in Afghanistan in 2007 aged just 23.
- Crawley has been given the go ahead to move to the next stage in developing 10 projects worth £21.1m funded from the Governments Towns Fund. The projects will help boost job creation, business growth and economic recovery; develop skills, innovation and sustainability; and enhance art and culture amenities for businesses and residents.
- Tilgate Park has been named in the top 10 per cent of attractions worldwide by TripAdvisor. The travel review website and app has awarded Tilgate Park with a 2021 Travellers' Choice Award.
- Ten businesses have been awarded a total of £32,380 funding from the Council's Small Business Grant Scheme.
- Paid £1,947,425 Additional Restrictions Grants on behalf of the Government.

Narrative Report (Continued)

- Paid £662,686 Omicron hospitality and leisure grants on behalf of the Government.
- Paid £475,500 Test and Trace Support Payment grants on behalf of the Government.
- Completion of town centre signage and wayfinding project including new High Street Conservation Area sign.
- Employ Crawley continues to deliver free, bespoke employment support and advice to local residents, including a Jobs Fair in March 2022 attended by around 500 people.
- New Town Hall and District Heat Network construction.
- Sponsored the Love Local Jobs 'Dare to Dream' programme, helping over 1,000 students from six Crawley schools by supporting self-awareness, resilience and employability skills and wellbeing.
- Regular updates on the CBC Website and targeted e-newsletters providing updates, information and guidance for businesses and residents.
- New festival lighting scheme delivered in partnership with the Town Centre BID, bringing a 'wow' factor to the town centre through innovative and creative design.
- Delivered improvements in the Historic High Street to help create a vibrant café culture and reduce anti-social behaviour. Using the EU's Welcome Back Funding, three large planters were removed, railings repaired, and repainted and new planting schemes installed to bring colour and vibrancy to the area, welcoming back visitors to the town centre.
- More than 3,000 people attended STEM in the Park in Memorial Gardens in May 2022. Delivered in partnership with The STEM Hub and Crawley College, the event showcased a diverse range of STEM activities from local employers and businesses.
- Sponsored Gatwick Diamond Business Awards 'Professional Services category' in March 2022.

Some statistical information on our achievements

Over 1200 people assisted by the Health and Wellbeing team, this included:

- 578 face-to-face appointments with a Wellbeing Advisor, and over 300 telephone appointments held
- 302 weight management enquires received
- 28 people who completed a virtual 12 week weight loss programme
- 22 people who reduced their alcohol intake
- 158 people who accessed a physical activity programme, over 90% of completers increased their physical activity levels.
- 177 people who received falls prevention support
- 14 workplaces who we supported with providing health and wellbeing to their employees
- Over 50 outreach events including virtual talks and presentations to local community groups.
- 95 people engaged with an emotional wellbeing course

Narrative Report (Continued)

- 14 NHS Health Checks carried out by a Wellbeing Advisor (launched February 2022)
- 139 clients supported to help stop smoking, 64 successful quits (46%). This is almost double the national average of 26% quit rate.

Other statistics:

- Over 1600 people engaged through outreach and workplace provision, and signposted on to appropriate services.
- 103,037 visits to Tilgate Park Zoo
- 99,866 attendances at the Hawth Theatre (5,076 last year)
- 1,186,927 attendances at our Leisure Centres (182,661 last year)
- 7,239 residents in receipt of Council Tax Reduction (formally Council Tax Benefit) – a decrease of 5.7% on the previous year.
- 176 Households were prevented from becoming Homeless (143 last year).
- 147 Households whose Homelessness was relieved (140 last year)
- 1,936 Households on the Housing Register (1,895 last year)
- 203 Affordable Homes delivered in year with 74 Homes that are on site and due to be completed over the next two years.
- 255 people were helped into work through ‘Employ Crawley’
- 632 Freedom of Information requests processed (659 last year)
- 45,407 *myCrawley* transactions (39,808 last year)
- 8,495 Twitter followers and 9,824 Facebook (8,206 and 8,654 last year)
- 915 Planning Applications, 348 Pre-Application enquiries, 35 appeals, 238 Planning Enforcement Investigations.
- 117,343 calls into the Contact Centre (124,228 last year)
- 2,436,148 scheduled refuse collections
- 10,674 Green Garden Waste Bin customers (9,984 last year)
- Collected 33,350 tonnes of refuse, recycling and garden waste
- Issued 375 FPNs for littering (113 last year)
- £119,714,249 collected in Business Rates - the majority of this is passed to the Government and West Sussex County Council
- £69,303,607 of Council Tax collected, Crawley Borough Council kept 11.0p in each £1 collected with the balance transferred to West Sussex County Council and the Sussex Police and Crime Commissioner.

Corporate Priorities in 2021/22

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.

Narrative Report (Continued)

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

3. Improving job opportunities and developing the local Economy

We will:

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

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.

Narrative Report (Continued)

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

We will:

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

6. Protecting the environment and sustainability

We will:

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

4. Financial Performance

Revenue Expenditure and Income in 2021/22

In February 2021 the Council set a net expenditure budget for 2021/22 of £13.4million. This resulted in a Band D Council Tax for Crawley of £213.84 and a total Band D Council Tax including the precepts from West Sussex County Council and Sussex Police and Crime Commissioner of £1,939.31.

Narrative Report (Continued)

	Latest Budget £000's	Outturn £000's	Variance £000's
Cabinet	951	1,218	267
Public Protection & Community Engagement	1,534	1,449	(85)
Environmental Services & Sustainability	5,282	5,303	21
Housing	5,967	6,129	162
Wellbeing	10,973	11,768	795
Planning & Economic Development	2,385	2,423	38
Resources	642	558	(84)
	27,734	28,848	1,114
Depreciation	(4,046)	(4,046)	0
Renewals Fund	807	807	0
NET COST OF SERVICES	24,495	25,609	1,114
Investment Interest	(400)	(756)	(357)
Minimum Revenue Provision	922	922	0
Interest Paid	117	(39)	(156)
Council Tax	(7,411)	(7,411)	0
RSG	(60)	(60)	0
NNDR	9,553	9,553	0
New Homes Bonus	(1,108)	(1,109)	(1)
Local Council Tax Support Grant	(363)	(363)	0
Lower Tier Services Grant	(169)	(169)	0
Sales, Fees & Charges Grant Q1	0	(316)	(316)
Use of Approved Coronavirus Budgets	0	(941)	(941)
Year End Financing	(10,781)	(10,781)	0
Net contribution from / (-to) Reserves	14,795	14,139	(656)
Net contribution from / (-to) CBC Reserves		(1,366)	
Net contribution from / (-to) Other Reserves		15,505	

The 2021/2022 budget provided for a transfer from the General Fund Reserve of £155,606. At outturn, there was a transfer to reserves of £503,000: this comprised of a contribution of £300,000 to the Transformation Reserve and a contribution of £203,000 to the Capital Programme Reserve, 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	Transfer To	Use of
	£000's	£000's
Capital Programme	203	(152)
HMO Licenses	25	0
Welfare Reform	0	(33)
Museum	0	(1)
Parks Investment Reserve	344	(76)
Business rates pool cycling	0	(13)
Covid 19 Expenses Reserve	172	0
Town centre & regeneration reserve	161	(31)
Vol. Sector Transition Funding	34	0
Health & Wellbeing	59	(6)
LDF	127	(147)
Risk Management	90	0
Transparency	8	(16)
EU Exit Funding	0	(247)
Town Funds	1,055	(1,144)
Transformation and Project Delivery	500	0
Garage Maintenance	169	0
Biodiversity Net Gain Grant	10	0
DEFRA Env. Health	17	0
Climate Emergency	7	0
Town Centre 75th Anniversary	5	0
Woodland Trust Forestry Work	27	0
Town Hall Equalisation	150	0
Licensing New Burdens	14	0
Learning and Development	55	0
Total Transfer to/(from) CBC Reserves		1,366
Business Rates equalisation reserve*	0	(13,859)
Business grants & isolation payments*	167	(1,813)
Total Transfer to/(from) Other Reserves		(15,505)
Total Transfer to/(from) Reserves		(14,139)

* 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 Business Rate Equalisation Reserve is 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 income in 2020/21 will not be charged to the Council's General Fund until 2021/22 and 2022/23. This reserve will be used to offset losses on the Collection Fund already incurred.

Narrative Report (Continued)

Summary of the Housing Revenue Account

The Council continues to be the provider of rental accommodation within the borough with a stock of 8,246 dwellings at 31 March 2022. 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 2021	31 March 2022
Stock at 1 April	8,099	8,242
Less Sales	(43)	(52)
Demolitions/Disposals	-	(2)
Add New Build	180	57
Acquisitions	6	1
Transfer to/from GF	-	-
Stock at 31 March	8,242	8,246

The income from tenants in council property was £43.4m in the year with other income to the HRA of £1.8m. 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 and 1,618 leasehold properties. There was a transfer to the Major Repairs reserve in the year of £16.338m for future investment in housing stock.

The Housing Revenue account saw an overspend in year due to the repayment of overcharged rents (see section 9 below).

HOUSING REVENUE ACCOUNT			
Expenditure Description	Latest Estimate	Outturn	Variation
	£'000s	£'000s	£'000s
Income			
Rental Income	(46,906)	(43,448)	3,458
Other Income	(1,802)	(1,826)	(24)
Interest received on balances	(150)	(370)	(220)
Total income	(48,858)	(45,644)	3,214
Expenditure			
Employees	3,850	3,904	54
Repairs & Maintenance	11,606	11,955	349
Other running costs	2,143	2,042	(101)
Support services	3,096	3,096	0
	20,695	20,997	302

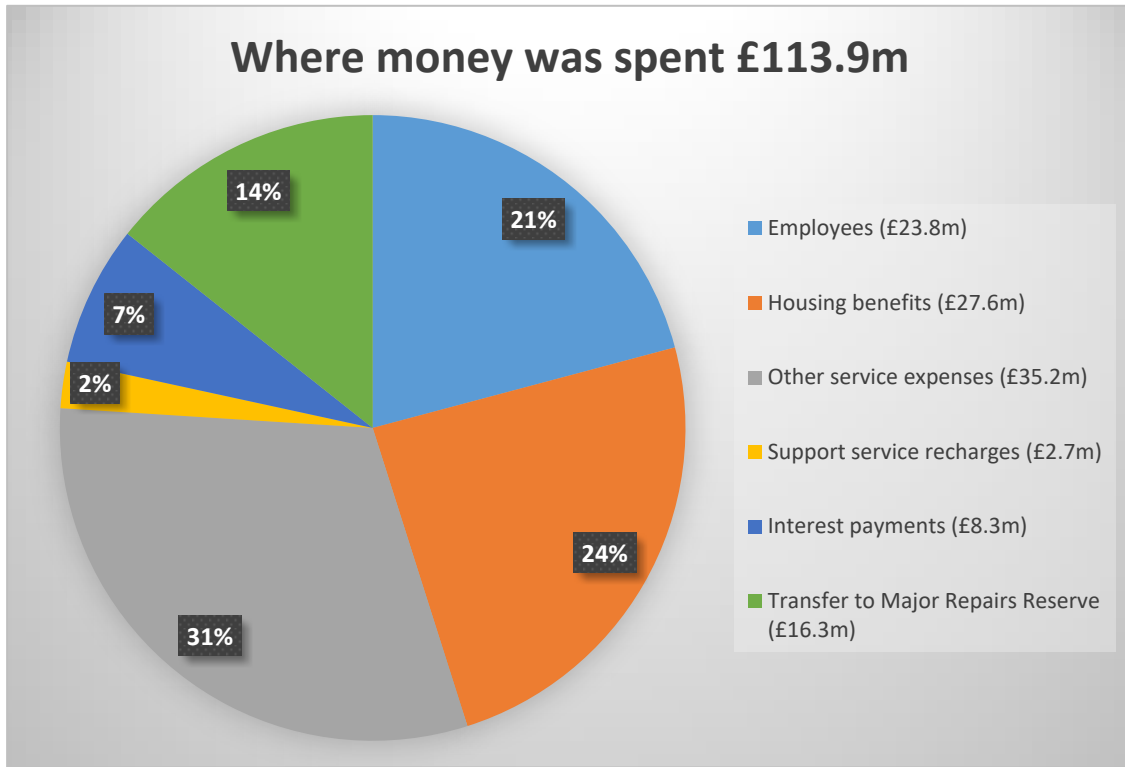
Narrative Report (Continued)

Net (Surplus) / Deficit	(28,163)	(24,647)	3,516
Use of Reserves:			
Debt Interest Payments	8,309	8,309	0
Depreciation transferred to Major Repairs Reserve	7,336	7,336	0
Surplus Transfer to Housing Reserve for Future Investment	12,518	9,002	(3,516)
Total	28,163	24,647	(3,516)

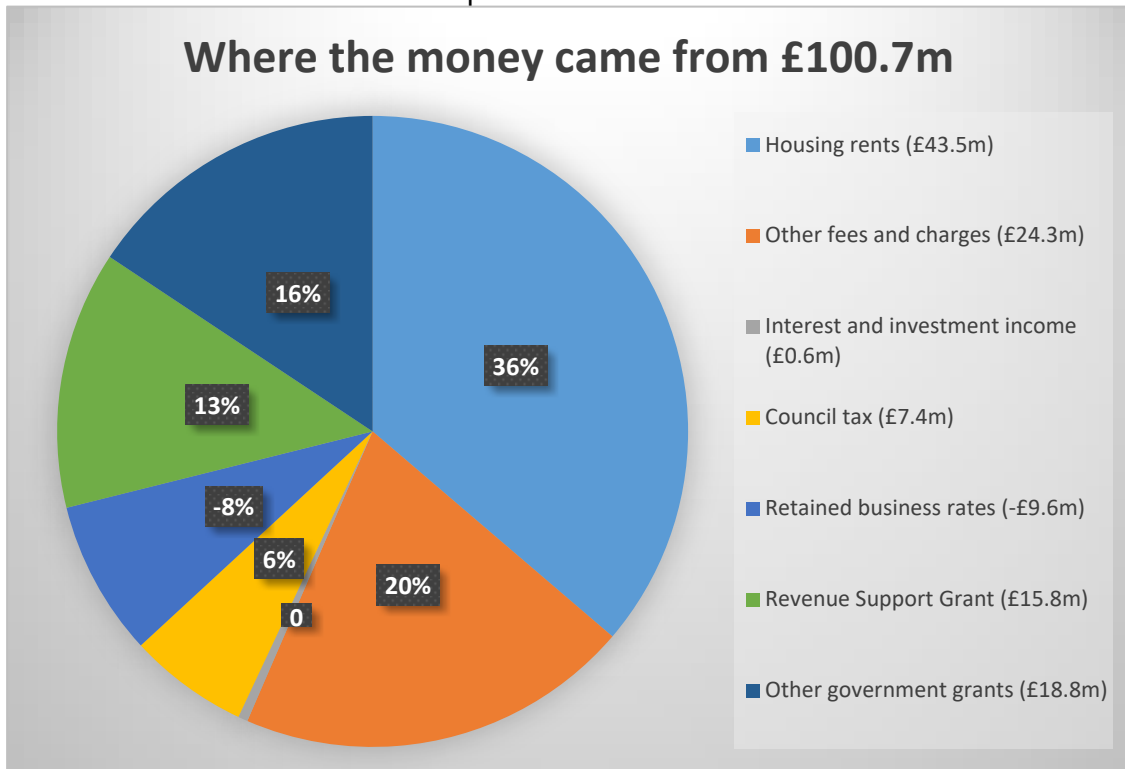
Narrative Report (Continued)

Total Revenue Expenditure

Overall the Council incurred expenditure in 2021/22 of £113.9m on its services to the public.



The main sources of income are depicted below:



Narrative Report (Continued)

The tables above are different from the figures reported in the statement of accounts because they have been adjusted from an accounting basis to a funding basis. The net expenditure of £13.3m 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. Note that Retained Business Rates is shown as negative for 2021/22 because of the large adjustment made due to the covid reliefs provided.

Capital Programme

The Council is embarking on an ambitious capital programme of £194m from 2021/22. This includes £113m within Crawley Homes for investment in new and existing housing stock.

In 2021/22 the Council spent £45.343 million on capital assets, which was funded from the sale of assets, capital grants, external funding and revenue resources.

Portfolio Description	Outturn 2021/22 £000's	2022/23 Latest Budget £000's	2023/24 Latest Budget £000's	2024/25 Latest Budget £000's	Future Years £000's
New Town Hall Redevelopment – Joint responsibility	21,336	6,240	1,154	-	-
Cabinet	181	511	200	339	-
Environmental Services & Sustainability	432	824	117	-	-
Planning & Economic Development	5,176	7,523	8,776	-	3,251
Housing Services	3,134	5,385	8,693	1,200	1,700
Resources	216	2,279	20	-	-
Wellbeing	941	1,401	91	-	-
Total General Fund	31,416	24,163	19,051	1,539	4,951
Housing Revenue Account	13,927	23,842	30,860	29,362	15,375
Total Capital	45,343	48,005	49,911	30,901	20,326

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

Funded By					
Capital Receipts	17,628	5,716	8,110	-	1,223
Capital Reserve	152	153	744	314	586
Better Care Fund	955	1,000	910	-	-
Lottery & External Funding	9,918	7,139	2,779	-	3,076
1-4-1 Receipts	3,659	2,650	8,624	6,899	6,150
HRA Revenue Contribution	12,427	21,002	23,963	22,463	9,226
Replacement Fund/Revenue Financing	408	2,863	200	339	-
Section 106	196	1,016	481	886	65
Borrowing	-	6,466	4,100	-	-
TOTAL FUNDING	45,343	48,005	49,911	30,901	20,326

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	28,848	(24,647)	4,201
Revaluation losses	(389)	-	(389)
Movement in investment properties	(3,926)	-	(3,926)
Capital grants	1,100	-	1,100
Revenue expenditure funded from capital	(4,041)	-	(4,041)
Pensions	(4,211)	-	(4,211)
Accumulated absences	(4)	-	(4)
Movement in Shared Equity Valuations	-	(39)	(39)
Net Cost of Services in the Expenditure and Funding Analysis	17,377	(24,686)	(7,309)

Narrative Report (Continued)

5. Corporate Risks

The risks listed below were produced for the Audit Committee in July 2022.

Risk Title	Risk Description	Risk score (no controls)	Mitigations	Risk score (post mitigation)	Risk Appetite
New Town Hall	PC date has been delayed and is now due in August 22. This date has been assessed as achievable and any further delay should be minimal at this stage. Risk of delay relate to reputation, cost, and the state of the current building. Reputationally there has been little reaction to missing the AGM date and so is considered minor. Cost, if exceeding the budget is considered a significant risk, mainly politically as any overspend at this stage would be a small % of the total budget. The current building is in no real fit state for a further winter, but whilst significant (in terms of service disruption) the likelihood is small.		Mechanisms within the contract are being used to address delay and cost concerns. Significant effort was taken to ensure these were robust before entering the contract. Professional advice being taken throughout, and communication with key stakeholders being maintained. No further mitigation possible at this juncture.		Mindful
District Heat Network	The District Heat Network Phase 1 has reached practical completion and has been handed over. The key risks moving forward therefore relate to the ongoing operation, maintenance and billing. The inflationary context in particular creates a pricing risk, attempting to ensure value for residents whilst achieving the required return. There is significant reputational risk in getting this balance wrong, especially in the context of potential expansion.		The operation, maintenance and billing has already been contracted out to a specialist, and the onboarding went very well. Two rounds of price setting have been undertaken, which seems to demonstrate that the DHN is able to balance value with return. However, the score remains consistent given that fuel prices are likely to increase again in October.		Mindful
LEP Infrastructure - Crawley Growth Programme	Risk of budget overspend for the future project delivery within the Programme and scheme delivery time overruns. The remaining Crawley Growth Programme schemes must be delivered by the end of March 2025.		Regular financial monitoring and audit work carried out, including quarterly updates to CPAG. The Head of Corporate Finance attends six weekly Programme Delivery Team meetings with West Sussex County Council. A mid-term programme review is to take place in Q3 2022.		Mindful

Narrative Report (Continued)

Risk Title	Risk Description	Risk score (no controls)	Mitigations	Risk score (post mitigation)	Risk Appetite
			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.		
LEP Infrastructure - Crawley Growth Programme	Discontinuation or withdrawal of support from key partners.		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 Q3 2022.		Mindful
LEP Infrastructure - Crawley Growth Programme	A sustained period of economic downturn which slows up private sector investment on key regeneration sites in the town centre.		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 has been exacerbated by the impact of the COVID-19 crisis nationally and internationally.		Mindful
LEP Infrastructure - Crawley Growth Programme	Ineffective co-ordination of delivery across projects, leading to multiple disruption in the town centre and Manor Royal when this was avoidable.		Careful planning and close cooperation between CBC, WSCC officers and third party partners / contractors. A mid-term programme review to take place in Q3 2022.		Mindful

Narrative Report (Continued)

Risk Title	Risk Description	Risk score (no controls)	Mitigations	Risk score (post mitigation)	Risk Appetite
Delivering the Affordable Housing Programme	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.		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. Pilot project underway in Crawley Homes looking to explore water savings through use of a flow regulator, plans to extend to 1000 homes after the pilot with water savings to enable development at two key sites.		Mindful
Delivering the Affordable Housing Programme	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.		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.		Minimal
Homelessness	Following increased demand for temporary accommodation during the pandemic, levels of homelessness continue to rise. The on-going economic impacts from the pandemic, cost of living rises and increased additional demand arising from asylum and refugee resettlement programmes are placing an unprecedented burden on the Council in meeting temporary accommodation duties. Demand for TA		Efforts to relieve and prevent homelessness using all available options continue. 5 additional units of TA have been secured with a further 27 units anticipated in November. All potential acquisition opportunities are being explored. Three potential sites have been identified for modular housing and design work		Mindful

Narrative Report (Continued)

Risk Title	Risk Description	Risk score (no controls)	Mitigations	Risk score (post mitigation)	Risk Appetite
	significantly outstrips supply necessitating heavy reliance on expensive nightly paid accommodation with significant budgetary implications. The full TA budget allocation for 2022/23 has been fully spent during Q1.		is in progress. Options with potential immediate impact are under consideration but must be balanced against impact on other duties to applicants with high level need on the Council's Housing Register. Homelessness grant reserves will offset impacts for the current financial year.		
Three Bridges Station	A way forward for the scheme is unable to be agreed.		A budget review for the scheme will take place as part of the overall Crawley Growth Programme review in Q3 2022. Officers are working actively 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.		Cautious

Narrative Report (Continued)

6. Summary Position

It is clear that the Council's financial and non-financial performance in 2021/22 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 2022/23 and future years.

In 2021/22, the Council has faced and dealt successfully with significant challenges due to the impact of Covid-19. These challenges will continue into 2022/23 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 2022/23. These will be assessed during 2022/23 and appropriate steps will be taken to manage council finances going forward.

7. Explanation of the Financial Statement

The Statement of Accounts for 2021/22 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 2022. The purpose of the published statement of accounts is to give local taxpayers, Council Members, stakeholders and other interested parties clear information about the Council's finances. It therefore aims to provide information so that these stakeholders can:

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

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

The accounts provide the reader with information on the cost of services provided by the Council in the year 2021/22, 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

Narrative Report (Continued)

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 2022. It also summarises the fixed and current assets used to carry out the Council's functions.

Cash Flow Statement

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

- Notes to the Main Financial Statements

The explanatory notes in this section are largely prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (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.

Narrative Report (Continued)

- 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 2021/22. The Council has been affected by a significant fall in income and higher levels of expenditure. The Council received £0.316m of Government grant funding for lost income in the first quarter of 2021/22.

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 further grant funding from the Government to support businesses and paid out £7.024m during the year which included £3.623m of Restart Grant and £1.947m of Additional Restrictions Grant.

Council tax payers were assisted by hardship grants of £0.907m and isolation support grants of £0.476m which were distributed by the Council on behalf of the Government.

At 31 March 2022, the Council had £5.5m of General Fund reserves and £11.8m of CBC Earmarked Reserves. In addition, there were £8.2m of Earmarked Reserves to cover collection fund deficits and business grants due to be paid in 2022/23.

The Council had investments of £128.9m at 31 March 2022 of which £28.056m 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. 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%.

Narrative Report (Continued)

The process for putting this right took several months to design given that it required retrospective action across, housing, housing benefit and DWP systems and processes, and was acceptable. This went live in November 2021. In total 2,308 tenancies were affected across three cohorts. There were 988 tenancies without benefit support or receiving housing benefit. A further 665 current tenants affected were receiving Universal Credit. And there were 512 former tenants that had been affected.

By mid-May 2022, all tenancies affected without benefit support or receiving housing benefit had been addressed, and this cohort was closed. There remains only 23 former tenant accounts unresolved. Officers have exhausted all remaining avenues to contact these former tenants or their estates. Proactive work has therefore now stopped but would be addressed should any individual come forward in the future. There remained 266 tenancies on Universal Credit to be address as of the end of April. The delays here are due to constraints within the Department for Work & Pensions, and it will be some time before these are closed at the current rate of progress.

The total impact was anticipated to be £3.3m to be repaid to the DWP (£1.7m). To date £646,888 has been repaid to tenants, £289,311 to the DWP in respect of universal credit claimants and £1.83m in respect of housing benefit. Some tenants have also taken the decision to leave the credit on their rent account. On the 10 January 2022, the Regulator for Social Housing wrote to the Council to confirm that given facts of this case, including the prompt action by the Council to put things right, they would take no further regulatory action.

10. Change in accounting policies

There were no changes to accounting policies in the year.

11. Further Information

Further information about the 2021/22 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

Paul Windust
Chief Accountant and s151 officer
Date: 25th January 2023

Statement of Accounts

2021 – 2022

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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 Council at the reporting date and its income and expenditure for the year ended 31st March 2022. This is a replacement of the one signed on 28th July 2022.

Carolin Martlew
Head of Corporate Finance
Date: 20th March 2023

Member Sign Off

I certify that these accounts were approved by the Audit Committee under delegated powers at a meeting held on 20th March 2023.

Councillor Jennifer Millar-Smith
Chair of the Audit Committee
Date: 20th March 2023

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.

(Restated-Note 42)						
2020/21			2021/22			
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
			Public Protection & Community Engagement			
1,171	64	1,235		971	134	1,105
6,156	426	6,582	Resources	6,646	868	7,514
			Environmental Services & Sustainability			
3,824	210	4,034		3,914	87	4,001
1,754	35	1,789	Cabinet	2,535	430	2,965
608	186	794	Housing	1,679	2,790	4,469
9,544	894	10,438	Wellbeing	7,578	1,812	9,390
			Planning and Economic Development			
(2,418)	1,801	(617)		(3,343)	2,892	(451)
(30,932)	23,457	(7,475)	Housing Revenue Account	(24,686)	11,434	(13,252)
(2,603)	301	(2,302)	All other segments	(2,603)	327	(2,276)
(12,896)	27,374	14,478	Net Cost of Services	(7,309)	20,774	13,465
			Other income and Expenditure			
(6,782)	(10,285)	(17,067)		20,524	(43,211)	(22,687)
(19,678)	17,089	(2,589)	(Surplus) or Deficit	13,216	(22,437)	(9,222)
(22,364)			Opening General Fund and HRA Balance	(42,042)		
(19,678)			(Surplus) or Deficit on General Fund and HRA Balance in Year	13,216		
(42,042)			Closing General Fund and HRA Balance at 31 March	(28,826)		

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.

(Restated-Note 42)

	2020/21			2021/22		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
			Public Protection & Community			
1,535	(300)	1,235	Engagement	1,333	(228)	1,105
7,049	(468)	6,581	Resources	8,016	(502)	7,514
			Environmental Services &			
7,232	(3,198)	4,034	Sustainability	7,688	(3,687)	4,001
6,951	(5,162)	1,789	Cabinet	7,278	(4,313)	2,965
38,362	(37,568)	794	Housing	36,913	(32,444)	4,469
16,785	(6,346)	10,439	Wellbeing	16,425	(7,035)	9,390
			Planning and Economic			
4,600	(5,218)	(618)	Development	5,379	(5,830)	(451)
42,611	(50,086)	(7,475)	Housing Revenue Account	32,033	(45,285)	(13,252)
(2,288)	(13)	(2,301)	All other segments	(2,156)	(120)	(2,276)
122,837	(108,359)	14,478	Cost of Services	112,909	(99,444)	13,465
			Other operating expenditure			
		(2,097)	(Note 11)			(2,093)
			Financing and investment			
		6,500	(income) and expenditure			8,760
			(Note 12)			
		(21,470)	Taxation and Non-specific grant			
			income (note 13)			(29,354)
		(2,589)	(Surplus) or Deficit on			
			Provision of Services			(9,222)
			(Surplus) or deficit on revaluation			
		(88,096)	of Property, Plant and Equipment			(108,781)
			assets			
		(4,950)	Remeasurements of the net			
			defined benefit liability			(13,258)
		(93,046)	Other Comprehensive			
			(Income) and Expenditure			(122,039)
		(95,635)	Total Comprehensive			
			(Income) and Expenditure			(131,261)

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 2021	38,845	3,198	31,160	23,096	4,621	100,920	695,958	796,878
Movement in reserves during 2021/22								
Total Comprehensive Income and Expenditure	2,273	6,949	-	-	-	9,222	122,039	131,261
Adjustments between accounting basis & funding basis under regulations	(15,489)	(6,910)	(11,329)	3,912	3,042	(26,774)	26,774	-
Increase/(Decrease) in 2021/22	(13,216)	39	(11,329)	3,912	3,042	(17,552)	148,813	131,261
Balance at 31 March 2022 carried forward	25,629	3,237	19,831	27,008	7,663	83,368	844,771	928,139
Analysed by:								
CBC Earmarked Reserves (Note 10)	11,846	-						
Amount uncommitted	5,573	3,237						
Total CBC Balance at 31 March 2022	17,419	3,237						
Non-CBC Earmarked Reserves (Note 10)	8,210	-						
Total Balance at 31 March 2022	25,629	3,237						

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 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	2,633	(44)	-	-	-	2,589	93,046	95,635
Adjustments between accounting basis & funding basis under regulations	17,046	44	(5,943)	7,221	1,333	19,701	(19,701)	-
Increase/(Decrease) in 2019/20	19,679	-	(5,943)	7,221	1,333	22,290	73,345	95,635
Balance at 31 March 2021 carried forward	38,845	3,198	31,160	23,096	4,621	100,920	695,958	796,878
Analysed by:								
CBC Earmarked Reserves (Note 10)	9,673	-						
Amount uncommitted	5,457	3,198						
Total CBC Balance at 31 March 2021	15,130	3,198						
Non-CBC Earmarked Reserves (Note 10)	23,715	-						
Total Balance at 31 March 2021	38,845	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 2021		Notes	31 March 2022
£'000			£'000
910,471	Property, Plant & Equipment	14	1,040,523
52	Heritage Assets	15	52
24,648	Investment Property	16	17,888
639	Intangible Assets	17	802
-	Long Term Investments	18	9,886
12,705	Long Term Debtors	18	13,965
<u>28,383</u>	Net Pension Assets	38	<u>37,077</u>
976,898	Long Term Assets		1,120,193
92,134	Short Term Investments	18	108,975
38	Inventories		27
16,036	Short Term Debtors	19	19,450
<u>16,236</u>	Cash and Cash Equivalentents	20	<u>9,596</u>
<u>124,444</u>	Current Assets		<u>138,048</u>

Balance Sheet (Continued)

31 March 2021		Notes	31 March 2022
£'000			£'000
(68)	Short Term Borrowing	18	(11,069)
(38,581)	Short Term Creditors	21	(62,570)
<u>(4,335)</u>	Provisions	22	<u>(5,897)</u>
(42,984)	Current Liabilities		(79,536)
(260,280)	Long Term Borrowing	18	(249,285)
<u>(1,200)</u>	Capital Grants Receipts in Advance	33	<u>(1,281)</u>
(261,480)	Long Term Liabilities		(250,566)
<u>796,878</u>	Net Assets		<u>928,139</u>
100,920	Usable Reserves	23	83,368
<u>695,958</u>	Unusable Reserves	24	<u>844,771</u>
<u>796,878</u>	Total Reserves		<u>928,139</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.

2020/21		2021/22
£'000		£'000
2,589	Net surplus/(deficit) on the provision of services	9,221
53,116	Adjustments to net surplus or deficit on the provision of services for non-cash movement (Note 25)	27,608
<u>(19,391)</u>	Adjustment for items included in the Net surplus or deficit on the provision of services that are investing and financing activities (note 25)	<u>(25,226)</u>
36,314	Net cash flows from Operating Activities (Note 25)	11,603
(15,026)	Investing Activities (Note 26)	(50,168)
<u>(14,204)</u>	Financing Activities (Note 27)	<u>31,925</u>
7,084	Net increase or (decrease) in cash and cash equivalents	(6,640)
<u>9,152</u>	Cash and cash equivalents at the beginning of the reporting period	<u>16,236</u>
<u>16,236</u>	Cash and cash equivalents at the end of the reporting period (Note 20)	<u>9,596</u>

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1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Crawley Borough Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. 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 2021/22, 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. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund balance (MRP) 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, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. 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 2.7% (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 and
- fair value through profit or loss (FVPL)

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 remains within 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, local taxation, 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's accounting policy for fair value measurement of financial assets is set out in note ix. 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
- b) In the absence of a principal market, in the most advantageous market for the asset

The Council measures the fair value of an asset using the assumptions that market participants would use when pricing the asset, 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 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 2022/23 for application from 1 April 2022:

- IFRS 1 First-time adoption will be amended in relation to foreign operations. The council does not have foreign operations so will not be impacted.
- IAS 37 Onerous contracts will be amended to clarify the intention.
- ISA 41 Agriculture will be amended but does not impact an urban local authority.
- IFRS 16 Leases has been amended to remove a misleading example that is not referenced in the Code material.

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.

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.

Notes to Main Financial Statements (Continued)

The items in the Council’s Balance Sheet at 31 March 2022 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 £512,602.54 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 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £5.2m. A 1 year increase in member life expectancy would result in an increase in the pension liability of around £8.4m to £14.0m. A 0.1% increase in the Salary Increase Rate would result in an increase in the pension liability of £0.445m. A 0.1% increase in the Pension Increase Rate would result in an increase in £4.8m.
Arrears	At 31 March 2022, the Council had a balance of sundry debtors of £26.007m. A review of significant balances suggested that an impairment of doubtful debts of (£7.078m) 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 £7.078m 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 £1.7m. 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).	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

Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities.

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.

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

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 29 July 2022. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Notes to Main Financial Statements (Continued)

6. Note to the Expenditure and Funding Analysis

2021/22	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	-	135	(1)	134
Resources	-	867	1	868
Environmental Services & Sustainability	(416)	497	6	87
Cabinet	-	427	3	430
Housing	2,159	540	91	2,790
Wellbeing	489	1,315	8	1,812
Planning and Economic Development	5,024	427	(2,559)	2,892
Housing Revenue Account	10,268	854	312	11,434
All other segments	-	-	327	327
Net Cost of Services	17,524	5,062	(1,812)	20,774
Other income and expenditure from the Expenditure and Funding Analysis	(30,006)	(500)	(12,705)	(43,211)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(12,482)	4,562	(14,517)	(22,437)

Notes to Main Financial Statements (Continued)

(Restated – Note 42) 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
Resources	97	329	0	426
Environmental Services & Sustainability	21	204	(16)	209
Cabinet	-	40	(4)	36
Housing	193	217	(224)	186
Wellbeing	364	531	(1)	894
Planning and Economic Development	1,480	295	141	1801
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)	21,081	(10,285)
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	21,525	17,089

Adjustments for Capital Purposes

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

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

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

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

Net Change for the Pensions Adjustments

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

For services this represents the removal of the employer pension contributions made by the Council 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:

(Restated – Note 42)

2020/21			2021/22	
Income from Services £' 000	Depreciation £' 000	Services	Income from Services £' 000	Depreciation £' 000
(211)	-	Public Protection & Community Engagement	(201)	-
(3,811)	545	Resources	(7,740)	517
(3,044)	445	Environmental Services & Sustainability	(3,564)	439
(3,986)	-	Cabinet	(6,041)	292
(1,728)	-	Housing	(2,943)	-
(5,899)	2,703	Wellbeing	(6,508)	2,148
(9,244)	664	Planning and Economic Development	(7,223)	651
(50,086)	-	Housing Revenue Account	(45,204)	-
(78,009)	4,357		(79,424)	4,047

8. Expenditure and Income Analysed by Nature

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

2020/21		2021/22
£' 000	Expenditure/Income	£' 000
	Expenditure	
24,735	Employee benefit expenses*	28,334
64,690	Other services expenses	68,121
2,727	Support service recharges	2,731
29,790	Depreciation, amortisation, impairment	15,731
8,349	Interest payments	8,269
-	Precepts and levies	-
1,031	Payments to Housing Capital Receipts Pool	1,033
(2,039)	Gain on the disposal of assets	(2,723)
129,283	Total expenditure	121,496
	Income	
(68,195)	Fees, charges and other service income	(68,104)
(952)	Interest and investment income	(1,516)
(12,618)	Income from council tax, non-domestic rates	(13,463)
(50,107)	Government grants and contributions	(47,635)
(131,872)	Total income	(130,718)
(2,589)	(Surplus) or deficit on the Provision of Services	(9,222)

*Employee benefit expense has increased largely due to an increase in the current service cost of IAS19 Pensions.

9. Adjustments between Accounting Basis and Funding Basis under Regulations

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

General Fund Balance

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

recover) at the end of the financial year. However, the balance is not available to be applied to funding HRA services.

Housing Revenue Account Balance

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

Major Repairs Reserve

The Council 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.

2021/22	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grant Unapplied £'000
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Adjustments to the Revenue Resources

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

• Pension Cost (transferred to or from) the Pension Reserve)	3,710	854	-	-	-
• Financial instruments (transferred to the Financial Instruments Adjustment Account)	(2)	-	-	-	-
• Council tax and NDR (transfers to or from) Collection fund Adjustments Account	(15,655)	-	-	-	-

Notes to Main Financial Statements (Continued)

2021/22	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grant Unapplied
	£'000	£'000	£'000	£'000	£'000
• Holiday pay (transferred to the Accumulated Absences Reserve)	4	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)	(1,636)	18,228	-	-	3,047
Total Adjustments to Revenue Resources	(13,579)	19,084	-	-	3,047
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts reserve	(1,102)	(9,655)	10,757	-	-
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	(359)	-	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	1,033	-	(1,033)	-	-
Posting of HRA resources from revenue to the Major Repair Reserve	-	(16,339)	-	16,339	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(922)	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(560)	-	-	-	-
Total Adjustments between Revenue and Capital Resources	(1,910)	(25,994)	9,724	16,339	-
Adjustments to Capital Resources					
Use of the Capital Receipts reserve to finance capital expenditure	-	-	(21,287)	-	-
Use of Major Repairs Reserve to financial capital expenditure	-	-	-	(12,427)	-
Application of capital grants to finance capital expenditure	-	-	-	-	(5)
Cash Payments in relation to deferred capital receipts	-	-	234	-	-
Total Adjustments to Capital Resources	-	-	(21,053)	(12,427)	(5)
Total Adjustments	(15,489)	(6,910)	(11,329)	3,912	3,042

Notes to Main Financial Statements (Continued)

2020/21	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)	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	-	-	-
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	4,557	31,440	-	-	1,333
Total Adjustments to Revenue Resources	23,542	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	-	-
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	-	-	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1,055)	-	-	-	-
Posting of HRA resources from revenue to the Major Repair Reserve	1,032	-	(1,032)	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	-	(22,623)	-	22,623	-
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	-

Notes to Main Financial Statements (Continued)

2020/21	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	-	-	(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	17,046	44	(5,943)	7,221	1,333

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 2021/22.

	Balance at 1 April 2020 £'000	Transfers Out 2020/21 £'000	Transfers In 2020/21 £'000	Balance at 31 March 2021 £'000	Transfers Out 2021/22 £'000	Transfers In 2021/22 £'000	Balance at 31 March 2022 £'000
General Fund:							
Capital Programme	3,555	(3,555)	2,242	2,242	(152)	203	2,293
Restructuring Impact Reserve	695	(295)	-	400	-	-	400
Vehicles and Plant	443	(203)	775	1,015	(68)	685	1,632
Insurance Fund	378	-	-	378	-	-	378
ICT Replacement	70	-	100	170	(10)	100	260
Specialist Equipment at K2 Crawley and Hawth	66	-	100	166	-	100	266
Risk Management	182	(82)	75	175	-	90	265
Quick Wins	18	(18)	-	-	-	-	-
Heritage Strategy	28	(10)	-	18	-	-	18
Pathfinder	24	-	-	24	-	-	24
Local Development Framework	396	(153)	200	443	(147)	127	423
Health & Wellbeing Grant	156	(8)	22	170	(6)	59	223
Connecting Communities	56	(8)	-	48	-	-	48
Homeless grant	81	-	60	141	-	-	141
Town Centre and Regeneration Reserve	96	-	28	124	(31)	161	254
Waste Collection	226	-	-	226	-	-	226
Worth Park HLF	33	-	-	33	-	-	33
Grant to voluntary organisations	75	(75)	24	24	-	34	58
Welfare Reform	200	(131)	361	430	(33)	-	397
Transparency	11	(11)	9	9	(16)	8	1
Shore gap fund	7	-	-	7	-	-	7
Tilgate Park Investment	8	(8)	-	-	(76)	344	268
New Museum	80	(20)	-	60	(1)	-	59
Town Centre 75 th Entertainment	-	-	-	-	-	5	5
Town Centre Partnership	25	(25)	-	-	-	-	-
Town Centre Markets	14	(14)	-	-	-	-	-
EU Exit Funding	338	-	-	338	(247)	-	91
Park Improvement Fund	-	-	87	87	-	-	87
Business Rates Pool Cycling	60	-	55	115	(13)	-	102
Homeless Accommodation Acquisition	699	-	830	1,529	-	-	1,529

Notes to Main Financial Statements (Continued)

	Balance at 1 April 2020 £'000	Transfers Out 2020/21 £'000	Transfers In 2020/21 £'000	Balance at 31 March 2021 £'000	Transfers Out 2021/22 £'000	Transfers In 2021/22 £'000	Balance at 31 March 2022 £'000
Queen Square	381	-	-	381	-	-	381
Supported Accommodation	120	-	-	120	-	-	120
Town Funds	173	(1,039)	1,000	134	(1,144)	1,055	45
Covid-19 LA Support Grant	41	(604)	1,208	645	-	172	817
HMO Licenses	-	-	21	21	-	25	46
Transformation and Project Deliver	-	-	-	-	-	500	500
Woodland Trust Forestry Work	-	-	-	-	-	27	27
Climate Emergency	-	-	-	-	-	7	7
DEFRA Environment Health	-	-	-	-	-	17	17
Biodiversity Net Gain Grant	-	-	-	-	-	10	10
Garage maintenance	-	-	-	-	-	169	169
Learning and Development	-	-	-	-	-	55	55
Town Hall Equalisation	-	-	-	-	-	150	150
Licensing New Burdens	-	-	-	-	-	14	14
CBC Earmarked Reserves	8,735	(6,259)	7,197	9,673	(1,944)	4,117	11,846
Business Rates Equalisation*	5,192	-	16,629	21,821	(13,859)	-	7,962
Covid Grants*	-	-	1,813	1,813	(1,813)	167	167
Council Tax Income Guarantee*	-	(52)	133	81	-	-	81
Total Earmarked Reserves	13,927	(6,311)	25,772	33,388	(17,616)	4,284	20,056

* 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 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 income in 2020/21 will not be charged to the Council's General Fund until 2021/22 and 2022/23. This reserve will be used to offset losses on the Collection Fund already incurred.

Notes to Main Financial Statements (Continued)

11. Other Operating Expenditure

2020/21 £'000		2021/22 £'000
1,032	Payment to the Government Housing Receipts Pool	1,033
(2,039)	Gains/losses on the disposal of non-current assets	(2,723)
(1,090)	Notional Shared Equity Income	(403)
(2,097)	Total	(2,093)

12. Financing and Investment Income and Expenditure

2020/21 £'000		2021/22 £'000
8,349	Interest payable and similar charges	8,269
(548)	Net interest on the net defined benefit liability	(516)
(1,617)	Interest receivable and similar income	(1,367)
664	Impairment losses	(149)
(348)	Income and expenditure in relation to investment properties and changes in their fair market value	2,523
6,500	Total	8,760

13. Taxation and Non Specific Grant Incomes

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

2020/21 £'000		2021/22 £'000
(7,390)	Council Tax Income	(7,631)
(5,227)	Retained Business Rates	(5,882)
(6,710)	Non-ringfenced government grants	(2,830)
(2,143)	Capital grants and contributions	(13,011)
(21,470)	Total	(29,354)

Notes to Main Financial Statements (Continued)

14. Property, Plant and Equipment

Movements on Balances

Movements in 2021/22

	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 2021	700,708	167,676	14,686	4,218	5,846	-	33,414	926,548
Additions	9,621	5,713	424	102	-	-	25,225	41,085
Revaluation increases/(decreases) recognised in the Revaluation Reserve	82,685	16,799	-	(61)	-	-	-	99,423
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,392)	(375)	-	-	-	-	-	(3,767)
Derecognition – Disposals	(7,983)	-	(255)	-	-	-	-	(8,238)
Assets Reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-
Other movements in asset classification*	5,692	2,828	-	791	(785)	-	(5,692)	2,834
At 31 March 2022	787,331	192,641	14,855	5,050	5,061	-	52,947	1,057,885
Accumulated Depreciation and Impairment								
At 1 April 2021	(1,744)	(1,992)	(10,553)	(860)	(928)	-	-	(16,077)
Depreciation charge	(7,249)	(2,787)	(1,083)	(174)	(54)	-	-	(11,347)
Depreciation written out to the Revaluation Reserve	6,726	2,633	-	(1)	-	-	-	9,358
Depreciation written out to the Surplus/Deficit on the Provision of Services	263	184	-	-	-	-	-	447
Impairment losses/(reversals) recognised in the Revaluation Reserves	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition – Disposals	23	-	234	-	-	-	-	257
Other movements in depreciation and impairment	-	-	-	(1)	1	-	-	-
At 31 March 2022	(1,981)	(1,962)	(11,402)	(1,036)	(981)	-	-	(17,362)
Net Book Value								
At 31 March 2022	785,350	190,679	3,453	4,014	4,080	-	52,947	1,040,523
At 31 March 2021	698,964	165,684	4,133	3,358	4,918	-	33,414	910,471

Notes to Main Financial Statements (Continued)

*£5,692k Assets under construction completed and transferred to council Dwellings, £2,834 transferred from Other Land & Buildings from Investment after an asset change of use.

Comparative 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)	(780)	(48)	-	-	(10,887)
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)	(860)	(928)	-	-	(16,077)
Net Book Value								
At 31 March 2021	698,964	165,684	4,133	3,358	4,918	-	33,414	910,471
At 31 March 2020	607,397	167,054	4,873	3,783	3,091	-	36,556	822,754

Notes to Main Financial Statements (Continued)

Capital Commitments

At 31 March 2022, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2022/23 and future years budgeted to cost £55,915,512. Similar commitments at 31 March 2021 were £51,939,512.

The major commitments are:

	£'000
HRA Programmed Repairs	14,142
HRA Affordable Housing	32,921
Community – Park and Recreation	384
Cabinet – New Town Hall	5,803
Cabinet – District Heat Network	338
Cabinet – Crawley Growth Programme	2,328
	55,916

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	-	-	3,453	4,014	4,080	-	52,947	64,494
Value at fair value as at:								
31 March 2022	785,350	168,934	-	-	-	-	-	954,284
31 March 2021	-	1,167	-	-	-	-	-	1,167
31 March 2020	-	7,553	-	-	-	-	-	7,553
31 March 2019	-	10,841	-	-	-	-	-	10,841
31 March 2018	-	2,184	-	-	-	-	-	2,184
	785,350	190,679	3,453	4,014	4,080	-	52,947	1,040,523

15. Heritage Assets

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

	Public Works of Art 2021/22 £' 000
Cost or Valuation	
01 April 2021	52
Additions	-
Disposals	-
31 March 2022	52

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

Public Works of Art

The Council has a number of sculptures and other artwork 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:

	2020/21 £'000	2021/22 £'000
Rental income from investment property	(1,593)	(1,399)
Direct operating expenses arising from investment property *	1,245	3,923
Net (Gain)/Loss	(348)	2,524

*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 Council’s ability to realise the value inherent in its investment property or on the Council’s right to the remittance on income and proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property. With the exception of leases in which the Council retains responsibility for undertaking repairs, the Council 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:

	2020/21 £'000	2021/22 £'000
Balance at the start of the year	25,587	24,648
Additions:		
• Purchases	-	-
• Subsequent expenditure	-	-
Disposals	-	-
Net gains/(losses) from fair value adjustments	(939)	(3,926)
Transfers:		
• (to)/from Property, Plant and Equipment	-	(2,834)
• (to)/from Assets Held for Sale	-	-
• (to)/from Land and Buildings	-	-
Balance at end of the year	24,648	17,888

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 2022 £'000
Recurring fair value measurements using:				
Office Units	-	14,331	-	14,331
Commercial Units	-	3,557	-	3,557
Total	-	17,888	-	17,888

2020/21 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	-	15,934	-	15,934
Commercial Units	-	8,714	-	8,714
Total	-	24,648	-	24,648

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 council’s six of the seven investment properties, the highest and best use of the properties is their current use.

One of the council’s commercial properties is not being used at the highest and best current use, the council 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 Council’s investment property is measured annually at each reporting date. All valuations are carried out by the Council’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 Council’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 £35,341.45 charged to revenue in 2021/22 was charged to appropriate service headings in the Net Expenditure of Services.

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

	2020/21			2021/22		
	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	-	3,628	3,628	-	3,705	3,705
▪ Accumulated amortisation	-	(3,047)	(3,047)	-	(3,066)	(3,066)
Net carrying amount at start of year	-	581	581	-	639	639
Additions:						
▪ Purchases	-	77	77	-	198	198
Assets reclassified	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Other movements in Asset classification						
Amortisation for the period	-	(19)	(19)	-	(35)	(35)
Derecognition: Disposal	-	-	-	-	-	-
Net carrying amount at end of year	-	639	639	-	802	802
Comprising:						
▪ Gross carrying amounts	-	3,705	3,705	-	3,903	3,903
▪ Accumulated amortisation	-	(3,066)	(3,066)	-	(3,101)	(3,101)
	-	639	639	-	802	802

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 2021 £'000	As at 31 March 2022 £'000	As at 31 March 2021 £'000	As at 31 March 2022 £'000
Investments				
Loans and receivables	-	-	-	-
Financial Assets at fair value through profit or loss	-	4,886	-	4,959
Financial assets at amortised cost	-	5,000	92,134	104,016
Total Investments	-	9,886	92,134	108,975
Cash and Cash Equivalents				
Loans and receivables	-	-	-	-
Financial assets at amortised cost	-	-	16,600	9,596
Financial liabilities at amortised cost	-	-	(364)	-
Total cash and cash equivalents	-	-	16,236	9,596
Debtors				
Loans and receivables	-	-	-	-
Shared equity loans valued at fair value through profit and loss	6,499	7,613	-	-
Financial assets carried at contract amounts	-	-	-	-
Financial assets at amortised cost	6,206	6,352	11,353	5,565
Total included in Debtors	12,705	13,965	11,353	5,565
Debtors that are not financial instrument	-	-	4,683	13,885
Total Debtors	12,705	13,965	16,036	19,450
Borrowings				
Financial liabilities at amortised cost	(260,280)	(249,285)	(68)	(11,069)
Total Borrowings	(260,280)	(249,285)	(68)	(11,069)
Creditors				
Financial liabilities at amortised cost	-	-	(22,846)	(16,182)
Total included in Creditors	-	-	(22,846)	(16,182)
Creditors that are not financial instruments	-	-	(15,735)	(46,388)
Total Creditors	-	-	(38,581)	(62,570)

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 2021		31 March 2022	
	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	(382)	-	(1,005)	-
-Financial assets measured at amortised cost	718	-	33	-
Total net gains/losses	336	-	(972)	-
Interest revenue:				
- Financial assets measured at amortised cost	(844)	-	(544)	-
Total interest revenue	(844)	-	(544)	-
Interest expense	8,349	-	8,269	-

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 2021 £'000	As at 31 March 2022 £'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	6,499	7,613

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 2021 £'000	31 March 2022 £'000
Opening balance	5,069	6,499
Included in Surplus or Deficit on the Provision of Services	535	1,041
Additions	1,055	359
Disposals	(160)	(286)
Closing balance	6,499	7,613

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:

Assumption	31 March 2021 £'000	31 March 2022 £'000
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	126	128

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 2022, 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 2021		31 March 2022	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Cash and Cash Equivalents	364	364	-	-
PWLB debt	260,348	299,128	260,354	272,065
Short term creditors	22,846	22,846	16,182	16,182
Total Liabilities	283,558	322,338	276,536	288,247

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest 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 2022) arising from a commitment to pay interest to lenders above current market rates.

Notes to Main Financial Statements (Continued)

Financial Assets	31 March 2021		31 March 2022	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Money market loans<1 year	17,094	17,094	-	-
Short term investments	92,134	92,134	94,014	94,014
Long term investments	-	-	5,000	4,885
Short term debtors	11,353	11,353	5,565	5,565
Long term debtors	6,206	6,206	6,352	6,352
Total Assets	126,787	126,787	110,931	110,816

The fair value of the assets is lower than the carrying amount because the Council's portfolio of loans includes a number of bonds where current market rates are lower than the rates at the time of acquisition at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2022) arising from a commitment to receive interest to lenders below current market rates.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value. March 2022

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

	31 March 2022			
	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	-	-	-	-
PWLB	-	272,065	-	272,065
Short term creditors	-	-	16,182	16,182
Total	-	272,065	16,182	288,247
Financial Assets				
Financial assets held at amortised cost:				
Money market loans<1 year	-	-	-	-
Short term investments	-	94,014	-	94,014
Long term investments	-	4,885	-	4,885
Short term debtors	-	-	5,565	5,565
Long term debtors	-	-	6,352	6,352
Total	-	98,899	11,917	110,816

31 March 2021

	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	-	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

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 loans 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 2021 £'000	31 March 2022 £'000
Central Government Departments	2,384	3,447
Other Local Authorities	7,475	1,454
NHS Bodies	-	136
Public Corporations and Trading Funds	-	-
Other Entities and Individuals*	6,177	14,413
Total Debtors	16,036	19,450

*includes £8.4m due from Coast to Capital LEP.

20. Cash and Cash Equivalent

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

31 March 2021 £'000		31 March 2022 £'000
(364)	Cash overdrawn	-
-	Bank Call account	92
16,600	Money Market Funds	9,504
16,236	Total Cash and Cash Equivalents	9,596

21. Creditors

	As at 31 March 2021 £'000	As at 31 March 2022 £'000
Central Government Departments	8,087	44,987
Other Local Authorities	910	800
NHS Bodies	171	212
Other Entities and Individuals	29,413	16,571
Total Creditors	38,581	62,570

Includes £31.055m (2020/21: £5.491m) in business rates funding due to be repaid to the government.

22. Provisions

	Accumulated Absences £'000	NDR Appeal £'000	Total £'000
Balance at 1 April 2021	176	4,159	4,335
Additional provisions made in 2021/22	181	1,766	1,947
Amounts used in 2021/22	(176)	(209)	(385)
Unused amounts reversed in 2021/22	-	-	-
Unwinding of discounting in 2021/22	-	-	-
Balance at 31 March 2022	181	5,716	5,897

Accumulated Absences

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

NDR 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)

23. Usable Reserves

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

24. Unusable Reserves

31 March 2021 £'000		31 March 2022 £'000
	Unusable Reserves Held for Capital Purposes	
335,867	Revaluation Reserve	436,535
-	Financial Instruments Revaluation Reserve	2
339,909	Capital Adjustment Account	363,583
10,111	Deferred Capital Receipts Reserve	10,236
685,887	Total Unusable Reserves Held for Capital Purposes	810,356
	Unusable Reserves Held for Revenue Purposes	
28,383	Pension Reserve	37,077
(18,136)	Collection Fund Adjustment Account	(2,481)
(176)	Accumulated Absences Account	(181)
10,071	Total Unusable Reserves Held for Revenue Purposes	34,415
695,958	Total Unusable Reserves	844,771

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 2021 £'000			31 March 2022 £'000
253,725	Balance at 1 April		335,867
92,467	Upward revaluation of asset	111,247	
(4,372)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,466)	
88,095	Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		108,781
(4,629)	Difference between fair value depreciation and historical cost depreciation	(6,044)	
(1,324)	Accumulated gains on assets sold or scrapped	(2,069)	
(5,953)	Amount written off to the Capital Adjustment Account		(8,113)
335,867	Balance at 31 March		436,535

(b) Financial Instruments Revaluation Reserve

The financial instruments revaluation reserve contains the gains made by the Council arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

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

2020/21		2021/22
£'000		£'000
-	Balance at 1 April	-
-	Upward revaluation of investments	-
-	Downward revaluation of investments	2
-	Balance at 31 March	2

(c) 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.

2020/21		2021/22
£'000		£'000
335,254	Balance at 1 April	339,909
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
	• Charges for depreciation and impairment of non-current assets	
(10,886)		(11,347)
	• Revaluation losses on Property, Plant and Equipment	
(17,333)		(3,321)
(19)	• Amortisation of intangible assets	(35)
	• Revenue expenditure funded from capital under statute	
(5,613)		(4,041)
	• 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	
(8,751)		(8,034)
(42,602)		(26,778)
5,953	Adjusting amounts written out of the Revaluation Reserve	8,113
(36,649)	Net written out amount of the cost of non-current assets consumed in the year	(18,665)
	Capital financing applied in the year:	
	• Use of the Capital Receipts Reserve to finance new capital expenditure	
15,836		21,287

Notes to Main Financial Statements (Continued)

15,402	<ul style="list-style-type: none"> Use of the Major Repairs Reserve to finance new capital expenditure 	12,427	
6,213	<ul style="list-style-type: none"> Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing 	11,064	
-	<ul style="list-style-type: none"> Application of grants to capital financing from the Capital Grants Unapplied Account 	5	
-	<ul style="list-style-type: none"> Statutory provision for the financing of capital investment charged against the General Fund and HRA balances 	922	
4,792	<ul style="list-style-type: none"> Capital expenditure charged against the General fund and HRA balances 	560	
42,243		560	46,265
(939)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(3,926)
-	Movement in the donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-
339,909	Balance at 31 March		363,583

(d) 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.

2020/21 £'000		2021/22 £'000
9,191	Balance at 1 April	10,111
1,055	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	359
(135)	Transfer to the Capital Receipts Reserve upon receipt of cash	(234)
10,111	Balance at 31 March	10,236

(e) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer’s contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2020/21 £'000		2022/22 £'000
24,785	Balance at 1 April	28,383
4,950	Actuarial gains or losses on pensions assets and liabilities	13,258
(5,109)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and expenditure Statement	(8,243)
3,757	Employer’s pensions contribution and direct payments to pensioners payable in the year	3,679
28,383	Balance at 31 March	37,077

(f) Collection Fund Adjustment Account

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

2020/21 £'000		2021/22 £'000
(167)	Balance at 1 April	(18,136)
(17,969)	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	15,655
(18,136)	Balance at 31 March	(2,481)

(g) Accumulated Absences Account

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

2020/21 £'000			2021/22 £'000
(175)	Balance at 1 April		(176)
175	Settlement or cancellation of accrual made at the end of the preceding year	176	
<u>(176)</u>	Amounts accrued at the end of the current year	<u>(181)</u>	
<u>(1)</u>	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		<u>(5)</u>
(176)	Balance at 31 March		(181)

25. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

31 March 2021 £'000			31 March 2022 £'000
933	Interest received		143
(8,344)	Interest paid		(8,263)
-	Dividends received		-

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

31 March 2021 £'000			31 March 2022 £'000
10,887	Depreciation		11,347
17,333	Impairments and downward valuations		3,321
18	Amortisation		35
-	Increase/(decrease) in impairment for bad debts		-
14,802	Increase/(decrease) in creditors		17,386
(2,432)	(Increase)/decrease in debtors		(10,451)
3	(Increase)/decrease in inventories		11

Notes to Main Financial Statements (Continued)

31 March 2021 £'000		31 March 2022 £'000
1,352	Movement in pension liability	4,564
8,751	Carrying amount of non-current assets and non-current assets held for sale, sole or derecognised	8,034
2,402	Other non-cash items charged to the net surplus or deficit on the provision of services	(6,639)
53,116		27,608

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

-	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	-
(11,845)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(11,116)
(7,546)	Any other items for which the cash effects are investing or financing cash flows	(14,110)
(19,391)		(25,226)

26. Cash Flow Statement – Investing Activities

The cash flows for operating activities include the following items:

2020/21 £'000		2021/22 £'000
(28,248)	Purchase of property, plant and equipment, investment property and intangible assets	(48,507)
(247,200)	Purchase of short-term and long-term investments	(300,631)
-	Other payments for investing activities	-
10,838	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	10,942
243,100	Proceeds from short-term and long-term investments	273,750
6,484	Other receipts from investing activities	14,278
(15,026)	Net cash flows from investing activities	(50,168)

Notes to Main Financial Statements (Continued)

27. Cash Flow Statement – Financing Activities

2020/21 £'000		2021/22 £'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	-
(14,204)	Other payments for financing activities	31,925
(14,204)	Net cash flows from financing activities	31,925

28. 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.

	2020/21 £'000	2020/21 £'000	2021/22 £'000	2021/22 £'000
Turnover for commercial operations	1,419		1,581	
Turnover related to non-commercial lets	4,275		4,799	
Total Turnover		5,694		6,380
Expenditure	(2,036)		(1,445)	
Movement in Fair Value of investment Properties	(939)		(3,926)	
Net Surplus/(deficit) on trading operations		(2,975)		(5,371)
		2,719		1,009

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

	2020/21 £'000	2021/22 £'000
Net Surplus on trading operations	2,719	1,009
Net Surplus credited to Financing and Investment Income and Expenditure	2,719	1,009

29. 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)

WSSC-Verge/Shrub maintenance	2020/21 £'000	2021/22 £'000
Expenditure incurred in providing verge/shrub maintenance	194	186
Income – contribution from WSSC	(170)	(172)
Net (surplus)/deficit arising on agency arrangement	24	14

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

WSSC-Civil Parking Enforcement	2020/21 £'000	2021/22 £'000
Expenditure incurred in providing a CPE/CPZ service	534	486
Income raised from fees and charges	(621)	(876)
Contribution to expenditure	(534)	(484)
Income Share	613	848
Management Fee Payable	(48)	(101)
Net (surplus)/deficit arising on agency arrangement	(56)	(127)

30. Members' Allowances

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

	2020/21 £'000	2021/22 £'000
Allowance	332	329
Expenses	-	1
Total	332	330

Notes to Main Financial Statements (Continued)

31. 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	2021/22	139,224	1,239	-	-	24,987	165,450
	2020/21	123,413	1,239	-	-	25,845	150,497
Deputy Chief Executive	2021/22	105,765	-	-	-	21,259	127,024
	2020/21	101,865	-	-	-	21,494	123,359
Head of Corporate Finance (S.151 Officer)	2021/22	76,681	-	-	-	15,413	92,094
	2020/21	75,559	-	-	-	15,943	91,502
Head of Governance, People & Performance	2021/22	70,809	-	-	-	14,233	85,042
	2020/21	39,191	-	-	-	7,971	47,162

The Head of Governance, People & Performance was only filled for six months during 2020/21. The Chief Executive role is also the council Returning Officer and included within Salary, Fees and Allowances is the remuneration for this work, the amount will be different each year depending on what elections take place within the year.

The Council's other employees whose remuneration, excluding pension contributions was £50,000 or more in bands of £5,000 was:

Remuneration Band	Number of Employees 2020/21	Number of Employees 2021/22
£50,000 - £54,999	16	23
£55,000 - £59,999	10	6
£60,000 - £64,999	3	6
£65,000 - £69,999	-	1
£70,000 - £74,999	3	1
£75,000 - £79,999	2	3
£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	
	2020/21 Qty	2021/22 Qty	2020/21 Qty	2021/22 Qty	2020/21 Qty	2021/22 Qty	2020/21 £	2021/22 £
£0 - £20,000	1	2	-	-	1	2	3,511	5,503
£20,001–£40,000	-	1	-	-	-	1	-	26,538
£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	3	-	-	1	3	3,511	32,041

32. External Audit Cost

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

	2020/21 £'000	2021/22 £'000
Fees payable with regard to external audit services carried out by the appointed auditor	97	84
Fees payable with regard to other services provided by the appointed auditor	53	37
Additional fees paid to appointed auditor via a third party	1	2
Fees payable in respect of other services provided by the auditor during the year*	3	4
Total	154	127

*The fees for other services payable in 2021/22 related to the audit of the Capital Pooling return for 2020/21, which was not undertaken by the appointed auditor, Ernst & Young LLP.

33. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure statement in 2021/22:

	2020/21 £'000	2021/22 £'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	60	60
Capital Grants and Contributions	2,143	13,011
New Homes Bonus	1,831	1,109
Covid 19 related Grants	3,800	1,026
Other Grants	1,019	635
Business Rate Grants	15,432	6,622
	24,285	22,463
Credited to Services		
Rent Allowance	17,509	15,052
Rent Rebates	15,108	12,135
Benefits Administration	513	504
NNDR Collection	213	219
Covid 19 related Grants	5,505	1,325
Other Grants	2,406	2,508
Total	41,254	31,743

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;

	2020/21 £'000	2021/22 £'000
Capital Grants Receipts in Advance		
S106 – Transport	181	116
S106 – Amenity Space	429	298
S106 – Other Grants	590	41
CIL	-	826
Total	1,200	1,281

34. 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 2022 are shown in Note 33.

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 £482,510 in which ten members had an interest. 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.

One member had an interest in an organisation which leased a retail unit from the Council at a cost of £24,500 per annum, of which £15,980 was outstanding at 31 March 2022: this was built up during a period the unit was closed during the Covid lockdowns. Additionally, a rental deposit of £6,930 is also held. The lease was made with proper consideration of declarations of interest and the relevant member did not take part in any discussion or decision relating to the lease of the retail unit.

35. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2020/21 £'000	2021/22 £'000
Capital Expenditure and Capital Financing		
Opening Capital Financing Requirement	260,325	260,325
Capital Investment		
Property, Plant and Equipment	36,553	41,085
Investment Properties	-	-
Intangible Assets	77	198
Revenue Expenditure Funded from Capital under Statute	5,613	4,041
Long Term Debtors	-	18
Sources of Finance		
Capital receipts	15,836	21,287
Capital reserves	3,556	152
Major Repairs Reserve	15,402	12,427
Government Grants and other contributions	6,213	11,069
Revenue contributions	1,236	407
Sums set aside from revenue		
Direct revenue contribution	-	922
Closing Capital Financing Requirement	260,325	259,403

	2020/21 £'000	2021/22 £'000
Explanation of movements in year		
Decrease in underlying need to borrow (unsupported by government finance assistance)	-	(922)
Increase/(decrease) in Capital Financing Requirement	-	(922)

36. 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 2021 £'000	31 March 2022 £'000
Not later than one year	4,766	4,807
Later than one year and not later than five years	14,327	13,062
Later than five years	20,242	18,654
	39,335	36,523
Contingent rents	698	808

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 2021/22 £808,207 contingent rents were receivable by the Authority (2020/21 £698,158).

37. Termination Benefits

The Council terminated the contracts of a number of employees in 2021/22, incurring liabilities of £32,041 (£3,511 in 2020/21). See note 31 for the number of exit packages and total cost per band.

38. 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 2022/23 are expected to be as follows:

Bands	Range	Contribution Rates	
		Main Section	50/50 Section
1	Up to £15,000	5.50%	2.75%
2	£15,001 to £23,600	5.80%	2.90%
3	£23,601 to £38,300	6.50%	3.25%
4	£38,301 to £48,500	6.80%	3.40%
5	£48,501 to £67,900	8.50%	4.25%
6	£67,901 to £96,200	9.90%	4.95%
7	£96,201 to £113,400	10.50%	5.25%
8	£113,401 to £170,100	11.40%	5.70%
9	£170,101 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 2021/22 the Council made a contribution of £3.398 million, 21.4% of pensionable pay (2020/21 £3.472 million, 21.4%). In addition the Council made a contribution for unfunded benefits of £0.281 million (2020/21 £0.285 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
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.

	2020/21 £'000	2021/22 £'000
Comprehensive Income & Expenditure Statement		
Cost of Services		
- Current service cost	(5,657)	(8,743)
- Past service cost	-	(16)
- (Gains)/losses from settlements	-	-
Financing and Investment Income and Expenditure		
Net interest comprising:		
- Interest on plan assets	5,882	6,417
- Interest cost on defined benefit obligation	(5,334)	(5,901)
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	(5,109)	(8,243)
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
- Changes in demographic assumptions	(473)	1,741
- Changes in financial assumptions	(59,106)	19,308
- Other experience	2,571	(504)
- Return on assets (excluding amounts included in net interest)	61,958	(7,287)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(159)	5,015
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	(8,866)	(11,922)
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to scheme	(3,472)	(3,398)
Contributions in respect of unfunded benefits	(285)	(281)

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:

	2020/21	2021/22
	£'000	£'000
Fair value of the employer assets	322,410	318,896
Present value of funded liabilities	(290,030)	(278,161)
Present value of unfunded liabilities	(3,997)	(3,658)
Net Asset	28,383	37,077

Reconciliation of the Movements in the Fair Value of Plan Assets

	2020/21	2021/22
	£'000	£'000
Opening fair value of scheme assets	257,231	322,410
Interest income on plan assets	5,882	6,417
Remeasurement gain/(loss):		
- Return on assets excluding amounts included in net interest	61,958	(7,287)
Contributes from employer	3,472	3,398
Contributions from employees into the scheme	1,115	1,140
Contributions in respect of unfunded benefits	285	281
Benefits paid	(7,248)	(7,182)
Unfunded benefits paid	(285)	(281)
Closing fair value of scheme assets	322,410	318,896

Reconciliation of Present Value of the Scheme Liabilities

	2020/21	2021/22
	£'000	£'000
Opening balance at 1 April	(232,446)	(294,027)
Current service cost	(5,657)	(8,743)
Past service cost	-	(16)
Interest cost on defined benefit obligation	(5,334)	(5,901)
Remeasurement (gains)/losses:		
- Changes in demographic assumptions	(473)	1,741
- Changes in financial assumptions	(59,106)	19,308
- Other experience	2,571	(504)
Contributions from employees into the scheme	(1,115)	(1,140)
Benefits paid	7,248	7,182
Unfunded benefits paid	285	281
Closing balance at 31 March	(294,027)	(281,819)

Notes to Main Financial Statements (Continued)

Local Government Pension Scheme assets comprised:

	Period Ended 31 March 2021			Period Ended 31 March 2022		
	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000
Equity Securities						
Consumer	33,494.1	-	33,494.1	-	-	-
Manufacturing	18,821.1	-	18,821.1	-	-	-
Energy and Utilities	4,938.5	-	4,938.5	-	-	-
Financial Institutions	29,210.4	-	29,210.4	-	-	-
Health and Care	21,561.2	-	21,561.2	-	-	-
Information Technology	44,744.1	-	44,744.1	-	-	-
Other	10,684.4	-	10,684.4	-	-	-
Debt Securities						
Corporate Bonds (investment grade)	-	-	-	-	-	-
Corporate Bonds (non-investment grade)	-	-	-	-	-	-
UK Government	4,094.4	-	4,094.4	-	-	-
Other	-	-	-	-	-	-
Private Equity	-	5,136.8	5,136.8	-	6,516.1	6,516.1
Real Estate						
UK Property	-	21,877.9	21,877.9	-	31,121.2	31,121.2
Overseas Property	-	-	-	-	-	-
Investment Funds and Unit Trusts						
Equities	-	-	-	149,221.4	-	149,221.4
Bonds	108,495.8	-	108,495.8	110,228.3	-	110,228.3
Hedge Funds	-	-	-	-	-	-
Commodities	-	-	-	-	-	-
Infrastructure	-	-	-	-	13,708.3	13,708.3
Other	5,057.2	-	5,057.2	-	6,950.2	6,950.2
Cash and Cash Equivalents	14,294.1	-	14,294.1	1,150.5	-	1,150.5
Totals	295,395.3	27,014.7	322,410.0	260,600.2	58,295.8	318,896.0

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 2019.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2020/21	2021/22
Mortality assumptions:		
Longevity at 65 for current pensioners:		
• Men	22.1	21.9
• Women	24.4	24.2
Longevity at 65 for future pensioners:		
• Men	23.1	22.8
• Women	26.1	25.9
Rate of increase in salaries	3.35%	3.70%
Rate of increase in pensions	2.85%	3.20%
Rate for discounting scheme liabilities	2.00%	2.70%

An allowance is included for future retirements to elect to take 50% of the maximum additional tax free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post April 2008 service.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Change in assumptions at 31 March 2022:	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2%	5,275
1 year increase in member life expectancy	4%	11,273
0.1% increase in the Salary Increase Rate	0%	445
0.1% increase in the Pension Increase Rate (CPI)	2%	4,792

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.

Information about the Defined benefit obligation

	Liability split
Active members	41.02%
Deferred members	23.12%
Pensioner members	35.86%
Total	100%

The weighted average duration of the funded liabilities is 19 years (19 years in 2020/21)

Analysis of projected amount to be charged to operating profit for the period to 31 March 2023

	Assets	Obligation	Net (liability)/asset	
Period Ended 31 March 2023	£'000	£'000	£'000	% of pay
Projected Current service cost*		7,753	(7,753)	(45.80%)
Past service cost including curtailment				
Effect of settlements				
Total Service Cost		7,753	(7,753)	(45.80%)
Interest income on plan assets	8,570		8,570	50.70%
Interest cost on defined benefit obligation		7,625	(7,625)	(45.10%)
Total Net Interest cost	8,570	7,625	945	5.60%
Total Included in Profit and Loss	8,570	15,378	(6,808)	(40.20%)

*The current service cost includes an allowance for administration expenses of 0.5% 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.

39. 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 2022, the total amount guaranteed was £980,579.

40. 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

Notes to Main Financial Statements (Continued)

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 takes credit risk advice from Arlingclose Ltd, which includes an assessment of:

- Credit rating, watches and outlooks from credit rating agencies
- Credit default swap spreads and share prices as market indicators of risk
- Legal framework for extraordinary support, bail-in and insolvency
- Financial statement analysis including the possible impact of a bank bail-n
- Market sentiment towards the counterparty

The full Treasury Management Strategy for 2021/22 was approved by Full Council on 24 February 2021 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 £157.6m 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 2022 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 Council has the following exposure to credit risk at 31 March 2022:

Credit Rating	31 March 2021		31 March 2022	
	Long-term £000	Short-term £000	Long-term £000	Short-term £000
AAA	-	16,600	-	9,503
AA+	-	-	-	-
AA	-	-	-	-
AA-	-	-	4,886	12,160
A+	-	494	-	10,558
A	-	-	-	-
A-	-	-	-	-
BBB+	-	-	-	-
Unrated local authorities	-	92,134	5,000	86,813
Total investments	-	109,228	9,886	119,033

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:

Notes to Main Financial Statements (Continued)

Lifecycle stage	Gross carrying amount* £000	Lifetime expected credit losses* £000
Current	4,587	282
Less than 3 months	340	159
3 to 6 months	389	199
6 months to 1 year	787	267
More than 1 year	1,553	1,106
	7,656	2,013

* 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 2022 was £0.5m.

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA 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 2021 £'000	31 March 2022 £'000
Less than 1 year	109,227	119,033
Between 1 and 2 years	-	9,886
Between 2 and 3 years	-	-
More than 3 years	-	-
Total	109,227	128,919

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

Notes to Main Financial Statements (Continued)

address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council’s day to day cash flow needs, and the spread of longer-term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy):

	Approved minimum limits	Approved maximum limits	Actual 31 March 2021 £'000	Actual 31 March 2022 £'000
Less than one year	0%	10%	-	11,000
Between 1 and 2 years	0%	10%	11,000	12,000
Between 2 and 5 years	0%	20%	38,000	41,000
Between 5 and 10 years	0%	40%	86,000	92,000
Between 10 and 20 years	0%	55%	125,325	104,325
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.

According to this assessment strategy, at 31 March 2022, 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	(208)
Increase in Government grant receivable for financing costs	-
Impact on Surplus or Deficit on the Provision of Services	(208)
Share of overall impact credited to the HRA	(457)
Decrease in fair value of loans and investments at amortised cost*	58
Decrease in fair value of fixed rate borrowing*	19,724

*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.

41. Heritage Assets: Five-Year Summary of Transactions

There has been no transactions in the five-year period to March 31, 2022.

42. Restatement

These statements have been restated for the introduction of the Resources portfolio, costs have been reallocated to their new responsibility owner.

Notes to Main Financial Statements (Continued)

Expenditure and Funding Analysis (2020/21 Restatement Comparative Figures)

	2020/21 Published Statement			Adjustment for the reallocation of resources			2020/21 Restated		
	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Resources	-	-	-	6,156	425	6,581	6,156	425	6,581
Environmental Services	4,001	223	4,224	(177)	(13)	(190)	3,824	210	4,034
Cabinet	5,718	338	6,056	(3,964)	(303)	(4,267)	1,754	35	1,789
Wellbeing	9,506	889	10,395	38	5	43	9,544	894	10,438
Planning and Economic Development	(366)	1,916	1,550	(2,052)	(115)	(2,167)	(2,418)	1,801	(617)

Comprehensive of Income and Expenditure (2020/21 Restatement Comparative Figures)

	2020/21 Published Statement			Adjustment for the reallocation of resources			2020/21 Restated		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Resources	-	-	-	7,049	(468)	6,581	7,049	(468)	6,581
Environment Services	7,422	(3,198)	4,224	(190)	-	(190)	7,232	(3,198)	4,034
Cabinet	11,686	(5,629)	6,057	(4,735)	467	(4,268)	6,951	(5,162)	1,789
Wellbeing	16,726	(6,331)	10,395	59	(15)	44	16,785	(6,346)	10,439
Planning and Economic Development	6,784	(5,234)	1,550	(2,183)	16	(2,167)	4,601	(5,218)	(617)

Notes to Main Financial Statements (Continued)

Note 6 – Note to the Expenditure and Funding Analysis

	2020/21 Published Statement				Adjustment for the reallocation of resources				2020/21 Restated			
	Adjustment for Capital Purposes	Net charge for the Pensions Adjustments	Other Differences	Total Adjustments	Adjustment for Capital Purposes	Net charge for the Pensions Adjustments	Other Differences	Total Adjustments	Adjustment for Capital Purposes	Net charge for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Resources	-	-	-	-	98	327	-	425	98	327	-	425
Environmental Services	21	218	(16)	223	-	(14)	-	(14)	21	204	(16)	209
Cabinet	98	244	(4)	338	(98)	(204)	-	(302)	-	40	(4)	36
Wellbeing	364	525	(1)	888	-	5	-	5	364	530	(1)	893
Planning and Economic Development	1,480	295	141	1,916	-	(115)	1	(114)	1,480	180	142	1,802

Note 7 – Segmental Income (2020/21 Restatement)

	2020/21 Published Statement		Adjustment for the reallocation of resources		2020/21 Restated	
	Income From Services	Depreciation	Income From Services	Depreciation	Income From Services	Depreciation
	£'000	£'000	£'000	£'000	£'000	£'000
Resources	-	-	(3,810)	545	(3,810)	545
Environmental Services	(3,044)	445	-	-	(3,044)	445
Cabinet	(7,796)	356	3,810	(356)	(3,986)	-
Wellbeing	(5,884)	2,703	(15)	-	(5,899)	2,703
Planning and Economic Development	(9,260)	853	16	(189)	(9,244)	664

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 provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a local authority's services will continue to operate for the foreseeable future.

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:

The Budget Strategy in December 2020 identified a budget deficit of £936,000 after finding savings of £1,314,000. Due to the pandemic, the strategy was amended to balance the budget over a four-year period rather than three years, and so it recommended a long-term savings target of £819,000 with reserves being used in the earlier years.

In February 2021, the Council set its Revenue Budget and Capital programme for 2021/22. The Council, as with all other Local Authorities, received a one-year funding settlement for the year. The Budget Report identified additional savings of £516,000 which, along with other changes to funding and assumptions, led to a budgeted transfer from reserves of £155,606.

Covid continued to have a fundamental impact on the income generation and expenditure of the Council. Service areas were overspent by £1.114m with income losses included K2 Crawley, Tilgate Park, Community Centres and Car Parking. The Council received £316,000 in grant funding to cover some of the lost income and used £941,000 of approved coronavirus budgets. After these and additional investment interest, the Council underspent by £656,000 for the year-ended 31 March 2022.

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 £139,000 in 2022/23, though there is much uncertainty over future funding. The Budget Report made a provision of £692,000 for costs and reduced income relating to Covid. With funding and other changes addressed in the report, the final budgeted gap is £452,000 which will be funded from reserves.

At 31 March 2022, there were unallocated reserves of £5.457m and earmarked reserves of £11.846m which includes £0.817m in a Covid Expenses reserve. The Budget Strategy has identified that £2.457m 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 £128.945m at 31 March 2022 of which £23.056m 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 to 30 November 2023.

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.

2020/21 £'000		2021/22 £'000
	Expenditure	
10,742	Repairs and Maintenance	11,956
8,831	Supervision and Management	9,564
163	Rent Rebates	245
-	(Increase)/decrease in provision for bad & doubtful debts	-
6,548	Depreciation & Impairments of non-current assets (Note 5)	7,336
<u>16,327</u>	Revaluation Losses	<u>2,932</u>
42,611	Total Expenditure	32,033
	Income	
(45,605)	Dwelling Rents	(43,449)
(2,336)	Non-dwelling Rents (gross)	-
(2,145)	Charges for Services and Facilities	(1,836)
-	Contributions towards expenditure	-
<u>(50,086)</u>	Total Income	<u>(45,285)</u>
<u>(7,475)</u>	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	<u>(13,252)</u>
(7,475)	Net Income for HRA Services (cost if positive)	(13,252)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:	
-	Notional Shared Equity Income	-
(488)	(Gain) or loss on sale of HRA non-current assets	(1,695)
8,309	Interest payable and similar charges	8,309
(284)	Interest and Investment Income	(409)
39	Impairment Losses	98
<u>(57)</u>	Non Specific Grant Income	<u>-</u>
44	(Surplus) or deficit for the year on HRA services	(6,949)

Movement on the HRA Statement

2020/21 £'000		2021/22 £'000
(3,198)	Balance on HRA at the end of the previous year	(3,198)
44	(Surplus) or deficit for the year on the HRA income and expenditure statement	(6,949)
(44)	Adjustment between accounting basis and funding basis under regulation (note 9 of the main financial statement)	6,910
-	Net (increase) or decrease before transfers to or from reserves	(39)
	Transfers to or (from) reserves	-
-	(Increase) or decrease in year on the HRA	-
(3,198)	Balance on the HRA at the end of the current year	(3,237)

1. Housing Stock

The Council was responsible for over 8,000 dwellings in 2021/22. The stock at the year-end was made up as follows:

	31 March 2021	31 March 2022
Houses	4,368	4,359
Flats and Maisonettes	3,275	3,280
Bungalows	434	433
Hostels – lettable units	55	55
Number of rented units	8,132	8,127
Shared Ownership *	110	119
Total Stock	8,242	8,246

*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 2021	31 March 2022
Stock at 1 April	8,099	8,242
Less Sales	(39)	(52)
Demolitions/Disposals	-	(2)
Add New Build	180	57
Acquisitions	2	1
Transfer to/from GF	-	-
Stock at 31 March	8,242	8,246

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 2021 £'000	31 March 2022 £'000
Property, Plant and Equipment:		
Council Dwellings	698,964	785,350
Other Land and Buildings*	25,713	6,554
Vehicles, Plant & Equipment	173	149
Investment Properties	-	-
Intangible Assets	-	-
Total	724,850	792,053

*The council transferred Garages (£19m) from the HRA to the GF.

The vacant possession value of dwellings within the Council’s HRA, excluding hostels, as at 31 March 2022 was £2,363 million (£2,097 million at 31 March 2021). 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 2021 £'000	31 March 2022 £'000
Balance on MRR 1 April 2020	15,875	23,096
Transfer amount equal to depreciation	6,548	7,336
Additional transfer	16,075	9,003
Financing of capital expenditure	(15,402)	(12,427)
Balance on MRR 31 March 2020	<u>23,096</u>	<u>27,008</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	9,541	
Other Capital Expenditure	4,307	
Acquisition of Council Dwellings	80	
	<hr/>	13,928
Sources of Finance		
Usable Capital Receipts	1,501	
Revenue Contribution to Capital	-	
Major Repairs Reserve	12,427	
Government Grant	-	
	<hr/>	(13,928)
Transfer of Garages to General Funds		(19,700)
Closing Capital Financing Requirement		240,625

	£'000	£'000
A summary of capital receipts is as follows:		
Capital Receipts		
Sale of Dwellings	8,993	
Less Pooled Housing Capital Receipts	(1,033)	
	<hr/>	7,960
Miscellaneous HRA Land Sales		58
		<hr/>
		8,018

5. Depreciation & Impairment of Non-Current Assets

Depreciation charges for council dwellings within the HRA amounted to £7,247,622. Depreciation on other HRA assets amounted to £88,807. No impairment charges were applied to HRA assets during the financial year, giving a total charge for depreciation and impairment losses of £7,336,429.

6. Rent Arrears

Rent arrears at the end of the financial year totalled £1,195,694 (£1,028,131 in 2020/21).

A provision of £954,625 (£854,274 in 2020/21) 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 2021/22

INCOME	Notes	Business Rates £'000	Council Tax £'000	Total £'000
Council Tax Receivable	3	-	69,300	69,300
Business Rates Receivable	2	113,860	-	113,860
Total Income		113,860	69,300	183,160
EXPENDITURE				
Apportionment of Previous Year (Surplus)/Deficit				
Central Government		20,241	-	20,241
Crawley Borough Council		16,193	65	16,258
West Sussex County Council		5,162	449	5,611
Sussex Police and Crime Commissioner		-	62	62
Total Expenditure		41,596	576	42,172
Precepts, Demands and shares				
Central Government		(55,343)	-	(55,343)
Crawley Borough Council		(44,274)	(7,476)	(51,750)
West Sussex County Council		(11,069)	(52,812)	(63,881)
Sussex Police and Crime Commissioner		-	(7,514)	(7,514)
		(110,686)	(67,802)	(178,488)
Charges to Collection Fund				
Write offs of uncollectible amounts		-	-	-
(Increase) / Decrease in Impairment of debts		(122)	(104)	(226)
Appeals and List alterations charged to Collection fund		522	-	522
(Increase) / Decrease in Provision for Appeals		(4,414)	-	(4,414)
Transitional Protection Payments		(832)	-	(832)
Cost of Collection		(219)	-	(219)
Renewable Energy		(5)	-	(5)
		(5,070)	(104)	(5,174)
Surplus / (Deficit) arising during the year		39,701	1,970	41,671
Surplus / (Deficit) b/fwd 1st April		(45,947)	(1,798)	(47,745)
Surplus / (Deficit) c/fwd 31st March	1	(6,246)	172	(6,074)

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				
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 impairments of debt		(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)

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 (50%), Crawley Borough Council (40%) and West Sussex County Council (10%).

The year-end surplus or deficit on the Collection Fund must be distributed between billing and precepting authorities and Central Government in the following financial years. This in turn will reduce/increase the relevant authority’s requirement from the Collection Fund in future years. Surpluses and deficits relating to Community Charge are retained by the Council to reduce its demand on the Collection Fund. The balance as at 31 March 2022 will be distributed as follows:

	2021/22		
	Business Rates £'000	Council Tax £'000	Total £'000
Central Government	(3,123)	-	(3,123)
Crawley Borough Council	(2,498)	17	(2,481)
West Sussex County Council	(625)	134	(491)
Sussex Police	-	21	21
	(6,246)	172	(6,074)

	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)

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 (51.2p for 2021/22) which is multiplied by the rateable value for each property to arrive at the charge per property for the year. For businesses that qualify for Small Business Rate Relief, the rate multiplier was 49.9p for 2021/22. At year-end, the total rateable value was £267 million.

Notes to the Collection Fund (Continued)

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	3
Balance payable by Council Tax Payers	69,297
 Total Council Tax due for year	 69,300

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 2021/22 are shown in the following table.

Band	Number of Properties (a)	Net Properties (b)	Ratio to Band D	Equivalent Number of Band D
A	1,221	783	6/9	522
B	7,405	4,478	7/9	3,483
C	22,066	17,197	8/9	15,287
D	8,901	7,724	9/9	7,724
E	3,800	3,497	11/9	4,274
F	2,273	2,149	13/9	3,104
G	471	443	15/9	738
H	7	3	18/9	6
	46,144	36,274		35,138
Provision for non-collection				(176)
 Council Tax Base				 34,962

Notes

- (a) Number of properties per September 2020 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 £1,939.31

The Council Tax Surplus as at 31 March 2022 was £171,761.53

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 uncollectible, 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.

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 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.

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.

Net Book Value

The amount at which fixed assets are included in the balance sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

Non-Distributed Costs

These are overheads for which no user now benefits and as such are not apportioned to services.

Net Realisable Value

The open market value of the asset less the expenses to be incurred in realising the asset.

Operating Lease

A lease where the ownership of the fixed asset remains with the lessor and the annual rent is charged to the relevant service account.

Operational Assets

Fixed assets held and occupied, used or consumed by the Council in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Other Comprehensive Income and Expenditure

Other comprehensive income and expenditure comprises items of expense and income (including reclassification adjustments) that are not recognised in the Surplus or Deficit on the Provision of Services as required or permitted by the Code. Examples include changes in the revaluation surplus; actuarial gains and losses on defined benefit plans; and gains and losses on the re-measuring available-for-sale financial assets.

Outturn

Actual income and expenditure in a financial year.

Past Service Costs

The increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

Pension Scheme Liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Pooling Arrangements (Capital Receipts)

Since 1st April 2004, 75% of 'Right to Buy' capital receipts have to be paid to the Government; the remaining element can be used to finance capital expenditure. A proportion of other housing receipts must also be paid over unless it is intended to use the receipts for affordable housing or regeneration projects.

Post Balance Sheet Events

Glossary of Terms (Continued)

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, of 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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