



Public Document Pack

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11 November 2020

AUDIT & GOVERNANCE COMMITTEE

A meeting of the Audit & Governance Committee will be held virtually on Thursday 19 November 2020 **at 6.00 pm** and you are requested to attend.

Members: Councillors Mrs Erskine (Chairman), Mrs Haywood (Vice-Chair), Bennett, Bicknell, Bower, Brooks, Clayden, Roberts, Ms Thurston and Tilbrook

PLEASE NOTE: *This meeting will be a 'virtual' meeting and any member of the press and public may listen-in and view the proceedings via a weblink which will be publicised on the Council website at least 24 hours before the meeting.*

Different meeting arrangements are in place for the period running from 4 April 2020 to 7 May 2021 from the provisions of the Coronavirus Act 2020 and the meeting regulations 2020, to allow formal 'virtual' meetings.

This Council's revised Rules of Procedures for 'virtual meetings' can be found by clicking on this link: <https://www.arun.gov.uk/constitution>

For further information on the items to be discussed, please contact: committees@arun.gov.uk

A G E N D A

1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

Members and Officers are reminded to make any declarations of pecuniary, personal and/or prejudicial interests that they may have in relation to items on this agenda and are reminded that they should re-declare their interest before consideration of the item or as soon as the interest becomes apparent.

Members and officer should make their declaration by stating:

- a) the application they have the interest in
- b) whether it is a pecuniary, personal and/or prejudicial
- c) the nature of the interest
- d) if it is a prejudicial or pecuniary interest, whether they will be exercising their right to speak to the application

3. MINUTES (Pages 1 - 8)
To approve as a correct record of the Minutes of the meeting of the Audit & Governance Committee held on 30 July 2020.
4. ITEMS ON THE AGENDA THAT THE CHAIRMAN OF THE MEETING IS OF THE OPINION SHOULD BE CONSIDERED AS A MATTER OF URGENCY BY REASON OF SPECIAL CIRCUMSTANCE
5. INDEPENDENT MEMBERS' REMUNERATION PANEL - REVIEW OF SPECIAL RESPONSIBILITY ALLOWANCES FOR 2021 (Pages 9 - 26)
Attached is a covering report from the Chief Executive outlining the review undertaken by the Independent Remuneration Panel of Members Allowances. The panels review is also attached, and this will be presented by Mr John Thompson MBE the Chairman of the Panel. The remaining members of the Panel will also be in attendance to answer any questions that members may have.
6. ERNST & YOUNG - AUDIT RESULTS REPORT (Pages 27 - 78)
This report will be presented by Jason Jones from Ernst & Young LLP.
7. STATEMENT OF ACCOUNTS 2019/20 (Pages 79 - 206)
This report will be presented by the Financial Services Manager, Carolin Martlew.
8. ANNUAL GOVERNANCE STATEMENT 2019/20 (Pages 207 - 234)
The attached reports will be presented by the Internal Audit Manager, Stephen Pearse.
9. TREASURY MANAGEMENT MID-YEAR REPORT (Pages 235 - 254)
This report will be presented by the Senior Accountant, Sian Southerton.

10. DATA PROTECTION BREACH OVERVIEW (Pages 255 - 260)

This report will be presented by Nicholas Bennett, Monitoring Officer & Data Protection Officer.

11. PROGRESS AGAINST THE AUDIT PLAN (Pages 261 - 264)

The attached update will be presented by the Internal Audit Manager, Stephen Pearse.

12. INFORMATION / ADVISORY DOCUMENTS RECEIVED

The Cabinet Office published a report in July 2020 on the results of the most recent National Fraud Initiative:

<https://www.gov.uk/government/publications/national-fraud-initiative-reports>

13. WORK PLAN REVIEW 2020/21 (Pages 265 - 270)

The Internal Audit Manager will update the Committee on any changes to the rolling Work Plan for 2020/21.

Note : Reports are attached for all Members of the Committee only and the press (excluding exempt items). Copies of reports can be obtained on request from the Committee Manager).

Note : Members are reminded that if they have any detailed questions would they please inform the Chairman and/or relevant Director in advance of the meeting.

Note : Filming, Photography and Recording at Council Meetings – The District Council supports the principles of openness and transparency in its decision making and permits filming, recording and the taking of photographs at its meetings that are open to the public. This meeting may therefore be recorded, filmed or broadcast by video or audio, by third parties. Arrangements for these activities should operate in accordance with guidelines agreed by the Council and as available via the following link [Filming Policy](#)

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AUDIT & GOVERNANCE COMMITTEE

30 July 2020 at 6.00 pm

Present: Councillors Mrs Erskine (Chairman), Mrs Haywood (Vice-Chair), Bennett, Bicknell, Clayden, Dendle, Roberts, Ms Thurston and Tilbrook

Councillors Coster, Dixon, English and Gunner were also in attendance for all or part of the meeting.

[Note: Councillor Bicknell was absent from the meeting during consideration of the matters referred to in Minute 149 to 152 [part].

149. DECLARATIONS OF INTEREST

No declarations of interest were made.

150. MINUTES

The minutes of the meeting held on 13 February 2020 were approved by the Committee.

151. MEETING START TIMES

The Committee

RESOLVED

That the start times of meetings for the remainder of 2020/21 be 6.00 p.m.

152. MEMBERS ALLOWANCES - PROGRESSING THE NEXT REVIEW AND EXTENSION OF APPOINTMENT FOR THE INDEPENDENT PANEL

The Group Head of Corporate Support introduced this report, he explained that the report was split into two sections. The first part informed Members of the approach being taken by the Panel in undertaking a review of Special Responsibility Allowances (SRA's) under the Members' Allowances Scheme in light of the changes to be made to the Council's governance arrangements from May 2021 as agreed at Full Council on 15 January 2020 in respect of the SRAs to be paid to Chairman and Vice-Chairman of the new six Service Committees. The review will be limited to agreeing upon the level to be paid for these allowances only. All other elements of the Members' Allowances Scheme will remain as approved by Full Council on 19 July, unless the Committee makes any specific recommendation to review any other aspect of the scheme.

He then introduced John Thompson, the Chairman of the Independent Remuneration Panel to respond to any questions regarding this aspect of the report.

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The second part of the report asks the Committee to approve extending the terms of office for all five members of the Panel until 31 March 2023, as their terms of office have expired.

The Committee then had the opportunity to raise and queries they had the following queries were raised;

- Was there a maximum number of years a member could sit on the Panel; this was answered by the Committee Services Manager who confirmed that the 2003 legislation did not make any stipulation to a maximum number of years served.
- What was the detail on any Councillor consultation that would take place, the Chairman of the Independent Remuneration Panel explained that Councillors would be asked for their views to be submitted but the timeframe and details had yet to be agreed. However, it would all fit in line with a report being delivered to this Committee again in November 2020.

The Committee

RESOLVED that:

- 1) they noted the approach to be taken by the Independent Remuneration Panel for its next review; and
- 2) they agreed to extend the terms of office for all five members of the Panel until 31 March 2023.

153. RESPONSE TO ERNST & YOUNG ON ANNUAL ASSURANCE LETTER REGARDING GOVERNANCE ARRANGEMENTS

The Committee noted the response to Ernst & Young on the annual assurance letter regarding governance arrangements.

154. AUDIT PROGRESS AND AUDIT PLAN - UPDATE REPORTS FOR THE YEAR ENDED 31 MARCH 2020

The Manager from Ernst & Young LLP (E&Y) referred the Committee to planning report update on page 35 of the agenda and explained that the Audit Planning report issued in February 2020 had to be updated for the additional work and procedures that had to be carried out due to changing risk around areas such as Covid-19.

The Financial Services Manager advised the Committee that under normal circumstances the draft Accounts are published by the end of May and have to be audited by the end of July, which the Council had always achieved in the past and this was its original plan for this year. However, the Covid-19 pandemic broke out which added significant risk to that time scale being achieved which was reflected by the statutory deadline being moved to 30 November 2020.

It was also highlighted to Members that the narrative report gave the Accounts more context and that the Outturn Report for 2019/20 had been considered by Cabinet at the meeting on 20 July 2020, which had the advantage of being in the same format as the budget. This was because the Financial Statements follow the accounting standards rather than local government legislation.

The Manager from Ernst & Young LLP (E&Y) in summing up his report update advised Members, that this had been an audit with its obvious challenges, however he reassured Members that additional procedures had been carried out and they were making good progress with outstanding items. He confirmed 3 key areas that needed to be reviewed, Pension Liability, which was subject to the competition of the WSCC pension fund audit, Property Valuations and additional work in relation to the Going Concern Assumption in relation to Covid-19 which had mainly been completed. In summing up he confirmed that there were two uncorrected misstatements that had been reported in the \audit Progress Report.

The Chairman thanked Officers and the Manager from Ernst & Young LLP for all the work that had been done in these unprecedented times and confirmed that there would now be Special meeting of the committee to approve the Accounts to be held on 10 September 2020.

The Committee noted the report update.

155. ANNUAL GOVERNANCE STATEMENT

The Internal Audit Manager presented his report to the Committee and drew Members attention to the annual governance statement advising that this was a backward looking document covering the period of the Accounts to 31 March 2020, therefore there was limited impact in this period in respect of the Covid 19 pandemic, this would be reported in next year's report. He explained that in view of the fact that the accounts are not present at this meeting, this item would need to be brought back at the Special Meeting of the Committee on 10 September 2020 for final approval and that at this current time the Committee would only be able to note the report.

There were several questions raised by Members in respect of the following topic;

- IT resilience, specifically the replacement & purchase of IT equipment that was required to enable all Council staff to work from home. It was explained that the CEO had briefed Members on this in his updates regarding the Council's response to the Covid-19 pandemic. It was also confirmed that the Council's IT equipment was reviewed every 5/6 years, this was due to the IT equipment being used for business use, which is used lot more than people would normally use their home computers/laptops for as well as handling and supporting multiple types of software. The pandemic has provided the Council with the opportunity to ensure that all equipment is as up to date as it can be for 2020. The Internal Audit Manager confirmed he would refer Members comments to

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the Head of Technology and Digital to obtain his comments on the rationale behind the replacement of equipment every 5 years and a written response would be provided to Committee Members.

The Committee noted the draft Annual Governance Statement for 2019/20 and agreed that it would be brought back to the Committee on 10 September 2020.

156. TREASURY MANAGEMENT ANNUAL REPORT

The Senior Accountant presented her report to the Committee drawing Members attention to Page 86 – last paragraph the bank of England base rate has been reduced to 0.1% in March, this now meant that the Councils bank account no longer earns any interest which it was at 0.65% prior to Covid 19 pandemic. On Pages 88 and 89 of the report the CLA property fund achieved a return of 4.30% in 2019/20. The overall returns on all investments in 19/20 was 1.31% vs a budget 1.24% which equates in pounds to £850,000 vs £596,000. On pages 89 & 92 specifically relating to the PWLB debt we repaid £8.86 million 28 March 2020 leaving 44.32 million to repay as at 31 March 2020. In summing up she referred Members to the CCLA fund advising that this fund had been suspended due to the Covid 19 pandemic.

The following questions were raised by Members of the Committee;

- Would the Council be expecting to take a hit on the CCLA property fund, it was explained that it was too early to say, but it was expected to recover.
- What was the Officers view on the Money Market fund with 4 million in it, it was explained that the risks were much lower with this fund and no problems were currently being forecast with this investment.

The Committee

RECOMMEND TO FULL COUNCIL - That:

- i. the actual prudential and treasury indicators for 2019/20 contained in the report be approved;
- ii. the annual treasury management report for 2019/20 be noted; and
- iii. the treasury activity during 2019/20 which has generated interest receipts of £850,000 (1.31%). Budget £596,000 (1.24%) be noted.

157. CHAIRMAN'S ANNUAL REPORT TO COUNCIL

The Internal Audit Manager presented this report to the Committee advising Members that CIPFA recommends that the Audit Committee provides an annual report to the Council.

The Committee

RECOMMENDS TO FULL COUNCIL - That:

1. The content of the Chairman's annual report be endorsed and be presented at the next Full Council meeting in September 2020 by the Chairman.

158. UPDATED STRATEGIC RISK REGISTER 2020-2021

The Internal Audit Manager presented his report to the Committee on behalf of the Governance and Risk Group, chaired but the Director of Place, reminding Members that the last time the report was presented to the Committee was on 13 February 2020 following the change in the Councils strategic priorities. It was felt that due to the Covid 19 pandemic the risk register should be reviewed again and had now been updated with an additional new risk and updated comments throughout for consideration by Members.

There were a number of questions asked by Members these are detailed below;

- Would there be any additional financial support from the Government. It was explained by the Group Head of Corporate Support that there had been a reasonable amount of Government support and there should be opportunities to recover some other losses, financial returns were being completed every month to highlight losses which were mainly being seen around cash flow, the Council had been hit hard in this area due to a drop in income from Council Tax and Business rates.
- Staff returning to working in the offices, it was felt that the report as written showed slow speed in returning to the offices, although this was being encouraged by the Government. It was advised that currently the guidance was telling us to continue to work from home wherever possible. There had been a number of staff that had return to working in the offices and this would be being reviewed each week ensuring that as an employer the Council continued to comply with the Covid 19 regulations.
- In terms of Cyber Security, did staff working from home increase the Cyber Security risks. It was explained that while it does bring new and extra challenges, IT continued to work to ensure that there was not a huge additional risk to the Council. The Pandemic had also brought new opportunities for cyber-attacks and there had been an increasingly large number of attacks that were taking place daily, however these were being managed well with the current protections in place, additionally there was now a full time member of staff on site managing the Councils response to Cyber-attacks.
- Members were also updated that recent work undertaken by IT and a consultant obtained as a result of the LGA's cyber-security stocktake exercise had now raised the Council's rating from Red-Amber to Amber-Green, as per the latest LGA assessment.

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- Council Tax and Business Rates had action been taken to start collecting this yet. It was explained that recovery action was started again in July 2020, however with a potential of a large number of residents being subject to remaining on furlough, this was an area that needed to be carefully monitored.
- The largest amount of Council Tax monies that Arun District Council collects, goes to West Sussex County Council (WSSC), is there a mechanism for the Council to invoke to stop this. It was explained that these monies sat in a different account called the Collection Fund, we have been in regular communication with WSSC who were obviously very keen to understand each of the 7 districts projections for the next 12 months as understandably this could lead to WSSC having a deficit to manage.

The Committee

RESOLVED that;

- 1) the Strategic Risk Register be approved.

159. ANNUAL COUNTER-FRAUD REPORT

The Internal Audit Manager presented his report to the Committee advising Members that it was CIPFA best practice to present an annual report to this Committee, he confirmed that there had been no major changes.

The Committee agreed that the Counter-Fraud Report 2019/20 and the counter-fraud work performed by the Council was noted

160. ANNUAL INTERNAL AUDIT REPORT & OPINION

The Internal Audit Manager presented his report to the Committee explaining that it was a requirement under the accounting regulations and that CIPFA's best practice also required self-assessments that measured the effectiveness of both internal audit and the audit Committee which had been attached to the report. It was advised that Internal Audit had been undertaking a wider range of non-audit work due to the Covid 19 pandemic therefore this year there would be less audit work completed due to this and as a result that next year's report may see some extra caveats.

The Committee noted the report.

161. PROGRESS AGAINST THE AUDIT PLAN

The Internal Audit Manager presented his report to the Committee advising that it was currently a status report for the year. In view of the Covid-19 crisis the Plan presented to the Committee in February would need to be

reviewed, possibly for the September or November meeting if there was a more stable national position.

The Committee noted the report.

162. SUMMARY OF FINDINGS FROM REPORTS ISSUED NOVEMBER 2019 TO JUNE 2020

The Internal Audit Manager presented his report to the Committee he explained that the report highlighted the results of two recent audits. The Committee was advised that one of these related to the Finance section where CIPFA introduced a new financial management code, however this year was a bedding in year and therefore were not yet mandatory. He also advised that due to the Covid 19 pandemic the Council had already been advised that there would need to be further reviews of the Council's Budget and Financial strategy (referred to in the Code) after the pandemic.

The Committee noted the report.

163. UPDATE ON THE USE OF POWERS UNDER THE REGULATION OF INVESTIGATORY POWERS ACT (RIPA) 2000 AND THE INVESTIGATORY POWERS ACT (IPA) 2016

The Internal Audit Manager presented his annual report to the Committee advising Members that there had been nil reported for the last 10/12 years and confirmed that he would be reporting nil usage for the year 2019/20.

An investigatory inspection had been held in late 2019 and the Council received a satisfactory rating. However, it was noted that Member awareness needed to be reviewed and therefore a brief overview had been included as part of the report to the Committee.

It was asked how Arun District Council compared with other Councils in terms of using these powers. It was explained that we've not found the need to use it. In order to use these powers we would be required to go to a magistrate for approval. The Council in the first instances would always prefer to complete an investigation overtly and not invoke the RIPA powers.

The Committee noted the update.

164. INFORMATION / ADVISORY DOCUMENTS RECEIVED

None.

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165. WORK PLAN REVIEW 2020/21

The Internal Audit Manager presented the Work Programme for 2020/21 to the Committee, he advised that all the changes that had been agreed to today would be added and an updated work programme would be circulated to Members.

The Committee

RESOLVED that;

- 1) the work programme for 2020/21 be approved.

(The meeting concluded at 7.30 pm)

ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF THE AUDIT & GOVERNANCE COMMITTEE ON 11 NOVEMBER 2020

SUBJECT: Independent Remuneration Panel's Consideration of an Initial Members' Allowances Scheme for a Change in Arun District Council's Form of Governance

REPORT AUTHOR: Nigel Lynn – Chief Executive
DATE: November 2020
EXTN: 01903 737600
PORTFOLIO AREA: Corporate Support

EXECUTIVE SUMMARY:

The purpose of this report is to ask Members to consider the findings and recommendations of the Independent Remuneration Panel as set out in its report attached and to consider whether to accept the proposed amendments to the Council's Members' Allowances Scheme.

The Panel's report will be presented by the Chairman of the Panel, Mr John Thompson, MBE and the remaining members of the Panel will be present to respond to questions from Members.

RECOMMENDATIONS:

The Committee is asked to:

- (1) To consider the findings and recommendations of the Independent Remuneration Panel as set out in its report attached and to consider whether to accept the proposed amendments to the Council's Members' Allowances Scheme; and
- (2) Make recommendations to Full Council on 13 January 2020.

1. BACKGROUND AND PROPOSALS:

- 1.0 Local Authorities are required under legislation to establish and maintain an Independent Remuneration Panel, which will broadly have the functions of providing advice on its Members' Allowances Scheme and the amounts to be paid.
- 1.1 The Council's Independent Remuneration Panel was established in 2018 and in 2018/19 conducted a full review of the Council's Members' Allowances Scheme which was formally adopted by the Council on 17 July 2019.

- 1.2 At Full Council on 15 January 2019, the decision was made to change the Council's governance arrangements by ceasing to operate a Leader and Cabinet form of governance and to move to operating a Committee system form of governance to be implemented at the Annual Meeting of the Council on 19 May 2021.
- 1.3 The Council also resolved that the Independent Remuneration Panel be convened to make recommendations for future Special Responsibility Allowances under the Members' Allowances Scheme in light of the changes made to its governance arrangements and to report back to the Audit & Governance Committee by November 2020.
- 1.4 The Panel has therefore met as there is a need for the adoption of a revised scheme that will be fit for purpose under the new arrangements.
- 1.5 An interim report was submitted to this Committee on 30 July 2020 informing Members of the Panel's proposals to take forward its review which was noted by the Committee with no concerns on the approach being taken to this review being raised.
- 1.6 Until the new governance scheme has been operational for a while, it is not possible to fully evaluate the level of responsibility of key positions and for that reason it is appropriate for the Council to adopt an initial Members' Allowances Scheme which can then be revisited when the new Committee system has been operational for a while.
- 1.7 As it is only the responsibilities of various roles that will change as a consequence of the new arrangements, this review has focused on the Special Responsibility Allowances for the Chairmen and Vice-Chairmen of the six new Service Committees, the other elements of the Members' Allowances Scheme (including the Basic Allowance) will remain as agreed by Full Council on 17 July 2019, pending full review in 2023.
- 1.8 The Six Service Committees are:
- Corporate Policy and Performance
 - Corporate Support
 - Planning Policy
 - Residential and Wellbeing Services
 - Environment and Neighbourhood Services
 - Economic
- 1.9 The Panel will undertake a further interim review once the structure has been in place for a while. That review will have the benefit of being able to assess the impact of the new arrangements in operation and will be able to consider all the roles in more detail.
- 1.10 Looking at the financial implications on the Budget, the Panel has been mindful of the need to ensure that the scheme continues to be fair, straightforward and economic to operate. The Panel's recommendations have taken note of the public service element, whereby there should be an unremunerated element to service as a Member.

<p>1.11 Members are reminded of the changes made to the SRAs for the Leader and Deputy Leader of the Council and Cabinet Members following the introduction of a new Cabinet Portfolio at the Annual Meeting of the Council in May 2020. The Report of the Panel and the Minutes from that meeting can be found in the background papers section of this report.</p>		
<p>2.0 OVERALL COST OF ALLOWANCES</p>		
<p>2.1 The Panel has stated in its report that it is mindful and conscious that any Scheme proposed for allowances and expenses must be appropriate for the Council and affordable in relation to budget provision.</p>		
<p>2.2 It has set out the financial effect of its recommendations in its report.</p>		
<p>2.3 The overall financial effect of the IRP's recommendations compared with the Budget for 2020/21 represents a decrease of £6,665.</p>		
<p>2. PROPOSAL(S): The Committee is asked to:</p> <p>To consider the report and recommendations of the Council's Independent Remuneration Panel and make recommendations for the revisions to the existing Members' Allowances Scheme to Full Council on 13 January 2020, in preparation for a change in governance from May 2021.</p>		
<p>3. OPTIONS: The Committee may:</p> <p>(1) accept the IRP's recommendations as set out in its report at Appendix 1; or</p> <p>(2) recommend alternatives to the IRP's recommendations, but should state its reasons for doing so; or</p> <p>(3) Reject the Panel's recommendations and resolve to make no changes to the existing Members' Allowances Scheme, which would result in a Scheme that is not fit for purpose and in no special responsibility allowances being paid in respect of some key roles.</p>		
<p>4. CONSULTATION: No formal consultation is required although the IRP consulted selected Members during their work, as explained in their report.</p>		
Has consultation been undertaken with:	YES	NO
Relevant District Ward Councillors – all Members of the Council were given the opportunity to submit their views to the Panel	x	
Other groups/persons (please specify) – A range of Councillors were interviewed by the Panel – the detail of which is set out in the Panel's report as well as the Council's Chief Executive and Financial Services Manager.	x	
5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)	YES	NO

Financial	x	
Legal		x
Human Rights/Equality Impact Assessment		x
Community Safety including Section 17 of Crime & Disorder Act		x
Sustainability		x
Asset Management/Property/Land		x
Technology	x	
Other (please explain)		
<p>6. IMPLICATIONS: The Council is obliged by statute to have regard to the recommendations of its Independent Remuneration Panel when reviewing Members' Allowances and this obligation is met by considering the recommendations set out in the Panel's report. Members' Allowances Scheme (Regulation 19.1).</p> <p>The Council needs to take into account the impact on council taxpayers and staff.</p>		
<p>7. REASON FOR THE DECISION: To comply with the Local Authorities (Members' Allowances) (England) Regulations 2003.</p>		
<p>9. BACKGROUND PAPERS:</p> <p>(i) Report to Annual Council Meeting and Minute – May 2020 – please see link to get to the webpage – to see reports and minutes</p> <p>(ii) Report to the Audit & Governance Committee – 30 July 2020 – please see link to get to the webpage – to see reports and minutes</p> <p>(iii) Local Authorities (Members' Allowances) (England) Regulations 2003 – to access these papers, please click on this link http://www.legislation.gov.uk/uksi/2003/1021/contents/made</p>		

Independent Remuneration Panel

Interim Review of Members' Allowances for Arun District Council

Review of Special Responsibility Allowances relating to Change of Governance - November 2020

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Executive Summary-

The Independent Remuneration Panel, in line with 2003 Regulations, conducted an interim review focussed solely on the Special Responsibility Allowances (SRAs) to paid in respect of the planned Service Committees.

An evidence-based review was conducted, examining potential changes within the Authority, Allowances' Schemes in other Authorities operating a Committee System, together with Members' and Officers' opinions and insights. In the light of this the Panel were able to draw meaningful conclusions as to:

- Whether the new roles of Committee Chairs and Vice Chairs should attract an SRA, considering the likely workload and responsibility of the roles.
- Whether the Members of the Service Committees should receive an SRA.
- The amounts that the SRAs investigated above should receive.

These conclusions inform a series of recommendations made by the Panel, a summary of which are presented below. However, before the System is bedded in, we can only take a 'well educated guess approach' for roles that will need to be reviewed in a clear and ordered way. The Panel recommend that the SRAs paid to the Chairs and Vice Chairs of the new Service Committees be reviewed early in 2022.

- We recommend an SRA for Chairs of Service Committees, and that it be set at £7,670
- We recommend an SRA for Vice Chairs of Service Committees, and that it be set at £2,302
- Members of the new Service Committees should not receive an allowance as this role does not meet the criteria for an SRA as defined by the Regulations
- We strongly recommend that the SRAs paid under the Service Committee system is revisited when the new system has bedded in and suggest a Review, starting towards the end of the first year of operation, February 2022 is correct- with 11 months of data to analyse.
- These recommendations should come into effect when the new Service Committees start work
- Additionally, although not part of this review, we restate for clarity that the remuneration for Leader and Deputy Leader will continue. The SRA is currently: Leader £6038 and Deputy Leader £2,080

Members are of course able to renounce all or part of any Allowance to which they may be entitled. The Panel believes their Interim Review has produced recommendations that best reflect the current responsibilities and workloads of Committee Members and works within existing budgetary constraints. The recommendations offer potential savings of £6655, (following the abolition of the Overview Select Committee), with the suggestion that this amount is held in abeyance until the next Budget review and the proposed review of the Governance arrangements.

1. Background

The Local Authority (Members' Allowances) (England) Regulations 2003 require the Council to appoint an Independent Remuneration Panel to advise on the terms and conditions of its scheme of Members' Allowances and to "have regard" to the advice of the Panel when approving a new scheme. The Regulations require the Council's Members' Allowances Scheme to be reviewed at least every four years. The Panel also meets to conduct light touch reviews between full reviews and to consider any specific changes to the Council's governance arrangements that might necessitate a change in the Members' Allowances Scheme. On this occasion, the Panel was convened to consider an initial Members' Allowances Scheme to reflect the Council's proposed change in governance arrangements from a Cabinet model to a Committee system

The Independent Remuneration Panel (IRP), for membership see Appendix 1, last conducted a full Review into the remuneration for elected members, reporting in February 2019, with a revised scheme agreed by Full Council in July 2019.

On the 15th January 2020, the Full Council meeting of Arun District Council (ADC) decided to move from the 'Leader and Cabinet' form of governance to a 'Committee system' ¹ Therefore, The IRP has

¹ The Council RESOLVED –That

(1) In accordance with Section 9KC, Paragraph (1) of the Local Government Act 2000 (as amended by the Localism Act 2011) the Council resolves to cease operating a Leader and Cabinet form of governance and to operate a Committee system form of governance;

(2) In accordance with Section 9L, Paragraph (4) (b) of the Local Government Act 2000 (as amended by the Localism Act 2011) the effective date for the implementation of this change to the form of governance will be the annual Council Meeting to be held on 19 May 2021;

(3) The Committee system form of governance to be operated will be based on the Senior Management Team proposal agreed by the Governance Working Party on 3 December 2019.

(4) The Chief Executive, in consultation with the Chair of the Governance Working Party, be authorised to prepare and publish the document setting out the provisions of the new governance arrangements required in accordance with Section 9KC, Paragraph (2) of the Local Government Act 2000 (as amended by the Localism Act 2011) as soon as practicable after passing this resolution;

(5) The Constitution Working Party be convened to work through the necessary changes to the Council's Constitution and report back to Full Council with the aim of this work being concluded by January 2021;

been convened to consider the changes in governance, with relation to implications for, and possible changes in, Special Responsibility Allowances (SRAs)

The Authority had agreed that the seven Cabinet posts be replaced by six new Service Committees:

- Corporate Policy and Performance
- Corporate Support
- Planning Policy
- Residential and Wellbeing Services
- Environment and Neighbourhood Services
- Economic

Six new Service Committees will replace eight (previously seven) Cabinet posts in May 2021, therefore it was logical in the short term to remunerate the six Chairs (and Vice Chairs) with the same SRA² budget as the Cabinet members (£59,840). The SRA for the increased number of Cabinet posts was the subject of a Panel Report in May 2020. Also, the Panel notes that the move to Service Committees will see the abolition of the Overview and Select Committee (OSC) yielding a potential saving of £6,655 (includes rounding up to nearest pound).

The Panel's remit was agreed at the meeting of the ADC Audit & Governance Committee held on 30 July 2020 and was restricted to SRAs that might be paid to Service Committees.

This interim Report is completed for the Audit & Governance Committee, November 2020, so that Full Council can approve any recommendations for SRAs for the Service Committees to come into force on from the Annual Council Meeting in May 2021 and budgetary implications can be included in the Budget for 2021-22.

² An SRA is paid to those Members who hold a position of special responsibility to recognise the extra time, responsibilities and complexities involved. Additionally, the SRA should be set at a level sufficient to encourage Members to assume roles of extra responsibility.

The Local Authorities (Members Allowances) (England) Regulations 2003 Provides for an SRA to be paid in certain circumstances. Those relevant to this review are as follows;

Section 5(1) (c) Presiding at meetings of a committee or sub-committee of the authority...

Section 5 (1) (i) Carrying out such other activities in relation to the discharge of the authority's functions as require of the member an amount of time and effort equal to or greater than would be required of him by any of the activities mentioned in this section.

2. Methodology

The Chief Executive and Financial Services Manager briefed us on the Governance structures and changes in roles and working practices since the last Panel Review and to ensure our recommendations were rigorous and robust, we considered a wide variety of evidence. These included:

2.1 Benchmarking

- In depth examination of remuneration systems operating in other Councils with a Committee structure: Benchmarking can be a useful exercise, ensuring a degree of conformity with other Authorities. However, very few Authorities operate the Committee structure, we investigated those that did, and found them all to have very different structures from ADC. For example, Richmond is a Unitary Authority with much wider powers, and consequently very much higher SRAs payable. Likewise, Flyde District Council is very much smaller with less powers.
- Authorities also have a different number of Committees, sharing out the work in a completely different way, making meaningful conclusions impossible. Furthermore, the current restrictions of working within the Coronavirus crisis meant that getting the requested information from them was not always possible, with Council employees obviously prioritising work for their own Authority. Therefore, for the purposes of this review the Panel found comparisons with other Authorities of very limited use.
- 2019 report from South Eastern Employers (SEE) to benchmark Arun scheme of allowances against all 75 authorities in the SE of England provided no useful information for this review.

2.2 ADC Members' and Officers' views

- We asked (by email) all Members for their views on the SRAs payable under the Committee System and received just 8 responses (out of a possible 53), the majority of which, unfortunately had no suggestions to make regarding SRAs for Committee Chairs and Vice Chairs.
- The Panel interviewed Members from all political parties, including current Cabinet Members and political Party Leaders, as well as Authority Senior staff, to gain a broad understanding of the new system. These included some who had personal experience of working within the Committee System. In total 10 Members and 3 Staff were interviewed by Zoom. The Panel found wide ranging and thoughtful comments which provided excellent insights into the likely workings of the Committee System, while focussing firmly on the SRAs which could be payable.

- The Panel also shared their recommendations with the Chair and Vice Chair of the Audit and Governance Committee
- Officers suggestions were also taken into account in the drafting of this report.

3. Identified Issues for Investigation

Our remit was to examine the likely responsibilities and workload of Chairs and Vice Chairs of the new Service Committees, identifying similarities and differences between these and the role of Cabinet members, whom they replace. This enabled us to judge which roles, if any, should attract an SRA, what level this should be set at and if we could differentiate between Service Committees.

Key questions the Panel needed to answer were:

1. Should an SRA be paid to Chairs of the new Service Committees?
2. If yes, how much should the SRA be?
3. Should an SRA be paid to Vice Chairs of the new Service Committees?
4. If yes, how much should the SRA be?
5. Should the roles of Leader and Deputy Leader continue to receive an SRA?
6. If so, how much should these SRAs be?
7. Should Committee Members receive an SRA?

3.1 Should an SRA be paid to Chairs of the new Service Committees?

We examined the new constitution which outlines the roles and functions of the Service Committees; the likely workloads and responsibilities of the Chairs against the work of Members, looking for evidence of extra workload and responsibility. We found a clear consensus within ADC and other local authorities that the role should attract an SRA. There was general agreement that whilst the role carried less responsibility than the Cabinet posts, the workload to prepare for, and manage and present the committees work was commensurate. We therefore are satisfied that an SRA can be paid to the chair of the Service Committees under Section 5 (1) (c) of the regulations.

3.2 How much should the SRA be for the Chairs?

Key considerations:

3.2.1 How the role (responsibilities and workload) compares against those of the Cabinet Members they replace at ADC.

Decision making will move from one person (Cabinet Member) to a Committee, so it is arguable that the new role has less responsibilities and we listened carefully to these arguments and found some merit in them. However, the Chair will present and defend the Committee's decisions to Full Council, which is an increased responsibility to that of a Cabinet Member. Additionally, we understand from our research into other Authorities and within ADC, that the role of Committee Chair has

responsibilities of leadership, albeit somewhat different from the autocratic leadership style often produced under the Cabinet system, and new challenges are likely to emerge for the Service Committee Chairs. Chairs will now have to chair a multi-party Committee (clearly a more onerous task than at present) and ensure well informed decision making. They also have the casting vote, if needed. We found no evidence that the workload would be substantially different to the Cabinet role, including, for example, various meetings with Officers and Agenda setting.

A further consideration is comparison to the Chairs of current Regulatory Committees at ADC, tabled in Appendix 2. The Chair of Development Control, for example, currently receives an allowance comparable with that of the current Cabinet Members, which the Panel considers correct. They have great areas of responsibility, a heavy workload, a quasi-judicial role and are extremely high profile and public facing. However, it is not part of this Panel's remit to change the SRA for Regulatory Committee roles.

Taking the principle that the current budget for the Cabinet roles is the baseline for the SRA level for the Service Committees, then we would recommend that the Chairs and Vice Chairs for each Service Committee share the current SRA remuneration previously allocated to a Cabinet Member, at the ratio discussed at section 4 below.

3.2.2 Review of Service Committee levels of responsibility and workload

As none of the Service Committees are yet operational it is not possible to investigate any differences between them, and of course we understand that as the first year of the new Governance model progresses, some responsibilities may move from one Committee to another. Therefore, we agree with the many suggestions that the Panel received, that the Council should review the workloads of the individual Committees after a year of operation: starting early in 2022.

3.2.3 If our findings at ADC's Council are comparable with other Authorities

As stated earlier in section 2.1, comparison with other Authorities are limited and it has not been possible to draw any meaningful conclusions regarding actual amounts. Of all the Authorities examined, no two were organised in the same way. However, other Authorities that have adopted a Committee System have not been able to initially determine comparative workload between the committees, for the purpose of setting differing levels of remuneration for their Chairs. At the next review we will consider reflections on the operation of Service Committees by other Authorities.

3.3 Should an SRA be paid to Vice Chairs of the new Service Committees?

We examined the likely workloads and responsibilities of the Vice Chairs of Service Committees. It is a new role within ADC, with no previous role to compare it to. We heard evidence that the Vice Chair will be involved in Officers' briefings, preparing for meetings and will have to chair the Committee in the Chairs absence. The point was made that in these days of virtual meetings, technology issues may make it more likely a Vice Chair has to step in at a moment's notice. Again, we found a clear consensus within ADC and other local authorities that the role should attract an SRA, which we agree with. We are satisfied that an SRA can be paid to Vice Chairs of the Service Committees under Section 5 (1) (i) of the regulations.

3.4 How much should the SRA be for the Vice Chairs?

The Panel needed to ensure that the Vice Chair's SRA was fair in relation both to the Chair of a Service Committee and the Regulatory Vice Chair positions at ADC that attract an SRA. The latter is currently from between 30% (Licencing) and 33% (Development Control). Some comparison with other Authorities operating the Committee System has been possible. The percentages vary and 30% is fair. Suggestions by Members interviewed ranged from 25% to 35 or even 50% of the Chair's. This initial review has, therefore, taken a prudent line of recommending that the remuneration for Vice Chair is 30% of the Chair's. This reflects the additional workload and responsibility of the role, over and above that of a Committee Member.

3.5 Should the roles of Leader and Deputy Leader continue to receive an SRA?

These SRAs are not part of the review; however, the panel felt that as the SRAs for these posts included the Cabinet Member SRA they should, for clarity, be restated.

3.6 How much should the SRA for Leader and Deputy Leader be?

Leader's and Deputy Leaders SRAs remain as Leader £5,876 and Deputy Leader £2,080

3.7 SRAs for Service Committee Members

Everyone we spoke to took the view that the work of Service Committee Members is covered by the Basic Allowance. We do not feel the role of a Service Committee member meets the criteria for an SRA as laid out in the regulations.

4. Financial implications on Budget

The Panel is very mindful of the need to ensure that the Allowances scheme at ADC continues to be fair, straight-forward, economic to operate, justified in terms of affordability (in the public's perception) and works within existing budgetary constraints, see Appendix 2.

Clearly, we are living in unprecedented times, with budgets under pressure as never before. The Panel, therefore, has recommended a prudent approach to allocating SRAs to the new Service Committees; there will be no rise in the total allowances paid. Additionally, we recommend that the savings from the abolition of the OSC are held in abeyance and not redistributed at this time. Our further proposed review (commencing February 2022) will, therefore, make the informed decision as to whether and if so, how the SRAs should be changed.

As always, the Panel's recommendations have taken note of the public service element, whereby there should be an unremunerated element to service as a Member. Members are of course able to renounce all or part of any Allowance to which they may be entitled.

5. The Panel's Recommendations

Based on our wide-ranging investigation the Panel makes the following recommendations for SRAs under the Committee System. We do acknowledge that, at this stage, before the new system is bedded in, we can only take a 'well educated guess approach' for roles that will need to be reviewed in a clear and ordered way in the future.

5.1 Amounts

We recommend the SRA for Chairs of Service Committees be set at £7,670

We recommend the SRA for Vice Chairs of Service Committees be set at £2,302

If approved, the recommendations will become effective from the Annual Council Meeting on 19 May 2021

5.2 Absence

The Panel reiterates our recommendations for absence, taken from the full Review of Allowances in 2019:

'The Panel has been made aware that on occasions a Vice Chair of the Council or a Committee has taken the role of Chair for two months or more without being recompensed for the additional responsibility: setting agendas, briefings with Officers and chairing meetings. We found the practice in many Authorities is for the Vice Chair to take over and after two meetings to be paid the Chair's SRA until the Chair returns or is replaced, which seems to us, not only cost neutral, but eminently fair.'

We recommend that these payments should apply to the Chairs and Vice Chairs of the new Service Committees.

5.3 Review

Our benchmarking exercise showed that all Authorities that changed their system of Governance conducted firstly an interim review and then revisited the responsibilities and work loads of key positions. We agree and strongly recommend that the SRAs paid under the Service Committee system is revisited when the new system has bedded in. We believe that a review, starting towards the end of the first year of operation, commencing February 2022 is correct. By then new system will have been operational for 11 months, so enabling real time data to be obtained. We recommend that such data gathering includes the richness of decision making. The Panel's findings would then be reported in May/June 2022.

6. Thanks

The Panel wish to place on record their thanks to all those Members who provided evidence to the Panel; Officers who provided information and answered our many and varied questions. Finally, special thanks must go to Mrs Jane Fulton, Committee Services Manager who provide unstinting support to the Panel with great integrity, patience and energy.

Appendix 1

The Panel

- John Thompson MBE DMS FCMI (Chair): Retired Company and Charity Director; Governor of Western Sussex Hospitals NHS Foundation Trust; Lay Member of WS Safeguarding Children Board; Arun DC Independent Person; Member of Independent Remuneration Panel at Chichester DC; Governor, Davison (CofE) High School for Girls, Worthing.
- Alan Ladley: Retired Force Information Manager, Detective Superintendent, Sussex Police; Resident of Felpham for over 35 years; with his wife, owns a retail gift shop in Middleton on Sea.
- Celia Thomson-Hitchcock: Owner of Ahead To Toe Hair and Beauty Salon, Littlehampton (30 years); Co-Chair of Littlehampton Traders Partnership; Leader of Littlehampton Town Team (Mary Portas 'Save the High Street' campaign) and member of The Coastal Community Fund (Regeneration Project).
- Sarah Miles MBA: Business Consultant, Trustee of MIND Brighton and Hove, retired University Lecturer (Business School) and Knowledge Management Program Head; former company owner, charity co-ordinator and Management Committee member Arun Yacht Club,
- Andrew Kelly: Director/Owner of ASK HR Consulting Limited; HR career in Local Government, NHS and private sector; Chair of Board of Trustees, Dove Lodge (Littlehampton), Volunteer driver for St Barnabas Day Hospice; former Chair of West Worthing Tennis & Squash club and NHS Trust HR Director

Appendix 2.

Table 1 SRAs paid to Committees showing effects of recommendations on budget

Post/Role	Current Allowance	Current Total	Proposed Allowance	Proposed Total	Effect on Budget
Leader ¹	£6,038	£6,038	£6,038	£6,038	£0.00
D/Leader ¹	£2,137	£2,137	£2,137	£2,137	£0.00
Cabinet Member (8)	£7,480	£59,840	£0	£0	£-59,840
Service Committee Chair	£0	£0	£7,670	£46,020	£+46,020
Service Committee Vice Chair	£0	£0	£2,302	£13,812	£+13,810
Chair, OSC	£5,004	£5,004	£0	£0	£-5,004
Vice Chair, OSC	£1,651	£1,651	£0	£0	£-1,651
		£74,670		£68,007	£-6,665

¹ Excludes Cabinet SRA

Table 2 SRAs paid to Regulatory and Governance Committees

Regulatory Committees	Allowance
Chair, Development Control	£6,165
Vice Chair, Development Control	£2,034
Chair, Licensing Committee	£4,110
Vice Chair, Licensing Committee	£1,233
Chair, Standards Committee	£1,028
Governance Committees	
Chair, Audit & Governance	£3,853
Vice Chair, Audit & Governance	£1,272

Arun District Council Audit results report

Year ended 31 March 2020

November 2020

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Building a better
working world

Agenda Item 6



6 November 2020

Dear Audit and Governance Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Audit and Governance Committee. This report summarises our preliminary audit conclusion in relation to the audit of Arun District Council for 2019/20.

We have substantially completed our audit of Arun District Council (the Authority) for the year ended 31 March 2020.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at section 3, before the accounts publication date of 30 November 2020. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources

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

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

We welcome the opportunity to discuss the contents of this report with you at the Audit and Governance Committee meeting on 19 November 2020.

Yours faithfully

Kevin Suter

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk).

This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01

Executive Summary



Executive Summary

Scope update

In our audit planning report tabled at the 13 February Audit and Governance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

Changes to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities.

Changes to our risk assessment as a result of Covid-19

In our Audit Planning Report update issued in June we set out the following changes to our risk assessment as a result of Covid-19:

- Valuation of Property Plant and Equipment (PPE) - The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty have been included in the year-end valuation reports produced by the Authority's external valuer. We consider that the material uncertainties disclosed by the valuer gave rise to an additional risk relating to disclosures on the valuation of property, plant and equipment.
- Disclosures on Going Concern – Financial plans for 2020/21 and medium term financial plans will need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Local Authority would not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Local Authority's actual year end financial position and performance.
- Adoption of IFRS16 – The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of Local Authority Financial Statements has been deferred until 1 April 2021. The Authority will therefore no longer be required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements does not now need to be financially quantified in 2019/20. We therefore no longer consider this to be an area of audit focus for 2019/20.

Changes in materiality: In our Audit Committee Planning Report, we communicated that our audit procedures would be performed using a materiality of £2.091m, with performance materiality, at 75 % of overall materiality, of £1.568m, and a threshold for reporting misstatements of £0.105m. We have considered whether any change to our materiality is required in light of Covid-19. Following this consideration we remain satisfied that the basis for planning materiality, performance materiality and our audit threshold for reporting differences reported to you in our Audit Planning Report remain appropriate.

We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of gross revenue expenditure we have updated our overall materiality assessment to £1.893m (Audit Planning Report – £2.091m). This results in updated performance materiality, at 75% of overall materiality, of £1.42m, and an updated threshold for reporting misstatements of £.095m.



Executive Summary

Scope update

Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Authority's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agree IPE to scanned documents or other system screenshots.

Additional EY consultation requirements concerning the impact on auditor reports because of Covid-19. The changes to audit risks, audit approach and auditor reporting requirements changed the level of work we needed to perform. We have set out the impact on our audit fee on page 35.

Status of the audit

We have substantially completed our audit of Arun District Council's financial statements for the year ended 31 March 2020 and have performed the procedures outlined in our Audit planning report. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 4. However until work is complete, further amendments may arise:

- Completion of subsequent events review
- Receipt of the signed management representation letter
- Completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission

We hope to issue the audit certificate at the same time as the audit opinion. However, this depends on the NAO releasing the instructions for the work on Whole of Government Accounts.

We have considered whether our audit opinion will need to emphasise the impact of Covid-19 on property valuations and the going concern assumption. However, the updated disclosures by management sufficiently describe the material events and conditions in relation to the impact of Covid-19 and we do not deem these disclosures fundamental to the users understanding of the accounts:

CAPE valuation – The Council has disclosed its consideration of the impact of COVID-19 on the valuation of its property, plant and equipment and the material uncertainty referred to in the valuers report, having regard to the specific composition of land and building assets carried on its balance sheet. Valuations were carried out at the balance sheet date but due to the impact of COVID-19 on the market at year-end the external valuers have indicated that less certainty can be attached to these valuations.

Going concern – The current and future uncertainty over government funding and loss of income as a result of Covid-19 increases the need for the Council to revisit its financial planning and undertake a detailed assessment to support its going concern assertion. From an audit perspective, the auditor's report going concern concept is a 12-month outlook from the audit opinion date, rather than the balance sheet date. We agree that the Council's accounts should be prepared on the going concern basis. However, we have recommended and management have agreed to enhance the disclosures to reflect these material events and conditions which impacts on financial planning and the going concern assumption.

We are now satisfied with the revised disclosure and that it adequately and sufficiently discloses material events and conditions in relation to the going concern assumption of the Council.



Executive Summary

Audit differences

At the time of writing we identified two unadjusted audit differences in the draft financial statements which management has chosen not to adjust. We ask that they be corrected or a rationale as to why they are not corrected be approved by the Audit and Governance Committee and included in the Letter of Representation. The aggregated impact of unadjusted audit differences is £751k. We agree with management's assessment that the impact is not material.

The above includes an audit difference of £423k relating to the valuation of Property, Plant and Equipment (PPE). Management partially corrected the identified misstatement and £423k represents the remaining judgemental difference. Details can be found in Section 4 Audit Differences.

Areas of audit focus

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

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

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

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

Control observations

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



Executive Summary

Value for money

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

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources. Details can be found in Section 5 Value for Money.

Other reporting issues

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

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. However as the Council is below the testing threshold set by the NAO we do not expect to have any issues to report.

We have no other matters to report.

Independence

We have no matters to highlight on Independence.



02 Areas of Audit Focus





Areas of Audit Focus

Significant risk

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.

We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund. This would result in funding expenditure that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants, or borrowing. The manipulation of capitalising expenditure could occur through management override of controls.

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What judgements are we focused on?

We focused on the following:

- Understanding the controls relevant to this significant risk;
- For significant additions and Revenue expenditure funded from capital under statute (REFCUS) we examined invoices, capital expenditure authorisations, leases and other data that support these additions and expenditure. We reviewed the sample selected against the definition of capital expenditure in IAS 16; and
- Whether management were inappropriately processing journals that transferred amounts from revenue to capital.

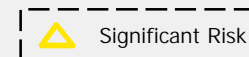
What did we do?

- Documented our understanding of the controls relevant to this significant risk and considered they have been appropriately designed;
- Amended our sample sizes when testing PPE additions and REFCUS to reflect the existence of this risk.
- Agreed samples to source documentation to ensure that any capital/revenue split was reasonable; and
- Designed journal procedures to identify and review adjustment manual journals that moved amounts from revenue codes to capital codes.

What are our conclusions?

Based on the work completed at the time of drafting this report:

- We have not identified any issues with the classification of capital expenditure and REFCUS.
- We have not identified any instances of inappropriate judgements being applied.





Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error. As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

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

Page 38.

What judgements are we focused on?

We focused on the following:

- Understanding the risks of fraud and the controls put in place to address those risks by management and how the Audit & Governance Committee oversees management's processes over fraud.
- Considering the effectiveness of management's controls designed to address the risk of fraud.
- Determining an appropriate strategy to address those identified risks of fraud.
- Performing mandatory procedures in respect of journal entries, estimates and significant unusual transactions.

What did we do?

- Wrote to the s151 officer, Chair of the Audit and Governance Committee and the Chief Internal Auditor in this regard and reviewed their responses;
- Documented our understanding of the controls relevant to this significant risk and considered they have been appropriately designed;
- Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;
- Reviewed accounting estimates for evidence of management bias; and
- Evaluated the business rationale for any significant unusual transactions.

What are our conclusions?

Based on the work completed at the time of drafting this report:

- We have not identified any material weaknesses in controls or evidence of material management override.
- We have not identified any instances of inappropriate judgements being applied, or of any management bias.
- We did not identify any transactions during our audit which appeared unusual or outside the Council's normal course of business.





Areas of Audit Focus

Other financial statement risk

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 deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2020 the net pension liability totalled £414k.

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

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What judgements are we focused on?

We focused on the following:

- The reasonableness of the underlying assumptions used by the Authority's expert – Hymans Robertson;
- Ensuring the information supplied to the actuary in relation to Arun District Council was complete and accurate; and
- Ensuring the accounting entries and disclosures made in the financial statements were consistent with the report from Hymans Robertson.

What did we do?

- Liaised with the auditors of West Sussex Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Arun District Council;
- Assessed the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considered relevant reviews by the EY actuarial team; and
- Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

What are our conclusions?

We obtained assurances from the auditors of West Sussex County Council Pension Fund that the information supplied to the actuary in relation to Arun District Council was accurate and complete.

We have assessed and are satisfied with the competency and objectivity of the Council's actuaries: Hymans Robertson.

We have reviewed the work of the actuaries. We challenged the actuarial valuation and found no indication of management bias in this estimate.

Our review of accounting entries at period end and those journals made in processing valuation adjustments did not reveal any instances of management intention to misreport the financial position.

We identified an adjusting event after reporting date relating to the McCloud judgement, the effect of which decreased the net pension liability by £208k. The Council contacted the actuary for an updated IAS 19 report but opted not to amend the accounts as the difference was immaterial. Furthermore, there was another adjusting event after reporting date identified relating to an equality discrimination case (Goodwin judgment). Similarly the Council opted not to amend the accounts since the impact was immaterial. The potential impact was a 0.2% increase in the gross pension liability.



Areas of Audit Focus

Other financial statement risk

Valuation of land and buildings

What is the risk?

The fair value of PPE represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

Update – Covid-19 related constraints on property valuation

The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. This impact is expected to affect PPE valued at Existing Use Value (EUV) as the valuation basis for these properties are linked to recent market transactions. Caveats around this material uncertainty have been included in the year-end valuation reports produced by the Council's external valuer.

What judgements are we focused on?

We focused on the following:

- The adequacy of the scope of the work performed by the valuer including their professional capabilities; and
- The reasonableness of the underlying assumptions used by the Council's expert valuer.

What did we do?

- Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE;
- Reviewed assets not subject to valuation in 2019/20 to confirm that the remaining asset base was not materially misstated;
- Sample tested key asset information used by the valuers in performing their valuation;
- We also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer; and
- Tested accounting entries have been correctly processed in the financial statements.

Additional Covid-19 procedures in response to our risk include:

- Considered the Council's asset base by type of asset and valuation methodology, as impacts are likely to be more significant for assets valued on the basis of data from market transactions;
- Ensured the appropriate disclosure has been made in the accounts concerning the material uncertainty; and
- Obtained input from EY Real Estates (EYRE), our internal specialists on asset valuations for PPE, including inputs on market sentiment and how it has been reflected in valuations which are based on EUV



Areas of Audit Focus

Other financial statement risk

Valuation of land and buildings (cont.)

What is the risk?

The fair value of PPE represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

Update – Covid-19 related constraints on property valuation

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What are our conclusions?

- We have reviewed the instructions and data provided to the valuer by the Council. We identified no issues.
- We have reviewed the classification and valuation methods used. Inputs received from EYRE identified one asset, the Bognor Regis Arcade, which was overstated by £1.469m (based on a range of £1.5m - £2m). The value of the asset had increased by 92% since acquisition when, generally, there has been a downturn in the market per the Investment Property Databank Index. Management processed an adjustment of £1.046m based on a revised valuation received from Council's external valuers which has resulted in a £423k judgemental difference remaining measured against the upper range of our valuation.
- We have reviewed assets not subject to valuation in 2019/20 and confirmed that the remaining asset base was not materially misstated.
- We reviewed the scope and relationship of the valuer to the Council and identified no issues.
- We were satisfied that disclosures in the accounts were appropriate concerning the material uncertainty.
- Our review of accounting entries at period end and those journals made in processing valuation adjustments did not identify any issues.



Areas of Audit Focus

Other financial statement risk

Going concern

What is the risk?

The Council prepares its accounts on the assumption that it will continue as a going concern. The current and future uncertainty over government funding and loss of income as a result of Covid-19 increases the need for the Council to revisit its financial planning and undertake a detailed assessment to support its going concern assertion. From an audit perspective, the auditor's report going concern concept is a 12-month outlook from the audit opinion date, rather than the balance sheet date. So, for the 2019/20 statements, for example, we will need to see evidence of an assessment up to and including September 2021. This will need information relevant to the 2021/22 financial year.

What judgements are we focused on?

We focused on management's assessment of the going concern assumption in preparing the Council's financial statements. We also reviewed management's cash flow forecasts to determine whether expected forecasting appeared reasonable and whether it was sufficient to enable the Council to continue its operations.

We also discussed with management further disclosures required in the 2019/20 statements on going concern and in particular, material events and uncertainties

What are our conclusions?

- Our review of management's continued use of the going concern assumption is appropriate;
- We reviewed the proposed going concern disclosures for inclusion in the financial statements and the Council's forecast cash flows;
- In our view no significant uncertainty exists that may cast doubt on the Council's ability to continue as a going concern, which would be required to be disclosed. The key issues we reflected on for our assessment relate to a combination of the Council's liquidity and its level of General Fund reserves. Management's assessment demonstrates that reserves should be maintained above the minimum level set by the s151 officer for the foreseeable future, and the Council will have access to sufficient working capital;
- We also considered announcements by central government in July to fund Council's for 75% of income losses (over and above the first 5% reduction) during the pandemic. Further guidance has since been provided to enable this to be modelled and management have considered the impact of this support on the level of General Fund reserves which improves the Council's cash flow projections and liquidity as presented for audit; and
- The Council has updated its disclosures in the accounts to reference these factors and we are now satisfied with the revised disclosure and that it adequately and sufficiently discloses material events and conditions in relation to the going concern assumption of the Council and that no material uncertainties exist in relation to the going concern assumption.

What did we do?

- We reviewed the Audit and Governance Committee's assessment of the appropriateness of the going concern assumption;
- We reviewed and challenged the level and form of disclosure of this assessment made in the financial statements, given the Covid-19 pandemic; and
- Reviewed the Council's cash flow forecasts and financial plans for the foreseeable future to ensure that these are sufficiently robust and supported by adequate evidence, and that the cash flow forecasts demonstrate that the Council has sufficient liquidity to continue its operations.



Areas of Audit Focus



Other matters

Assessment of new Accounting Standards

- IFRS 16 Leases: Due to the COVID-19 pandemic, implementation date for IFRS 16 has been deferred to 1 April 2021. In your view the impact of the introduction of IFRS 16 and its amendments is not material as the Council is not party to significant operating leases as lessee. In our view, given the immaterial balance of operating leases as lessee in the accounts, it is unlikely that the future implementation of IFRS 16 will have a material impact on the single entity financial statements of the Council.
- Lessor arrangements remain unchanged under IFRS 16.



03 Audit Report



Draft Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARUN DISTRICT COUNCIL

Opinion

We have audited the financial statements of Arun District Council for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement, Balance Sheet,
- Cash Flow Statement,
- The related notes 1 to 40 and the Expenditure and Funding Analysis, Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Housing Revenue Account Property, Plant and Equipment, the Housing Revenue Account Intangible Assets, the Housing Revenue Account Assets Held for Sale, the notes to the Housing Revenue Account, 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 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of Arun District Council as at 31 March 2020 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 2019/20.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the Annual Statement of Accounts for the year 2019/20, other than the financial statements and our auditor's report thereon. The Group Head of Corporate Support is responsible for the other information.



Draft Audit Report

Our opinion on the financial statements

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

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

We have nothing to report in this regard.

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

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in April 2020, we are satisfied that, in all significant respects, Arun District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Group Head of Corporate Support

As explained more fully in the Statement of Responsibilities set out on page 18, the Group Head of Corporate Support 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 2019/20, and for being satisfied that they give a true and fair view.

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

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



Draft Audit Report

Our opinion on the financial statements

Auditor's responsibilities for the audit of the financial statements

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in April 2020, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that 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 2020.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

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

Use of our report

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

Kevin Suter (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton
XX October 2020



04 Audit Differences



Audit Differences

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

Summary of adjusted differences

We highlight the following misstatements greater than £0.095m identified during the course of our audit which management are in the process of correcting:

- An overstatement of £1.469m in relation to the Bognor Regis Arcade valuation. The value of the asset had increased by 92% since acquisition when, generally, there has been a downturn in the market per the Investment Property Databank Index. The expectation in the market is of further capital and rental decline over the next 12 months. Management received a revised valuation from Council’s external valuers and processed an adjustment of £1.046m resulting in a remaining difference of £423k measured against the upper end of the range of our valuation; and

Some minor misstatements in disclosures

We will also update the Committee if there are any further issues arising from our incomplete audit procedures.



Audit Differences

Summary of unadjusted differences

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

	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Reserves	CIES
	Debit/ (Credit)	Debit/ (Credit)	Debit/ (Credit)	Debit/ (Credit)		Debit/ (Credit) Current period
Uncorrected misstatements						
Known differences:						
▶ Bank reconciliation items not cleared relating to payments received for business rates which was not allocated to the debtors account. The payment was sat within bank reconciliation items and not allocated to the cash book and relevant debtors account	Cash - 328k Debtors - (328k)					
Judgemental differences:						
▶ Valuation difference in relation to Bognor Regis Arcade		(£423k)			£423k	
Total	-	(423k)	-	-	£423k	-

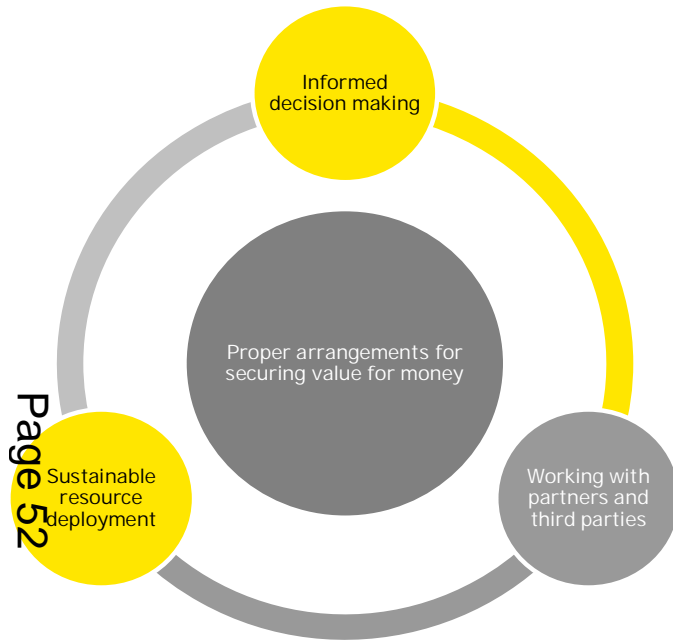


05

Value for Money



Value for Money



Background

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

For 2019/20 this is based on the overall evaluation criterion:

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

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

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

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

Impact of covid-19 on our Value for Money assessment

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider Local Authorities' response to Covid-19 only as far as it relates to the 2019-20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion.

Overall conclusion

We did not identify any significant risks around these criteria.

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



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 Annual Statement of Accounts 2019/20 with the audited financial statements

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

Financial information in the Annual Statement of Accounts 2019/20 and published with the financial statements was consistent with the audited financial statements.

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

Whole of Government Accounts

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

We anticipate have no matters to report as the Council is below the £500m threshold for undertaking detailed audit procedures, which we expect to remain unchanged from the prior year.

Other reporting issues

Other powers and duties

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

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

Other matters

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

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

We have no matters to report in respect of the above matters.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

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

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

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



08 Data Analytics



Use of Data Analytics in the Audit

► Data analytics – Journal entries

Analytics Driven Audit

Data analytics

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

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

In 2019/20, our use of these analysers in the authority's audit included testing journal entries, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

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

Journal Entry Analysis

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



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09

Independence

Confirmation and analysis of Audit fees

We confirm there are no changes in our assessment of independence since our confirmation in our audit planning report dated 21 January 2020. We complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you and your Audit and Governance Committee consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit and Governance Committee on 19 November 2020.

Our fees below do not include the scale fee review which is currently underway with PSAA to agree whether the scale fees for Local Government need to be rebased to account for the increased audit and quality requirements as well as increased regulatory challenge on the depth and quality of assurance provided by audit suppliers. There is now greater pressure on firms to deliver higher quality audits by requiring auditors to demonstrate greater professional scepticism when carrying out their work. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts. Discussions with PSAA remain ongoing.

	Final Fee 2019/20	Planned Fee 2019/20	Scale Fee 2019/20	Final Fee 2018/19
	£	£	£	£
Total Audit Fee – Code work	50,469*	43,969	43,969	44,745
Non-audit work – Grant claims	TBC*	19,879	n/a	19,879
Total non-audit services	TBC*	19,879	n/a	19,879
Total fees	TBC*	50,469	43,969	64,624

Confirmation and analysis of Audit fees (continued)

* The final fee for our Code work will be confirmed upon completion of the audit. We will report the final fee in relation to the audit to the Audit and Governance Committee in our Annual Audit Letter. For 2019/20, the final fee has been impacted by a range of factors which has resulted in additional work. We set out an estimate of the potential additional fee for this below:

- The need to engage EY Real Estate to review a sample of valuations of EUV assets, 3 assets in total, c.£3,000
- Review of management's assessment and additional disclosures that were required in relation to going concern and our internal consultation process undertaken to ensure that events and conditions in relation to the going concern assumption are adequately disclosed, c.£2,500

Additional work to audit the restatement of prior year figures in relation to the reclassification of the Bognor Regis Arcade from Investment Property to PPE due to the change in use of this property from capital appreciation/rental income to economic regeneration, c. £1,000

* Our detailed work on Grant claims has not yet commenced but our planned fee includes £9,500 in relation to the level of extended testing we are expecting to undertake based on errors identified in the prior year. The HBAP process requires us to undertake extended testing in the current year based on cumulative knowledge and experience, referred to as CAKE testing

Independence



Relationships, services and related threats and safeguards

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

There are no relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2020 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services listed in the table above has been provided on a contingent fee basis.

As at the date of this report, we are contracted to provide audit services for a further three years from 1 April 2020. In addition, the Authority has agreed to our proposal to provide the Housing Benefit Subsidy Assurance services for the same period.

Other communications

EY Transparency Report 2020

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 2020:

https://www.ey.com/en_uk/who-we-are/transparency-report-2020



10 Appendices

Appendix A

Required communications with the Audit Committee

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

Our Reporting to you		
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit and 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.	November 2020 Audit results report
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	November 2020 Audit results report
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	November 2020 Audit results report

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	November 2020 Audit results report
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management 	November 2020 Audit results report
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	<p>19 November 2020</p> <p>To be confirmed with letter of representation at Audit and Governance Committee meeting</p>
Fraud	<ul style="list-style-type: none"> • Enquiries of the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <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 and Governance Committee responsibility. 	<p>November 2020 Audit results report</p> <p>We have no matters to report</p>

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the Authority 	<p>November 2020 Audit results report</p> <p>We have no matters to report</p>
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>21 January 2020 Audit planning report</p> <p>November 2020 Audit results report</p>

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> Management's refusal for us to request confirmations Inability to obtain relevant and reliable audit evidence from other procedures. 	November 2020 Audit results report We have no matters to report
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 and Governance 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 	November 2020 Audit results report We have no matters to report
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. 	November 2020 Audit results report We have no matters to report



Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	November 2020 Audit results report
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 	November 2020 Audit results report We have no matters to report
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report 	November 2020 Audit results report
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	21 January 2020 Audit planning report November 2020 Audit results report

Management representation letter

Management Rep Letter

Ernst & Young
Grosvenor House
Grosvenor Square
Southampton
SO15 2BE

This letter of representations is provided in connection with your audit of the financial statements of Arun District Council ("the Council") for the year ended 31 March 2020. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Arun District Council as of 31 March 2020 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), 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 2019/20.

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 and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and are free of material misstatements, including omissions. We have approved the financial statements.

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 2019/20, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].

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

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

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

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Management representation letter

Management Rep Letter

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

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

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

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

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

3. We have made available to you all minutes of the meetings of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: *[list date]*.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council’s related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

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

6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. From 30 July 2019 through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

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

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

Management representation letter

Management Rep Letter

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. Subsequent Events

1. Other than described in Note 6 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

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

G. Ownership of Assets

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

H. Reserves

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

I. Use of the Work of a Specialist - Actuary

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

J. Use of the Work of a Specialist – Property valuers

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

K. Estimate – NNDR appeals and other provisions

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate has been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We confirm that the significant assumptions used in making the estimate of provisions (including the NNDR appeals provision) appropriately reflect our intent and ability to carry out providing services on behalf of the entity.

Management representation letter

Management Rep Letter

3. We confirm that the disclosures made in the financial statements with respect to the accounting estimate are complete, including the effects of the COVID-19 pandemic and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

4. We confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

L. Estimate – Valuation of Council land and buildings estimate

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate has been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

2. We confirm that the significant assumptions used in making the valuation of land and buildings estimate appropriately reflect our intent and ability to carry out providing services on behalf of the entity.

3. We confirm that the disclosures made in the financial statements with respect to the accounting estimate are complete, including the effects of the COVID-19 pandemic and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

4. We confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

M. Estimate – Pensions valuation estimate

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate has been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

2. We confirm that the significant assumptions used in making the pensions valuation estimate appropriately reflect our intent and ability to carry out providing services on behalf of the entity.

3. We confirm that the disclosures made in the financial statements with respect to the accounting estimate are complete, including the effects of the COVID-19 pandemic and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

4. We confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

N. 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,

(Group Head of Corporate Support)

(Chair of the Audit and Governance Committee)

Appendix C

Accounting and regulatory update

Future accounting developments

The following table provides a high level summary of the future accounting developments that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact Arun District Council 
IFRS 16	<ul style="list-style-type: none">HM Treasury have agreed with the Financial Reporting Advisory Board (FRAB) to defer the implementation of IFRS 16 Leases until 1 April 2021. This is because of the circumstances caused by Covid-19.	<ul style="list-style-type: none">The Authority will need to undertake significant preparatory work for the implementation of this accounting standard. The Authority should review its implementation arrangements and ensure due consideration before the standard is implemented.

Regulatory update

Since the date of our last report to the Audit and Governance Committee, there have been a number of regulatory developments. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures	Impact on Arun District Council
Code of Audit Practice 2020	<ul style="list-style-type: none">The updated Code of Audit Practice issued by the National Audit Office has introduced some significant changes to the requirements regarding auditors' work on the value for money conclusion, which will be applicable from 2020/21.	<ul style="list-style-type: none">The NAO are currently updating the Auditor Guidance Notes which will set out how the new Code of Audit Practice should be applied when carrying out value for money work. As such, the impact remains to be confirmed.Further updates will be provided when possible.
Going Concern - ISA (UK) 570 (Revised September 2019)	<ul style="list-style-type: none">The standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, however EY expects to early-adopt the revised standard for all of our audits of periods ending on or after 30 June 2020.This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.	<ul style="list-style-type: none">Practice Note 10, which sets out how the auditing standards are applied in a public sector context, is currently being revised, including in light of the updated standard for Going Concern. As such, the impact is not clear at this stage.Further updates will be provided when possible.

Accounting and regulatory update

Name	Summary of key measures	Impact on Arun District Council
Independence	<ul style="list-style-type: none"> The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and will be effective from 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to companies that are UK Public Interest Entities (PIEs). This prohibition will also extend to any UK parent and apply to all worldwide subsidiaries. A narrow list of permitted services will continue to be allowed. 	<ul style="list-style-type: none"> We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under the FRC Revised Ethical Standard 2019 which will be effective from 15 March 2020. Non-audit services which are in progress as at 15 March 2020 and are permitted under the existing ethical standard will be allowed to continue under the existing engagement terms until completed.

About EY

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

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ED None

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ARUN DISTRICT COUNCIL

REPORT TO AUDIT AND GOVERNANCE COMMITTEE ON 19 November 2020

PART A: REPORT

SUBJECT: Annual Statement of Accounts 2019/20 and Letter of Representation

REPORT AUTHOR: Carolin Martlew, Financial Services Manager

DATE: July 2020

EXTN: 37568

PORTFOLIO AREA: Corporate Resources

EXECUTIVE SUMMARY:

This report provides information about the audit of the Council's 2019/20 Statement of Accounts (accounts) and recommends the approval of the 2019/20 accounts and the Letter of Representation on behalf of the Council.

RECOMMENDATIONS:

RECOMMENDATIONS

The Committee is requested to:

- i. Note the findings of the EY Audit Results Report (previous item on the agenda);
- ii. Approve the Letter of Representation on behalf of the Council in appendix 1; and
- iii. Approve the Statement of Accounts for the financial year ended 31 March 2020 (Appendix 2).

1. BACKGROUND:

- 1.1 The Council's external auditors EY provided the committee an audit progress update report at its meeting on 30 July 2020, which explained that the deadlines for the preparation of the Accounts had been extended for 2019/20 due to the Covid-19 pandemic. The deadline for the submission of the draft Accounts for audit by was extended to 31 August 2020 (from 31 May 2020) and the deadline for the conclusion of the Audit was extended to 30 November 2020 (31 July 2020).
- 1.2 The Accounts were submitted to the External Auditors on 9 June 2020, significantly ahead of the revised statutory deadline. The audit commenced on 29 June 2020 (in line with the original Audit Plan). Although the audit was substantially completed by the meeting of the committee on 30 July 2020, it could not be completed due to additional audit requirements around the going concern assumption and asset valuations due to C-19, as well as the completion of the audit of the West Sussex Pension Fund. The committee was updated on these issues on 30 July 2020 in the Audit update report presented by the Council's

Auditors.

- 1.3 This report was preceded by the Audit Results Report issued by EY.
- 1.4 The audited accounts, together with the auditor's opinion, are required to be published by 30 November 2020.
- 1.5 The Statement of Accounts for 2019/20 for approval by the committee are contained in appendix 2 to this report.

2. PROPOSAL(S):

Overview of the Financial Statements

- 2.1 The Statement of Accounts summarises the Council's financial transactions for 2019/20 and its financial position at 31 March 2020. It is comprised of the: Narrative Report; Statement of Responsibilities; Core Financial Statements; Notes to the Accounts (including Accounting Policies); Supplementary Statements; and Auditor's opinion.
- 2.2 The meeting will focus on the core financial statements and the Supplementary financial Statements. The core financial statements are comprised of the:
- Comprehensive Income and Expenditure Statement
 - Movement in Reserves Statement
 - Balance Sheet
 - Cash Flow Statement
- 2.3 The Supplementary Financial Statements are comprised of the:
- Housing Revenue Account and notes; and
 - Collection Fund Statement and notes.

Audit of the Statement of Accounts 2019/20

- 2.4 Members are requested to note the content of the Audit Results Report (previous item on the agenda).
- 2.5 Members are requested to approve the Letter of Representation appendix 1. The Audit Results Report identified the following misstatement, which the Council has chosen not to correct, as the amounts are not material, individually and collectively. (i.e. the amount is unlikely to influence the decisions or assessments of users taken on the basis of the financial statements) and the cost would therefore outweigh any benefit.
- £423k relating to Bognor Regis Arcade – remaining valuation, judgemental difference
 - £328k relating to a £152k cashbook entry for business rates, known difference.
- 2.6 The Statement of Accounts for the financial year ended 31 March 2020 has been prepared in compliance with the required standards and statutes and should be approved by this Committee.

3. OPTIONS:		
n/a		
4. CONSULTATION:		
Has consultation been undertaken with:	YES	NO
Relevant Town/Parish Council		✓
Relevant District Ward Councillors		✓
Other groups/persons (please specify)		
5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)		
Financial	✓	
Legal	✓	
Human Rights/Equality Impact Assessment		✓
Community Safety including Section 17 of Crime & Disorder Act		✓
Sustainability		✓
Asset Management/Property/Land		✓
Technology		✓
Other (please explain)		
6. IMPLICATIONS:		
The Letter of Representation and the Statement of Accounts 2019/20 are required to be approved by the Audit and Governance Committee in time for the statutory deadline of 30 November 2020.		
7. REASON FOR THE DECISION:		
To approve the Statement of Accounts by the statutory deadline.		
8. BACKGROUND PAPERS:		
The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20		
Audit Progress Report: Agenda for Audit & Governance Committee on Thursday 30th July 2020, 6.00 pm - Arun District Council		

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Arun District Council

Annual Statement of Accounts for the year 2019/20

Arun District Council
Group Head of Corporate Support
Arun Civic Centre
Maltravers Road
Littlehampton
West Sussex
BN17 5LF
01903 737568

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Narrative Report

Introduction to the Arun district

Arun District is the largest district in West Sussex in terms of population (160,758 mid-year 2019) and the second largest in terms of Council Tax Base (61,281 equivalent Band D properties). It includes the towns of Arundel, Bognor Regis and Littlehampton together with 27 surrounding parishes.

There are 54 councillors representing 23 wards within the District. The councillors are elected on a 4 year term. The most recent elections were held in May 2019.

Arun has one of the UK's highest populations of elderly people, with 27% of residents aged 65 and over, compared to 17% nationally. Particularly high proportions of elderly people are living along the coast, in the Pagham and Aldwick area west of Bognor Regis, and from Rustington to Ferring, where in some wards over 50% of residents are aged 65 and over. By contrast, parts of Bognor Regis and Littlehampton have a significantly younger population, with above average proportions of families and young people. Both national and local forecasts indicate that the largest growth in the future will be in people aged 85 and over.

Wage stagnation since the 2008/9 economic downturn has left many struggling to cope across the country and even though wages have recently started to outstrip inflation, they are still not back to their pre-2008 levels in real terms. This may improve if skills shortages predicted to follow the UK's departure from the EU materialise. However, those areas like Arun which are dependent on a high degree of low wage low skills employment may see deprivation continue.

Arun was ranked 150th on the Index of Multiple Deprivation in 2015 (the last published figures) out of 326 local authorities. It is ranked in the bottom half (i.e. a ranking of 163 or less) of English local authorities on 5 out of the 10 Indices of Multiple Deprivation measures. These are: • Employment 151 • Education skills and training 84 • Health deprivation and disability 134 • Barriers to housing and services 145 • Income deprivation affecting children 159.

Key Information about the Council

Decision Making

The Council

The overall objectives, major policies and the financial strategy are decided at Full Council, which is also the principal forum for major political debate.

The Cabinet

The Cabinet comprises of eight Councillors (May 2020), seven representing the Liberal Democrat party and one Independent. The Cabinet takes key decisions on Council policy and sets much of the strategy on how Council services will be delivered.

Overview Select Committee

The Overview Select Committee undertakes the scrutiny function of the Council and is made up of 15 members. The committee makes recommendations to Cabinet based on its findings.

Audit and Governance Committee

The Audit and Governance Committee provides assurance of the adequacy of the corporate governance arrangements, the risk management framework and the associated control environment; scrutiny of the authority's financial and non- financial performance; and to oversee the financial reporting process.

Change to Governance Arrangements from May 2021

The Council resolved at its Full Council meeting on 15 January 2020 to make a change in governance arrangements, with effect from the Annual Council Meeting on 19 May 2021.

As a result of the resolution, it will be necessary for significant changes to be made to the Council's Constitution. The main feature of the change is to remove the 'Leader and Cabinet' form of governance that the Council has operated since 2001 and replace it with a 'Committee System' form of governance. The new form of governance will result in most decisions on Council functions being dealt with by politically balanced Committees, subject to the general oversight of the Council. No individual member of the Council will have decision making powers.

The Annual Governance Statement

The Annual Governance Statement is published alongside the Statement of Accounts and is available on the Council's website.

The Covid-19 pandemic and the Council

The Corona virus pandemic is the first peacetime national emergency that the Council has had to face since its inception. The outbreak of the Corona virus was identified in Wuhan, China in December 2019 and recognised as a pandemic by the World Health Organisation on 11 March 2020. The speed of the pandemic has led to unprecedented socioeconomic disruption globally. The UK went into lock down on 23 March 2020. The Office for Budget Responsibility (OBR) has predicted that the economy could shrink by 13% if the lock down continues for 3 months, and this could increase to 35% if the lock down continues for a further 3 months.

Officers have had to take a number of urgent decisions to incur expenditure or take urgent action. These have been reported to cabinet meetings on 29 April 2020 and 1 June 2020. The financial effect of the pandemic and lock down started to be felt in March 2020 and this has increased significantly in the first quarter of 2020/21. The financial effects are covered more fully in the relevant sections below and in Note 40 – Going Concern.

Workforce

The Council employs approximately 374 staff in full-time and part-time positions. Arun's workforce has undergone a planned reduction to make it smaller and more effective as part of its 2020: Vision Programme. The Council employed 406 posts at the start of the Vision programme in 2014/15.

The Strategic Direction of the Council

The Council's 2020 Vision programme was established to provide strategic direction to help the Council become more effective and sustainable and to enable it to meet future demands that are placed upon it. The Council is facing a challenging financial climate (see Economic Climate below) and changing customer expectations. The Council's aim is to strengthen relationships with local organisations and communities offering more digital opportunities to make interaction with the Council less complicated. The strands of the Vision programme are:

- Offering a better customer experience
- Strengthening external relationships
- Providing more digital online services
- Becoming smaller and more effective

The Council's priority continues to be to provide value for money to enable it to continue to provide important services to the community and others in the District. The Council has made significant efficiencies over the years by retendering major contracts. These include:

- Leisure Management
- Waste Management
- Grounds maintenance

The Council's Performance

The Council's strategic performance indicators are set in the Corporate Plan. The Council's three priority areas (2017/2021) are:

- Your Council Services;
- Supporting you; and
- Your future.

Cabinet is updated on performance twice a year. The full outturn report of the Council's performance was considered at Cabinet on 1 June 2020 and the Overview Select Committee meeting on 9 June 2020.

The Council takes performance very seriously and has formulated a number of stretch targets for 2019/20 and the new Council will be monitoring those closely. It is accepted that comprehensive performance indicators form the basis of a management system and we have consulted widely to ensure that our indicators encompass the fundamental services of the Council.

- Council Tax Collection was 97.5% (97.8% previous year) compared to the target of 98%. The total collected increased by £6.2m to £109.6m (£103.4m previous year). The fourth quarters collection rates have been adversely impacted by Covid-19, which has resulted in some households cancelling their direct debit payments. The level of Council tax collected and written off could significantly affect the outturn for 2020/21 and beyond.
- Housing Benefit/ Council Tax Support – the time taken to process new claims was 2.3 days (3.3 days previous year) compared to a target of 8 days.
- Household waste sent for reuse, recycling and composting was 43.04% (42.01% previous year) compared to the target of 50%.

The Local Plan

The Arun Local Plan 2011-31 was adopted on 18 July 2018. It sets out a spatial vision, objectives and a sustainable strategy for delivering the required growth for the District over the period 2011-2031. The Local Plan is intending to provide an average of 1,000 homes per annum between 2011 and 2031 (total 20,000 homes). Since there is a reliance on large strategic sites to deliver this scale of housing the Plan's trajectory is 'stepped' to reflect the time it will take to secure delivery on some sites.

Arun's Local Plan strategic objective for housing delivery is to:

"Plan and Deliver a range of housing mix types in locations with good access to employment, services and facilities to meet the District's housing requirements and the needs of Arun's residents and communities both urban and rural, ensuring that issues of affordability and the provision of appropriate levels of affordable housing are addressed while supporting the creation of integrated communities"

"Promote strong, well integrated and cohesive communities, through the promotion of healthy lifestyles, provision of good quality accessible community facilities and a safe environment, which delivers an enhanced quality of life to all. This includes the needs of a growing elderly population."

Financial Performance

The impact of the economic climate is difficult to assess as there are a number of variables which will affect the Council and we are currently in an unprecedented period of low interest rates.

The future of the Council's government funding is extremely uncertain. The Fair Funding Review went out to consultation during 2018/19. It focused on the cost drivers, which are mainly population based for District councils like Arun and is designed, in theory, to redistribute funding to those areas of highest need. It is widely anticipated that the new system will be detrimental to District Councils, with a shift between the tiers of local government in two tier areas like West Sussex. There is also the potential of transferring extra responsibility (and cost) to Local Government. The outcome of the Government Spending Review SR19 covering the period 2020/21 to 2022/23 had been delayed to 2020 and has been further delayed due to the Covid-19 pandemic to 2022/23.

The 2015 Spending Review announced a number of significant changes in the way Local Government will be funded in the future. One of the most significant proposals was the 100% business rate retention by 2020. This had been reduced to a local share of 75%, with no agreement of how the split will be determined between District and County council in two tier areas. The timing of the reset of the retained business rates baseline proposed for 2021/22 remains unclear. This could effectively wipe out all or a proportion of the past gains through growth built up since the inception of the scheme. There are no further details currently available and the situation will continue to be monitored closely due to the likely significant adverse impact on the Council's funding.

The council has set up a Funding Resilience Reserve to enable a planned transition when funding sources mentioned above result in a significant loss of income. The Council budgeted a contribution of £1.138m and was able, with the favourable outturn for 2019/20, which included a review of unrequired earmarked reserves, to make an additional contribution of £0.844m to the reserve (closing balance £5.826m).

The UK left the European Union on 31 January 2020 and is currently in a transition period which was set to end on 31 December 2020, during which time the EU and the UK would negotiate their future relationship. The longer term financial impact of Brexit was creating uncertainty over interest rates, the rate of inflation, the labour market, property and rental values. However, this has been overshadowed by the global pandemic. The Government Spending Review (SR19) mentioned above has been delayed due to the Corona virus pandemic.

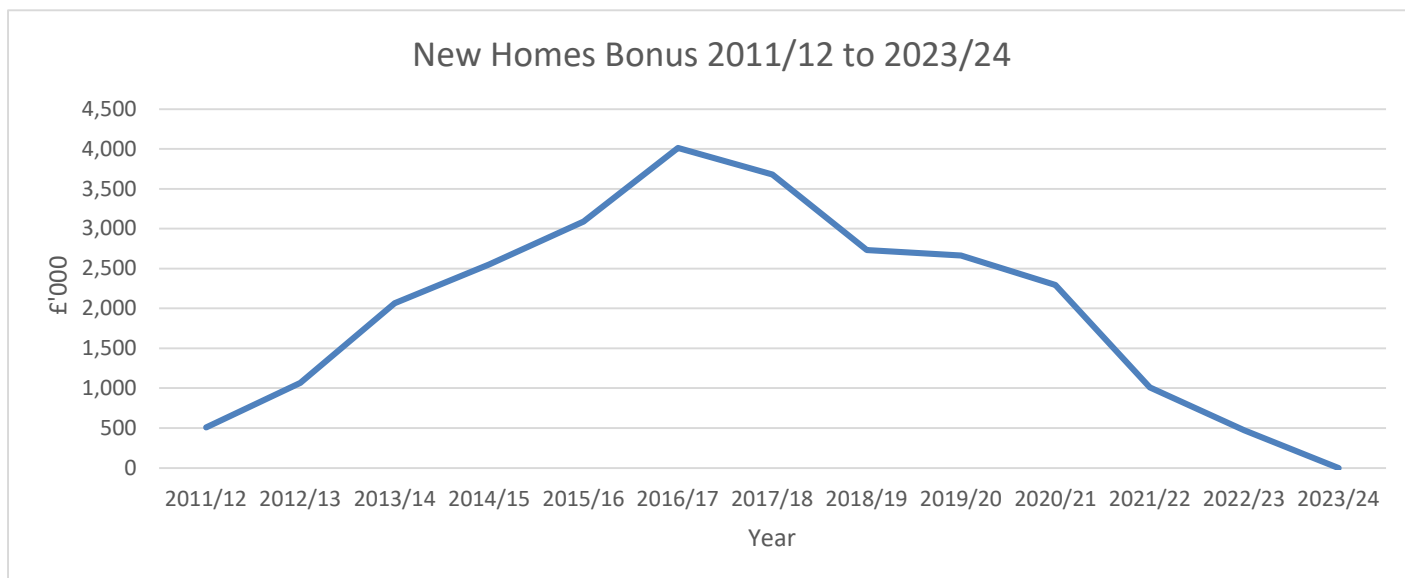
The Council's General Fund expenditure is supported by Government through the Business Rate Retention scheme, non-ringfenced grants and the New Homes Bonus (NHB). There has been a continual sharp decline in the level of general Central Government support and the Council is no longer in receipt of Revenue Support Grant (RSG), but the council has benefited from the New Homes Bonus and the Business Rate Retention scheme due to growth in both the domestic and commercial sectors.

The Council received no RSG, which is a general government support and not linked to the local economy, in 2019/20. The Council received £194k RSG in 2018/19 (£750k in 2017/18). The Council was in receipt of £3.870m RSG in 2014/15, the year preceding the current Spending Review (SR15). Future funding allocations will be determined by the Fair Funding Review.

The Council received £2.664m in New Homes Bonus in 2019/20 (£2.733m previous year) and this will further decrease to £2.295m for 2020/21. There was a stepped reduction in the grant from 6 years to 4 years from 2018/19. The level of NHB is summarised in the table below:

NHB Payment relating to:	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
2011/12	509	509	509	509	509	509	0	0	0	0
2012/13		556	556	556	556	556	0	0	0	0
2013/14			1,000	1,000	1,000	1,000	1,000	0	0	0
2014/15				484	484	484	484	0	0	0
2015/16					539	539	539	539	0	0
2016/17						926	926	926	926	0
2017/18							728	728	728	728
2018/19								540	540	540
2019/20									470	470
2020/21										557
Total	509	1,065	2,065	2,549	3,088	4,014	3,677	2,733	2,664	2,295

2020/21 was a rollforward year due to the delay in the spending review. This has resulted in an additional one off allocation of £557k NHB for that year (total £2.295m). The Council will only receive the legacy payment from earlier years from 2021/22 and it is anticipated that the Council will not be in receipt of NHB by 2023/24. The Council has had significant benefits from the New Homes Bonus which is summarised below:



Council Tax Income

Arun's Council Tax income excluding Parish Councils is summarised in the table below:

Actual 2018/19	Arun excluding Parish Councils	Actual 2019/20	Budget 2020/21
60,402	Tax base	61,281	62,244
£176.40	Band D Tax	£181.62	£186.57
£10,655,000	Council Tax Income (excluding parishes)	£11,130,000	£11,613,000

The Council Tax for 2019/20 is based on an Arun Band D of £181.62, which represents an increase of £5.22 or 2.959% (£176.40 for 2018/19). This has started to redress the reduction, in real terms, of the Council Tax Income Base which was frozen for 5 years. Arun's tax base has increased significantly in 2019/20 from 60,402 to 61,281, with a further increase of 963 for 2020/21 (62,244). The increase is mainly due to the completion of new dwellings in the District.

Government policy in relation to the calculation of the Council's spending power is broadly based on a £5 increase in band D Council Tax. The Councils Medium Term Financial Plan assumes a 3% or £5 annual increases in the Council tax over the next 5 years in order to become more financially resilient whilst remaining a low Council Tax Authority.

The income from fees and charges (principally from Property and Estates, Planning and car parking) has increased to around £5m (£4.6m previous year).

As referred to above the low interest environment has persisted. However, proactive investment of cash balances has generated £0.850m in interest in 2019/20 (£0.754m previous year).

The Council has a General Fund revenue balance of £7.076m (£7.076m previous year), which is adequate to withstand immediate financial pressures but is inevitably a finite resource and will be monitored carefully. There are several major risks and uncertainties associated with

the covid-19 pandemic and the volatility in the council's funding, means that the maintenance of a reasonably high level of balances is essential.

West Sussex Business Rate Retention Pilot

West Sussex was successful in the application to become a 75% Business Rate Retention Pilot for 2019/20. The West Sussex Business Rate Retention Pilot was led by WSCC with all Districts and the County as members. The pilot allowed 75% of Business Rates to be retained locally with 20% retained by the Districts and 55% by the County. Previously, half of the rates revenue was retained locally with the local share being split between Arun (80%) and West Sussex County Council (20%). Although the percentage shares have changed the new pilot has been set up with the condition of no detriment to any of its members. This meant the pool reimbursing the District Council for loss of any grant. It should be noted that the overall no detriment clause has been removed by the Ministry of Housing, Communities and Local Government (MHCLG), the pool has in excess of £2m set aside to mitigate this possibility. The government announced that business rate pilot pools established for 2019/20 would not be allowed to continue and the West Sussex pilot business rate pool ceased on 31 March 2020.

The bid for a new business rate retention pool reverting back to the original 50% retention scheme consisting of West Sussex County Council, Adur District Council, Arun District Council and Horsham District Council was successful for 2020/21.

The additional funding generated, as agreed by all the West Sussex Leaders, will be invested in superfast broadband, which is to the benefit of the whole of West Sussex.

Net Assets

The Council maintains a strong balance sheet despite financial challenges, net assets are £285.049m (£256.445m at 31 March 2019).

Non-Current Assets (Property & Investments) £305.671m	➡	Net Assets 31 March 2020 £285.049m
Net Current Assets (Debtors, Creditors & Cash) £36.296m	➡	
Long Term Liabilities (Pensions, Borrowing & Provisions) £56.918m	➡	
Funded by: Usable Reserves £34.606m	➡	
Funded by: Unusable Reserves £250.443m	➡	

Non-Current Assets (Property & Investments) £305.200m	➡	Net Assets 31 March 2019 £256.445m
Net Current Assets (Debtors, Creditors & Cash) £33.328m	➡	
Long Term Liabilities (Pensions, Borrowing & Provisions) £82.084m	➡	
Funded by: Usable Reserves £33.656m	➡	
Funded by: Unusable Reserves £222.789m	➡	

Financial Management

The 2019/20 budget was considered by the Overview Select Committee on 29 January 2019 and cabinet on 11 February 2019 before being formally approved by Full Council on 20 February 2019. The budget took account of the Council's Medium Term Financial Strategy and Housing Revenue Account business plan. The provisional Local Government Finance settlement issued by the MHCLG in December 2018 was also taken into consideration.

The statutory ringfence of the Housing Revenue Account (HRA) requires that the Council sets separate budgets for the HRA and GF. The Code requires that these are aggregated in the Primary performance statements (pages 20 to 25) and the Expenditure and Funding Analysis (page 19). The table below shows the relationship between the cost of service in the Comprehensive Income and Expenditure Statement, the Net cost of service in the expenditure and funding analysis and the outturn for 2019/20 for the GF and HRA (please see page 15 for further details on HRA).

Reconciliation of the outturn position to the Financial Statements 2019-20

	GF	Earmarked	HRA	Combined
	£'000	£'000	£'000	£'000
Cost of Service as per Comprehensive Income & Expenditure Statement	25,402	-	(8,662)	16,741
Adjustments between accounting basis & funding under regulations				
Adjustment for Capital Purposes	(3,902)	-	6,970	3,068
Net Change for Pensions Adjustments	(2,941)	-	(215)	(3,156)
Other Changes	-	-	-	-
Total Adjustments (See Note 7)	(6,843)	-	6,755	(87)
Net Cost of Services in the Expenditure and Funding Analysis	18,559	-	(1,907)	16,653
Other Income and Expenditure (see Expenditure and Funding Analysis)	(18,933)	-	1,897	(17,037)
Transfer to / (from) Earmarked Reserve (See Note 10 - Net Transfers)	374	(374)	-	(0)
(Surplus) / Deficit for the year	(0)	(374)	(10)	(384)

The original budget for 2019/20 was balanced anticipating no change in the level of General Fund Reserve. The Council's governance arrangements require significant additional expenditure (that was not included in the original budget) to be approved by Full Council. During the year two additional supplementary estimates totalling £672k were approved: £500k for nightly paid accommodation and £172k for the restructure of the Housing department. These changes resulted in a total approved budgeted draw down from reserves of £0.672m. Regular strategic monitoring that was carried out during the year indicated an estimated General Fund outturn position of around £7m (actual £7.076m). Section 25 (1) of the Local Government Act 2003 requires the Chief Financial Officer to report on the "adequacy of the reserves and balances". The reserve balances at the 31 March 2020 are

adequate and continue to be in line with the Council's Medium-Term Financial Strategy. However, the effect of the covid-19 pandemic on the Council's finances is too early to quantify fully, information on income collection rates will depend on economic conditions which will be felt in 2020/21 and beyond.

The outturn for 2019/20 of no change in the General Fund Reserve is nil variation against original budget.

It is important to note that the outturn position is comprised of a significant number of smaller over and underspends income and some more significant items (over £100k) which are analysed below:

Variation Analysis original budget to outturn 2019/20

	£,000
Favourable variations	
Additional non ringfenced grants (net)	(234)
Contingency items not required	(160)
Additional investment income	(258)
Unrequired Earmarked Reserves	(225)
s106 Developer contributions for maintenance in perpetuity	(427)
Establishment	(340)
Additional Housing Benefit overpayments recovered	(120)
Other Variations < +/- £100k net	(404)
Total Favourable Variations	(2,168)
Adverse Variations	
Homelessness - nightly paid accommodation*	506
Increase in supported claims Housing Benefit	420
Additional Transfer to Funding Resilience Reserve	844
Additional transfers to earmarked reserves	174
Loss of income	224
Total Adverse Variations	2,168
Change in General Fund Balance 2019/20	0

* Supplementary Estimate approved by Full Council

The Council received a significant number of smaller government New Burden's grants in 2019/20 from the DWP (£128k) and the MHCLG (£239k). The New Burdens grants are paid to Local Authorities due to policy changes which result in extra cost or burdens. These grants are not guaranteed to continue and can be one off in nature. These grants included £35k for Brexit preparations and £64k received at the end of the financial year for Covid-19. Brexit preparations did not result in significant additional direct expenditure but used up significant officer time. The Covid-19 grant will help to mitigate some of the additional expenditure and loss of income incurred towards the end of 2019/20. The net balance of grants after transfer to services and earmarked reserves was (£234k) favourable.

The Contingency and Special Items budget is assessed each year as a provision for known possible service changes that have not been fully developed to fully cost into the budget. The budget for 2019/20 was underspent by (£160k), which was mainly due to the delivery of the

Revenues and Benefits Northgate replacement project being on target (£100k) and therefore not requiring the contingency.

Interest and Investment income was (£258k) higher than budget. This mainly due to higher than anticipated cash balances during the year (£175k) and (£79k) was due to better rates being achieved during the year (1.31% compared to the budgeted 1.24%). The average cash balances during the year were £16m higher than anticipated when the budget was set (£64m compared to £48m). The higher cash balances are mainly due to slippage of the capital and special projects programme for both the General Fund and Housing Revenue Accounts and cash collection rates holding up until the end of the year.

The Council received significant s106 sums for maintenance in perpetuity (£427k) in respect of a number of sites. It should be noted that the receipt of these sums will also lead to the requirement for additional revenue expenditure in respect of maintaining the relevant sites. These sums were not included in the budget for 2019/20 as the timing of the receipts was not certain.

Earmarked Reserves are amounts of money specifically identified for operational purposes and held alongside the General Fund for draw down as required. These specific reserves are reviewed during the year as part of the budget monitoring process and at year end. During 2019/20 (£225k) of Earmarked Reserves were identified as no longer being required. This is mainly due to the Pagham Judicial Review supplementary estimate approved in 2018/19 which was not required (£103k).

The favourable variation of (£120k) on Rent Rebates (paid to council tenants and reclaimed in housing benefit subsidy) is mainly due to the trend of recoveries from ongoing benefit continuing. This trend has been reflected in the budget for 2020/21.

The Homelessness Reduction Act, which came into force on 1 April 2018 placed a renewed focus on homelessness prevention and introduced a range of new duties on councils. Its implementation has seen an increase in the number of homelessness presentations, and these continue to rise. This in turn has resulted in an increase in the use of temporary accommodation and the length of time households are accommodated. A supplementary estimate of £500k net was approved by Full Council on January 2020 and significant additional funding has been included in the budget for 2020/21.

Full Council approved a supplementary estimate of up to £172k in January 2020 to fund potential pension and redundancy costs associated with the new structure. The restructure is nearing completion and it is anticipated that £38k will be required, which has been transferred to earmarked reserve to enable the funding to be available during 2020/21. The establishment budget for 2020/21 was increased significantly to reflect the new restructure. The aim of the new structure is to achieve better focus on the prevention and relief of homelessness in order to move applicants on from emergency accommodation in a more timely way.

The net effect of Housing Benefit payments after the receipt of government subsidy is extremely difficult to predict as it is a demand led service and subsidy (and administration grant) is dependant on caseload, changing economic conditions and the level of subsidy provided. Rent allowances (paid to private tenants) are gradually being transferred to the Universal Credit scheme (approximately 100 per month) which is administered by the DWP. However, more complex claims, such as supported accommodation and pensioners will continue to be served by the Local Authority.

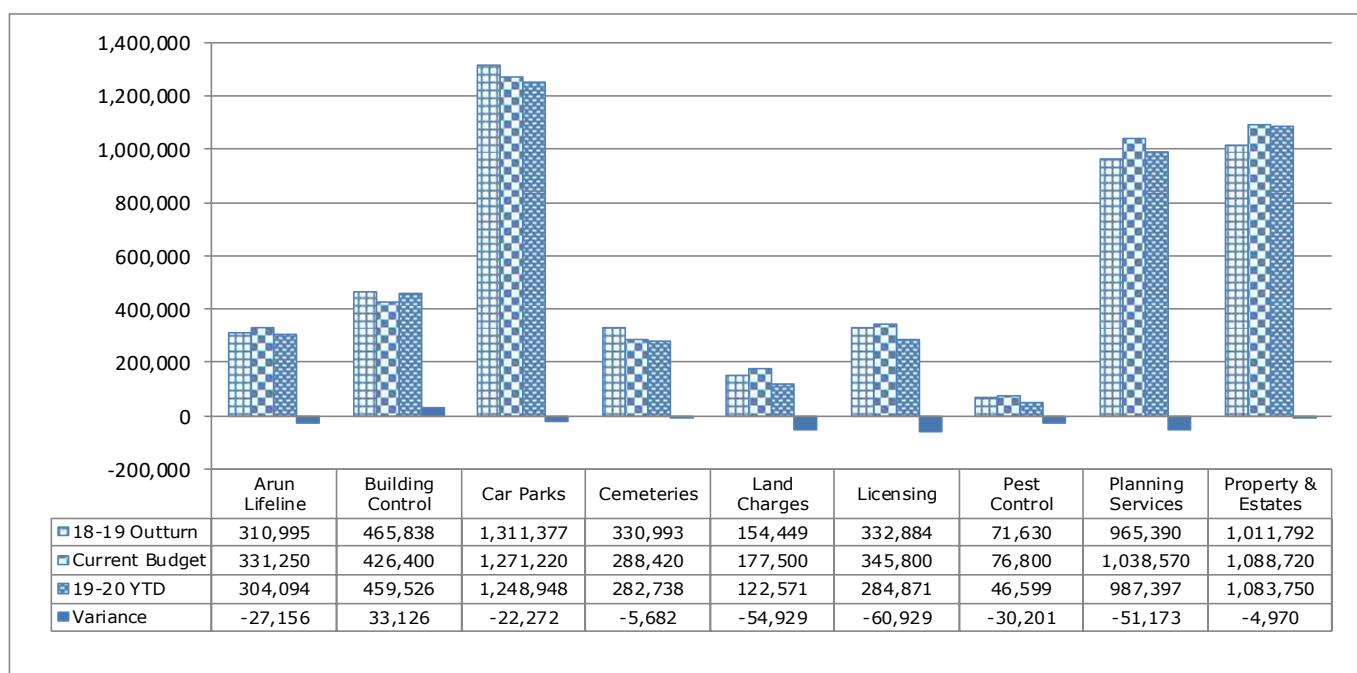
The adverse variation of £420k on Rent Allowances reflects the increasing claims for supported accommodation which includes assistance for vulnerable people within the community. The valuation office does not take these additional costs into account, so it is left to the local authority to fund the gap as it cannot be reclaimed in Housing Benefit Subsidy.

Service related income from fees, charges and rents are included within net cost of service. In total this amounts to an overall financing of £4.820m in 2019/20 (£4.955m previous year). Income is a key risk area to the budget as it is predominantly externally influenced, without direct link to service cost and each source is unique.

A number of income streams were adversely affected in the March 2020 due to the corona virus and the ensuing lock down.

The graph below analyses £224k adverse outturn income variation by source and value. Income levels were already down against projected, mainly due to loss of rent from Bognor Regis Arcade (Property and Estates), when the covid-19 pandemic resulted in a complete lock down of the Country. Although the Council stopped charging for car parks on 1 April 2020, income levels had dropped in previous weeks as a result of people staying at home.

Income Variation Outturn 2019/20



The Council became aware of two significant items of expenditure late in the financial year. Two ill health retirements that could not be fully funded from the allowance provided by the Pension fund at an additional cost of £94k and the supplier of the Financial Management System (FMS) also informed the Council that the current version of the system would no longer be supported if an upgrade was not made in 2020/21 at an estimated cost of £80k. These amounts, totalling £174k, were added to earmarked reserves to enable the funding to be available in 2020/21.

The favourable outturn for 2019/20 enabled an additional transfer of £844k to the Council's Funding Resilience Reserve (closing balance £5.826m). The Reserve was set up in 2017/18 to provide some resilience in relation to Government Funding cuts and the Spending Review (SR19). The uncertainty around Government Funding and the economic conditions due to the Covid-19 pandemic has made this reserve critical in allowing the Council a planned

transition to reductions in net expenditure (reducing expenditure or increasing income) which is required in future years. The Council's Medium-Term Financial Strategy is due to be considered at cabinet on 21 September 2020.

The Covid-19 pandemic

As mentioned earlier in the report, the Corona virus pandemic is the first peacetime national emergency that the Council has had to face since its inception. The conditions that the Council are facing are unprecedented and has resulted in direct financial consequences in additional expenditure and loss of income.

To conform to the government guidance, 'to social distance and only go to work when absolutely necessary', the council had to provide IT equipment, health & safety adaptations and additional cleaning which resulted in extra service costs. Significant additional expenditure was also used to provide accommodation for rough sleepers and showers at sheltered housing (HRA). The Covid-19 related expenditure incurred towards the end of 2019/20 was approximately £100k.

The adverse effect on income relates mainly to areas like car parks. Car parking charges were suspended from 1 April 2020 and enforcement action was only applied to double yellow lines and loading bays. This was to help residents to park safely, support key workers and avoid road congestion during the Covid-19 situation. Income had been dropping off before the official lockdown as people chose to stay away. The outturn for income against budget is covered in more detail in the section Income Variation Outturn 2019/20 above.

In light of the Corona Virus pandemic a decision was made to increase the non-payment provisions for Council Tax and Business Rates. These provisions will be reviewed during 2020/21 and Members informed of any significant variations between actual and anticipated collection rates.

The Council received £64k of direct support from the £1.6b Covid-19 first round of emergency grant funding in March 2020 to assist with the impact of Covid-19 and additional support through the early payment of some £3.5m of S.31 grants relating to business rates (these grants would normally be paid during 2020/21, so the Council gained a cash flow advantage).

Due to the Covid-19 pandemic an additional note, Note 40 – Going Concern, has been included in the Statement of Accounts which outlines the overall impact the pandemic is having on the Council.

Capital Spending and Finance

A budget of £8.9m for capital and special revenue projects was approved by the Council for 2019/20. In addition, a budget of £18.0m was carried forward from 2018/19 to complete approved projects. Actual expenditure for the year amounted to £7.7m (£17.9m previous year) on capital schemes and £2.1m (£2.3m previous year) on special revenue projects. Details of the capital financing is contained in Note 34 to the Accounts (Capital Expenditure and Financing).

The Council's General Fund capital programme is limited by the resources available. The majority of the larger one-off schemes are delivered in partnership in order to maximise external funding and to minimise the risk to the Council.

A number of play areas were replaced in 2019/20 at a total cost of £140k, Mill Road Arundel, Sproule Close Yapton, Longbrook Felpham and Linden Park Littlehampton, two of which are shown below:



Pictured top left Mill Road play area which received £10k contribution from Arundel Town Council & top right Longbrook Felpham.



A new skate park (pictured left) was built along Sea Road, Littlehampton at a cost of £161k this was part funded from contributions from Littlehampton Town Council of £81k and Sports England of £46k.

The Littlehampton Wave was opened March 2019, during 2019/20 the old leisure centre was demolished allowing for an extension to the existing car park.

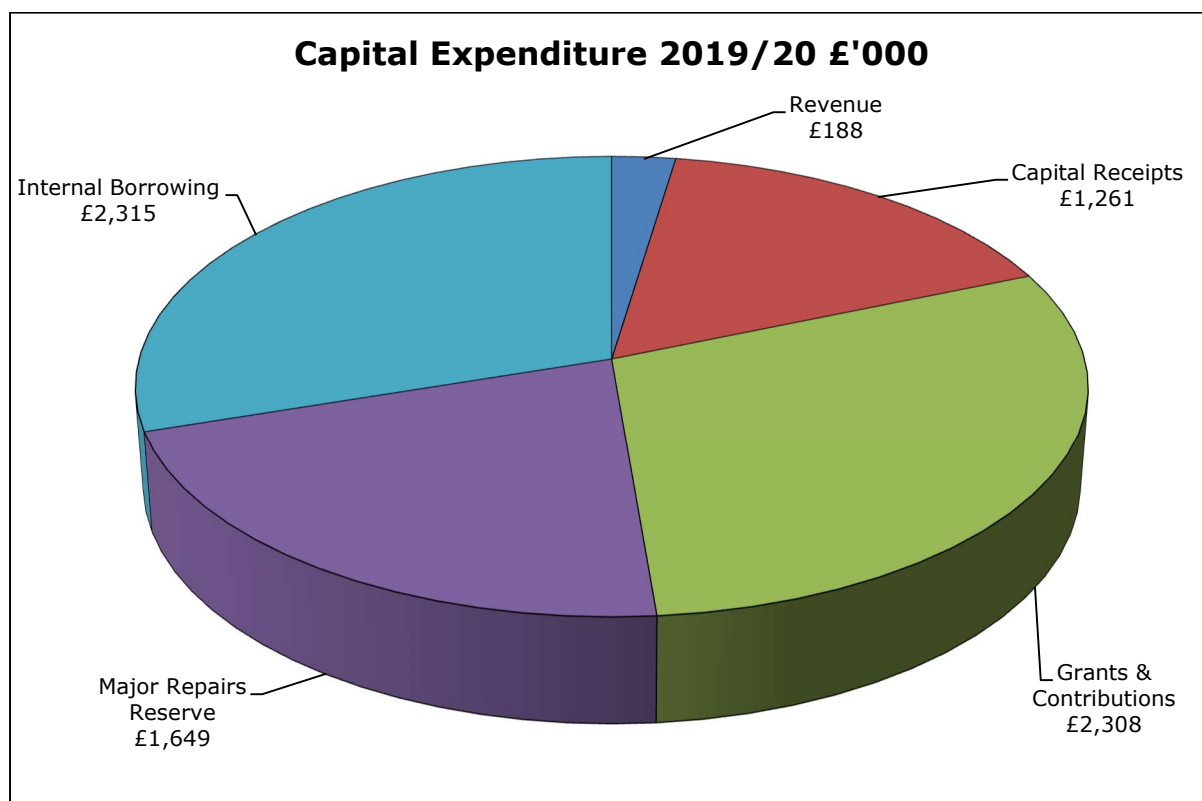


The Council's housing stock development programme continued in 2019/20. Pictured below are the units currently being built at Windroos Nursery, Littlehampton. The units are made up of 2 x 2 bed houses and 12 x 2 bed flats.



In 2019/20 the Council was awarded two grants, £2.49m from the Coastal Communities Fund and £564k from Coast to Capital LEP (Local Growth Fund) to deliver improvements to Littlehampton town centre public realm. The scheme will also benefit in 2020/21 from a £200k grant from Littlehampton Town Council and a further £200k from Arun. This funding has enabled three out of the five phase schemes to be planned for delivery during 2020/21. However, this timescale is currently in doubt due to the impact of the Covid-19 pandemic.

The total financing of Capital Expenditure for 2019/20 is summarised below:



Housing Revenue Account (HRA)

In September 2017 the Council approved the priorities of the new HRA Business Plan. These priorities included:

- The construction or acquisition of 250 new homes over the 10 year life of the plan
- The development of a new Housing Asset Management Strategy
- Establishing and Implementing a 5 year programme of improvements to sheltered schemes
- Maximising income and making the best use of available resources

The latest 30 Year Housing Revenue Account Business Plan update was considered at cabinet on 4 March 2019 and approved by Full Council on 13 March 2019. The projections take account of a stock condition survey of the housing stock which was completed towards the end of 2018. The stock condition survey identified the requirement for significant additional investment over and above the level forecast in the Business Plan approved by Full Council in September 2017.

The Council recognises the need to maintain a clear view on the affordability of the above priorities, and the financial model which supports the Business Plan will be regularly updated in the light of changing circumstances.

With regard to 2019/20 the HRA, including the Major Repairs Reserve, showed a surplus of £0.553m compared with the budgeted deficit of £3.117m. The HRA balance at 31 March 2020 was £7.240m. This balance is expected to significantly reduce over the first few years of the new Business Plan as a result of the programme of new dwellings and additional expenditure on the housing stock. The budget for 2020/21 is a £1.725m deficit.

The relationship between the HRA and the CIES and EFA is analysed on page 19. The surplus of £0.553m referred to above comprises £0.010m surplus on the HRA and £0.542m surplus on the Major Repairs Reserve.

Pensions Liability

Under the requirements of IAS 19 the Council shows the total future costs of pension liabilities for the Local Government Pension Scheme. It is important to note that as the liability is matched by a reserve, the figures do not have any effect on the level of Council Tax in respect of the General Fund or Rent in respect of Housing Revenue Account. At 31 March 2020 the liability was £414k compared with £27.456m for the previous year.

There are several factors which have attributed to the reduction in remeasurement liability which include the following:

- i) Formal actuarial valuations are carried out every three years. The accounting balance sheet position as at 31 March 2020 are based on this new roll forward from the 2019 formal valuation. This 'step change' can lead to sizeable asset and liability 'remeasurement experience' items in the reconciliation of the balance sheet from 31 March 2019 to 31 March 2020.

ii) A reduction in the average future life expectancy:

	Males 19/20	Females 19/20	Males 18/19	Females 18/19
Current Pensioners	22.2 years	24.2 years	23.6 years	25.0 years
Future Pensioners*	23.3 years	25.9 years	26.0 years	27.8 years

* Figures assume members aged 45 as at the last formal valuation date.

iii) A reduction in the discount rate, reduced from 2.4% to 2.3%

Arun District Council opted to include an allowance for the McCloud Judgement and Guaranteed Minimum Pension (GMP) equalisation / indexation during 2018/19. There has been no significant new information for 2019/20 to justify any further changes and costs so our rollforward position to 31 March 2020 will continue to include the previously estimated elements in the balance sheet with no further adjustment.

The present funded liabilities comprise of approximately £52.158m, £28.228m and £80.584m in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2020.

Treasury Management

The Council has significant cash surpluses, and these are mainly invested with the highest quality banks and building societies and £5m is invested in a local authority property fund. All investments are made in strict compliance with the CIPFA Treasury Management Code of Practice. Total investments amounted to £58.7m (£59m including accrued interest), managed entirely internally. The total interest earned in 2019/20 was £0.850m, representing an average interest rate of 1.31% (2018/19 1.25%).

Balances and Reserves

The Council's total usable reserves at 31 March 2020 amounted to £34.606m, an increase of £0.950m compared with the previous year (£33.656m). They were comprised of: earmarked reserves £15.768m; Housing Revenue Account balance £7.240m; General Fund Revenue balance £7.076m; usable capital receipts £2.815m (some of which must be spent within agreed timeframes); and Housing Major Repairs Reserve £1.707m.

Explanation of the Accounting Statements

The accounting statements and their location in this document are listed on page i and ii. Their nature and purpose are described in the introductory paragraph on the relevant page. Key features for this year of account are as follows:

The Comprehensive Income and Expenditure Statement shows income and expenditure on all Council services (including Council Housing), transactions of a corporate nature including financing transactions (general government grants, non domestic rates and Council tax), revaluation gains and losses on fixed assets, and actuarial gains and losses on the Defined Benefit Pension Scheme. This primary performance statement shows a surplus on provision of services for the year of £0.580m. Other charges relating to fixed assets and pensions, are not proper charges against the General Fund or HRA balances and are required to be reversed out of the statements. When this is allowed for, the General Fund including Earmarked Reserves increased by £0.374m and HRA balances (including Major Repairs Reserve), increased by £0.552m.

The Balance Sheet discloses the Council's assets, liabilities, balances and reserves as at the year end, excluding any internal balances. The change in balances between March 2019 and March 2020 is largely made up of £7.6m increase in the valuation of Council housing stock and £1.38m in other property, plant and equipment assets.

The Movement in Reserves Statement shows changes in the Council's reserves for the year, and essentially reconciles the Comprehensive Income and Expenditure Statement with those items which may not fall to be charged to the General Fund under statute, and those which do fall to be met from the General Fund also under statute. It is here that the large movements relating to property revaluations are disclosed.

The Cash Flow Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined, for the purpose of this statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

The supplementary financial statements are also listed on page i and ii. Their nature and purpose are as follows:

The Housing Revenue Account shows income and expenditure on the management, maintenance and supervision of council housing. Separate disclosure of the accounts related to this service is required by statute. There is also the Movement on the HRA Statement analogous to the Movement in Reserves Statement. These statements are a subset of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement.

The Collection Fund Statement is a separate statutory account containing transactions related to Council Tax, Business Rates, and precept payments to West Sussex County Council and the Sussex Police and Crime Commissioner. Arun District Council's own taxation requirement is also transferred from the Collection Fund. Collection Fund transactions are not included in the Comprehensive Income and Expenditure Statement.

Further information on the accounts is available from the Group Head of Corporate Support, Arun Civic Centre, Maltravers Road, Littlehampton.

It is important to note that the deadlines for the preparation of the Accounts have been changed for 2019/20. Having considered the impact of the Covid-19 pandemic and in consultation with key stakeholders, the MHCLG introduced the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 which have amended the Accounts and Audit Regulations 2020.

The draft Accounts must now be submitted for audit by 31 August 2020 (31 May 2020 previously) and the timeline for conclusion of the Audit is now 30 November 2020 (31 July 2020).

The Accounts were submitted to the External Auditor on 9 June 2020, significantly ahead of the revised statutory deadline.

Statement of Responsibilities

The Authority's Responsibilities

The authority 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 authority, that officer is the Group Head of Corporate Support.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Responsibilities of the Group Head of Corporate Support

The Group Head of Corporate Support is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Group Head of Corporate Support 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 Group Head of Corporate Support has also:

- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of Group Head of Corporate Support and Section 151 Officer

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2020. I confirm that the date of this declaration is the date up to which events have been considered for inclusion within the Council's Statement of Accounts and that events after the Balance Sheet date have been considered to this date and the accounts amended accordingly for such events and adjustments arising from audit. The accounts are therefore authorised for issue.

Alan Peach C.P.F.A., Group Head of Corporate Support

Dated 19 November 2020

Certificate of Approval by Audit and Governance Committee

I confirm that these account statements were approved by the Audit and Governance Committee of Arun District Council on 19 November 2020.

Councillor Inna Erskine, Chairman, Audit & Governance Committee

Dated 19 November 2020

Expenditure and Funding Analysis

The Expenditure and Funding Analysis is not a core statement but a note to the Financial Statements. It is positioned here as it provides a link from the figures reported in the Narrative Statement to the Comprehensive Income and Expenditure Statement (see Note 7 for further analysis).

Net Expenditure Chargeable to the General Fund and HRA Balance	2018/19 Adjustments	Net Expenditure in the Compre- hensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund and HRA Balance	2019/20 Adjustments	Net Expenditure in the Compre- hensive Income and Expenditure Statement
£000	£000	£000	£000	£000	£000
556	6,357	6,913	Community Wellbeing	618	2,236
268	12	280	Corporate Support Group	399	414
384	123	507	Economy	258	384
(2,401)	(6,582)	(8,984)	Local Authority Housing (HRA)	(1,907)	(8,662)
4,352	797	5,149	Neighbourhood Services	4,909	5,772
914	214	1,128	Planning	971	1,268
4,320	425	4,745	Residential Services	3,906	4,307
709	(401)	308	Technical Services	732	2,550
6,691	1,158	7,849	Management & Support Services	6,767	8,333
0	955	955	Non distributed costs / gains	0	138
15,793	3,057	18,851	Net Cost of Services	16,653	16,740
(11,063)	(9,104)	(20,167)	Other Income and Expenditure	(17,037)	(16,275)
4,730	(6,047)	(1,317)	Surplus or Deficit on Provision of Services	(384)	465
(34,430)			Opening Combined General Fund and HRA Balance	(29,700)	
4,730			Plus / less Surplus or Deficit on the General Fund and HRA Balance for the Year (Statutory basis)	(384)	
(29,700)			Closing Combined General Fund and HRA Balance	(30,084)	

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2018/19				2019/20		
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000	Notes	£000	£000	£000
8,972	(2,059)	6,913	Community Wellbeing	4,229	(1,993)	2,236
283	(3)	280	Corporate Support Group	517	(103)	414
752	(245)	507	Economy	624	(240)	384
7,556	(16,540)	(8,984)	Local Authority Housing (HRA)	8,574	(17,236)	(8,662)
13,644	(8,495)	5,149	Neighbourhood Services	11,903	(6,131)	5,772
2,141	(1,013)	1,128	Planning	2,260	(992)	1,268
50,997	(46,252)	4,745	Residential Services	44,210	(39,903)	4,307
3,757	(3,449)	308	Technical Services	6,585	(4,035)	2,550
8,354	(506)	7,848	Management & Support Services	9,267	(934)	8,333
955	0	955	Non distributed costs / gains	138	0	138
97,412	(78,561)	18,851	Cost of Services	88,307	(71,567)	16,740
4,889	(759)	4,131	11 Other Operating Expenditure	7,689	0	7,689
6,772	(5,454)	1,318	12 Financing and Investment Income and Expenditure	6,386	(5,034)	1,352
0	(25,616)	(25,616)	13 Taxation and Non Specific Grant Income	0	(25,316)	(25,316)
109,074	(110,391)	(1,317)	Surplus or Deficit on Provision of Services	102,382	(101,917)	465
		(1,406)	24 Surplus or deficit on revaluation of Property, Plant and Equipment			(397)
		(78)	24 Surplus or deficit on revaluation of available for sale financial assets and financial instruments at fair value through other comprehensive income and expenditure			181
		6,333	24 Remeasurement of the net defined benefit liability / asset			(28,853)
		4,849	Other Comprehensive Income and Expenditure			(29,069)
		3,532	Total Comprehensive Income and Expenditure			(28,604)

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

	Total General Fund Balance £000	Total HRA Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2019	(22,470)	(7,229)	(2,791)	(1,165)	(33,656)	(222,789)	(256,445)
Movement in reserves during 2019/20							
Surplus or deficit on the provision of services	7,641	(7,176)			465		465
Other Comprehensive Income / Expenditure						(29,069)	(29,069)
Total Comprehensive Income and Expenditure	7,641	(7,176)			465	(29,069)	(28,604)
Adjustments between accounting basis and funding basis under regulations	(8,015)	7,166	(23)	(542)	(1,415)	1,415	0
Increase or Decrease in 2019/20	(374)	(10)	(23)	(542)	(950)	(27,654)	(28,604)
Balance at 31 March 2020	(22,844)	(7,240)	(2,815)	(1,707)	(34,606)	(250,443)	(285,049)

General Fund Analysed over

Amounts uncommitted	(7,076)
Amounts earmarked	(15,768)
Total balance	(22,844)

	Total General Fund Balance £000	Total HRA Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2018	(27,804)	(6,625)	(4,957)	(1,338)	(40,725)	(219,253)	(259,977)
Movement in reserves during 2018/19							
Surplus or deficit on the provision of services	6,881	(8,198)			(1,317)		(1,317)
Other Comprehensive Income / Expenditure						4,849	4,849
Total Comprehensive Income and Expenditure	6,881	(8,198)			(1,317)	4,849	3,532
Adjustments between accounting basis and funding basis under regulations	(1,547)	7,594	2,166	173	8,385	(8,385)	0
Increase or Decrease in 2018/19	5,334	(604)	2,166	173	7,068	(3,536)	3,532
Balance at 31 March 2019	(22,470)	(7,229)	(2,791)	(1,165)	(33,656)	(222,789)	(256,445)

General Fund Analysed over

Amounts uncommitted	(7,076)
Amounts earmarked	(15,394)
Total balance	(22,470)

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. 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 contains those that the Council is not able to use to provide services. This category of reserves includes reserves Statements 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 2019			31 March 2020	
£000	Notes		£000	
295,581	14	Property, Plant and Equipment	298,840	
4,376	15	Investment Property	827	
138	16	Intangible Assets	89	
5,072	17	Long-Term Investments	5,891	
33	17	Long-Term Debtors	23	
305,200		Long Term Assets	305,671	
40,234	17	Short-Term Investments	43,289	
2,548	20	Assets Held for Sale	0	
6,747	18	Short-Term Debtors	7,265	
8,936	17/19	Cash and Cash Equivalents	9,937	
58,464		Current Assets	60,491	
(8,860)	17	Short-Term Borrowing	0	
(11,495)	21	Short-Term Creditors	(19,776)	
(2,874)	22	Provisions	(1,679)	
(1,907)	32	Grants Receipts in Advance - Capital	(2,741)	
(25,136)		Current Liabilities	(24,195)	
(6,866)	17/21A	Long-Term Creditors	(8,254)	
(44,320)	17	Long-Term Borrowing	(44,320)	
(28,424)	35/38	Other Long-Term Liabilities	(1,168)	
(2,473)	32	Grants Receipts in Advance - Capital	(3,176)	
(82,084)		Long Term Liabilities	(56,918)	
256,445		Net Assets	285,049	

(33,656)	23	Usable Reserves	(34,606)
(222,789)	24	Unusable Reserves	(250,443)
(256,445)		Total Reserves	(285,049)

These financial statements replace the unaudited financial statements certified by Alan Peach C.P.F.A, Group Head of Corporate Support on 09 June 2020.

Alan Peach C.P.F.A., Group Head of Corporate Support

19 November 2020

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the 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.

2018/19			2019/20
£000	Note		£000
(1,317)		Net (surplus) or deficit on the provision of services	463
(4,300)	25	Adjustment to surplus or deficit on the provision of services for noncash movements	(17,116)
2,639	25	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	3,677
(2,978)		Net cash flows from operating activities	(12,976)
1,674	26	Net cash flows from investing activities	4,760
(1,119)	27	Net cash flows from financing activities	7,214
(2,423)		Net (increase) or decrease in cash and cash equivalents	(1,001)
6,513		Cash and cash equivalents at the beginning of the reporting period	8,936
8,936		Cash and cash equivalents at the end of the reporting period	9,937

Note 1 - Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, and those Regulations require the statements to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii. Accruals of Expenditure and Income

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, subject to considerations of materiality.
- 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, subject to considerations of materiality.
- 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 one month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

iv. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

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

vi. Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. 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 amortisation are therefore replaced by the contribution in the General Fund Balance for MRP, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Whilst the Council is no longer debt-free, the debt held relates solely to the HRA self-financing settlement, and under current regulations there is no requirement for MRP. However, the Council has an approved loan repayment provision policy which ensures that there will be sufficient funds available to repay the housing debt when it matures.

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

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

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

viii. Employee Benefits

Benefits Payable during Employment:

Short-term employee benefits are those due to be settled 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 benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits:

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement 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 Hampshire County Council on behalf of West Sussex County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work 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 County Council 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 projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices using an appropriate discount rate.
- The assets of the West Sussex County Council 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 pension's 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 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 County Council Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits:

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

ix. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

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

Trade payables (amounts due to contractors and suppliers) are recognised in the accounts when contractual obligations are incurred in relation to exchange of goods and services, rather than when receipts or payments pass from one party to another. The trade payables are accounted for at amortised cost taken as being equivalent to the carrying amount on initial recognition (i.e. the transaction amount).

The financial guarantees given by the Council are not recognised in the Balance Sheet but are disclosed in note 39.

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. The main classes of financial asset measured at:

- amortised cost
- fair value through profit or loss (PFPL).

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (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 party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the

Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

Expected Credit Loss Model:

The Council recognises expected credit losses on all of its financial assets held at amortised cost, 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. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measure at Fair Value through Profit and Loss:

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes party to the contractual provision of the 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.

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 three levels (see xxi Fair Value).

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

xi. Government Grants and Contributions

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

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

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

consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

Business Improvement Districts

A Business Improvement District (BID) scheme applies to Bognor Regis. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Council acts as an agent under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

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.

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 £10k) 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 (see xxi). Properties are not depreciated but are revalued annually by a professionally qualified valuer 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 £10k) the Capital Receipts Reserve.

xiv. 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:

Finance Leases:

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant, or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease

term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases:

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, which matches the pattern of payments in all cases.

The Council as Lessor:

Finance Leases:

The Council has no leases currently determined as finance leases.

Operating Leases:

Where the Council grants an operating lease over a property, the asset is retained in the Balance Sheet. Rental income is credited to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, which matches the pattern of receipts in all cases.

xv. Support Services

Support Services are identified as a separate heading in the Comprehensive Income and Expenditure Statement except for the proportion allocated to the Housing Revenue Account in line with the Council's local reporting format.

xvi. 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 accrual 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. Expenditure on individual items of less than £25k is regarded as de minimis and charged to revenue.

Measurement:

Assets are initially measured at cost, comprising:

- 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 their 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)
- surplus assets – the current value measurement base is fair value, the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date
- 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 basis:

- buildings (other than HRA dwellings) – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant and equipment – straight-line allocation generally over 5 - 20 years
- infrastructure – straight-line allocation generally over 20 - 40 years

- HRA dwellings – depreciation is based on a calculation of the weighted average remaining useful lives of key components of each dwelling (structure, roof, kitchen, bathroom, boiler and externals).

Where appropriate the individual components of an asset will be depreciated separately. The materiality thresholds for applying componentisation are as follows:

- Assets other than HRA dwellings: Componentisation will only apply to an asset whose depreciable capital value is greater than or equal to £500k.
- HRA dwellings: The basis of depreciation for HRA dwellings serves as a proxy for componentisation as the relevant useful lives are calculated by reference to the weighted average of the useful lives of the key components.

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.

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 previous 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 £10k are categorised as capital receipts. A proportion of receipts relating to housing disposals are payable to the Government in accordance with statutory requirements. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). A further constraint applies to the use of the additional receipts resulting from the Government's policies for reinvigorating the Right to Buy. In accordance with the terms of an

agreement between the Council and the Government these receipts can only be used to fund 30% of the cost of new social housing, the remaining 70% being met from other resources. Failure to meet these conditions will result in the receipts being paid to the Government. 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.

xvii. 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 insurance claim), this is only recognised as income for the relevant service area 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.

xviii. 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.

xix. 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.

xx. Value Added Tax (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.

xxi. Fair Value

The Council measures some of its non-financial assets such as Surplus Assets and Investment Properties and some of its Financial Instruments such as Property Funds and Public Works Loan Board (PWLb) loans at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The Council's external valuers measure the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming the market participants act in their economic best interest. When measuring the fair value of a non-financial asset, 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 is taken into account.

Valuation techniques are used that are appropriate in the circumstances and for which sufficient data is available, where possible maximising the use of relevant observable inputs and minimising the use of unobservable inputs. These inputs are categorised within the fair value hierarchy as follows:

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

Note 2 - Accounting Standards Issued, Not Adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new accounting standard, but one which has not yet been implemented.

IFRS 16 Leases

This has been postponed until at least the 2021/22 CIPFA Accounting Code of Practice and will require Council's that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities.

IAS 28 Investments in Associates and Joint Ventures

Long-term Interests in Associates and Joint Ventures will not apply to this Local Authority.

IAS 19 Amendments (Employee Benefits)

Plan Amendment, Curtailment or Settlement will apply to this Local Authority but unable to estimate the impact at this time.

Note 3 - Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in the Accounting Policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are as follows:

- There is a high degree of uncertainty about future levels of funding for local government, particularly with regard to Business Rate Retention and the New Homes Bonus. 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.
- Transactions related to leases form a fairly insignificant part of the Council's total income and expenditure. However, there is a requirement to assess whether leases are finance or operating leases. In making this assessment, officers have had regard to CIPFA guidance and the advice received from consultants. The conclusion of these deliberations is that all current leases are operating leases.
- The Council is required to determine whether any of its contractual arrangements has the substance of a lease. Officers have considered and obtained advice upon the

vehicles and plant equipment used in the combined cleansing contract, the grounds maintenance contract, the housing repairs and maintenance contracts. In the cases of the combined cleansing and grounds maintenance contracts the advice received has been that the contractual arrangements do have the substance of a lease. The accounts have therefore been prepared on this basis.

- In the course of providing its services, the Council has dealings with many entities. However, after due consideration by officers, it has been determined that none of these entities are controlled by the Council and that publication of group accounts is therefore unnecessary. Particular attention has been paid to the Littlehampton Harbour Board and Age Concern West Sussex. The Council is considering the setting up of a wholly owned Local Property Company and has registered the name of the Company - "Trisanto Development Corporation" - at Companies House. However, the company is dormant and there are no implications for the 2019/20 accounts.
- The Council has made judgements on a prudent level of allowances for an increase/decrease in impairment for bad debts. These are based on historical experience of debtor defaults and the current economic climate. By far the largest allowance relates to Housing Benefit overpayments, where due to the nature of these debts, 100% provision is made for debts over one year old and 50% provision for debts less than one year old.
- The Council has made judgements about the likelihood of potential liabilities and whether provision should be made. The judgements are based on the degree of certainty and an assessment of the likely impact. Provisions resulting from these judgements are disclosed in Note 22 and contingent liabilities in Note 39.
- Retirement Benefit Obligations - The Council recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirements of IAS 19 "Employee Benefits". The estimation of the net pension liability depends on a number of complex judgements and estimates 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. West Sussex County Council, as the Pension Administering Authority, engages a firm of actuaries to provide expert advice about the assumptions to be applied. Changes in these assumptions made are set out in Note 1 and transactions disclosed in Note 38.

Note 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, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	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.	If the useful life of assets is reduced, depreciation increases and the carrying amount of assets falls. It is estimated that the annual depreciation charge would increase by £325k 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 judgments 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 pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the Real Discount Rate assumption would result in an increase in the pension liability of £14.056 million. However the assumptions interact in complex ways. During 2019/20, the Council's actuaries advised that the net pension liability had decreased by £27,042 million attributable to changes in financial assumptions.
Bad Debt Impairment	The Council has made allowances for bad debt impairment of £3.078 million in 2019/20 (£2.942 million in 2018/19) based on what it believes to be a prudent but realistic level.	If debt collection rates were to deteriorate or improve, a 5% change in the allowances would require an adjustment to the allowance of £154k (£147k in 2018/19).
Provisions	A provision of £1.679 million has been made in respect of the Council's share of the estimated amounts which will be refunded in respect of business rate liability for 2019/20 and earlier years, following successful challenges and appeals. The provision is based on advice received from the Council's business rating consultants.	Business rates are an extremely volatile source of income and successful challenges and appeals can lead to a significant reduction in the amount receivable. If the amounts refunded following successful challenges and appeals were greater or less than anticipated, a 10% change in the provision would equate to £168k.

Item	Uncertainties	Effect if actual results differ from assumptions
Fair Value Measurements	<p>When the fair values of non-financial assets and financial assets/liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. discounted cash flow (DCF) model). Where possible 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 for financial assets and rent growth for non-financial assets.</p> <p>Where Level 1 inputs are not available the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for Investment Property, the Council's 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 1 and 15.</p> <p>The valuations are reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, due to COVID-19, less certainty and a higher degree of caution should be attached to the valuations than would normally be the case.</p>	Significant changes in any of the relevant factors or assumptions would result in a significantly lower or higher fair value measurement for the asset.

Note 5 - Material Items of Income and Expense

There are no material items of income and expense to disclose that are not reported in the Comprehensive Income and Expenditure Statement.

Note 6 - Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Group Head of Corporate Support on 9 June 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 7 - Note to the Expenditure and Funding Analysis

	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	2019/20 Other Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000
Community Wellbeing	1,439	178	0	0	1,617
Corporate Support Group	0	15	0	0	15
Economy	89	37	0	0	126
Local Authority Housing (HRA)	(6,970)	215	0	0	(6,755)
Neighbourhood Services	604	259	0	0	862
Planning	0	298	0	0	298
Residential Services	13	388	0	0	402
Technical Services	1,476	342	0	0	1,818
Management & Support Services	280	1,286	0	0	1,566
Non distributed costs / gains	0	138	0	0	138
Net Cost of Services	(3,212)	3,156	143	0	87
Other Income and Expenditure	2,423	(1,345)	(316)	0	762
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	(789)	1,811	(173)	0	849

	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	2018/19 Other Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000
Community Wellbeing	6,192	166	(1)	0	6,357
Corporate Support Group	0	12	0	0	12
Economy	89	34	0	0	123
Local Authority Housing (HRA)	(6,768)	189	(3)	0	(6,582)
Neighbourhood Services	610	188	(2)	0	797
Planning	0	217	(3)	0	214
Residential Services	117	313	(4)	0	425
Technical Services	(641)	243	(3)	0	(401)
Management & Support Services	207	963	(12)	0	1,158
Non distributed costs / gains	0	955	0	0	955
Net Cost of Services	(192)	3,279	(29)	0	3,057
Other Income and Expenditure	(8,723)	(1,338)	957	0	(9,104)
	(8,915)	1,940	928	0	(6,047)
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement					

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services 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 receivables in the year to those receivables without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments - Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and 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 services this represents the removal of Accumulated Absences.
- 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 difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Note 8 - Expenditure and Income Analysed by Nature

	2018/19 £'000	2019/20 £'000
Expenditure / Income		
Expenditure		
Employee benefits expenses	4,071	4,817
Other services expenses	88,861	80,745
Depreciation, amortisation, impairment	4,781	2,667
Interest payments	6,470	6,382
Precepts and levies	4,483	4,741
Payments to Housing Capital Receipts Pool	407	342
Loss on the disposal of assets	0	2,689
Total expenditure	109,073	102,383
Income		
Fees, charges and other service income	30,699	28,496
Interest and investment income	5,064	4,968
Income from council tax, non-domestic rates, district rate income	18,572	20,256
Government grants and contributions	56,617	48,197
Gain on the disposal of assets	(562)	1
Total income	110,390	101,918
(Surplus) or Deficit on the Provision of Services	(1,317)	465

Note 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 arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2019/2020	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£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 Pensions Reserve)	(1,924)	114				1,810
Council tax and NDR (transfers to or from the Collection Fund)	316					(316)
Holiday pay (transferred to the Accumulated Absences reserve)	0	0				0
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)	(9,389)	693			(127)	8,823
Total Adjustments to Revenue Resources	(10,997)	807	0	0	(127)	10,317
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2,925	624	(3,549)			
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(342)		342			
Posting of Housing Revenue Account resource from revenue to the Major Repairs Reserve		5,735		(5,735)		
Borrowing or liabilities met from the Major Repairs Reserve				3,544		(3,544)
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	210					(210)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	188	0				(188)
Total Adjustments between Revenue and Capital Resources	2,981	6,359	(3,207)	(2,191)	0	(3,942)

2019/2020 (Continued)	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			3,184			(3,184)
Use of the Major Repairs Reserve to finance new capital expenditure				1,649		(1,649)
Application of capital grants to finance capital expenditure					127	(127)
Total Adjustments to Capital Resources	0	0	3,184	1,649	127	(4,960)
Other adjustments	0	0	0	0	0	0
Total Adjustments	(8,016)	7,166	(23)	(542)	0	1,415

2018/2019	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £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 Pensions Reserve)	(2,007)	67				1,940
Council tax and NDR (transfers to or from the Collection Fund)	(957)					957
Holiday pay (transferred to the Accumulated Absences reserve)	26	3				(29)
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)	(5,596)	1,078			(1,000)	5,518
Total Adjustments to Revenue Resources	(8,535)	1,148	0	0	(1,000)	8,386
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	178	1,461	(1,639)			
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(407)		407			
Posting of Housing Revenue Account resource from revenue to the Major Repairs Reserve		4,984		(4,984)		
Borrowing or liabilities met from the Major Repairs Reserve				3,544		(3,544)
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	205					(205)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	7,026	0				(7,026)
Total Adjustments between Revenue and Capital Resources	7,002	6,446	(1,232)	(1,440)	0	(10,775)

2018/2019 (Continued)	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			3,398			(3,398)
Use of the Major Repairs Reserve to finance new capital expenditure				1,613		(1,613)
Application of capital grants to finance capital expenditure					1,000	(1,000)
Total Adjustments to Capital Resources	0	0	3,398	1,613	1,000	(6,011)
Other adjustments	(15)	0	0	0	0	15
Total Adjustments	(1,547)	7,594	2,166	173	0	(8,385)

Note 10 - Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2019/20.

The balance for delayed capital projects at the year end represents the difference between the approved budget for the schemes and actual expenditure incurred.

The balance on the pension deficit financing reserve comprises sums set aside to meet anticipated past service costs.

The remaining reserves are shown grouped by service portfolios, and represent: approved but delayed revenue projects; or grants and contributions received from partnership bodies in advance of allocation to specific projects.

	Balance at 1 April 2018	Transfers In 2018/19	Transfers Out 2018/19	Balance at 31 March 2019	Transfers In 2019/20	Transfers Out 2019/20	Balance at 31 March 2020
	£000	£000	£000	£000	£000	£000	£000
General Fund Reserves:							
Delayed capital & special projects	(3,612)	(2,180)	3,612	(2,180)	(4,434)	2,180	(4,434)
Pension deficit financing	(2,202)	0	1,317	(885)	0	885	0
Community Wellbeing	(6,473)	(2,199)	7,292	(1,380)	(133)	883	(630)
Corporate Governance	(1,341)	(3,209)	228	(4,321)	(2,368)	204	(6,484)
Economy	(260)	(2,521)	252	(2,529)	(179)	2,529	(179)
Neighbourhood Services	(565)	(299)	130	(735)	(421)	252	(904)
Planning	(943)	(176)	323	(796)	(346)	614	(528)
Residential Services	(2,140)	(754)	1,392	(1,502)	(126)	531	(1,097)
Technical Services	(925)	(294)	150	(1,068)	(637)	192	(1,512)
Total General Fund	(18,460)	(11,631)	14,696	(15,394)	(8,644)	8,270	(15,768)

Note 11 - Other Operating Expenditure

31 March 2019 £000		31 March 2020 £000
4,271	Precepts	4,534
212	Levies	206
407	Payments to the Government Housing Capital Receipts Pool	342
(759)	Gains/losses on the Disposal of Non-Current Assets	2,606
4,131	Total Other Operating Expenditure	7,689

Note 12 - Financing and Investment Income and Expenditure

31 March 2019 £000		31 March 2020 £000
1,626	Interest payable and similar charges	1,620
536	Net interest on the net defined benefit liability (asset)	673
(756)	Interest receivable and similar income	(852)
(158)	Income and expenditure in relation to investment properties and changes in their fair value	(63)
70	Changes in impairment loss allowance of financial instruments	(26)
1,318	Total	1,352

Note 13 - Taxation and Non-Specific Grant Income

31 March 2019 £000		31 March 2020 £000
(15,064)	Council tax income	(15,571)
(3,508)	Non-domestic rates income and expenditure	(4,684)
(6,044)	Non-ringfenced government grants	(4,933)
(1,000)	Capital grants and contributions	(127)
(25,616)	Total	(25,316)

Note 14 - Property, Plant and Equipment

Movements to 31 March 2020

	Council Dwellings	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
at 1 April 2019	215,808	67,989	6,079	14,232	2,784	104	44	307,040
Additions	1,655	193	504	0	0	0	3,187	5,540
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	(203)	0	0	0	0	0	(203)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	667	(1,834)	0	0	0	0	0	(1,167)
Derecognition – disposals	0	(4)	(138)	0	0	0	0	(142)
Derecognition – other	(120)	(3,063)	0	0	0	0	0	(3,183)
Reclassifications and transfer	0	3,511	0	0	39	0	0	3,549
Assets reclassified (to)/from Held for Sale	(319)	0	0	0	0	0	0	(319)
Other movements in cost or valuation	0	0	0	0	0	0	0	0
at 31 March 2020	217,692	66,589	6,444	14,232	2,822	104	3,231	311,114

**Movements to 31 March 2020
(Continued)**

	Council Dwellings	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Accumulated Depreciation and Impairment								
at 1 April 2019	0	(81)	(1,405)	(9,972)	0	0	0	(11,458)
Depreciation charge	(5,547)	(939)	(554)	(254)	0	0	0	(7,294)
Depreciation written out to the Revaluation Reserve	0	600	0	0	0	0	0	600
Depreciation written out to the Surplus/Deficit on the Provision of Services	5,547	295	0	0	0	0	0	5,843
Derecognition – disposals	0	0	35	0	0	0	0	35
Derecognition – other	0	0	0	0	0	0	0	0
at 31 March 2020	0	(125)	(1,924)	(10,226)	0	0	0	(12,274)
Net Book Value								
at 31 March 2020	217,692	66,465	4,521	4,006	2,822	104	3,231	298,840
at 31 March 2019	215,808	67,909	4,673	4,259	2,784	104	44	295,581

Movements to 31 March 2019

	Council Dwellings	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
at 1 April 2018	208,182	56,406	5,333	14,343	2,783	116	9,313	296,476
Additions	2,784	806	928	0	0	0	12,178	16,696
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	707	0	0	0	3	0	710
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1,843	(5,097)	0	0	0	0	0	(3,254)
Depreciation – disposals	0	0	(182)	0	0	0	0	(182)
Depreciation – other	0	(28)	0	(112)	0	0	0	(140)
Reclassifications and transfer	3,704	17,743	0	0	15	(15)	(21,447)	0
Assets reclassified (to)/from Held for Sale	(705)	(2,548)	0	0	0	0	0	(3,252)
Other movements in cost or valuation	0	0	0	0	(14)	0	0	(14)
at 31 March 2019	215,808	67,989	6,079	14,232	2,784	104	44	307,040

**Movements to 31 March 2019
(Continued)**

	Council Dwellings	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Accumulated Depreciation and Impairment								
at 1 April 2018	0	0	(1,052)	(9,774)	0	0	0	(10,826)
Depreciation charge	(4,845)	(817)	(444)	(254)	0	0	0	(6,359)
Depreciation written out to the Revaluation Reserve	0	696	0	0	0	0	0	696
Depreciation written out to the Surplus/Deficit on the Provision of Services	4,845	40	0	0	0	0	0	4,885
Derecognition – disposals	0	0	91	0	0	0	0	91
Derecognition – other	0	0	0	55	0	0	0	55
at 31 March 2019	0	(81)	(1,405)	(9,972)	0	0	0	(11,458)
Net Book Value								
at 31 March 2019	215,808	67,909	4,673	4,259	2,784	104	44	295,581
at 31 March 2018	208,182	56,406	4,281	4,569	2,783	116	9,313	285,650

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- buildings (other than HRA dwellings) – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant and equipment – straight-line allocation generally over 5 - 20 years
- infrastructure – straight-line allocation generally over 20 - 40 years
- HRA dwellings – depreciation is based on a calculation of the weighted average remaining useful lives of key components of each dwelling (structure, roof, kitchen, bathroom, boiler and externals).

Capital Commitments

At 31 March 2020, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2019/20 budgeted to cost £347k. Similar commitments at 31 March 2019 were £334k.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. All valuations were carried out by external valuers. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Formal valuations of vehicles, plant and equipment are not carried out, as such items are carried at historical cost as a proxy for current value.

Significant assumptions applied in estimating current value are:

- that using beacon values for council dwellings represents a fair measure of the values to be used for the entire stock.
- that the Council has made arrangements for the adequate maintenance and repair of its properties.
- that historical cost is a reasonable proxy for the current value of plant, equipment and intangibles.
- that there are no planning proposals that are likely to have an effect on the value of properties.
- that any plant and machinery forming part of a property is included in the valuation.

Property, Plant and Equipment Revaluations

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	0	0	4,520	4,006	2,822	0	3,231	14,579
Valued at current value as at:								
31/03/2020	217,692	56,229	0	0	0	8	0	273,929
31/03/2019	0	6,305	0	0	0	96	0	6,401
31/03/2018	0	3,931	0	0	0	0	0	3,931
Total Cost or Valuation	217,692	66,465	4,520	4,006	2,822	104	3,231	298,840

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Non-Operational Property, Plant and Equipment (Surplus Assets)

The Council does not have material surplus Assets.

Note 15 - Investment Properties

The below 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.

31 March 2019		31 March 2020
£000	Investment Property Income and Expenditure	£000
(250)	Rental income from investment property	(66)
231	Direct operating expenses from investment property	4
2	Other income and expenditure	0
(18)	Net (gain)/loss	(62)

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 of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

31 March 2019		31 March 2020
Non-Current		Non-Current
£000	Investment Properties Movements in Year	£000
4,236	Opening Balance	4,376
140	Net gains/losses from fair value adjustments	1
	Transfers:	
0	(to)/from Property Plant and Equipment	(3,549)
4,376	Balance at the end of the year	827

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 external valuers, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The Arcade in Bognor Regis was reclassified from Investment Properties to Property Plant & Equipment during 2019/20.

This reclassification was a result of a change in the Council's focus with regard to Bognor Regis town centre and seafront. Cabinet, in March 2020, outlined detailed plans to develop the Place St. Maur site at Bognor Regis to complete the enhanced public realm link between the seafront and town centre (the Arcade links the two) and create a high quality, welcoming space for visitors. In addition, a separate report agreed the use of a vacant unit at the Arcade as a pop-up shop to support new retailers in the town centre. Both of these reports support the reclassification.

Fair Value Hierarchy

Details of the Council's Investment Property and information about the fair value hierarchy as at 31 March 2020 and 2019 is as follows:

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2020
	£000	£000	£000	£000
Commercial unit			827	827
Total	-	-	827	827

Comparative Figures

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2019
	£000	£000	£000	£000
Commercial units			4,376	4,376
Total	-	-	4,376	4,376

Transfers between Levels of Fair Value Hierarchy

There were no transfers between levels during the year.

Valuation Techniques used to determine Level 3 Fair Values for Investment Properties

Significant Unobservable Inputs - Level 3:

The commercial unit located in the local authority area is measured using the income approach, by means of a discounted cashflow method, where the expected cashflow from the property is discounted (using a market-derived discount rate) to establish the present value of the income stream. The approach has been developed by the Council's valuer using Council data requiring them to factor in assumptions such as the duration and timing of inflows, rent growth, etc.

They are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurement (and there is no reasonably available information that indicated that market participants would use different assumptions).

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

Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment property, the highest and best use of the property is its current and best use.

Note 16 - 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. The intangible assets relate solely to purchased software licences.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful life assigned to all software licences is five years.

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

31 March 2019		31 March 2020
Total		Total
£000		£000
Balance at start of year:		
425	Gross carrying amounts	425
(238)	Accumulated amortisation	(287)
187	Net carrying amount at start of year	138
(49)	Amortisation for the period	(49)
138	Net carrying amount at end of year	89
Comprising:		
425	Gross carrying amounts	425
(287)	Accumulated amortisation	(336)
138	Total	89

Note 17 - Financial Instruments

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

Financial Asset

	Non-Current				Current					
	Investments		Debtors		Investments		Debtors		Total	Total
	31 Mar	31 Mar	31 Mar	31 Mar	31 Mar	31 Mar	31 Mar	31 Mar	31 Mar	31 Mar
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
IFRS Categories										
Fair value through Profit or loss	5,072	4,891	-	-	-	-	-	-	5,072	4,891
Amortised cost	-	1,000	-	-	48,936	52,937	-	-	48,936	53,937
Total financial assets	5,072	5,891	-	-	48,936	52,937	-	-	54,008	58,828
Accrued interest	-	-	-	-	234	288	-	-	234	288
Debtors	-	-	33	23	-	-	3,910	4,285	3,943	4,308
Total	5,072	5,891	33	23	49,170	53,225	3,910	4,285	58,185	63,425

Financial Liabilities

	Non-Current				Current					
	Borrowings		Creditors		Borrowings		Creditors		Total	Total
	31 Mar	31 Mar	31 Mar	31 Mar	31 Mar	31 Mar	31 Mar	31 Mar	31 Mar	31 Mar
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost										
PWLB borrowings	44,320	44,320	-	-	8,860	-	-	-	53,180	44,320
Total financial liabilities	44,320	44,320	-	-	8,860	-	-	-	53,180	44,320
Non-financial liability (creditors)	-	-	6,866	8,254	-	-	5,170	5,450	12,036	13,705
Total	44,320	44,320	6,866	8,254	8,860	-	5,170	5,450	65,216	58,025

Income, Expense, Gains 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 Mar 2019		31 Mar 2020		Total	Total
	Surplus or Deficit on the Provision of Service	Other Comprehensive Income and Expenditure	Surplus or Deficit on the Provision of Service	Other Comprehensive Income and Expenditure	2019	2020
	£000	£000	£000	£000	£000	£000
Net gains/losses on:						
Financial assets measured at fair value through Profit or loss	-	72	-	(109)	72	(109)
Total net gains/losses	-	72	-	(109)	72	(109)
Interest revenue	756	-	852	-	756	852
Interest expense	(1,626)	-	(1,620)	-	(1,626)	(1,620)
Total	(870)	72	(768)	(109)	(798)	(877)

Breakdown of financial assets and liabilities:

	Long-term		Current	
	31 Mar 2019	31 Mar 2020	31 Mar 2019	31 Mar 2020
	£000	£000	£000	£000
Financial assets				
Investments:				
Amortised Cost				
NatWest / RBS	-	-	2,000	-
Lloyds Banking Group	-	1,000	2,000	9,000
Santander UK	-	-	2,000	1,000
Barclays	-	-	2,000	-
Development Bank of Singapore	-	-	6,000	7,000
Qatar National Bank	-	-	10,000	9,000
Close Brothers Limited	-	-	7,000	3,000
Goldman Sachs International	-	-	6,000	5,000
Skipton Building Society	-	-	-	2,000
Leeds CC	-	-	2,000	-
Yorkshire Building Society	-	-	1,000	-
Blackpool BC	-	-	-	1,000
Fife Council	-	-	-	2,000
Liverpool CC	-	-	-	2,000
Swindon BC	-	-	-	2,000
Cash & cash equivalents	-	-	8,936	9,937
Fair Value through Profit and Loss				
CCLA property Fund	5,072	4,891	-	-
Accrued interest	-	-	234	288
Total investments	5,072	5,891	49,170	53,225
Debtors	33	23	3,910	4,285
Financial liabilities at amortised cost				
Borrowings (all PWLB)	44,320	44,320	8,860	-
Creditors	6,866	8,254	5,170	5,450

Fair value of assets and liabilities

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

Recurring Fair Value Measurements	Input Level In Fair Value Hierarchy	Valuation technique used to measure Fair Value	31 Mar 2019 Fair Value £000	31 Mar 2020 Fair Value £000
Financial Instrument Revaluation Reserve: CCLA	Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly	5,127	4,945
Total:			5,127	4,945

Financial liabilities (PWLb), financial assets represented by amortised cost and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Investments designated at fair value through other comprehensive income are carried at fair value - the price that would be received or paid in an orderly transaction between market participants at the measurement date.

	31 March 2019		31 March 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial liabilities (PWLb loans)	53,197	69,548	44,320	67,891
Long-term creditors	-	-	-	-
Other Liabilities	1,178	1,178	968	968
Financial assets at Amortised cost	48,147	48,148	53,937	53,943
Investments at FVPL	5,127	5,127	4,945	4,945
Long-term debtors	33	33	23	23

The fair values calculated are as follows:

- The fair value of the PWLB loans £44million (initially £70million) is calculated using the premature repayment method as at 31 March 2020 inclusive. (Level 2)
- The fair value of the Financial assets at Amortised cost is calculated by reference to prevailing benchmark market rates. (Level 2)
- The fair value of the Financial assets at FVPL in normal circumstances is calculated using quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date, (Level 1). However, due to COVID-19, the Council is currently unable to withdraw funds from the CCLA property fund. Therefore, the fair value level has changed to (Level 2), inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- For a trade or other receivable, the fair value is taken to be the carrying amount or the billed amount.

Nature and extent of risks arising from financial instruments

The Council's activities expose it to a variety of financial risks:

- **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
- **Market risk** – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

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. The risk is minimised through the Annual Investment Strategy, and amendments to this, which requires that the Council only has deposits with Financial Institutions, who have minimum Fitch rating (Moody's or S&P equivalent) of: Long-term "A-"; (with the exception of part nationalised institutions BBB-); Short-term "F1" (part nationalised F3); Money Market Funds (MMF) which have been rated "AAA", or equivalent and are Low Volatility NAV (LVNAV), Building societies with Assets greater than £10 billion and other local authorities.

To date, the Council has not experienced any losses from non-performance by any of its counter parties in relation to its investments and none are currently anticipated in the coming reporting period.

Customers are not assessed for credit-worthiness, financial position or past experience unless in connection with tendering for service contracts. However, the Council operates an active debt recovery process to ensure the collection of all sums due to the council and the targeting of customers who may require assistance by way of extended terms for repayment of debt.

The Council's maximum exposure to credit risk in relation to its investments in banks and financial institutions of £58.7 million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2020 that this was likely to materialise. The following analysis summarises the risk categories of the Council's financial assets at 31 March 2020.

Amount at 31 March 2020

	£000
Deposits with financial institutions:	
AAA rated counterparties	9,700
AA rated counterparties	7,000
A rated counterparties	28,000
Local Authorities	7,000
Part Nationalised Banks	-
Building Societies with assets greater than £10 Billion	2,000
Unrated pooled Funds	5,000
Total	58,700

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counter-parties in relation to deposits.

The Council does not generally allow credit for customers, such that £359k of the £4.31 million balance is past its due date for payment. (This excludes housing rent arrears, where an aged debt analysis is not available). The past due but not impaired amount of other debts can be analysed by age as follows:

	31 March 2019	31 March 2020
	£000	£000
Less than three months	285	47
Three to nine months	59	75
Nine months to one year	71	50
More than one year	196	187
Total	611	359

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The risk that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates is mitigated by the borrowings being solely for the purpose of HRA self-financing, with the repayment of the debt linked to the HRA business plan. Any further borrowing whether HRA or General Fund, will be subject to a rigorous assessment of affordability.

	31 March 2019	31 March 2020
	£000	£000
Less than one year	8,860	-
Between one and two years	-	8,860
Between two and five years	8,860	-
Between five and ten years	-	8,870
Between ten and twenty years	17,740	8,870
More than twenty years	17,720	17,720
Total	53,180	44,320

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rates Risk.

The Council's borrowings are 100% fixed rate and are therefore not subject to fluctuations in interest rates. Generally, investments are at a fixed rate, but to ensure stability and liquidity, Money Market Funds, structured products where there is an interest rate floor and cap or annual rate change, and notice accounts for notice periods of 35 and 95 days are also used. 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 interest rates would have the following effects:

- investments at variable rates - the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates - the fair value of the assets will fall.

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 which feeds into the annual budget.

Estimates for interest receivable are updated during the year as an integral part of the budget monitoring and planning process. This allows adverse changes to be identified at various times and accommodated within the budget. According to this assessment strategy, at 31 March 2020, if interest rates had been 1% higher with all other variables held constant, the financial effect would be an increase in interest receivable on variable rate investments of £31k.

Price Risk.

The Council does not generally invest in equity shares so is not exposed to losses arising from movements in the prices of shares, however the Council does have £5m invested in the CCLA Property Fund and is exposed to losses arising from movements in the value of the fund. Due to the 5-year statutory override, any gains or losses are not charged to the General Fund.

Foreign Exchange Risk.

The Council has no financial assets or liabilities denominated in foreign currencies and therefore have no exposure to losses arising from movements in exchange rates.

Note 18 - Debtors

31 March 2019		31 March 2020
£000		£000
2,467	Trade Receivables	2,963
1,022	Prepayments	878
3,258	Other Receivable Amounts	3,425
6,747	Total	7,265

Other Receivable Amounts include NHS, Local Government, Police Authorities and Government bodies.

Note 19 - Cash and Cash Equivalents

31 March 2019		31 March 2020
£000		£000
931	Cash and Bank balances	235
8,005	Short Term Investments	9,702
8,936	Total Cash and Cash Equivalents	9,937

Note 20 - Assets Held for Sale

Current		Current
31 March 2019		31 March 2020
£000		£000
0	Balance outstanding at start of year	2,548
	Assets newly classified as held for sale:	
3,252	- Property Plant and Equipment	319
(705)	Assets sold	(2,867)
2,548	Balance Outstanding year end	0

Note 21 - Creditors

31 March 2019 £000		31 March 2020 £000
(4,182)	Trade payables	(4,676)
(7,313)	Other payables	(15,100)
(11,495)	Total Creditors	(19,776)

Other Payable Amounts include NHS, Local Government, Police Authorities and Government bodies.

Note 21A - Long Term Creditors

31 March 2019 £000		31 March 2020 £000
(6,866)	s.106 1990 Town & Country Planning Act	(8,254)
(6,866)	Total Long Term Creditors	(8,254)

The authority receives contributions from developers under the provisions of Section 106 of the 1990 Town and Country Planning Act. Unspent amounts from these contributions are shown as long-term creditors and as short-term creditors. The classification of liability is based upon the repayment terms contained within the planning agreement with each developer.

Note 22 - Provisions

Long Term Provisions

31 March 2019 £000	Total Provisions	31 March 2020 £000
(1,710)	Opening Balance	(2,874)
(1,808)	Increase in provision during year	(301)
644	Utilised during year	59
0	Other movements	1,437
(2,874)	Closing Balance	(1,679)

Following the introduction of the Business Rate Retention scheme the Council has assumed responsibility for a share of the cost of any refunds resulting from successful appeals by local businesses against the rates value of their premises or the amount of rate relief (if any) they have been granted. The provision of £1.679 million represents the Council's share of the estimated amounts which will be funded in respect of all business rate liability for 2019/20 and earlier years resulting from successful appeals.

The other movements of £1.437m relates to change in percentage share from 2018/19 to 2019/20. The overall drop in Arun's share (£1.679m) compared to 2018/19 (£2.874m) was a

result of change in Business rates retention scheme from 50% in 2018/19 to 75% in 2019/20. This meant Arun's share reduced from 40% to 20% in 2019/20.

Note 23 - Usable Reserves

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

Note 24 - Unusable Reserves

31 March 2019		31 March 2020
£000		£000
(28,355)	Revaluation Reserve	(27,040)
(72)	Financial Instruments Revaluation Reserve	109
(222,570)	Capital Adjustment Account	(224,362)
27,456	Pension Reserve	414
648	Collection Fund Adjustment Account	332
104	Accumulated Absences Account	104
(222,789)	Total	(250,443)

Revaluation Reserve

31 March 2019		31 March 2020
£000		£000
(29,972)	Balance 1 April	(28,355)
(3,447)	Upward revaluation of assets	(1,852)
2,041	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	1,455
(1,406)	Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services	(397)
458	Difference between fair value depreciation and historical cost depreciation	418
3	Accumulated gains on assets sold or scrapped	1,294
2,563	Other amounts written off to the Capital Adjustment Account	0
3,023	Amount written off to the Capital Adjustment Account	1,712
(28,355)	Balance 31 March	(27,040)

Financial Instruments Revaluation Reserve

31 March 2019 £000		31 March 2020 £000
5	Balance 1 April	(72)
(78)	Upward revaluation of investments	0
0	Downward revaluation of investments	181
0	Change in impairment loss allowances	0
(78)	Total Changes in revaluation and impairment	181
(72)	Balance 31 March	109

Capital Adjustment Account

31 March 2019 £000		31 March 2020 £000
(208,293)	Balance 1 April	(222,570)
6,359	Charges for depreciation and impairment of non-current assets	7,294
(1,630)	Revaluation losses on non-current assets	(4,676)
49	Amortisation of intangible assets	49
1,193	Revenue expenditure funded from capital under statute	2,181
880	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	6,156
6,851	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	11,004
(3,023)	Adjusting Amounts written out of the Revaluation Reserve	(1,712)
3,827	Net written out amount of the cost of non-current assets consumed in the year	9,292
(3,398)	Use of Capital Receipts Reserve to finance new capital expenditure	(3,184)
(1,613)	Use of Major Repairs Reserve to finance new capital expenditure	(1,649)
(2,193)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,308)

Capital Adjustment Account (Continued)

31 March 2019		31 March 2020
£000		£000
(205)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(210)
(7,026)	Capital expenditure charged against the General Fund and HRA balances	(188)
(14,434)	Capital financing applied in year:	(7,539)
(3,544)	Borrowing or liabilities met from the Major Repairs Reserve	(3,544)
(140)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(1)
14	Other movements	0
(222,570)	Balance 31 March	(224,362)

Pension Reserve

31 March 2019		31 March 2020
£000		£000
19,183	Balance 1 April	27,456
6,333	Remeasurements of the net defined benefit (liability)/asset	(28,853)
5,584	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	5,646
(3,644)	Employer's pensions contributions and direct payments to pensioners payable in the year	(3,835)
27,456	Balance 31 March	414

Collection Fund Adjustment Account

31 March 2019		31 March 2020
£000		£000
(309)	Balance 1 April	648
957	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(316)
0	Other movements	0
648	Balance 31 March	332

Accumulated Absences Account

31 March 2019		31 March 2020
£000		£000
133	Balance 1 April	104
(133)	Settlement or cancellation of accrual made at the end of the preceding year	(104)
104	Amounts accrued at the end of the current year	104
(29)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	0
104	Balance 31 March	104

Note 25 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

31 March 2019		31 March 2020
£000		£000
(522)	Interest received	(797)
1,626	Interest paid	1,620
1,104	Total	823

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

31 March 2019		31 March 2020
£000		£000
(6,359)	Depreciation	(7,294)
1,630	Impairment and downward valuations	4,676
(49)	Amortisation	(49)
2,214	(Increase)/decrease in creditors	(7,495)
2,122	Increase/(decrease) in debtors	(185)
(1,940)	Movement in pension liability	(1,811)
(880)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(6,156)
(1,038)	Other non-cash movements charged to the surplus or deficit on provision of services	1,196
(4,300)	Total	(17,116)

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

31 March 2019		31 March 2020
£000		£000
1,639	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,549
1,000	Any other items for which the cash effects are investing or financing cash flows	127
2,639	Total	3,677

Note 26 - Cash Flow from Investing Activities

31 March 2019 £000		31 March 2020 £000
17,208	Purchase of property, plant and equipment, investment property and intangible assets	5,973
8,000	Purchase of short-term and long-term investments	4,000
(1,639)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,549)
(18,000)	Proceeds from short-term and long-term investments	0
(3,896)	Other receipts from investing activities	(1,664)
1,674	Net cash flows from investing activities	4,760

Note 27 - Cash Flow from Financing Activities

31 March 2019 £000		31 March 2020 £000
205	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	210
0	Repayments of short-term and long-term borrowing	8,860
(1,324)	Other payments for financing activities	(1,855)
(1,119)	Net cash flows from financing activities	7,214

Note 28 - Agency Services

The Council provided the following agency services in 2019/20

- Collection of Penalty Notices for West Sussex County Council created a surplus in the General Fund Accounts of £134k.
- Collection of car park income for other third parties (£2k)
- Provision of a payroll service for a number of voluntary organisations and four Parish Councils (no charge is made for this service).

Note 29 - Members' Allowances

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

31 March 2019		31 March 2020	
	£000		£000
418	Salaries		420
9	Allowances		5
11	Expenses		2
438	Total Members' Allowances		427

Note 30 - Officers' Remuneration

Senior Officer Remuneration

		Salary, Fees and Allowances	Expenses Allowances	Compensation for Loss of Office	Pension Contribution	Total
		£'000	£'000	£'000	£'000	£'000
Chief Executive	2019/20	124	-	-	22	146
	2018/19	121	1	-	22	144
Director of Place	2019/20	94	-	-	17	111
	2018/19	92	-	-	16	108
Director of Services	2019/20	94	-	-	17	111
	2018/19	93	-	-	16	109
Group Head - Policy	2019/20	72	-	-	13	85
	2018/19	70	-	-	12	82
Group Head - Council Advice & Monitoring Officer	2019/20	71	-	-	13	84
	2018/19	68	-	-	12	80
Group Head - Corporate Support & S151 Officer	2019/20	64	-	-	11	75
	2018/19	77	-	-	14	91
Group Head - Planning	2019/20	66	-	-	12	78
	2018/19	64	-	-	11	75
Group Head - Technical Services	2019/20	72	-	-	13	85
	2018/19	70	-	-	12	82
Group Head - Economy	2019/20	66	-	-	12	78
	2018/19	64	-	-	11	75
Group Head - Community Wellbeing	2019/20	72	-	-	13	85
	2018/19	70	-	-	12	82
Group Head - Residential Services	2019/20	72	-	-	13	85
	2018/19	72	-	-	13	85
Group Head - Neighbourhood Services	2019/20	74	-	-	13	87
	2018/19	72	-	-	13	85
Total	2019/20	941	-	-	169	1,110
	2018/19	933	1	-	164	1,098

The Council's Senior Officer remuneration for the year (including employer's pension contributions).

The reduced total for the 'Group Head - Corporate Support & S151 Officer' is due to flexible retirement.

No Senior Officers were in receipt of bonus payments or benefits in kind for 2019/20.

Officer Remuneration

The Council's employees receiving more than £50,000 (annualised) remuneration for the year (excluding employer's pension contributions), excluding the Senior Officers disclosed above:

	2018/19	2019/20
£50,001 to £55,000	8	9 *
£55,001 to £60,000	0	5
£60,001 to £65,000	0	0
£65,001 to £70,000	0	0
£70,001 to £75,000	0	0
£75,001 to £80,000	0	0
£80,001 to £85,000	0	0
£85,001 to £90,000	0	0
£90,001 to £95,000	0	0
£95,001 to £100,000	0	0
£100,001 to £105,000	0	0
£105,001 to £110,000	0	0
£110,001 to £115,000	1	0 **
£115,001 to £120,000	0	0
Total	9	14

2019/20

* One employee included by virtue of annualised salary

2018/19

* One employee included by virtue of annualised salary

** One employee included by virtue of redundancy pay

Exit Packages

The numbers 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 £'000	
	18/19	19/20	18/19	19/20	18/19	19/20	18/19	19/20
£0-£20,000 *	3	2	0	0	3	2	15	8
£20,001-£40,000	0	0	0	0	0	0	0	0
£40,000-£60,000	1	0	0	0	1	0	43	0
£60,001-£80,000 *	0	1	0	0	0	1	0	75
£80,001-£100,000	0	0	0	0	0	0	0	0
£100,001-£150,000	2	0	0	0	2	0	229	0
£150,001-£200,000	0	0	0	0	0	0	0	0
Total	6	3	0	0	6	3	287	83

The total cost of £83,000 in the table above includes exit packages that have been charged to the Council's Comprehensive Income & Expenditure Statement in 2019/20 excluding accruals made for redundancies & disclosed in 2018/19.

* One person included by virtue of a pension strain adjustment to the 18/19 disclosure.

Note 31 - External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts:

2018/19		2019/20	
	£000		£000
44	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	45	
10	Fees payable in respect of the certification of grant claims and returns for the year	13	
54	Total	58	

Note 32 - Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement. This analysis reveals the effect of reclassification of grants to reflect changing government funding methodology and priorities.

Grant Income Credited to Taxation and non-specific Grant Income and Expenditure

31 March 2019		31 March 2020
£000		£000
(194)	Revenue Support Grant	0
(439)	Benefits Administration Grant	(396)
(178)	Localised Council Tax Support Administration	(168)
(185)	Business Rate Collection Allowance	(182)
(2,733)	New Homes Bonus Grant	(2,664)
(1,888)	S.31 grants paid to compensate for the loss of business rate income	(1,128)
(40)	Individual Electoral Register (IER)	(38)
(300)	Other Non-Ringfenced Grants	(255)
(70)	Homeless Reduction	(69)
(17)	Leaving EU	(35)
(1,000)	Capital Grants and Contributions	(127)
(7,044)	Total	(5,060)

Credited to Services

31 March 2019		31 March 2020
£000		£000
(342)	Community wellbeing	(403)
(152)	Coast Protection	(35)
(7)	Housing	(323)
(60)	Crime Reduction	(92)
(773)	Leisure	(855)
(1,298)	Disabled Facilities Grants	(1,999)
(185)	Economic Regeneration	(219)
(132)	Family Intervention project	(97)
-	Fuel poverty	(58)
(45,661)	Housing Benefit Subsidy	(38,015)
(20)	Neighbourhood Plan	-
(538)	Homelessness	(507)
-	Elections	(416)
(388)	Other	(488)
(49,556)	Total	(43,507)

Grants Receipts in Advance (Capital Grants) - Current Liabilities

31 March 2019		31 March 2020
£000		£000
(1,844)	Disabled Facility Grant	(1,497)
(19)	Developers' Contributions	0
(44)	Coastal Revival Fund	(44)
0	Coastal Communities Fund	(1,200)
(1,907)	Total	(2,741)

Grants Receipts in Advance (Capital Grants) - Long Term Liabilities

31 March 2019		31 March 2020
£000		£000
(2,473)	Developers' Contributions	(3,176)
(2,473)	Total	(3,176)

As expenditure from Developers' contributions relating to the provision of affordable housing by registered social landlords is capital by nature and should be treated as revenue expenditure funded from capital under statute (REFCUS), they are classified as a capital grant. The classification of the liability between current and long term is based upon the repayment terms contained within the planning agreement with the developer.

Note 33 - 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 allow readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

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 Note 13. Grant receipts outstanding at 31 March 2020 are shown in Note 18 (Other Receivable Amounts).

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2019/20 is shown in Note 29. No members declared any transactions for 2019/20 that fall within the related party definition.

Officers

The Council's Chief Executive currently has £7k outstanding on their car loan. Repayments amounting to £4k were made during 2019/20. No other transactions with senior officers fall within the related party definition.

Other Public Bodies

Precepts and levies totalling £4.740 million were paid as disclosed in Note 11.

Entities Controlled or Significantly Influenced by the Council

There are no entities meeting the definition of related parties.

Note 34 - Capital Expenditure and Capital Financing

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

Capital Expenditure and Capital Financing

31 March 2019		31 March 2020
£000		£000
51,807	Opening Capital Financing Requirement	51,717
	Capital Investment:	
16,696	Property Plant and Equipment	5,540
1,193	Revenue Expenditure Funded from Capital Under Statute	2,181
17,889	Total Capital Spending	7,721
	Sources of Finance:	
(3,398)	Capital receipts	(3,184)
(2,193)	Government Grants and other contributions	(2,308)
(1,613)	Major repairs reserve	(1,649)
	Sums set aside from revenue:	
(7,026)	- Direct revenue contributions	(188)
(3,544)	- Borrowing or liabilities met from the Major Repairs Reserve	(3,544)
(205)	- Minimum revenue provision	(210)
(17,978)	Total Sources of Finance	(11,083)
51,717	Closing Capital Financing Requirement	48,355

Explanation of movements in year

31 March 2019		31 March 2020
£000		£000
3,660	Increase in underlying need to borrow (unsupported by government financial assistance)	2,315
(3,749)	Other movements	(5,677)
(89)	Increase/(decrease) in Capital Financing Requirement	(3,362)

Other movements include £1.9m relating to the financing of 2018/19 capital expenditure which as a result of timing differences between the funding of the expenditure from capital receipts and the receipt itself could not be financed until 2019/20.

Note 35 - Leases

Council as Lessee

Finance Leases

In 2016/17 a new Grounds Maintenance Contract and Combined Cleansing Contract was entered into. Under IFRIC 4 'Determining Whether an Arrangement Contains a Lease' it has been deemed that both contracts contain finance leases relating to provision of vehicles. The Council therefore has to recognise these assets in its own Balance Sheet together with a liability for a Finance Lease.

The assets acquired under these leases are carried as property, plant and equipment in the Balance Sheet at the following net amounts:

31 Mar 2019		31 Mar 2020
£000		£000
1,151	Vehicles, Plant & Equipment	936
1,151	Total	936

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the assets acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31 Mar 2019		31 Mar 2020
£000		£000
	Finance lease liabilities (net present value of minimum lease payments):	
209	current	214
968	non-current	754
91	Finance costs payable in future years	65
1,268	Minimum lease payments	1,033

The minimum lease payments will be payable over the following periods:

Minimum Lease Payments			Finance Lease Liabilities	
31 Mar 2019	31 Mar 2020		31 Mar 2019	31 Mar 2020
£000	£000		£000	£000
235	235	Not later than one year	210	214
775	634	Later than one year and not later than five years	720	594
258	164	Later than five years	248	159
1,268	1,033	Total	1,178	967

Operating Leases

The Council has operating leases for: open spaces; photocopiers; and general light vehicles.

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

31 Mar 2019		31 Mar 2020
£000		£000
85	Not later than one year	93
126	Later than one year and not later than five years	62
26	Later than five years	27
237	Total	182

The expenditure charged to the Comprehensive Income and Expenditure Statement in relation to these leases in 2019/20 was £88k (2018/19 £79k) representing the value of the minimum lease payments.

Council as Lessor

Finance Leases

The Council has no currently determined finance leases as lessor.

Operating Leases

The Council leases out various property assets under operating leases either for investment or as a temporary means of generating rental income pending future development.

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

31 Mar 2019		31 Mar 2020
£000		£000
828	Not later than one year	876
2,715	Later than one year and not later than five years	2,964
9,743	Later than five years	10,545
13,286	Total	14,385

The lease payments receivable includes rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. Separate figures for contingent rents are not available.

Note 36 - Impairment Losses

There were no material impairment losses during 2019/20.

Note 37 - Termination Benefits

The Council terminated the contract of an employee in 2019/20 as part of the process of achieving required budget savings, incurring redundancy liabilities of £8,000. Payments were made and a liability amounting to £8,000 was incurred in 2019/20.

Total liabilities include additional pension strain of £205,000, of which, £71,000 was disclosed in the 2018/19 Accounts. See Officers' Remuneration note for the number of exit packages and the total cost per band.

Note 38 - Defined Benefit Pension Scheme

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by West Sussex County Council - this is a funded defined benefits scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities and cash has to be generated to meet actual pensions payments as they eventually fall due.

The West Sussex County Council pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Panel of West Sussex County Council. Policy is determined in accordance with the Pensions Fund Regulations. The Pensions Panel is responsible to the Governance Committee for the appointment of professional and specialist investment advisers and managers on a consultancy basis.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions Relating to Post-employment 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 the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund 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:

Local Government Pension Scheme		Discretionary Benefits arrangements	
2018/19	2019/20	2018/19	2019/20
£000	£000	£000	£000

Comprehensive Income and Expenditure Statement -

Cost of services:

Service cost comprising:

* current service cost	4,093	4,835	-	-
* past service costs (including curtailments)	955	138	-	-
* (gain)/loss from settlements	-	-	-	-

Financing and Investment Income and Expenditure:

* Net interest expense	536	673	-	-
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Total Post Employment Benefit charged to the

Surplus or Deficit on the Provision of Services

5,584	5,646	-	-
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Other Post Employment Benefit charged to the

Comprehensive Income and Expenditure Statement

Remeasurement of the net defined benefit liability comprising:

* Return on plan assets (excluding the amount included the net interest expense)	(6,982)	7,886	-	-
* Actuarial gains and losses arising on changes in demographic assumptions	-	-	-	-
* Actuarial gains and losses arising on changes in financial assumptions	13,163	(24,150)	-	-
* Other experience	83	(13,443)	108	894

Total Post Employment Benefit charged to the

Comprehensive Income and Expenditure Statement

11,848	(24,061)	108	894
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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	5,584	5,646	-	-
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Actual amount charged against the General Fund Balance

for pensions in the year:

* employer's contributions payable to scheme	3,418	3,589	-	-
* retirement benefits payable to pensioners	-	-	265	286

Pensions Assets and liabilities recognised in the Balance Sheet

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

	Local Government Pension Scheme		Discretionary Benefits	
	2018/19	2019/20	2018/19	2019/20
	£000	£000	£000	£000
Present value of the defined benefit obligation	(193,344)	(160,970)	(4,454)	(5,348)
Fair value of plan assets	170,342	165,904	-	-
Net liability arising from defined benefit obligation	(23,002)	4,934	(4,454)	(5,348)

Reconciliation of the movements in the fair value of scheme assets

	Local Government Pension Scheme		Discretionary Benefits	
	2018/19	2019/20	2018/19	2019/20
	£000	£000	£000	£000
Opening fair value of scheme assets	160,262	170,342	-	-
Interest income	4,308	4,089	-	-
Remeasurement gain/(loss):				
Return on plan assets excluding the amount included in the net interest expense	6,982	(7,886)	-	-
Other	-	-	-	-
Contributions from employer	3,418	3,589	265	286
Contributions from employees into the scheme	688	706	-	-
Benefits paid	(5,316)	(4,936)	(265)	(286)
Other	-	-	-	-
Closing fair value of scheme assets	170,342	165,904	-	-

Reconciliation of present value of the scheme liabilities (Defined Benefit Obligation)

	Funded liabilities Local Government Pension Scheme		Unfunded liabilities Discretionary Benefits	
	2018/19	2019/20	2018/19	2019/20
	£000	£000	£000	£000
Opening balance at 1 April	175,099	193,344	4,346	4,454
Current service cost	4,093	4,835	-	-
Interest cost	4,844	4,762	-	-
Contributions by scheme participants	688	706	-	-
Remeasurement (gains) and losses:				
Actuarial gains/losses arising from changes in demographic assumptions	-	-	-	-
Actuarial gains/losses arising from changes in financial assumptions	13,163	(24,150)	-	-
Other	(182)	(13,729)	373	1,180
Past service cost	955	138	-	-
Benefits paid	(5,316)	(4,936)	(265)	(286)
Other	-	-	-	-
Closing balance at 31 March	193,344	160,970	4,454	5,348

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets	Fair value of scheme assets
	2018/19	2019/20
	£000	£000
Cash and cash equivalents	4,695	6,578
Equity securities by industry type:		
Consumer	16,593	14,738
Manufacturing	9,790	11,381
Energy and utilities	5,186	4,033
Financial institutions	20,437	18,458
Health and care	8,198	11,133
Information technology	11,030	17,698
Other	9,733	4,585
Debt securities:		
UK Government	4,833	3,766
Private Equity - All categories	4,732	3,797
Real estate:		
UK property	15,860	12,824
Overseas property	-	-
Investment funds and unit trusts:		
Equities	-	-
Bonds	57,437	54,931
Other	1,818	1,982
Totals	170,342	165,904

All scheme assets have quoted prices in active markets except private equity

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The West Sussex County Council Fund liabilities have been assessed by Humans Robertson, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 1 April 2016. The principal assumptions used in their calculations have been:

	Local Government		Discretionary	
	Pension Scheme		Benefits	
	2018/19	2019/20	2018/19	2019/20
Long-term expected rate of return on assets in the scheme:				
Equity investments	7.1%	2.1%	-	-
Bonds	7.1%	2.1%	-	-
Property	7.1%	2.1%	-	-
Cash	7.1%	2.1%	-	-
Mortality assumptions:				
Longevity at 65 for current pensioners:				
* Men		22.2 years		22.2 years
* Women		24.2 years		24.2 years
Longevity at 65 for future pensioners:				
* Men		23.3 years		23.3 years
* Women		25.9 years		25.9 years
Rate of inflation		2.8%		2.8%
Rate of increase in salaries		2.3%		2.3%
Rate of increase in pensions (CPI)		1.9%		1.9%
Rate for discounting scheme liabilities		2.3%		2.3%

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 both 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, i.e. 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 2020

	Approx. % increase to employer liability	Approx. monetary amount (£000)
0.5% decrease in Real Discount Rate	8.0%	14,056
0.5% increase in the Salary Increase Rate	1.0%	1,327
0.5% increase in the Pension Increase Rate (CPI)	8.0%	12,615

Impact on the Council's cash flows

The objectives of the scheme are to keep employers' contributions as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation was concluded by 31 March 2020.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2015. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council expects to pay £3.307 million for employer contributions to the scheme in 2020/21.

The weighted average duration of the defined benefit obligation for scheme members is 19 years for 2019/20.

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The transactions in the preceding table have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

The table above shows the amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans.

McCloud Judgement (Public service pensions age discrimination cases)

Arun District Council opted to make an allowance for the estimated impact of the McCloud Judgement in the 2018/19 Profit and Loss. Currently, there is no significant new information in 2019/20 to justify any further changes.

Guaranteed Minimum Pension (GMP) Equalisation / Indexation

Arun District Council opted to make an allowance for the estimated impact of GMP within the 2018/19 Accounts. Our roll forward position to 31 March 2020 has continued and is included within our balance sheet so no further adjustment is required.

Goodwin Judgement (Teachers Pension Equality discrimination case)

The Tribunal determined that under the Equality Act 2010 it was found that under the 2010 Regulations where a widower or surviving male civil partner of the Claimant shall be entitled to the same pension as he would if he were a widow or surviving female civil partner of the Claimant. Although the determination relates to the Teachers Scheme, it is expected that it could also impact the LGPS and potentially other public sector schemes.

The tribunal ruling was on 30 June 2020 and to date, there are no draft regulations or consultation on how to rectify impacted members and will only impact survivor pensions of female members with pre-1988 service who died after 2005.

The potential impact is slight (0.0%-0.2% on liabilities), with a maximum impact of £113k increase in liabilities to the Council.

Note 39 - Contingent Liabilities

The Council has given guarantees, relating to potential West Sussex County council Pension Fund liabilities, in respect of two contracts for outsourced services. The value of these commitments is dependent on a number of factors including actuarial assessment of the pension fund and the Council's future plans for the delivery of the relevant services.

The Council has entered into an agreement with the Government to retain the additional receipts generated by the relaxation of the Right to Buy discount rules. Under the terms of this agreement these "1 for 1 replacement" receipts can only be used for the provision of new social housing, and the Council must match every £30 of receipts used with £70 of its own funding. A further condition of the agreement is that receipts must be spent within three years, failing which they must be returned to the Government plus interest at 4% above base rate. As at 31 March 2020 the Council held £1.812m of unused "1 for 1 replacement" receipts. One of the approved priorities of the Council's Housing Revenue Account Business Plan is a significant new development programme and the implementation and phasing of this programme will be a key factor in determining whether or not the Council spends its unused receipts within the required time scale.

Note 40 – Going Concern

Section 1 – Underlying Principle

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

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

Section 2 – Current & Historical Financial Position

The Council recognises that the financial position has deteriorated in the early months of 2020/21, having reported a surplus financial period ending 31 March 2020. This is significantly due to the impact of Covid-19.

Section 3 & 4 – Impact of Covid

The 2020/21 budget was set in February 2020 and set a budget that was drawing down £617k from our general fund reserves.

However, since the budget was set, the emergence of Covid-19 has fundamentally changed the financial regime for a period of at least 4 months until the end of July 2020. The Council will incur approximately £1.993m of net additional expenditure and an estimated loss in income of approximately £2.52m by year end. There were noticeable reductions in income from planning, building control, licences and property & estates. A gradual return of most income streams is anticipated, although not necessarily back to the levels previously budgeted for. The government has recently announced an income support scheme for services like car parks and planning where after deduction of the first 5% the Council will be reimbursed for 75% of the income lost which should help improve our current projected income figures and the cashflow position.

Any potential losses re Council Tax are partially mitigated by a) the COVID 19 Council Tax hardship fund and b) Arun's high proportion of residents who are of pensionable age as in the event of large redundancies/unemployment should still be able to continue to pay as normal.

As was to be expected, Arun's Council Tax collection rates are below expectation for the first few months of 2020/21. The shortfall for each of the first two months of the year (based on a comparison between cash actually collected each month and the amount obtained by applying 2019/20 collection rates to the 2020/21 debit) was a little over 4%, but this improved to around 2% for June. Some of this shortfall will be the result of deferrals.

It is difficult to forecast collection rates over the next few months but it is hoped that any further reductions due to adverse economic circumstances will be partly offset by the reinstatement of recovery procedures and the allocation of the remainder of the hardship fund.

A shortfall of 4% for the whole year would equate to around £4.7m of which Arun's share would be around £650K.

For the first quarter of the current year some 25% of the net amount due for Business Rates has been collected (compared with 29% for the first quarter of 2019/20). However, prior year collection rates are not as helpful for Business Rates as they are for Council Tax as the net collectable debit for the current year is only half of last year's due to expanded retail relief and the Nursery discount.

The Council is holding discussions with its rating consultants with a view to getting a clearer idea of risk levels for the various sectors of the rating list. However, the Council has always been prudent in estimating its business rates income and has not built in any growth. Accordingly, any losses will be limited to the existing list.

It's also worth noting that the Council has established a funding resilience reserve to mitigate any adverse financial consequences arising from the Fair Funding Review (£5.826m) and the reset of the retained business rates baseline. The Council, therefore, has additional resources to absorb any potential loss of business rate income.

As an illustration, a loss of 10% of the current year's net debit would equate to £1.7m, of which Arun's share would be £680K (though reduced by the impact of the Levy).

During April, May and June, due to the circumstances, Trade Receivables were not being chased for recovery, however, since July, this has changed. The current estimated bad debt provision for Trade Receivables as at the end of August 2020 is £291k, this is similar to the bad debt provision as at 31 March 2020, which was £286k.

The Council has been allocated £1.939m non-ringfenced grant funding by the Government towards the cost of Covid-19. The council has sufficient reserves to meet the additional Covid-19 net expenditure pressures for 2020/21 but this will place more pressure on the Council's budget from 2021/22.

All service areas will be reviewing their budgets during 2020 to identify options for delivering efficiency savings and / or generating income, with the aim of setting a balanced budget in 2021/22 and reducing the overspend in 2020/21. The size of the challenge is an estimated reduction in ongoing income of between £600k and £1m per year in a deep recession.

Section 5 – Cash Position

The Council had a cash balance made up of Money Market Funds, Call Account and Bank Account of £16.6m at the end of August 2020. The Council also has £37m invested in short term deposits, £11m in long term deposits, £1m invested in the CCLA Diversified Fund and a further £5m invested in the CCLA Property Fund. In the past, the Council generally receives Section 106 income around March/April and Government Grants, such as Section 31 during April, which is excluded from the current forecast. With the expected Government Grant payment of 75% for loss of income, it is extremely unlikely that the Council would need to redeem either the £1m invested in the CCLA Diversified Fund or the £5m invested in the CCLA Property Fund but it remains a possible option. Throughout the medium term the Council remains confident in its ability to maintain enough cash for its services.

In a 'stressed' case scenario whereby income is constrained further in the event of a second wave, and income recovery only very slowly, the Council has enough levels of reserves and investments that it would not run out of cash. In the unlikely event the Council did run in to cashflow problems, the Council is able to borrow money from its bank over the short-term.

Furthermore, the Council is likely to continue with its 2020/21 capital programme as these are long term projects over several financial years with budgets being drawn down from Earmarked Reserves. However, these reserves can be called upon if required.

Section 6 – Conclusion

These accounts have been prepared on a going concern basis, following the projection of a budget overspend in 2020/21 that is within the level of general useable reserves and as part of our Treasury Management Strategy, daily banking and forecasting is undertaken to maintain a minimum cash balance of £200k within the Council's main bank account.

Housing Revenue Account Income and Expenditure Statement

31 March 2019		31 March 2020	
£000		£000	
	Expenditure		
4,446	Repairs & Maintenance	4,522	
4,563	Supervision & Management	4,734	
156	Rents, Rates, Taxes and other charges	133	
(1,783)	Depreciation, impairments and revaluation losses of non-current assets	(1,235)	
120	Movement in the allowance for bad debts	67	
7,500	Total Expenditure	8,222	
	Income		
(15,358)	Dwelling rents	(15,551)	
(436)	Non-dwelling rents	(440)	
(685)	Charges for services and facilities	(889)	
(6)	Other	(3)	
(16,484)	Total Income	(16,883)	
(8,984)	Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	(8,662)	
(756)	(Gains)/loss on sale of HRA Fixed Assets	(82)	
1,596	Interest Payable and Similar Charges	1,594	
(54)	HRA Interest and Investment Income	(27)	
(8,198)	(Surplus) or Deficit for Year on HRA Services	(7,176)	

Movement on the HRA Statement

31 March 2019 £000	Movement on the HRA Statement	31 March 2020 £000
(6,625)	Balance on the HRA at the end of the previous year	(7,229)
(6,625)	Revised opening balance	(7,229)
(8,198)	(Surplus) or Deficit on the HRA Income and Expenditure Statement	(7,176)
7,594	Adjustments between accounting basis and funding basis under statute	7,166
(604)	Net (increase) or decrease before transfers to or from reserves	(10)
(604)	(Increase) or decrease on the HRA for the year	(10)
(7,229)	Balance on the HRA at the end of the current year	(7,240)

31 March 2019 £000	Adjustment between accounting basis	31 March 2020 £000
1,783	Transfers to/(from) the Capital Adjustment Account	1,235
756	Gain or (loss) on sale of non-current assets	82
67	Contributions to or (from) the Pension Reserve	114
4,984	Transfers to/(from) Major Repairs Reserve	5,735
7,593	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	7,166

HRA Property, Plant and Equipment

Movements to 31 March 2020

	Council Dwellings	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000
Cost or Valuation					
at 1 April 2019	215,808	3,824	2,351	0	221,984
Additions	1,655	0	202	3,187	5,045
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	13	0	0	13
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	667	734	0	0	1,401
Derecognition – disposals	0	0	(138)	0	(138)
Derecognition – other	(120)	0	0	0	(120)
Reclassifications and transfers	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	(319)	0	0	0	(319)
at 31 March 2020	217,692	4,571	2,415	3,187	227,865
Accumulated Depreciation and Impairment					
at 1 April 2019	0	(4)	(270)	0	(274)
Depreciation charge	(5,547)	(38)	(149)	0	(5,735)
Depreciation written out to the Revaluation Reserve	0	2	0	0	2
Depreciation written out to the Surplus/Deficit on the Provision of Services	5,547	31	0	0	5,578
Derecognition – disposals	0	0	35	0	35
at 31 March 2020	0	(10)	(384)	0	(394)
Net Book Value					
at 31 March 2020	217,692	4,561	2,031	3,187	227,471
at 31 March 2019	215,808	3,820	2,081	0	221,710

Movements to 31 March 2019

	Council Dwellings	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000
Cost or Valuation					
at 1 April 2018	208,182	3,766	2,027	2,687	216,662
Additions	2,784	0	324	1,017	4,125
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	2	0	0	2
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1,843	57	0	0	1,900
Derecognition – disposals	0	0	0	0	0
Derecognition – other	0	0	0	0	0
Reclassifications and transfers	3,704	0	0	(3,704)	0
Assets reclassified (to)/from Held for Sale	(705)	0	0	0	(705)
at 31 March 2019	215,808	3,824	2,351	0	221,984
Accumulated Depreciation and Impairment					
at 1 April 2018	0	0	(169)	0	(169)
Depreciation charge	(4,845)	(38)	(101)	0	(4,984)
Depreciation written out to the Revaluation Reserve	0	2	0	0	2
Depreciation written out to the Surplus/Deficit on the Provision of Services	4,845	32	0	0	4,877
Derecognition – disposals	0	0	0	0	0
at 31 March 2019	0	(4)	(270)	0	(274)
Net Book Value					
at 31 March 2019	215,808	3,820	2,081	0	221,710
at 31 March 2018	208,182	3,766	1,859	2,687	216,494

The vacant possession value of dwellings within the Council's Housing Revenue Account as at 31 March 2020 was £660 million. Comparing the vacant possession value and Balance Sheet value of dwellings within the HRA shows the economic cost of providing council housing at less than market rents.

HRA Intangible Assets

31 March 2019 Total £000		31 March 2020 Total £000
	Balance at start of year:	
91	· Gross carrying amounts	91
(55)	· Accumulated amortisation	(64)
36	Net carrying amount at start of year	27
	Additions:	
(9)	Amortisation for the period	(9)
27	Net carrying amount at end of year	18
	Comprising:	
91	· Gross carrying amounts	91
(64)	· Accumulated amortisation	(73)
27	Net carrying amount at end of year	18

HRA Assets Held for Sale

Current 31 March 2019 £000		Current 31 March 2020 £000
0	Balance outstanding at start of year	0
	Assets newly classified as held for sale	
705	- Property Plant and Equipment	319
(705)	Assets sold	(319)
0	Total Cash and Cash Equivalents	0

Notes to the HRA

Housing Stock

31 March 2019		31 March 2020	
No.	Dwelling type	No.	
171	Bedsits	171	
1,570	Flats	1,570	
1,616	Houses / bungalows	1,612	
2	Hostels	2	
3,359	Total	3,355	

Housing Revenue Account Capital Expenditure

31 March 2019		31 March 2020	
£000		£000	
Capital investment			
3,108	Operational assets	1,857	
1,017	Non-operational assets	3,187	
4,125	Total capital investment	5,044	
Sources of funding			
(775)	Capital Receipts	(1,081)	
(1,613)	Major Repairs Reserve	(1,649)	
(1,737)	Unfinanced	(2,314)	
(4,125)	Total funding	(5,044)	

Rent Arrears

Tenants' arrears at 31 March 2020 were £1,150k (previous year £689k). The provision for doubtful debts amounted to £145k (previous year £122k).

Collection Fund

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates.

31 March 2019

31 March 2020

Business Rates £000	Council Tax £000	Total £000	Collection Fund	Business Rates £000	Council Tax £000	Total £000
INCOME:						
	(105,610)	(105,610)	Council Tax Receivable		(112,920)	(112,920)
(37,352)		(37,352)	Business Rates Receivable	(38,353)		(38,353)
(137)	0	(137)	Transitional Protection Payments Receivable	(169)	0	(169)
	17	17	Reconciliation adjustments		5	5
(37,489)	(105,593)	(143,082)	Total amounts to be credited	(38,521)	(112,916)	(151,437)
EXPENDITURE:						
Apportionment of Previous Year Surplus/Deficit:						
(36)		(36)	Central Government	(515)		(515)
(7)	404	397	West Sussex County Council	(103)	243	140
(29)	77	48	Arun District Council	(412)	46	(366)
0	49	49	Sussex Police and Crime Commissioner	0	31	31

31 March 2019 (Continued)

Business Rates £000	Council Tax £000	Total £000	Collection Fund
18,380		18,380	Central Government
3,676	79,597	83,273	West Sussex County Council
14,704	14,926	29,630	Arun District Council
0	10,021	10,021	Sussex Police and Crime Commissioner
			Charges to Collection Fund:
15	(19)	(4)	Write-offs of uncollectable amounts
237	107	343	Increase/(decrease) in allowance for impairment
2,910		2,910	Increase/(decrease) in allowance for appeals
185		185	Charge to General Fund for allowable collection costs for non-domestic rates
40,034	105,161	145,196	Total amounts to be debited

31 March 2020 (Continued)

Business Rates £000	Council Tax £000	Total £000	Collection Fund	Business Rates £000	Council Tax £000	Total £000
				9,027		9,027
				19,859	84,787	104,646
				7,222	15,664	22,886
				0	11,638	11,638
				8	241	249
				801	1,249	2,050
				1,208		1,208
				182		182
				37,277	113,898	151,176
2,546	(432)	2,114	(Surplus)/Deficit arising during the year	(1,244)	982	(262)
(660)	(311)	(971)	(Surplus)/Deficit b/f at 1 April 2019	1,886	(743)	1,143
1,886	(743)	1,143	(Surplus)/Deficit c/f at 31 March 2020	642	239	881

Notes to the Collection Fund

1. Council Tax Base

	2018/19	2019/20
Equivalent Valuation Band D properties in:		
Valuation Band A	3,237	3,290
Valuation Band B	6,904	7,051
Valuation Band C	14,036	14,334
Valuation Band D	13,109	13,267
Valuation Band E	11,210	11,287
Valuation Band F	7,670	7,777
Valuation Band G	4,138	4,161
Valuation Band H	463	484
Total Band D Equivalents	60,767	61,650
Allowance for non-collection 0.6%	-365	-369
Tax Base for year	60,402	61,281

2. Council Tax (total including parish average)

	2018/19	2019/20
Valuation Band A	£1,153.87	£1,219.40
Valuation Band B	£1,346.18	£1,422.63
Valuation Band C	£1,538.49	£1,625.86
Valuation Band D	£1,730.80	£1,829.09
Valuation Band E	£2,115.42	£2,235.55
Valuation Band F	£2,500.04	£2,642.01
Valuation Band G	£2,884.67	£3,048.49
Valuation Band H	£3,461.60	£3,658.18

3. General Statistics

	2018/19	2019/20
Rateable value of non-domestic properties at 31 March	£98.2m	£99.2m
Number of non-domestic properties at 31 March	4,863	4,961
Non-domestic rating multiplier: small businesses	0.48	0.491
Non-domestic rating multiplier: other	0.493	0.504
Average Council Tax for a Band D property	£1,731	£1,829

Glossary

Accounting Period

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

Accounting Policies

The specific principles, bases, conventions, rules and practices applied by the Council in preparing and presenting financial statements.

Accruals

Sums included in the financial statements to recognise income or expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

Accrued Interest

Interest accumulated but not yet received or paid.

Actuarial

The appraisal of economic and demographic factors in order to estimate future pension liabilities.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed

Agency Services

Services which are performed by or for other councils or bodies, where the council/body responsible for the service reimburses the council carrying out the work for the costs incurred.

Amortisation

The apportionment (charging or writing off) of the cost of an intangible asset as an operational cost over the asset's estimated useful life.

Amortised Cost

The amount at which a financial asset or financial liability is measured at initial recognition, less principal repayments and plus or minus any unamortised original premium or discount.

Asset

An item having value to the Council in monetary terms. Assets are categorised as either current or non-current

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash);

- A non-current 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. the Civic Centre, or intangible, e.g. computer software licence.

Audit of Accounts

An independent examination of the Council's financial affairs.

Authority/Local Authority

A Local Authority is an administrative body in local government, also referred to in the Statement of Accounts as a Council.

Balance Sheet

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

Borrowing

Using cash provided by another party to pay for expenditure, on the basis of an agreement to repay the cash at a future point, usually incurring additional interest charges over and above the original amount.

Budget

The forecast of net revenue and capital expenditure over the accounting period.

Business Improvement District (BID)

A business led partnership delivering additional services to local business by charging a levy on all business rates payers in addition to business rates.

Capital Expenditure

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Capital Financing

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue contributions, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

Capital Grants

Grants received towards capital expenditure.

Capital Programme

The capital schemes the Council intends to carry out over a specific period of time.

Capital Receipt

The proceeds from the disposal of land or other fixed assets where the proceeds total over £10,000. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.

Collection Fund

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates.

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.

Componentisation

Component parts of a major asset may not have the same useful lives (i.e. they wear out or depreciate at different rates); therefore those components with a value that is significant in relation to the total value of the asset shall be depreciated separately. The purpose is to ensure that the depreciation charged in the Income & Expenditure Statement properly reflects the consumption of economic benefit.

Comprehensive Income and Expenditure Statement (CIES)

The account of the Council that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

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 Liability

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.

Council Tax

A local tax on domestic property set by local authorities in order to meet their budget requirement.

Council Tax Base

The total number of properties within the local authority area expressed in terms of band D equivalents, incorporating discounts, deductions and exemptions.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Current Service Cost (Pensions)

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

Defined Benefit Pension Scheme

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

Depreciated Replacement Cost (DRC)

A method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence. It is used for specialist assets where no market exists.

Depreciation

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Council's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

Direct Revenue Contributions

Capital expenditure funded from revenue budgets. Also known as Revenue Contributions to Capital Outlay (RCCO).

Discretionary Benefits (pensions)

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

Doubtful Debt (also known as bad debt)

A debt that the Council may not be able to recover. A provision is made in the accounts for doubtful debts each year based on the value and age of debts outstanding.

Earmarked Reserves

Reserves which are held by a Council for specified purposes.

Events after the 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 (see materiality) items that derive from events or transactions that fall within the ordinary activities of the Council but which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Existing use Value (EUV)

The amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction in its existing use; it is used for most PPE assets with a variation required for council dwellings.

Expected Return on Pension Assets

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Financial Asset

Any asset that is cash, a contractual right to receive cash or another financial asset from another party, or an equity instrument issued by another party, examples include bank deposits, bonds and stocks.

Financial Instrument

A financial asset that is tradable, for example, bank deposits and investments.

Financial Liability

An obligation to deliver cash or another financial asset.

General Fund

The main revenue fund from which the Cost of Services is met.

Going Concern

The concept that the Statement of Accounts is prepared on the assumption that 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.

Held for Sale

Asset held for sale are those assets where it is probable that the carrying value will be recovered principally through a sale transaction rather than through continuing use.

Highest & Best Use

The highest and best use of the asset provides the maximum value to market participants through its use, taking into account the use of the asset that is physically possible, legally permissible and financially feasible.

Historic Cost

The amount originally paid for a fixed asset.

Housing Capital Receipts Pool

A proportion of receipts relating to housing disposal is payable to the Government in accordance with statutory requirements. This is known as housing capital receipts pooling.

Housing Revenue Account (HRA)

A separate account to the General Fund, which includes the income and expenditure arising from the provision of housing accommodation by the Council.

IFRS

International Financial Reporting Standards (IFRS) a global language for business affairs so that accounts are understandable and comparable across international boundaries.

Impairment

A reduction in the value of a fixed asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.

Infrastructure Assets

Fixed assets belonging to the Council that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are footpaths and coast protection defences.

Intangible Assets

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Council's intangible assets comprise computer software licences.

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investment Property

Interests in land and/or buildings which are held solely to earn rentals or for capital appreciation or both. Investment Properties are valued at highest and best use and must be revalued every year.

Investments (Pension Fund)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

Lease

A contract for the hire of a specific asset. The lessor owns the asset but conveys the right to use the asset to the lessee for an agreed period of time in return for the payment of specified rentals. Leases may be either operating leases or finance leases.

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 Investment

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

All local housing authorities are required to operate this reserve which is used to fund either capital expenditure relating to HRA dwellings or the repayment of housing debt.

Market Participants

Buyers and sellers in the principal (or most advantageous) market for an asset or liability. The principal market is that with the greatest volume and level of activity, whilst the most advantageous is the market that maximises the amount that would be received to sell the asset or paid to transfer the liability after taking into account transport and transaction cost.

Market Value

The amount at which a property would be exchanged between knowledgeable and willing parties in an arm's-length transaction.

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.

MHCLG

Ministry of Housing, Communities and Local Government, the main Government department dealing with local government, housing and community issues.

Minimum Revenue Provision (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

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-Domestic Rates (NDR)

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by central government and multiplied by the assessed rateable value of the premises they occupy. In England it is collected by the Council on behalf of itself, central government and major preceptors.

Non-Operational Assets

Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

Observable Inputs

Are those that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumption that market participants would use when pricing the asset or liability.

Operating Lease

A lease where the ownership of the fixed asset remains with the lessor.

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.

Orderly Transaction

A transaction that assumes exposure to the market for a period before the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction.

Payables (also known as Creditors)

Financial liabilities arising from a contractual obligation to pay cash in the future for goods or services or other benefits that have been received or supplied and have been invoiced or formally agreed with the supplier. They are only recognised when the goods or services are delivered or received by the Council.

Past Service Cost (Pensions)

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

Precept

The levy made by precepting authorities by billing authorities, requiring the latter to collect income from Council Tax on their behalf.

Precepting Authority

An authority that sets a precept to be collected by a billing authority (Arun) through the Council Tax bill. West Sussex County Council and Sussex Police & Crime Commissioner are known as major precepting authorities. Parish/Town Councils are known as local precepting authorities.

Prepayment

An adjustment made in the financial statements for goods or services already paid which relate to the next financial year.

Prior Year Adjustment

Material adjustments applicable to previous 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.

Property, Plant & Equipment (PPE)

Tangible assets (i.e. assets with physical substance) that are held for use by the Council for the supply of services, for rental to others or for administrative purposes that are expected to be used for at least part of the succeeding financial year. These may be operational or non-operational.

Provision

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

Public Works Loan Board (PWLb)

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

Rateable Value

The annual assumed rental of a hereditament, which is used for NNDR purposes.

Receivables (also known as Debtors)

Financial assets not traded in an active market with fixed or determinable payments that are contractual rights to receive cash or cash equivalents. They are only recognised when goods or services have been transferred to the service recipient before the customer pays consideration or before payment is due.

Related Parties

There is a detailed definition of related parties in FRS 8. 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 Statement of Recommended Practice 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.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

Reserves

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

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.

Revenue Expenditure

The day-to-day expenses of providing services.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure which ordinarily would be revenue, but is statutorily defined as capital. Examples of REFCUS include grants of a capital nature such as disabled facility grants.

Revenue Support Grant (RSG)

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

Support Services Costs/Charges

Expenditure on administrative and professional services and office accommodation, which is recharged to service users on a specified basis.

Tangible Fixed Asset

Physical assets that yield benefits to the Council and the services it provides for a period of more than one year.

Useful Economic Life (UEL)

The period over which the Council will derive benefits from the use of a fixed asset.

Unobservable Inputs

Are inputs for which market data is not available and that are developed using the best information available to the Council about the assumptions that market participants would use when pricing the asset or liability.

Unusable Reserve

Those reserves that the Council may not use to fund the services it provides. This includes the Revaluation Reserve that holds the unrealised gains and losses on Property Plant and Equipment.

Usable Reserve

Those reserves that the Council may use to fund the services it provides, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use e.g. the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt.



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19 November 2020

Ernst & Young
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SO15 2BE

Please ask for:
Alan Peach
Group Head of Corporate Support
Direct Line: 01903 737558

Dear Sirs

This letter of representations is provided in connection with your audit of the financial statements of Arun District Council ("the Council") for the year ended 31 March 2020. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Arun District Council as of 31 March 2020 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), 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 2019/20.
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 and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and are free of material misstatements, including omissions. We have approved the financial statements.
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 2019/20, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because the amounts are not material, individually and collectively (i.e. the amount is unlikely to influence the

decisions or assessments of users taken on the basis of the financial statements and the cost would, therefore, outweigh any benefit).

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

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

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 18 November 2020.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From 30 July 2019 through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

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

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 39 to the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. Other than described in Note 6 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

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

G. Ownership of Assets

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

H. Reserves

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

I. Use of the Work of a Specialist - Actuary

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

J. Use of the Work of a Specialist – Property valuers

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

K. Estimate – NNDR appeals and other provisions

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate has been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We confirm that the significant assumptions used in making the estimate of provisions (including the NNDR appeals provision) appropriately reflect our intent and ability to carry out providing services on behalf of the entity.

3. We confirm that the disclosures made in the financial statements with respect to the accounting estimate are complete, including the effects of the COVID-19 pandemic and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
4. We confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

L. Estimate – Valuation of Council land and buildings estimate

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate has been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We confirm that the significant assumptions used in making the valuation of land and buildings estimate appropriately reflect our intent and ability to carry out providing services on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimate are complete, including the effects of the COVID-19 pandemic and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
4. We confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

M. Estimate – Pensions valuation estimate

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate has been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We confirm that the significant assumptions used in making the pensions valuation estimate appropriately reflect our intent and ability to carry out providing services on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimate are complete, including the effects of the COVID-19 pandemic and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
4. We confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

N. 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,

(Group Head of Corporate Support)

(Chair of the Audit and Governance Committee)

ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF AUDIT & GOVERNANCE COMMITTEE ON 19 NOVEMBER 2020

PART A : REPORT

SUBJECT: Annual Governance Statement 2019/20

REPORT AUTHOR: Stephen Pearce, Internal Audit Manager

DATE: September 2020

EXTN: 37561

PORTFOLIO AREA: Corporate Support

EXECUTIVE SUMMARY:

To present the final Annual Governance Statement for 2019/20 for the Committee's approval

RECOMMENDATIONS:

Members of the Audit & Governance Committee are requested to approve the Council's Annual Governance Statement for 2019/20

1. BACKGROUND:

1.1 BACKGROUND

The Council is required by the Accounts & Audit Regulations 2015 to produce and approve an Annual Governance Statement, to accompany the annual accounting statements.

The Committee noted the draft Annual Governance Statement at its meeting of 30 July 2020 but were advised that the external audit of the Council's Accounts for 2019/20 had not yet been completed and that these would be presented at future meeting of the Committee. (It had been intended to hold a special meeting in September, but as the audit of the accounts had still not been completed the Accounts will now be presented at the scheduled meeting in November).

Having noted the draft, the Committee requested that it be included for final approval at the meeting considering the audited annual accounts – there is only one minor change from the draft recognising the relaxation of the deadline for presentation of the audited Accounts to 30th November in 2020 in light of the Covid-19 crisis.

2. PROPOSAL(S):

It is proposed that the Committee approves the Council's Annual Governance Statement for 2019/20

3. OPTIONS: To approve the Council's Annual Governance Statement for 2019/20, or not		
4. CONSULTATION: In preparing the AGS, input was requested from the management of various service areas and the document was considered and agreed by the Council's Governance & Risk Group. The draft version has also been reviewed by the Council's external auditors		
Has consultation been undertaken with:	YES	NO
Relevant Town/Parish Council		✓
Relevant District Ward Councillors		✓
Other groups/persons (please specify)		✓
5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)	YES	NO
Financial		✓
Legal		✓
Human Rights/Equality Impact Assessment		✓
Community Safety including Section 17 of Crime & Disorder Act		✓
Sustainability		✓
Asset Management/Property/Land		✓
Technology		✓
Other (please explain)		✓
6. IMPLICATIONS:		
7. REASON FOR THE DECISION: The Committee approves the Council's Annual Governance Statement for 2019/20		
8. BACKGROUND PAPERS: N/A		



Annual Governance Statement

2019/20

Scope of Responsibility

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. There is also a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of efficiency, effectiveness and economy.

In discharging these overall responsibilities, the Council is responsible for putting proper arrangements in place for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council delivers good governance and reviews the effectiveness of these arrangements to meet the requirements of the Accounts and Audit Regulations 2015, specifically:-

- Regulation 6(1), which requires that the Council “must each financial year:-
 - (a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and
 - (b) prepare an annual governance statement”
- Regulation 6(4), which requires the annual governance statement to be “approved in advance of the relevant authority approving the statement of accounts” and “to be prepared in accordance with proper practices in relation to accounts”, to accompany the Council’s Annual Accounts.

(The above, which came into force on 1st April 2015, replace the equivalent Regulations 4(2) and 4(3) from the Accounts and Audit (England) Regulations 2011).

This document is the Council’s Annual Governance Statement (AGS), relating to the internal control environment in place covering the 2019/20 financial year and the period to 31st May, during which the Council’s Annual Accounts are prepared. (Under the changed Regulations, the Accounts are approved by the Council by the end of July, following review by the appointed external auditors. NB – in light of the Covid-19 crisis, this date has been extended by the Government to 30th November for 2020).

The Council’s Governance Framework

The governance framework comprises the behaviours and values, systems and processes, by which the Council is directed and controlled and its activities through which it accounts to, engages with, and, where appropriate, leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable, and not absolute, assurance of effectiveness.

Organisations with good corporate governance demonstrate the capacity to maintain high quality services and to deliver improvement. In 2016, CIPFA published its new *Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE, 2016)*. This applies to Annual Governance Statements for the financial year 2016/17 onwards and the Council has adopted a local Code of Corporate Governance based upon the principles of the new Framework.

Compliance with the Council's local Code of Corporate Governance is considered annually and any issues identified are reported to the Audit & Governance Committee. Internal and external audit also produce reports which consider the adequacy of corporate governance arrangements across the Council.

The Terms of Reference for the Audit & Governance Committee were updated in 2017 as part of the Council's wider Constitution review. These provide clear guidance on its responsibilities, including consideration of all appropriate aspects of corporate governance. Minutes from meetings of the Audit & Governance Committee evidence this and are published on the Council's website.

There is an Annual Governance Statement (this document) which is approved by the Audit & Governance Committee and subsequently reported to Full Council with the minutes of the Committee. The AGS is published to accompany the Annual Accounts, once approved, on the Council's website.

The key elements of the systems and processes that comprise the Council's governance arrangements are shown below, in relation to the seven principles of the CIPFA/SOLACE framework:-

A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

The culture of the organisation sets the foundation for ethical behaviour, staff / Member conduct and the prevention of fraud and corruption, by creating an environment that is based on openness and honesty in all Council activities. The culture is founded upon good organisational performance, external recognition, highly ethical staff and good employee attitude to internal controls.

The Equalities & Diversity framework (and associated Human Resources policies) sets the tone of the Council's respect agenda, with a revised Equality & Diversity Policy adopted in 2014 (to be reviewed in 2020). The Council's Children, Young People and Adults At Risk – Safeguarding Policy, including considerations arising out of the Care Act 2014, was agreed by Members in 2015 (and reviewed in 2017).

As required by central Government, the Council published its first gender pay gap figures in 2018 and this is now repeated annually. Staff and Unison were consulted on the results and an action plan has been progressed to improve the Council's position.

Both staff and Members are appraised of the standards of behaviour expected of them. The Council has incorporated in its Constitution a Members' Code of Conduct and a Protocol on Member / Officer Relations and also has an Employee Code of Conduct (with an updated version adopted in 2019).

With the enactment of the Localism Act 2011, the Standards Board for England was abolished. In 2012, a new local Member Code of Conduct was agreed in response to the changes required from the Act which is consistent with the seven 'Nolan' principles of standards in public life and this was revised and approved by Full Council in November 2017. Conduct of Members is monitored by a local Standards Committee (whose membership includes independent representatives), which also investigates any allegations of misconduct by Members, and responsibilities have been reviewed to align them with the new local Code. The Council has also agreed and progressed changes to the Code and the Local Assessment Procedure from review of the best practice recommendations contained in the Local Government Ethical Standards report (produced by the Committee on Standards in Public Life).

The Council currently operates to a 'Cabinet model', under the provisions of the Local Government Act 2000. The Council's Constitution provides clear guidance on the roles and responsibilities of the Leader, Cabinet portfolio holders, Chief Executive and Senior Officers. This is reviewed by the Monitoring Officer on a regular basis and proposed changes to the Constitution are considered by the Constitution Working Party (of Members), prior to recommending adoption by Full Council. (A diagrammatic representation of how the various stakeholders in the governance process interact is included as Appendix 1 to this document).

At the District Elections held in May 2019, the Council moved to No Overall Control (with Liberal Democrats as the largest party at that time), having previously been under Conservative control. The new Council has now taken the decision to move to a 'Committees' system of governance from May 2021 and this will require significant change to the Constitution regarding the future roles and governance processes.

The Constitution also contains details of the authority's scheme of delegation and Article 12 identifies the roles and responsibilities of Senior Officers of the Council, with specific responsibilities also incorporated into individual job descriptions. The Leader, the Cabinet and the Committee Chairmen and their deputies receive briefings from Senior Officers on a regular basis, including financial, legal and technical advice.

The Council takes the prevention of fraud, corruption and maladministration very seriously and has the following policies in place, which aim to prevent or deal with such occurrences:-

- Anti-Fraud, Corruption & Bribery Policy (updated to include the requirements of the Bribery Act 2011) (updated in 2019)
- Whistleblowing Policy (in respect of the Public Interest Disclosure Act 1998)
- HR policies regarding discipline of staff
- Registers of Interests for Members and staff.

The Council has assessed the risk of fraud in its operations, and the ongoing counter-fraud activities undertaken, against the CIPFA 'Code of practice on managing the risk

of fraud and corruption', the updated 'Fighting Fraud & Corruption Locally' strategy, the UK Anti-Corruption Plan and general / professional best practice. It has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud. An annual Counter-Fraud Report is provided to the Audit & Governance Committee and current / future risks are monitored.

The Council is committed to the highest possible standards of openness, probity and accountability. It has a published Whistleblowing Policy, which aims to encourage Officers, contractors and members of the public to report any instances of unlawful conduct, health and safety risks, damage to the environment and possible fraud, irregularity or unauthorised use of Council funds.

A Corporate Complaints procedure is in place and the forms and guidance are available on the Council's website. Results of complaints which have been investigated are, where appropriate, used to drive service improvement and are reported on an annual basis to the Overview Select Committee, including any that have been referred to the Local Government and Social Care Ombudsman.

In August 2018, the Regulator for Social Housing (RSH) determined that the Council had breached the Home Standard, specifically in relation to the failure to meet statutory Health & Safety requirements in respect of fire and water hygiene in relation to the Council's duties as a landlord to tenants and housing schemes. The Regulatory Notice was published by the RSH and advised by the Council to tenants and Members. The Council's senior management and Housing Department agreed an action plan with the Regulator which has been monitored on a monthly basis. This covers a range of H&S aspects, with data being collected / analysed and contractors being engaged to ensure that risks are assessed and appropriate action is taken to address any deficiencies identified. The Council continues to work with the Regulator through regular monthly updates, periodic telephone conversations and is working to agree a voluntary undertaking with them.

B. Ensuring openness and comprehensive stakeholder engagement

The Council's Constitution sets out how the Council operates and the process for policy and decision-making. Certain decisions, identified in the Council's Constitution, can only be taken by the Full Council. The Constitution also sets out what are defined as 'key decisions'. These are currently made by the executive body, being the Leader and Cabinet, with the overall policy and budgetary framework approved by Full Council. Any decisions the executive wishes to take outside of this framework must be referred to the Full Council. Key decisions to be taken over the ensuing months are set out in the Council's Forward Plan, which is published on the Council's website. Reports presented to Cabinet, Committees and Full Council are generally reviewed on a risk / professional basis by Legal Services and Finance before being presented and appropriate Officers attend Committees in order to answer specific queries raised by Members.

The Council aims to ensure that clear channels of communication are established with all areas of the community and other stakeholders, ensuring accountability and

encouraging open communication. The new Council believes that the future change in governance structure will improve the openness and transparency of the Council and its decision making and will also be looking at measures to engage better with the public.

The Council's publication 'Arun Times' is distributed to all residents (currently twice-yearly) and is available on the Council's website. The website contains key published information and has been significantly re-developed to best serve the needs of the public. The Council's 5-year ICT Service Strategy has been supplemented by a new Digital Strategy 2019-2025 agreed in December 2019 and the Council will be looking at the best ways to provide more digital opportunities to make dealing with us easier, to improve customer service and increase efficiency.

Full Council, Cabinet and Committee meetings are held in public, with the press and public only excluded when a report is presented as an 'exempt' item in accordance with Part 1 of Schedule 12A to the Local Government Act 1972. The two Member Working Groups also meet in public under the current scrutiny arrangements. Meeting agenda and public supporting documents are published at least five clear days in advance of meetings and made available at Council offices and on the website. Members of the public are also allowed to speak and ask questions at Full Council and Cabinet meetings, under the Rules of Procedure contained in the Constitution.

As at March 2020, the coronavirus crisis has caused the suspension of face-to-face meetings within the Council. However, decisions taken will continue to be documented to ensure that the requirements of the Council's Constitution are met and processes to allow 'virtual' meetings (e.g. of the Cabinet) are being progressed.

The ModernGov meeting management system was implemented for use by the new Council in 2019 and will assist in the administration and provision of Council papers for Members, staff and the public. This will be developed further in 2020/21 to link into the introduction of the new governance arrangements for the Council in May 2021.

The Council has adopted a Filming and Photographic Policy for key Council meetings, to meet transparency requirements contained in the Local Audit & Accountability Act 2014. Although the Council commenced live webcasting of Full Council and Development Control Committee meetings the existing equipment / service requires replacement and, at present, recordings are only accessible next day via the Council's website.

Various Council activities have, over many years, brought together a wide range of local organisations in all sectors of the Community and there is ongoing engagement with the voluntary and community sector. The Council believes that by engaging with local people and other stakeholders this ensures robust accountability.

Members continue to be engaged with Sussex Police with regard to concerns over policing, crime and anti-social behaviour in the District and the Cabinet Member for Community Wellbeing attends meetings of the Sussex Police & Crime Panel and regularly briefs the OSC. They also consider the provision of health services and wellbeing throughout the District and the OSC received a presentation from the NHS

Coastal West Sussex Clinical Commissioning Group at a special meeting in January 2020.

The Council's priorities and plans contained in 'Your Council 2013-2017' (and now extended for the period 2018-2022) were drawn up with the involvement of a wide range of consultees including staff, Members and the general public. Following the May 2019 District Elections, the new Council has agreed a number of new strategic priorities.

The Council engages in public consultation exercises to inform the decision-making process, with a number undertaken recently in relation to current and future developments e.g. Community Infrastructure Levy draft charging schedule, play areas, tackling anti-social behaviour (resulting in a revised Public Spaces Protection Order from April 2020) and Arun District design guide Supplementary Planning Documents.

Arun gathers views from its residents in a number of ways, which helps to inform the priorities adopted by the Council and to identify the views of residents on proposals for new or changed services, projects and initiatives being considered by the Council. Key 'customer satisfaction' indicators are also included in the Council's Corporate Plan and survey information is published on the Council's website. The survey mechanisms in use continue to evolve and it is intended that more future consultation will be undertaken via the internet.

The Council also has agreed and published a Petitions Scheme, allowing the public to raise issues of concern with a formal response procedure to be followed by the Council. Details of the use of the scheme and petitions received are published on the Council's website.

C. Defining outcomes in terms of sustainable economic, social and environmental benefits

The Council aims to deliver high quality services that provide value for money and best fit the needs and priorities of the local community.

In 2016, it was agreed to extend use of the existing three themes where the Council had identified that it could make the greatest difference to residents:-

- Your Council Services - delivering you the best we can afford
- Supporting you if you need help
- Your future.

In 2018/19, revised Corporate Plan and Service Delivery Plan indicators to support achievement of these themes was approved for the period 2018-2022.

Within these three themes, the Council will deliver services and progress initiatives for improvement and change to make things better for:-

- our residents and everyone who visits this area
- our businesses
- those people who need the Council to step up and help them when it counts.

Year on year, the Council has faced additional pressure to achieve cost savings without impacting the delivery of important front-line services. Further government funding reductions are anticipated, but the progress of the 2020 Vision initiative and careful financial management have meant the Council is still currently able to present a Budget that is in line with its financial predictions, with the use of its reserves minimised as far as is possible. However, as noted below, the financial situation is being exacerbated by both reductions in income and increases in expenditure due to the current coronavirus crisis.

Value for money continues to be a key factor, with the Council looking to reduce costs and improve efficiency, with significant progress also being made on specific initiatives e.g. by specialist officers in respect of:-

- the identification of empty homes and returning them to permanent use, with the Council benefiting financially from New Homes Bonus provisions and the area from additional housing stock
- the detection of housing fraud, with a number of Council properties being recovered. This benefits the Council in lowering payments for emergency accommodation and restores the properties for allocation to residents in the greatest need
- the Council's Property Investment Strategy, allowing the re-investment of a proportion of funds from land and property sales by the Council. This will enable the Council to consider capital investment in order to create a long-term revenue stream at higher rates of return than traditional investments. (In 2019/20, the sale or redevelopment of several Council-owned sites is under consideration).

The Council also continues to consider the impact on residents of the Welfare Reform Act 2012 and of central government changes to the social housing regime and relevant strategies and policies have been reviewed and updated. Funds have also been allocated by the Council to better address homelessness issues, which includes building / acquiring additional properties in order to provide quality accommodation for emergency cases, with a view to reducing bed and breakfast accommodation costs (although additional funds were provided for this again in 2019/20).

The Council is committed to working with others to bring about real change for the benefit of the community. It already has a number of joint working arrangements in place and will further explore opportunities for partnerships and shared services, where this can be demonstrated to provide the best value. Periodic joint management team meetings are held to discuss issues with Chichester District Council, West Sussex County Council and the University of Chichester. The Council's Chief Executive meets regularly with other CEO's on the West Sussex County Chief Executives Forum and West Sussex Chief Executives & Leaders meet periodically via the West Sussex Leaders Board. There are also regular liaison meetings with the three Town Councils (Arundel, Bognor Regis and Littlehampton) which involve the Chief Executive, the Leader and a senior officer from Arun District Council and officers and Members from the Town Councils.

The Council's CEO also has regular meetings with key business / third sector partners such as Butlins, Rolls Royce, Aldingbourne Trust, Age UK, etc.

The Council continues to work with, and provide support to, Town and Parish Councils wishing to develop a Neighbourhood Development Plan and also maintains a register of 'assets of community value' (introduced as part of the Localism Act 2011).

The Council's overarching priorities are used to drive other key strategies for consultation, agreement and publication. The most significant of these are:-

- Arun Economic Development Strategy 2020-2025 (approved in 2019)
- Local Plan 2011-2031 - following a lengthy review, consultation and examination process, the final Local Plan was adopted by Full Council in July 2018)

However, a review of the Local Plan has been agreed by Full Council as part of its altered priorities

- Customer Access Strategy 2020-25 (reviewed in 2019 and updated version to be progressed for approval in 2020)
- Housing & Homelessness Strategy 2019-2021
- Leisure & Cultural Strategy 2013-2028 (recommendations for the future were agreed, following public consultation in 2012/13, and are currently being progressed):-
 - the leisure contract transferred to Freedom Leisure from April 2016
 - construction of the 'Littlehampton Wave' has been completed, with the new swimming pool and leisure centre opening in late March 2019
 - further enhancements are to be made to the Arun Leisure Centre when funding is available
- Bognor Regis regeneration:-
 - following the District elections in May 2019, the new Cabinet took the decision to terminate work on the existing Hothampton Pavilion Park proposal and to explore alternative options for the 'Sunken Gardens' which are due to be progressed and consulted on in 2020. In addition, new proposals for improvement of Place St Maur are being considered
 - The Council continues to liaise with local partners on improvements (e.g. the University of Chichester's new Tech Park) and to attract new businesses / investment (e.g. the Rolls-Royce technology & logistics centre)
 - West Sussex County Council are soon to open a new Creative & Digital Hub (The Track) at the Town Station.
- Enterprise Bognor Regis – planning permission was secured in 2019 by the landowners of the Saltbox site to provide approximately 30,520 square metres of new mixed-use employment floor-space and between 500 and 1000 new private sector jobs
- £3.5m of funding has been secured to deliver the Littlehampton town centre public realm improvements
- the Council has worked collaboratively with other local councils to progress the delivery of the Gigabit West Sussex project and led by WSCC (in liaison with the Department for Digital, Culture, Media and Sport) to install superfast gigabit fibre broadband to public buildings in the district
- progress of the Arun Growth Deal 2018-2023 – clearly identifying the Arun 'economic growth offer' and contributing the overall West Sussex Growth Plan being developed by WSCC

- the Council has recently become a member of the Greater Brighton Economic Board
- Capital Strategy 2020/21 to 2022/23 – this is a new (from 2019/20) annual document required under CIPFA's revised Prudential Code and includes a rolling 3-year proposed capital investment programme approved by the Council.

The Council has produced and sustained the Arun Developer & Partner Charter Plus and, in line with the Public Services (Social Value) Act 2012, encourages companies and partners to subscribe to this, to facilitate co-operative working, local employment, training opportunities, procurement and development within the district. The Local Enterprise & Apprenticeship Platform (LEAP) project, which commenced in 2015, offers grants to 'start-up' and small business in the Arun district. In addition to this, funding has been obtained in 2018/19 for 'Journey To Work' and retail training projects in order to assist both those without employment and independent retailers. In 2020, a Pop-Up Shop initiative is being developed to allow small and start-up companies to trial their products and services in a High Street setting prior to making further commitments into retail, although the Council will need to consider when and how this can progress in light of the coronavirus crisis.

The Council has a key role in a number of local partnerships, working for the benefit of residents and the community to improve the local quality of life, including:-

- Safer Arun Partnership (the statutory community safety partnership)
 - current Council anti-social behaviour initiatives include a revised (from April 2020) Public Spaces Protection Order (PSPO) covering designated areas within the District and an extension of the successful litter and dog fouling enforcement trial
- Arun Wellbeing & Health Partnership
 - Arun Wellbeing has a dedicated website and offers practical advice and events on health and diet to assist in the improvement of the health of residents and to reduce health inequalities within the area
 - it also offers home energy visits and advice

It also participates in national and county-wide partnership initiatives, including:-

- Coast To Capital Local Enterprise Partnership
- Wellbeing Programme
- Think Family Programme (now called Early Help)
- West Sussex Fuel Poverty Partnership
- Coastal West Sussex Partnership
- Rural West Sussex Partnership
- Coastal West Sussex & Greater Brighton Strategic Planning Board
- Greater Brighton Economic Board.

The Council is clear about its responsibilities for services, whether provided directly or through partners / other third parties. We will work closely with partners and influence third parties to make sure they deliver to agreed levels of quality and are accountable for what they do. Now that the Local Plan has been agreed, there will need to be significant infrastructure improvements in the District to support the predicted increase in housing numbers and the Council will continue to liaise with appropriate strategic partners and developers as to the required improvements.

We have a clear commitment to ensure services deliver the most appropriate combination of quality, value and choice to all residents. As part of this process, the Council has let a number of its major contracts in recent years (e.g. Combined Cleansing Services, Greenspace Management, Leisure Management) and continues to provide the best level of service, while achieving both cost savings and also encouraging partner investment in improvements.

Arun (and other Districts in the County) continue to liaise with WSCC in respect of potential changes in its support for waste and recycling initiatives and in a reduction in grant funding for charitable and support organisations. These changes will have a significant impact on the Council, both financially (loss of recycling credits, increased homelessness costs, etc.) and through additional burdens placed upon it.

The Council actively considers environmental issues in its policies / decisions and supports / promotes environmental initiatives for itself and its residents, including carbon management and energy efficiency schemes through its Energy Efficiency & Fuel Poverty Strategy (updated in 2020).

The new Council's strategic priorities now include an increased focus on environment and climate change issues and the Council formally declared a 'climate emergency' in January 2020.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

The Council publishes its Annual Financial Accounts in accordance with the CIPFA guidelines. The annual Budget is approved by Full Council and regularly monitored and reported on. In the event of significant variation, requiring additional expenditure, a Supplementary Estimate may be raised for Full Council approval.

CIPFA has issued a new Financial Management Code which comes into effect from April 2020. This is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. An assessment against the new Code has been undertaken to confirm that the Council follows best practice.

The Council has a range of performance indicators, used to measure progress against its key priorities in the annual Corporate Plan. The effectiveness of these indicators is considered annually. In 2017/18, officers and Members considered the performance indicators for inclusion in a revised Corporate Plan to cover the period 2018-2022, linked to the 3 existing Priority themes which the Council has already agreed will continue to be used for this period.

The Council regularly surveys users of its services and this process has been enhanced, with annual customer satisfaction surveys undertaken to assess key elements of the delivery of its new priorities. Results are published and the information provided is used as a resource which informs the Corporate Plan process and future policy decisions. Service and value for money reviews may also be undertaken (both

via internal audits and Member Working Groups) and the Council's external auditors provide a value for money conclusion as part of their annual review of the Council's accounts.

Performance indicators are in place and regularly monitored, with periodic reports provided to the Corporate Management Team, Overview Select Committee and Cabinet (and published as agenda items on the Council's website).

Via the embedded monitoring and reporting processes that the Council has in place, performance, audit, risk and finance information is used to identify areas of concern and for appropriate interventions to be planned and implemented to optimise the achievement of outcomes.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

The Council's Chief Executive (Head of Paid Service) is responsible and accountable to the authority for all aspects of operational management. His objectives are set, and his performance monitored, by a panel of senior Members from the controlling group and also the Leader of the main opposition group.

The Group Head of Corporate Support is the designated Section 151 Officer. The Council's Constitution contains specific details of the overall financial responsibilities of the role and an update of the Council's Financial Regulations was recently performed and the resulting changes included in the Constitution.

The Monitoring Officer (Group Head of Council Advice & Monitoring) has overall responsibility for legal compliance, and she and her staff work closely with Officers and Members to advise on legal issues which affect the Council. Under the Localism Act 2011, local authorities were granted the 'general power of competence', allowing greater freedom to work in partnership and to develop more innovative ways of providing services.

As reported in previous AGS documents, the Council has worked with staff and Members on its 2020 Vision programme in order to ensure that the Council's current agreed outcomes can be delivered and to identify the need for change to best position the Council for the future challenges facing the public sector. In May 2018, the Chief Executive provided Members with a final update on the programme, with the achievement of confirmed annual savings of over £3M.

It is anticipated that there will be further significant funding reductions and additional burdens placed upon local government in the immediate future. There is also ongoing uncertainty regarding the progress / impact of other central government proposals (e.g. business rate retention). The Council has considered these as far as possible when preparing its Medium Term Financial Strategy (MTFS), used to inform its annual budget changes and it is anticipated that further annual cost savings will be required to maintain the Council's financial stability. The Council will continue with its commitment to seek ways to provide quality frontline services with the funds available.

From March 2020, the UK progressed its response at a national level to the global coronavirus crisis. Where possible, key Council services continue to be provided (either directly or remotely) in line with its contingency arrangements.

However, local residents and businesses face significant hardships for an extended period. Through the Budget and other legislation / initiatives, central government has implemented a number of relief measures to assist the worst cases. This will impact upon the Council through cancellation of key meetings affecting decision-making processes, increased uncertainty regarding central funding, less income from key funding sources (e.g. Council Tax, business rates, car parks, etc.), business impact on / support for key partners (e.g. for leisure), an increase in local hardship cases and increased demands on a number of service areas.

There is currently massive uncertainty as to how long the country will be faced with all these issues and the Council is facing huge cashflow issues. This is likely to mean that there will be difficulty in the preparation and audit of the Council's Annual Accounts, an unplanned drain on reserves, delays to key initiatives and a lengthy catch-up process to resolve issues once a more business-as-usual status has been achieved.

Consideration continues to be given to the effective use of corporate properties, to ensure that the Council's offices and facilities are fit for the future provision of services to the public, while incorporating 'cultural' changes such as an increase in home working by staff.

Human Resources procedures are in place to facilitate the recruitment and retention of capable staff. There is an induction and training programme for all staff, including increasing use of e-learning facilities. All staff are subject to an annual corporate appraisal scheme, which will be used to identify personal training and development requirements and for them to be incorporated into a corporate training programme. The Council also provides continuing professional and personal development for the members of the Senior Management Team and continues to offer management development training opportunities for other new and prospective managers (this was enhanced in 2019 to provide opportunities for managers to reach their potential and to improve succession planning within the Council).

Arun Councillors are elected on a 4-year term with the most recent elections held in May 2019. Elected Members to the Council have a Member Induction programme, which was reviewed and updated in advance of the 2019 District Council elections, and this includes specific training for Members in respect of the main quasi-judicial Committees. Members also have ongoing training that incorporates understanding the aims and objectives of the Council, dealing with new legislation, understanding current legislation and developing their personal skills. They also receive training from the Monitoring Officer on the Council's Member Code of Conduct, which is reported to the Standards Committee.

F. Managing risks and performance through robust internal controls and strong public financial management

The system of internal control is based upon an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised, the impact should they be realised and to manage them efficiently, effectively and economically.

The Council has an agreed and published Risk Management Strategy, which includes the Council's risk appetite statement and reflects the roles and responsibilities of Members and all levels of staff in the risk management process. Internal and external audit work will consider and report upon risk management in the area under review. The Council has a Governance & Risk Group of Officers, who regularly consider current issues and the sources of assurance to support the Annual Governance Statement.

The Council's Strategic Risk Register (SRR) is periodically reviewed by the Governance & Risk Group and CMT. The Council recognises that it faces significant financial challenges in the coming years, together with the uncertainty surrounding major reforms proposed / being progressed by central government. Reports are presented to the Audit & Governance Committee, which is also involved in revising the current SRR document and which is published on the Council's website. In addition, all Service areas are required to prepare and maintain Operational Risk Registers, which are reviewed by the Governance & Risk Group.

Proposals for all major IT and business transformation projects incorporate a full risk assessment in the report to the Arun Improvement Programme Board and consideration of risk is also included in the Project Initiation Documents (PIDs) for the projects they approve. The Council has undertaken a substantial amount of work to review its data security policies, processes and staff training in order to meet the requirements of the General Data Protection Regulation (GDPR) / Data Protection Act 2018 and to minimise the risk / impact of cyber-attacks affecting the Council's IT network and systems. In 2018, the Council took part in the Local Government Association's (LGA) 'cybersecurity stocktake' exercise and, as a result, has received consultant assistance in assessing and documenting its cybersecurity risks and in identifying measures to improve its security, resulting in an improved assessment rating.

The Council's policy for managing financial risk is considered on a regular basis. Financial Regulations (including procurement policies), contained in the Constitution, are reviewed by the Section 151 Officer and changes adopted by Full Council.

The Audit & Governance Committee receives regular reports on the Council's Treasury Management function and the Council complies with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities (both of which were revised in 2018).

As reported in previous years, the Council is progressing a council house building and development programme to provide additional rented residential accommodation (with the first properties completed in 2017). Although the HRA is ring-fenced (and separate from the Council's General Fund), its future financing has been significantly, adversely impacted by the government's 2015 Budget change to reduce social rents by 1% for each year until 2019/20 and also by the ongoing uncertainty regarding the financial impact of various requirements / proposals from the Housing & Planning Act 2016 and the "Fixing our broken housing market" White Paper in 2017. A Housing Revenue Account (HRA) Business Plan has been agreed for the period 2017-2027 and is reviewed annually, which includes:-

- the planned acquisition of 275 homes over the 10-year period, in order to replace the properties it is expected will be lost through Right To Buy regulations and to provide a net gain in the affordable housing stock over the period (this will be reviewed in line with the Business Plan)
- investment in the Council's sheltered home schemes over the period to ensure they remain fit for purpose.

The Council fully meets the legal requirements for insurance and claims are managed in accordance with the Ministry of Justice protocols. All of the claims are monitored by the Insurance Officer and the results are reviewed.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2016).

G. Implementing good practices in transparency, reporting and audit to deliver effective accountability

The work of the executive body and decisions made are currently monitored by the Council's scrutiny function. This is fulfilled by the Overview Select Committee. In certain circumstances detailed in the Constitution, a Cabinet decision may be subject to 'call-in' for specific scrutiny which is carried out by the members of the Overview Select Committee.

There are also two Member Working Groups, which provide additional challenge and scrutiny to the executive:-

- Housing & Customer Service
- Environment & Leisure.

The work of these groups may be commissioned by, and report to, Full Council, the Cabinet or an Individual Cabinet Member (ICM), as well as the Overview Select Committee.

The Audit & Governance Committee is embedded as part of the Council's overall governance framework. Its terms of reference incorporate the core functions, as identified in the appropriate CIPFA guidance. The Committee is responsible for issues relating to the Council's system of internal control, risk management, financial reporting and counter-fraud, as well as overseeing the arrangements for, and providing a forum for reporting and discussion of issues raised by, both internal and external audit.

The Council has a well-established Internal Audit section, which undertakes regular reviews as part of an agreed programme of audits, to provide assurance on the adequacy and effectiveness of the systems of internal control operating within the Council (including compliance with policies, procedures, legal rules and regulations). The Annual Audit Plan is prepared, and audit work performed, on a risk-based approach and this is approved by the Audit & Governance Committee. Action Plans are raised in each audit, which detail the recommendations which have been agreed with management. Findings and follow-up reports are periodically presented to the Audit & Governance Committee. The Council's internal audit arrangements have regard to the requirements of the CIPFA Statement on the Role of the Head of Internal Audit in Public Sector Organisations (2019).

Internal Audit also carries out key financial audits of the Council's major systems as part of the International Standards on Auditing, in conjunction with the external auditors. The Audit & Governance Committee receive all of the external assurance reports and provide Minutes / reports to Full Council.

The Council chose to opt-in to the sector led body approach for external auditor appointments (with a procurement exercise undertaken by the Government-appointed body Public Sector Audit Appointments Ltd.). As a result of this, the Council's current external auditors (Ernst & Young LLP) have been appointed to perform the audit of the Council's accounts for a 5-year period (covering the accounts from 2018/19 to 2022/23).

The Council operates a Publication Scheme, as required by the Freedom of Information Act 2000, and also publishes information to meet current local government data transparency requirements. Planning matters are also covered in the published annual Authority Monitoring Report, as required by the Localism Act 2011.

Details of payments made under the Members' Allowances Scheme are published on the Council's website. The current scheme (based upon the recommendations of the Independent Remuneration Panel's 8th review) was adopted by Full Council in July 2019. A further review of the scheme will be progressed in 2020 to support the decision of the Council to move to a committees structure from May 2021.

In June 2018, the Planning Advisory Service undertook a peer review of the Council's planning service and action plan progressed. The Planning section continues to struggle to secure sufficiently experienced planning officers and Members have agreed that a comprehensive external review of the Planning Service should be conducted to ensure that it is fit for the future to meet both statutory requirements and to support strategic priorities and objectives. An independent planning consultant has been appointed to complete the review in 2020.

Review Of Effectiveness

The Council annually reviews the effectiveness of its governance framework, including the system of internal control. The review is informed by the work of the managers who have responsibility for the development and maintenance of the governance process, the Internal Audit Manager's annual report and also by comments made by the external auditor and other appropriate review agencies / inspectorates.

Information to provide assurance to support the content of the Annual Governance Statement is available across the Council in various sources. In preparing the AGS for the Governance & Risk Group, consideration has included:-

- CIPFA guidelines in respect of the production of an Annual Governance Statement (the best practice suggestions identified by CIPFA in their review of the framework included the suggestion that a diagrammatic representation of the systems, processes and documents that contribute to the Council's governance be drawn together on a single sheet. Based on the example provided, this has been prepared and is attached as Appendix 2 at the end of this document)
- CIPFA's 2016 guidelines in respect of the new CIPFA/SOLACE Delivering Good Governance in Local Government: Framework
- review / update of the Council's local Code of Corporate Governance for 2020/21
- an annual assessment of compliance with the local Code (and effectiveness of governance arrangements) performed by Internal Audit
- annual assurance statements from Corporate Management Team members, including input from their service Group Heads
- Service area Operational Risk Registers
- the Council's Strategic Risk Register, including updates for significant and emerging risks, common themes, etc. identified in the Service area ORR's
- assessment of other relevant sources of information that provide assurance
- the Internal Audit Annual Report & Opinion 2019/20 (to be presented to the Audit & Governance Committee on 30th July 2020 in conjunction with this document), which contains an assurance statement regarding internal control
- consideration of the Council's IT governance arrangements, to ensure they continue to be adequate to meet the authority's objectives
- the findings and comments of external audit raised in their annual Audit Results Report.

The arrangements required for gathering assurances for the preparation of the Annual Governance Statement provide an opportunity for the Council to consider the robustness of the governance arrangements in place, affecting all areas of the organisation, and helps to identify those areas where improvement is required.

The Annual Governance Statement has been reviewed by the Governance and Risk Group and the Audit & Governance Committee. The process of preparing the Annual Governance Statement has in itself added value to the corporate governance and internal control framework of the Council.

Governance Issues

While the governance arrangements in place continue to be regarded as fit for purpose in accordance with the current framework, a small number of specific risks have been identified which have been discussed with appropriate management and actions to mitigate them agreed.

The annual compliance review identified a number of issues requiring actions for improvement (some of which had not yet been completed from previous years) and these are identified in the action plan shown on the following pages. These will be considered and monitored by the Governance & Risk Group, with action plans, timescales and a responsible Officer agreed. Progress to address these issues will also be reported to the Audit & Governance Committee.

Governance Risks Identified:-

<u>Issue</u>	<u>Mitigating Action(s)</u>	<u>Responsible Officer</u>	<u>Target Date</u>
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Issues identified in from the review of compliance with the local Code of Corporate Governance:-

<p>The Council has taken the decision to move to a 'committees' structure from May 2021. This will involve agreement as to the governance structure and processes to be implemented and significant revision to the Council's Constitution and decision making processes.</p>	<p>The future governance arrangements for the Council will be considered in line with their decision. Structure and associated changes to the Constitution will be progressed in liaison with Members for agreement by Full Council prior to implementation.</p>	<p>Group Head of Council Advice & Monitoring Officer</p>	<p>May 2021</p>
<p>As at March 2020 the nation became affected by the global coronavirus crisis.</p> <p>This has a significant impact on the finances and the ability of the Council and its key delivery partners to maintain key services with considerable uncertainty as to when a more business-as-usual status can be achieved.</p> <p>Local residents and businesses face significant hardships for an extended period, with the capacity of the health service, support organisations and national infrastructure being stretched.</p>	<p>Where possible, key Council services continue to be provided (either directly or remotely) in line with its contingency arrangements.</p> <p>The Council monitors central Government support initiatives guidance and engages with its key partners to best provide essential services.</p> <p>Council business continuity arrangements have been mobilised for the maximum number of staff to work remotely in accordance with national guidance.</p> <p>There is currently massive uncertainty as to how long the country will be faced with all these issues and the Council is facing huge cashflow issues.</p>	<p>Corporate Management Team / Emergency Management Team</p>	<p>Ongoing</p>

Issues identified in past Annual Governance Statements:-

<p>In August 2018, the Regulator for Social Housing (RSH) determined that the Council had breached the Home Standard, specifically in relation to the failure to meet statutory Health & Safety requirements in respect of fire and water hygiene in relation to the Council's duties as a landlord to tenants and housing schemes. The Regulatory Notice was published by the RSH and advised by the Council to tenants and Members.</p>	<p>The Council's senior management and Housing Department agreed an action plan with the Regulator which has been monitored on a monthly basis. This covers a range of H&S aspects, with data being collected / analysed and contractors being engaged to ensure that risks are assessed and appropriate action is taken to address any deficiencies identified. The Council continues to work with the Regulator through regular monthly updates, periodic telephone conversations and is working to agree a voluntary undertaking with them.</p>	<p>Director of Services</p>	<p>August 2021</p>
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Governance Risks Identified:-

<u>Issue</u>	<u>Mitigating Action(s)</u>	<u>Responsible Officer</u>	<u>Target Date</u>
	An update on progress was provided to the H&CSWG in July 2020.		
The Council's Equality & Diversity Policy still requires review and update	Mandatory E&D training was provided to all staff in early 2020. The Policy will be reviewed and an updated version presented for adoption by Members later in 2020.	Group Head of Policy	Oct 2020
Partnership working and other innovative practices have been advised as increasingly important for the future, particularly as central government funding is likely to further decrease. Although the Council's major partnerships are known and progressed, there is no formal register of partnerships that enables the wider identification of outcomes, value for money or contribution to Council objectives, to ensure that such arrangements are of benefit.	<p>An internal audit of partnerships, against best practice guidance (e.g. from CIPFA), was completed and reported to the Corporate Management Team and Audit & Governance Committee in 2015.</p> <p>A plan of action was agreed at this time, but progress was delayed by Council restructures and other work priorities.</p> <p>The priority of the Group Head of Policy is the conduct of the various elections required each year. Around this, work is under way to agree a register of 'partnerships' with the various service areas, so that key governance arrangements may then be considered. This work will continue in 2020 and the Audit & Governance Committee received an update on progress and the future workplan at its February 2020 meeting.</p>	Group Head of Policy	Nov 2020
The Council undertook a management and operational restructure in 2016-18 and the Council's operational risk registers (ORR) require review and update. The review will need to ensure that the ORRs are both up-to-date and also cover the whole of the revised structure of the Council.	The format for operational risk registers for use going forwards needs to be agreed to allow them to be reviewed and updated (an external software product is not now to be used). Direction will also be required from corporate management as to how the ORRs should be structured and maintained in order to cover the whole of the Council's revised structure.	Insurance & Risk Officer / Governance & Risk Group	Aug 2020
Further to comments raised in 2010/11, the Council's draft Disaster Recovery Plan (for the provision of IT services) requires completion and a regular programme of testing	As has been advised previously, the Council's IT recovery arrangements have been subject to considerable change in recent years, including the implementation of the Storage	Emergency Management Team / Group Head of Neighbourhood Services / ICT &	Ongoing

Governance Risks Identified:-

<u>Issue</u>	<u>Mitigating Action(s)</u>	<u>Responsible Officer</u>	<u>Target Date</u>
<p>established, to ensure key systems and data can be recovered or restored in an efficient manner.</p> <p>In recent years, Zurich Risk Engineering (ZRE) the risk consultancy arm of the Council's (former) insurers has been assisting the Council in a review of its Corporate Business Continuity Plan (BCP) and the IT Disaster Recovery Plan was to be linked to this exercise.</p>	<p>Area Network (SAN) at the Civic Centre and a back-up SAN at the WSCC site in Chichester, to which regular automated off-site back-ups are being transmitted.</p> <p>The ICT & Service Improvement Manager considered resilience in the ICT Service Strategy 2019-2023 adopted by Members and further consideration of backups and documentation will progress in 2020</p> <p>The ZRE-assisted work on a draft Corporate BCP and desktop testing of the Council's business continuity plans and preparedness continued in 2019/20. Service BCP's continue to be under review and the final version of the Corporate BCP will be progressed.</p> <p>However, this has now been superseded by the need for the Council to work in line with national guidelines in response to the coronavirus crisis. Since mid-March 2020, service business continuity plans have been the put into operation with the vast majority of Council staff now working from home. This challenged the capacity of the Council's infrastructure to support this and ICT were required to investigate issues and provide changes to the equipment required, infrastructure and processes as a priority.</p> <p>The situation continues to be monitored by the Council's Emergency Management Team.</p>	<p>Service Improvement Manager</p>	

Issues identified in the 2018/19 Annual Governance Statement that have now been resolved:-

<p>The Council's published Customer Access Strategy covered the period 2013-2017 and was developed before the Council's 2020 Vision initiative and restructure</p>	<p>A draft Customer Access Strategy 2020-2025 was agreed by the Housing & Customer Services Working Group in 2019 and 2 workshops held to progress this. A final workshop is due to be held and it is intended that the final strategy will then be presented to</p>	<p>Group Head of Neighbourhood Services</p>	<p>Sept 2020</p>
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Governance Risks Identified:-

<u>Issue</u>	<u>Mitigating Action(s)</u>	<u>Responsible Officer</u>	<u>Target Date</u>
	Members for adoption later in 2020.		
A number of the Council's other strategies / policies either require review and update or to be developed and progressed	<p>The Council progressed and agreed a number of key strategy documents in 2019/20. These included:-</p> <ul style="list-style-type: none"> - Arun Economic Development Strategy 2020-2025 - Digital Strategy 2019-2025. 	CMT / Group Heads	Complete

Certification

It is our opinion that Corporate Governance, along with supporting controls and procedures, remained strong for the Council through the majority of 2019/20. Where governance risks have been identified, mitigating actions have been advised by appropriate Officers (as documented above).

However, as at March 2020 the global coronavirus pandemic means that the nation faces an unprecedented situation, with no clear exit date. Through this period, the Council will strive to provide its key services to the District, while maintaining appropriate governance arrangements and control, and having regard to the safety and wellbeing of its staff and partners, residents and businesses.

Signed:-

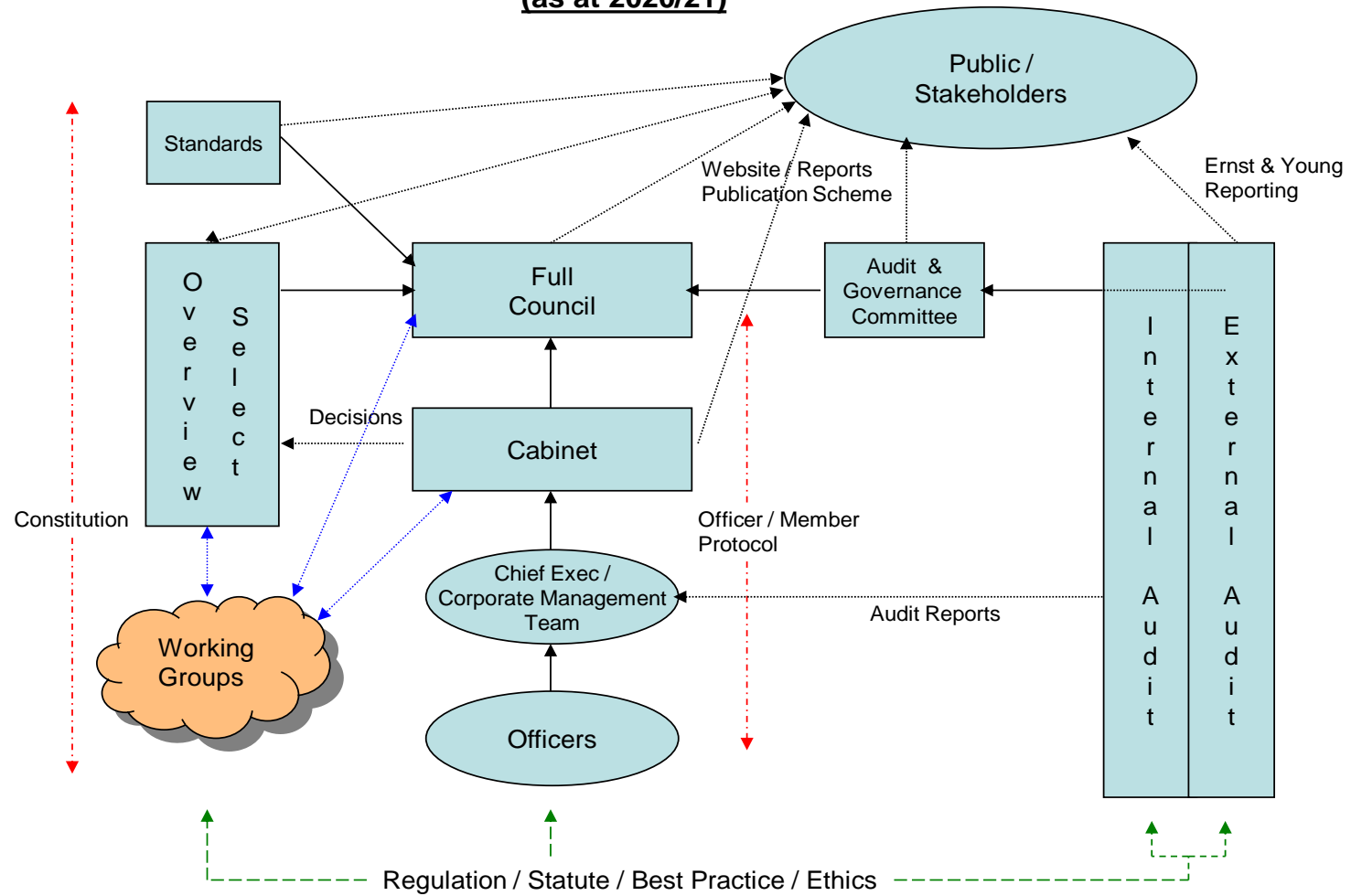
Councillor Dr James Walsh
Leader of Council

Nigel Lynn
Chief Executive

on behalf of the Members and Senior Officers of the Council

Dated:-

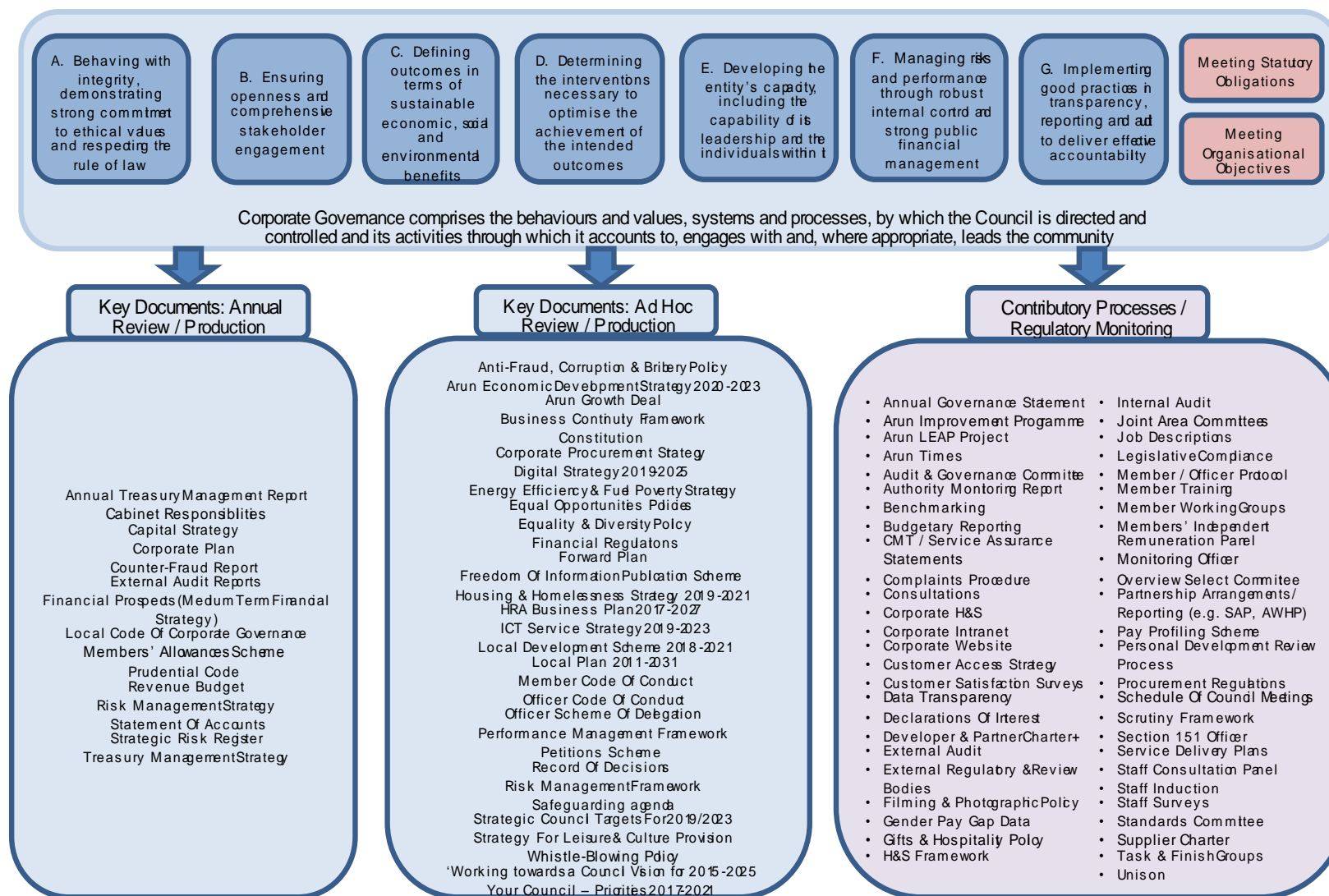
Arun District Council – Governance Structure
(as at 2020/21)





Corporate Governance Framework

Principles, Statutory Obligations and Organisational Objectives



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ARUN DISTRICT COUNCIL

REPORT TO AUDIT AND GOVERNANCE COMMITTEE ON 19 November 2020

PART A: REPORT

SUBJECT: Treasury Management - Mid-year review report 2020/21

REPORT AUTHOR: Sian Southerton – Senior Accountant (Treasury)

DATE: November 2020

EXTN: 37861

PORTFOLIO AREA: Corporate Support

EXECUTIVE SUMMARY:

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management and covers the activities to 30th September 2020. It enables the Audit and Governance Committee to scrutinise the report prior to making comment to Full Council.

RECOMMENDATIONS:

Audit and Governance Committee is requested to recommend Full Council to:

- (i) approve the actual prudential and treasury indicators for 2020/21 contained in the report;
- (ii) note the treasury management mid-year review (this report) for 2020/21;
- (iii) note the treasury mid-year activity for the period ended 30th September 2020, which has generated interest receipts of £331,000 (0.92%) year to date, against a budget of £550,000 (1.26%) for the full year.

1. BACKGROUND:

1.1 Capital Strategy

In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. As from 2020/21, all local authorities have been required to prepare a Capital Strategy which is to provide the following: -

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

1.2 Treasury Management

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Accordingly, treasury management is defined as:

"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2. INTRODUCTION

This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017) and covers the first 6 months of the year to 30th September 2020.

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the Full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report (this report) and an Annual Report, covering activities during the previous year.

4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Audit and Governance Committee.

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first half of the 2020/21 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- A review of the Council's investment portfolio for 2020/21;
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of compliance with Treasury and Prudential Limits for 2020/21;
- A review of the Council's borrowing strategy for 2020/21.

3. ECONOMICS AND INTEREST RATES

3.1 Economics update

- As expected, the Bank of England's Monetary Policy Committee kept Bank Rate unchanged at 0.10% in August and September. It also kept unchanged the level of quantitative easing at £745bn. Its forecasts were optimistic in terms of three areas:
 - The fall in **GDP** in the first half of 2020 was revised from 28% to 23%. This is still one of the largest falls in output of any developed nation. However, it is only to be expected as the UK economy is heavily skewed towards consumer-facing services – an area which was particularly vulnerable to being damaged by lockdown.
 - The peak in the **unemployment rate** was revised down from 9% in Q2 to 7½% by Q4 2020.
 - It forecast that there would be excess demand in the economy by Q3 2022 causing **CPI inflation** to rise above the 2% target in Q3 2022, (based on market interest rate expectations for a further loosening in policy). Nevertheless, even if the Bank were to leave policy unchanged, inflation was still projected to be above 2% in 2023.
- It also squashed any idea of using **negative interest rates**, at least in the next six months or so while the Bank carries out research work with high street banks on the potential impact on them of negative rates. It suggested that while negative rates can work in some

circumstances, it would be “less effective as a tool to stimulate the economy” at this time when banks are worried about future loan losses. It also has “other instruments available”, including QE and the use of forward guidance.

- The MPC still expects the £300bn of **quantitative easing** purchases announced between its March and June meetings to continue until the “turn of the year”. This implies that the pace of purchases will slow further to about £4bn a week, down from £14bn a week at the height of the crisis and £7bn more recently.
- In conclusion, this would indicate that the Bank can now just *sit on its hands* as the economy is recovering better than expected. However, the MPC acknowledged that the “medium-term projections were a less informative guide than usual” and the minutes had multiple references to **downside risks**, which were judged to persist both in the short and medium term. One has only to look at the way in which second waves of the virus are now impacting many countries including Britain, to see the dangers. However, rather than a national lockdown, as in March, any spikes in virus infections are now likely to be dealt with by localised measures and this should limit the amount of economic damage caused. In addition, Brexit uncertainties ahead of the year-end deadline are likely to be a drag on recovery. The wind down in the furlough scheme through to the end of October is another development that could cause the Bank to review the need for more support for the economy later in the year. Admittedly, the Chancellor announced in late September a second six month package from 1 November of government support for jobs whereby it will pay up to 22% of the costs of retaining an employee working a minimum of one third of their normal hours. There was further help for the self-employed, freelancers and the hospitality industry. However, this is a much less generous scheme than the furlough package and will inevitably mean there will be further job losses from the 11% of the workforce still on furlough in mid September.
- During September and October, the Government has worked with regional authorities to combat sharp increases in COVID cases. This has resulted in localised lockdowns and a further Government furlough scheme to pay 66% of the pay of employees placed on furlough. Local restrictions now cover 50% of the population of England as at late October and Wales has decided to do a two week national lockdown running until 9th November. With a vaccine unlikely to be available until possibly Easter next year, it is likely that local restrictions will be needed until then.
- Overall, **the pace of recovery** is not expected to be in the form of a rapid V shape from here on, but a more elongated and prolonged one. The initial recovery was sharp but after a disappointing increase in GDP of only 2.1% in August, this left the economy still 9.2% smaller than in February; this suggested that the economic recovery was running out of steam after recovering 64% of its total fall during the crisis. The last three months of 2020 are now likely to show no growth due to the impact of widespread local lockdowns, consumers probably remaining cautious in spending, and uncertainty over the outcome of the UK/EU trade negotiations concluding at the end of the year also being a headwind. Unemployment is also now expected to increase from 4.5% in August to a peak of 8%

around the middle of 2021. Due to the number of adverse factors that have built up during the autumn, there is wide expectation that the Bank of England will resort to expanding quantitative easing by a further £100bn at the November meeting of the MPC, with possibly a further tranche of maybe £150bn in 2021 to sustain momentum in the economy. Even so, it is now expected that it will take until the end of 2022 for the economy to fully recover to the February level of GDP.

3.2 Interest rate forecasts

The Council's treasury advisor, Link Group, has provided the following forecasts (PWLB rates are certainty rates):

Link Group Interest Rate View 11.8.20											
	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 Month average earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	-	-	-	-
6 Month LIBID	0.10	0.10	0.10	0.10	0.10	0.10	0.10	-	-	-	-
12 Month LIBID	0.20	0.20	0.20	0.20	0.20	0.20	0.20	-	-	-	-
5yr PWLB Rate	1.90	1.90	2.00	2.00	2.00	2.00	2.00	2.10	2.10	2.10	2.10
10yr PWLB Rate	2.10	2.10	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30
25yr PWLB Rate	2.50	2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70	2.70	2.70
50yr PWLB Rate	2.30	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.50	2.50

Additional notes by Link on this forecast table: -

- Please note that we have made a slight change to our interest rate forecasts table above. Traditionally, we have used 3m LIBID forecasts, with the rate calculated using market convention of 1/8th (0.125%) taken off the LIBOR figure. Given that 3m LIBOR is currently running below 10bps, that would give a figure of around 0% to somewhere modestly into negative territory. However, the liquidity premium that is still in evidence at the short end of the curve means that 3m rates actually being achieved by local authority investors are still modestly in positive territory. While there are differences between counterparty offer rates, our analysis would suggest that an average rate of around 10bps should be achievable.
- The coronavirus outbreak has done huge economic damage to the UK and around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its last meeting in September, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected within the forecast horizon ending on 31st March 2023 as economic recovery is expected to be only gradual and, therefore, prolonged.

GILT YIELDS / PWLB RATES. There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was heightened expectations that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued.

Combined, these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers.

This means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. The consequence of this has been the gradual lowering of the overall level of interest rates and bond yields in financial markets over the last 30 years. Over the year prior to the coronavirus crisis, this has seen many bond yields up to 10 years turn negative in the Eurozone. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities.

Gilt yields had therefore already been on a falling trend during the year up until the coronavirus crisis hit western economies. Since then, we have seen these yields fall sharply to unprecedented lows as investors panicked during March in selling shares in anticipation of impending recessions in western economies and moved cash into safe haven assets i.e. government bonds. However, major western central banks started massive quantitative easing purchases of government bonds and this has acted to maintain downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance, in “normal” times would have caused bond yields to rise sharply. At the close of the day on 28th August, all gilt yields from 1 to 4 years were in negative territory, while even 25-year yields were at only 0.97% and 50 year at 0.82%. Meanwhile, equity markets have enjoyed a rebound since the lows of March as confidence has started to return among investors that the worst is over and recovery is now on the way.

From the local authority borrowing perspective, HM Treasury imposed **two changes of margins over gilt yields for PWLB rates** in 2019-20 without any prior warning.

- The first took place on 9th October 2019, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then at least partially reversed for some forms of borrowing on 11th March 2020, but not for mainstream General Fund capital schemes, at the same time as the Government announced in the Budget a programme of increased infrastructure expenditure.

- It also announced that there would be a consultation with local authorities on possibly further amending these margins; this was to end on 4th June, but that date was subsequently put back to 31st July. It is clear that the Treasury will no longer allow local authorities to borrow money from the PWLB to purchase commercial property if the aim is solely to generate an income stream (assets for yield).

It is possible that the non-HRA Certainty Rate will be subject to revision downwards after the conclusion of the PWLB consultation; however, the timing of such a change is currently an unknown, although it would be likely to be within the current financial year. As the interest forecast table for PWLB certainty rates, (gilts plus 180bps), above shows, there is likely to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. Inflation is also likely to be very low during this period and could even turn negative in some major western economies during 2020/21.

4. TREASURY MANAGEMENT STRATEGY AND ANNUAL INVESTMENT STRATEGY UPDATE

The Treasury Management Strategy Statement (TMSS) for 2020/21, which includes the Annual Investment Strategy, was approved by Full Council on 22nd July 2020 (delayed because of Covid 19 from the meeting due on 18th March 2020 that was cancelled).

It sets out the Council's investment priorities as being:

- Security of Capital;
- Liquidity; and
- Yield

The Council will aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. As shown by forecasts in section 3.2, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are at an all-time low and in line with the current 0.10% Bank Rate that is expected to be here for many years to come (reduced on 19th March 2020).

Currently £5M is invested in the CCLA property fund achieving a return of approx. 4.37% year to date and £1m has recently been invested in the CCLA diversified fund with an expected return of approx. 3.46% (as at September 2020).

A full list of investments held as at 30th September, 2020 and the authorised counterparties are shown in Appendix 2 and 3 respectively.

There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

The average level of funds available for investment purposes during the first 6 months of 2020/21 was £72m. A proportion of these funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments (WSCC and Sussex Police, approximately £10M per month for 12 months), receipt of grants and progress on the Capital Programme. The authority holds approximately £45M core cash balances for investment purposes (i.e. funds available for more than one year).

The Chief Financial Officer confirms that the approved limits within the Annual Investment Strategy were not breached during the first 6 months of 2020/21.

Investment performance for period ended 30.09.2020

Benchmark	Benchmark Return	Budgeted Return	Council Performance	Investment Interest Earned
7 day	-0.052%	1.26%	0.92%	£331,000

The Council's budgeted investment return for 2020/21 is £550,000 (1.26%). The estimated outturn for 2020/2021 is £570,000 (0.89%) which is just above budget. Covid 19 has impacted these returns based on;

- the bank of England base rate dropping from 0.75% to 0.25% in March and just over a week later, 0.10% and therefore achieving lower rates than were budgeted.
- higher than anticipated balances available to invest (approx. £44m budgeted to £72m average balances year to date) has meant that the budget should be achievable.

The £5m invested in the CCLA (Churches, Charities and Local Authorities) property fund continues to enhance the returns and although the rates have gone down over the last 6 months they are still around 4.37%.

The introduction of the Diversified fund, investing £1m with CCLA will also aid in the enhancement of returns.

During 2020/21, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Actual prudential and treasury indicators	31 March 2020 Actual £000	2020/21 Original £000	2020/21 Current £000	30 Sept 2020 Actual £000
Capital Expenditure				
• Non – HRA	2,676	4,228	10,007	1,466
• HRA	5,045	13,336	23,881	2,620
• TOTAL	7,721	17,564	33,888	4,086
Total Debt	44,320	44,320	44,320	44,320
Capital Financing Requirement at 31 st March:				
• Non-HRA	-4,009	-4,223	n/a	n/a
• HRA	52,365	51,674	n/a	n/a
• Total	48,356	47,451	n/a	n/a
Over / (under) borrowing	(4,036)	(3,131)	n/a	n/a

The HRA capital financing requirement will reduce by the amount set aside for debt repayment. This reduction will be offset by any increase due to new borrowing (or use of cash flow funds) in respect of the new build programme.

Other prudential and treasury indicators are to be found in appendix 1.

5. **COMPLIANCE WITH TREASURY AND PRUDENTIAL LIMITS**

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved TMSS.

The authorised limit - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. The authorised limit was not breached in the first half of the year (2020/21).

The operational boundary – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached. The operational boundary was not breached.

During the financial year to date the Council has operated within the treasury and Prudential Indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices. The Prudential and Treasury Indicators are shown in appendix 1.

6. **BORROWING**

No new borrowing was undertaken during the first half of the year. All prior borrowing was for the sole purpose of funding the HRA self-financing settlement payment and all loans are fixed maturity loans. The 5 remaining loans are shown in Appendix 4.

The Council's capital financing requirement (CFR) at 31 March 2020 was £48.4m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions.

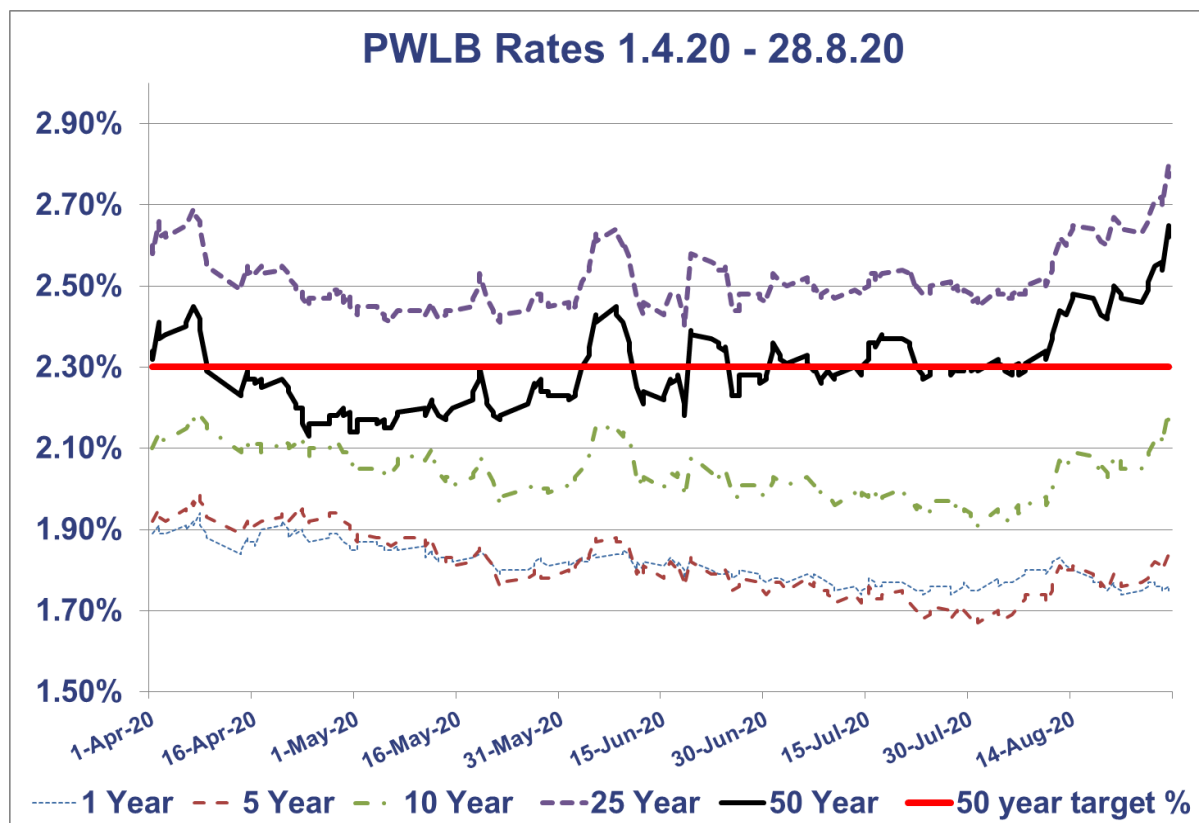
The Council has borrowings of £44.32m (PWLB) which relates to the HRA Self-Financing settlement (originally £70.9m) and has utilised £7.475m of cash flow funds instead of borrowing externally (as at 31 March 20). This is a prudent and cost effective approach in the current economic climate but will require ongoing monitoring.

Prior to this borrowing being undertaken Arun had a negative CFR of £2.6m which has arisen over a number of years and was due more to changes in the capital accounting regulations rather than to any specific policy decision. As a result of this Arun's gross debt exceeds its CFR and is likely to continue to do so in the short term.

The borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.

The graph and table below show the movement in PWLB certainty rates since the start of the current financial year. PWLB rates have varied within a relatively narrow range between April and July but the longer end of the curve has risen during August. The increase came in two periods. First, on the back of hopes for fresh US stimulus, in the second week of the month. This saw investors switch monies out of government bonds and into equities, The second shift higher at the longer end of the curve came in the latter stages of the month as investors reacted to the tweak to the Fed's inflation focus. Despite moves further out in the curve, the short end of the curve remained anchored on the basis of no fundamental change to the interest rate outlook.

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.74%	1.67%	1.91%	2.40%	2.13%
Date	14/07/2020	30/07/2020	31/07/2020	18/06/2020	24/04/2020
High	1.94%	1.99%	2.19%	2.80%	2.65%
Date	08/04/2020	08/04/2020	08/04/2020	28/08/2020	28/08/2020
Average	1.81%	1.81%	2.04%	2.52%	2.30%



Contact: Sian Southerton ext 37861
sian.southerton@arun.gov.uk @arun.gov.uk

2. PROPOSAL(S):		
To approve all 3 recommendations.		
3. OPTIONS:		
The Treasury Management Strategy is legislative and under the Local Government act 2003 and therefore the only option is follow the proposal.		
4. CONSULTATION:		
Has consultation been undertaken with:	YES	NO
Relevant Town/Parish Council		√
Relevant District Ward Councillors		√
Other groups/persons (please specify)	√ Treasury Advisors	
5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)	YES	NO
Financial	√	
Legal		√
Human Rights/Equality Impact Assessment		√
Community Safety including Section 17 of Crime & Disorder Act		√
Sustainability		√
Asset Management/Property/Land		√
Technology		√
Other (please explain)		
6. IMPLICATIONS:		
Approval will enable the Council to comply with legislation and provide a Treasury Service		

7. REASON FOR THE DECISION:
Statutory and the limits set, safeguard the Council against financial losses.

8. BACKGROUND PAPERS:
CIPFA'S Treasury Management in the Public Services: Code of Practice (2017) (Link not available as copyright)
The Prudential Code for Capital Finance in Local Authorities (2017) Guidance notes (2018) (Link not available as copyright)
The Local Government Act 2003 (www.legislation.gov.uk/ukpga/2003/26/content)

Prudential and treasury indicators

Appendix 1

1. PRUDENTIAL INDICATORS	2019/20	2020/21	2020/21
Extract from budget and rent setting report	Actual	Original	Actual at 30th Sept
	£'000	£'000	£'000
Capital Expenditure			
Non – HRA	2,676	4,228	1,466
HRA	5,045	13,336	2,620
TOTAL	7,721	17,564	4,086
Ratio of financing costs to net revenue stream			
Non - HRA	-3.08%	-2.17%	n/a
HRA	32.87%	32.84%	n/a
Capital Financing Requirement as at 31 March			
Non – HRA	-4,009	-4,223	n/a
HRA	52,365	51,674	n/a
TOTAL	48,356	47,451	n/a
Annual change in Cap. Financing Requirement			
Non – HRA	-2,133	-214	n/a
HRA	-1,229	-807	n/a
TOTAL	-3,362	-1,021	n/a

2. TREASURY MANAGEMENT INDICATORS	2019/20	2020/21	2020/21
	Actual	Original	Actual at 30 th September 20
	£'000	£'000	£'000
Authorised Limit for external debt			
Borrowing	61,000	60,000	61,000
Other long term liabilities	0	1,000	0
TOTAL	61,000	61,000	61,000
Operational Boundary for external debt			
Borrowing	58,000	57,000	58,000
other long term liabilities	0	1,000	0
TOTAL	58,000	58,000	58,000
Actual external debt	44,320	*44,320	44,320
Upper limit for total principal sums invested for over 364 days	18,000	18,000	18,000

Maturity structure of fixed rate borrowing - upper & Lower limits	Actual at 30/09/20	lower limit	upper limit
under 12 months	0%	0%	40%
12 months and within 24 months	20%	0%	40%
24 months and within 5 years	0%	0%	50%
5 years and within 10 years	20%	0%	60%
10 years and above	60%	0%	100%

*2020/21 potentially up to £9m of borrowing, therefore Authorised limit and Operational boundary increased by the £9m to allow for this.

INVESTMENTS at 30th September 2020

Appendix 2

Type of Investment/Deposit	Reference no.	Counterparty	Issue Date	Maturity Date	Nominal	Current Interest Rate
Fixed Term Deposit	754	Close Brothers	27/04/2020	27/10/2020	£2,000,000.00	1.2000
Fixed Term Deposit	756	Close Brothers	04/05/2020	04/11/2020	£2,000,000.00	1.1500
Fixed Term Deposit	738	Goldman	07/11/2019	05/11/2020	£2,000,000.00	1.0150
Fixed Term Deposit	746	Goldman Sachs	07/02/2020	09/11/2020	£1,000,000.00	0.9000
Fixed Term Deposit	739	Qatar National Bank	19/11/2019	17/11/2020	£2,000,000.00	1.2800
Fixed Term Deposit	759	Fife Council	09/06/2020	09/12/2020	£2,000,000.00	0.8000
Fixed Term Deposit	736	Liverpool CC	20/12/2019	18/12/2020	£2,000,000.00	1.0000
Fixed Term Deposit	741	Close Brothers	20/12/2019	18/12/2020	£1,000,000.00	1.2000
Fixed Term Deposit	745	Lloyds	24/01/2020	25/01/2021	£2,000,000.00	1.1000
Fixed Term Deposit	765	Qatar National Bank	02/06/2020	06/02/2021	£1,000,000.00	0.8400
Fixed Term Deposit	761	Goldman Sachs	20/05/2020	22/02/2021	£2,000,000.00	0.6250
Fixed Term Deposit	762	Goldman Sachs	26/05/2020	26/02/2021	£3,000,000.00	0.5600
Fixed Term Deposit	763	Goldman Sachs	28/05/2020	26/02/2021	£2,000,000.00	0.5700
Fixed Term Deposit	760	Qatar National Bank	18/05/2020	31/03/2021	£1,000,000.00	0.9700
Fixed Term Deposit	730	Lloyds	16/08/2019	06/04/2021	£1,000,000.00	1.1200
Fixed Term Deposit	770	Qatar National Bank	01/09/2020	06/04/2021	£2,000,000.00	0.3600
Fixed Term Deposit	755	Qatar National Bank	27/04/2020	26/04/2021	£2,000,000.00	1.1300
Fixed Term Deposit	753	Qatar National Bank	27/04/2020	27/04/2021	£1,000,000.00	1.1800
Fixed Term Deposit	758	Qatar National Bank	04/05/2020	04/05/2021	£1,000,000.00	1.0300
Fixed Term Deposit	766	Barclays Bank	19/06/2020	21/06/2021	£3,000,000.00	0.4000
Fixed Term Deposit	767	Qatar National Bank	04/08/2020	03/08/2021	£1,000,000.00	0.5300
Fixed Term Deposit	768	Close Brothers	11/08/2020	10/08/2021	£1,000,000.00	0.8000
Fixed Term Deposit	769	Close Brothers	04/09/2020	03/09/2021	£1,000,000.00	0.8000
Property Fund	140000	CCLA (Churches, Charities and LA's)			£5,000,000.00	*4.37
Diversified Fund	140500	CCLA (Churches, Charities and LA's)			£1,000,000.00	*3.46
Money Market Fund	110000	Federated			£4,000,000.00	0.06
Money Market Fund	100500	CCLA (Churches, Charities and LA's)			£3,990,000.00	0.12
Money Market Fund	1300000	Aberdeen Std			£3,670,000.00	0.08
Money Market Fund	99999	Fidelity			£530,000.00	0.05
Call Account	327	Svenska Handelsbanken			£1,000,000.00	0.10
95 Day Notice Account	444445	Lloyds			£2,000,000.00	0.30
35 Day Notice Account	44444				£11,000,000.00	0.35
					£70,190,000.00	

* Dividend yield rates supplied by CCLA at September 2020

LIST OF AUTHORISED COUNTERPARTIES**Category 1 - Limit of £12 million for each institution - Maximum investment period - 5 Years**

		<u>Long Term</u>	<u>Short Term</u>
Min Criteria	Fitch Moody S&P	AA- Aa3 AA-	F1+ P-1 A-1+
All Local Authorities			
DBS Bank Ltd (SING)			
HSBC Bank plc (UK)			
Oversea-Chinese Banking Corp Ltd (SING)			
Svenska Handelsbanken (SW)			
United Overseas Bank Ltd (SING)			
First Abu Dhabi Bank (U.A.E)			

Category 2 - Limit of £11 million for each institution - Maximum investment period - 3 Years

		<u>Long Term</u>	<u>Short Term</u>
Min Criteria	Fitch Moody S&P	A+ A1 A+	F1 P-2 A-1
Goldman Sachs International Bank (UK)			
Bank of Nova Scotia (CAN)			
Standard Chartered Bank (UK)			
Qatar National Bank (Qatar)			
National Westminster Bank PLC (RFB) (UK)			
Royal Bank of Scotland PLC (RFB) (UK)			

Category 3 - Limit of £8 million for each institution - Maximum investment period - 2 Years

		<u>Long Term</u>	<u>Short Term</u>
Min Criteria	Fitch Moody S&P	A- A3 A-	F1 P-2 A-1
Barclays Bank plc (RFB & NRFB) (UK)			
Nationwide Building Society (UK)			
Santander (UK)			
Close Brothers (UK)			

Category 4 - Limit of £4 million for each institution - Maximum Investment period - 1 year
Building Society with Assets greater than £10 billion

Coventry Building Society (UK)
 Skipton Building Society (UK)
 Yorkshire Building Society (UK)

Category 5 - Council's Bank

NO LIMIT - appropriate category 1 to 3 (Max of £11M term deposit)

Lloyds Bank Plc (RFB)
 Lloyds Bank Corporate Markets Plc (NRFB)
 Bank of Scotland PLC (RFB)

Category 6 - Limit of £11 million for each institution - Maximum investment period - 3 Years
 banks effectively nationalised by UK government

		<u>Long</u> <u>Term</u>	<u>Short</u> <u>Term</u>
Min Criteria	Fitch	BBB-	F3
	Moody	Baa3	P-3
	S&P	BBB-	A-3

National Westminster Bank plc (RFB) (UK)
 Royal Bank of Scotland plc (RFB) (UK)

Category 7 - Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)

- Money Market Funds (MMF's), (CNAV, LVNAV, VNAV) & Enh Fitch NAV
- Government Liquidity Funds

Limit of £4million for each institution

Aberdeen Standard (GBP)	AAA	LVNAV
CCLA Public sector deposit fund (PSDF)	AAA	LVNAV
Deutsche Banking Group	AAA	LVNAV
Federated Investors Ltd	AAA	LVNAV
Fidelity (GBP)	AAA	LVNAV
Northern Trust	AAA	

Category 8 - Alternative Investments (Asset Backed Bonds) - 25 Years

Maximum investment £4 million

Category 9 - Debt Management Office

Debt management Account - NO LIMIT (UK Govt)

Category 10 - Bonds issued by multilateral development banks - 5 Years

Maximum investment £4 million

AAA

Category 11 – Property Funds - 25 Years

Maximum investment £6 million

CCLA

Category 12 - Multi-Asset Funds - 15 Years

Maximum investment £6 million

CCLA - Diversified Income Fund

Arun District Council - Loans at 30th September 2020

Reference	Lender	Start Date	Maturity Date	Principal	Rate
499488	Public Works Loan Board	28/03/2012	28/03/2022	8,860,000	2.40%
499493	Public Works Loan Board	28/03/2012	28/03/2030	8,870,000	3.21%
499494	Public Works Loan Board	28/03/2012	28/03/2035	8,870,000	3.40%
499491	Public Works Loan Board	28/03/2012	28/03/2050	8,860,000	3.53%
499490	Public Works Loan Board	28/03/2012	28/03/2062	8,860,000	3.48%

44,320,000

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ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF AUDIT & GOVERNANCE COMMITTEE

ON 19 NOVEMBER 2020

PART A : REPORT

SUBJECT: Data Protection Breach Overview

REPORT AUTHOR: Nicholas Bennett, Monitoring Officer & Data Protection Officer
--

DATE: 15 October 2020

EXTN: 37601

PORTFOLIO AREA: Chief Executives

EXECUTIVE SUMMARY:

The Council is responsible for protecting personal data that is collected, processed, stored and disposed of, in accordance with the Data Protection Act 2018.

Following a data protection breach that the Council became aware of in July 2020, the Information Commissioners Office (ICO) recommended that the Council minimised the risk of future data protection breaches, by raising awareness of the importance of Members and Officers being familiar with Council policies and completing mandatory training.

The Council is responsible for, and may receive a large financial penalty for, breaches of data protection.

All Members and Officers are individually accountable and may be prosecuted for data breaches.

RECOMMENDATIONS:

To recommend that Full Council note:

- i) the summary of findings from the data protection breach;
- ii) recognise, engage and fully endorse the importance of all Members and Officers completing mandatory training and adhering to policies, in order to minimise the risk of future data protection breaches;
- iii) recognise that Council is responsible and accountable for breaches of data protection, and as such can face large fines, be liable to pay compensation, and suffer adverse reputational damage; and
- iv) Council IT equipment should not be issued until the relevant security policies have been signed. In the case of re-elected Members who already have equipment, their accounts should be disabled until policies are signed.

1. BACKGROUND:

- 1.1 Following an incident after the Development Control Committee meeting had completed on 26 May 2020, the Chief Executive sent a several confidential communications to Members of that Committee and Group Leaders; All Members and

- some Officers. He also wrote a non-confidential blog that is available to all Officers and Members.
- 1.2 The Littlehampton Gazette obtained copies of all of these communications, which revealed confidential personal data regarding disciplinary actions being taken against some Officers.
 - 1.3 This data protection breach was reported to the ICO within 72 hours and investigated. Those Officers who had had information leaked about them were notified immediately. All Members and Officers who had been sent the emails were asked to confirm whether they had disclosed any or part of the information from those emails. All Members and Officers confirmed they had not made any disclosure.
 - 1.4 ICT ran a security validation check on each of these email domains and confirmed that as they were all running government recommended email encryption protocols, they could not have been intercepted during transmission. However, once emails left the Council's email domain and had been received by the recipient, ICT could not track further. There was no evidence from that search that the data was provided to the Press directly from any Council system.
 - 1.5 Those Members and Officers emails were also checked against to ascertain if they had forwarded any of those emails to an external private email address. This showed two Members had forwarded one of those emails to either (a) their own personal email address; or (b) a personal email address of another Member.
 - 1.6 Those Members were contacted by email and asked to provide an explanation, and to refresh themselves on the policies they had breached by emailing private email addresses with personal data. They were also asked to complete the Information Governance & Cyber Security Training online by way of refresher.
 - 1.7 It is acknowledged that any recipient of the emails could have printed these off and posted or passed these to the press.
 - 1.8 Hampshire County Council also considered whether any further steps could be taken in the investigation and recommended that when appropriate, emails are marked 'confidential'.
 - 1.9 The Council's policies were considered robust, provided they are followed, to minimise the risk of data protection breaches.
 - 1.10 It is noted that all Officers must read the Information Security Policy and Internet & Email Acceptable Usage Agreement upon commencement of their employment with the Council; it is their individual responsibility to ensure compliance with this. Similarly, following the election in May 2019, all appointed Members were asked to sign up to the Council's Information Security Policy and Internet & Email Acceptable Usage Agreement when provided with ICT equipment. However, this has proved difficult to obtain Member sign up.
 - 1.11 The ICO considered the breach and decided no further action would be taken on this occasion, concluding there was insufficient evidence to substantiate a criminal offence.
 - 1.12 The ICO provided reasons for their decision as follows:

- This looks to have been an isolated incident affecting a limited number of data subjects and does not appear to indicate a broader data protection compliance issue within your organisation;
- At the present moment your organisation are unaware of the source of the leak and your investigations into this issue are ongoing;
- Your organisation are intending to contact potential sources of the breach as part of your organisation's investigation into this incident;
- You have indicated action you will take in order to prevent a recurrence of this incident, including requesting that members of staff complete data protection training.

1.13 The ICO recommended:

- 1) Ensuring that everyone completes mandatory data protection training. As an organisation, it is our responsibility to ensure that any personal data handled within our organisation is secure and that Members/ Officers are aware of what they can and cannot do with the data they come into contact with;
- 2) Reviewing the preventative measures the Council had in place prior to this incident and establishing why these measures proved ineffective in this instance;
- 3) Continuing to monitor this incident in order to ensure awareness of any potential risks to the rights and freedoms of the data subjects as a result of this incident, and any actual detriment caused.

1.14 Actions taken:

- A check was made that all Officers and Members had completed the mandatory Dojo training on Information Governance & Cyber Security. A number of Members and Officers have yet to complete the training.
- On 10 August 2020, Alan Peach, Group Head of Corporate Support, emailed Councillors who had not yet signed up to the Council's Information Security Policy and Internet & Email Acceptable Usage Agreement, asking them to do so by the end of August. There were some issues reported accessing links which ICT resolved. Reminders were issued in September; by the end of September 2020 all Members had signed up. It has taken a lot of resources to follow up and ensure all Members had signed up, since May 2019 – September 2020.
- Members may wish to consider how promptly sign up should incur to these policies in future, and what should happen if any Member does not sign up, given the significant consequences on the Council of any data protection breach. More stringent monitoring of sign up to policies is required in future.

1.15 As you are aware, the Council is required to have appropriate technical and organisational measures in place to ensure the security of personal data. The Council is responsible for protecting personal data that is collected, processed, stored and disposed of, in accordance with the Data Protection Act 2018. The Council often deals with large amounts of highly sensitive data regarding their constituents, so the scope for damage can be considerable. The Council is responsible for breaches of data protection, which is enforced by the ICO. The ICO can fine an organisation up to 20 million Euros, or 4% of the total annual worldwide turnover in the preceding financial year, whichever is higher. The Council can also suffer huge reputational damage from

<p>breaches of data protection and lose the trust and confidence of its residents. It may have to pay compensation.</p> <p>1.16 There is also individual accountability as you may be held personally accountable for a breach. It is therefore of paramount importance that all Members and Officers ensure they are familiar with, and comply with, the relevant policies.</p> <p>1.17 To minimise the risk of data protection and freedom of information breaches, and the potential consequences to the Council and Officers and Members individually, the Council has in place policies and mandatory training for all. Breaches of data protection should be reported immediately to the Information Management Team, using the online e-form. Nicholas Bennett is acting as Arun's interim Data Protection Officer. For advice and assistance, contact: data.protection@arun.gov.uk</p>																										
<p>2. PROPOSAL(S):</p> <p>To recommend that Full Council note:</p> <ul style="list-style-type: none"> i) the summary of findings from the data protection breach; ii) recognise, engage and fully endorse the importance of all Members and Officers completing mandatory training and adhering to policies, in order to minimise the risk of future data protection breaches and iii) recognise the Council is responsible for breaches of data protection and can face large fines and suffer reputational damage. 																										
<p>3. OPTIONS:</p> <p>To recommend Full Council note the recommendations listed, or not.</p>																										
<p>4. CONSULTATION:</p> <table border="1"> <thead> <tr> <th>Has consultation been undertaken with:</th> <th>YES</th> <th>NO</th> </tr> </thead> <tbody> <tr> <td>Relevant Town/Parish Council</td> <td></td> <td>No</td> </tr> <tr> <td>Relevant District Ward Councillors</td> <td></td> <td>No</td> </tr> <tr> <td>Other groups/persons (please specify)</td> <td></td> <td>No</td> </tr> </tbody> </table>			Has consultation been undertaken with:	YES	NO	Relevant Town/Parish Council		No	Relevant District Ward Councillors		No	Other groups/persons (please specify)		No												
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<p>5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)</p> <table border="1"> <thead> <tr> <th></th> <th>YES</th> <th>NO</th> </tr> </thead> <tbody> <tr> <td>Financial</td> <td>Yes</td> <td></td> </tr> <tr> <td>Legal</td> <td>Yes</td> <td></td> </tr> <tr> <td>Human Rights/Equality Impact Assessment</td> <td></td> <td>No</td> </tr> <tr> <td>Community Safety including Section 17 of Crime & Disorder Act</td> <td></td> <td>No</td> </tr> <tr> <td>Sustainability</td> <td></td> <td>No</td> </tr> <tr> <td>Asset Management/Property/Land</td> <td></td> <td>No</td> </tr> <tr> <td>Technology</td> <td></td> <td>No</td> </tr> </tbody> </table>				YES	NO	Financial	Yes		Legal	Yes		Human Rights/Equality Impact Assessment		No	Community Safety including Section 17 of Crime & Disorder Act		No	Sustainability		No	Asset Management/Property/Land		No	Technology		No
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Other (please explain)	Yes - Data Protection Officer	
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6. IMPLICATIONS:

Finance

Size of fines as noted in the report.

Legal

The General Data Protection Regulation (GDPR) came into effect on 25 May 2018 closely followed by the Data Protection Act 2018. This legislation brought in new requirements for the Council to consider about how it put the privacy of the personal information it holds higher on its agenda; gave individuals additional rights to how their personal information is managed; and increased the level of fine that the Council could face if it breached the law.

Data Protection Officer

Members are reminded that under the Data Protection Acts and the GDPR they are subject to individual responsibilities to apply proper care to information. They are subject to statutory duties as Data Processors in their own right (when acting as a Councillor outside of a Borough Council process) and further that they are subject to enhanced duties as to confidentiality. If a councillor has accessed information under the common law 'need to know' on which much information is shared with them by officers, then in most cases the information may still be confidential and the councillor bound by confidentiality. In that case they should not publish or otherwise disclose the information to a third party. Each of these duties requires proper policies to support and clarify these general legal responsibilities.

7. REASON FOR THE DECISION:

To minimise the risk of data protection breaches in order to safeguard the Council's reputation and finances.

8. BACKGROUND PAPERS:

Information Commissioner's Office website: <https://ico.org.uk/>

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Audit Progress

At the Audit & Governance Committee meeting of 13 February 2020, the Committee agreed an outline plan for the section for 2020/21.

Since the plan was provided to the Committee, the global Covid-19 crisis has caused a significant impact on the Council and its operations – some planned audit activities have been postponed and resource has been used on areas of work relating to the crisis. Work has been undertaken in the following areas:-

<u>Code</u>	<u>Title</u>	<u>Work performed</u>
RE03	Main Accounting	<ul style="list-style-type: none"> Self-assessment of Council arrangements / financial resilience against CIPFA's Financial Management Code (FMC) performed Additional review of the guidance notes to CIPFA's FMC (issued in May 2020) (E&Y) Key controls testing in progress Assistance provided to Finance on monitoring income and expenditure and checking Covid-19 returns for central government (lost revenue, additional expenditure, etc.)
RE04	Purchase Ledger	<ul style="list-style-type: none"> (E&Y) Key controls testing in progress Review of Covid-19 related expenditure for Government returns
RE08	Payroll	<ul style="list-style-type: none"> Monthly joiner and leaver checking Checking of redundancy calculations
CS18	NDR	<ul style="list-style-type: none"> Ongoing consideration of possible NDR fraud areas (including small business relief and exemptions) Liaison with Revenues and review of Government, NFI, NAFN, etc. communications on Covid-19 Business Support Grants Liaison with Revenues and conducting fraud checks on claims / payments made. Checks made and information updated in Government Spotlight tool
CS19	Income: Sundry Debtors	<ul style="list-style-type: none"> (E&Y) Key controls testing in progress
CE06	Members' IT & Allowances	<ul style="list-style-type: none"> Liaison with ICT and Committees staff regarding progress of implementation of ModernGov system for Members and Committees
CS12	Information Technology	<ul style="list-style-type: none"> Liaison with ICT staff in respect of Council cybersecurity risk assessment and security measures Input into progress of required Information Asset Register

CS13	Information Technology – Physical Security & Disaster Recovery	<ul style="list-style-type: none"> • Liaison with Neighbourhood Services staff regarding the progress of Council Business Continuity Planning (BCP) arrangements and documentation • Ongoing liaison in respect of arrangements for working during the Covid-19 crisis (including use of new methods e.g. Zoom, Microsoft Teams for remote meetings)
CS15 RE07	PCI-DSS Compliance Income Collection / Systems	<ul style="list-style-type: none"> • Liaison with ICT project staff on Council's electronic payment processing arrangements via Capita / AllPay and PCI-DSS areas of non-compliance • Review and discussion on report and recommendations from the ICT review
CP02	Information & Data Governance	<ul style="list-style-type: none"> • Ongoing liaison with Group Head of Council Advice & Monitoring Officer and Information Security Group regarding future work on data protection
PR01	Arun Improvement Programme	<ul style="list-style-type: none"> • Liaison with ICT & Service Improvement Manager in respect of AIP agenda items, review of system proposals, etc.
PR07	FMS Support / Replacement	<ul style="list-style-type: none"> • Liaison with Finance and ICT on future FMS upgrade and hosting
PR09	Digital Arun Project	<ul style="list-style-type: none"> • Ongoing liaison via steering committee on progress of the Council's digital strategy
PR10	Northgate Upgrade	<ul style="list-style-type: none"> • Liaison with R&B and ICT staff regarding progress of project to upgrade the Northgate Revenues and Benefits system in 2019-20 • Additional changes have been received from the vendor and applied in respect of Covid-19 crisis processing (e.g. in respect of NDR discounts and Business Support Grants)
PR11	Office/365 Migration	<ul style="list-style-type: none"> • Ongoing liaison with ICT staff and Information Security Group regarding Office/365 migration project
PR12	Covid-19 Work	<ul style="list-style-type: none"> • Ongoing liaison / miscellaneous activities relating to Council operations and controls in light of Covid-19 crisis • Assisting Finance in preparing submissions for central government (MHCLG and BEIS) • Risk assessments and post-assurance test plans prepared for Covid grants distributed, as required by the BEIS
CP03 MS01	Corporate Governance Annual Governance Statement	<ul style="list-style-type: none"> • Annual review of compliance against the Council's local Code of Corporate Governance • Preparation of the updated Annual Governance Statement and review by CMT • Draft AGS published on website with draft Accounts and provided to external audit – Final AGS published with the audited Accounts <p><i>Reviewed by G&R Group and CMT 4/20 Reported to A&GC 30/7/20 (draft) and 19/11/20 (final)</i></p>

MS03	RIPA	<ul style="list-style-type: none"> • Advice provided to service areas in respect of queries concerning possible use of surveillance, whether this would fall within the scope of the RIPA legislation and other options available • Liaison with CMT and officers on future training requirements arising from IPCO inspection in December 2019 (now postponed from June 2020) • Overview paper included in annual RIPA update to A&GC (30/7/20)
MS04	NFI	<ul style="list-style-type: none"> • The NFI Council Tax Single Person Discount reports were received in December 2019. Review of these by Internal Audit was progressed - account queries were referred to Revenues (although this was in the period of the Covid-19 crisis and arrears were not being pursued) and old, redundant Electoral Roll entries to Elections • Timetable and data specifications received for the next main 2-yearly NFI exercise with files required in October 2020 – advised to appropriate service areas. Files checked and uploaded to the Cabinet Office • Liaison with Revenues staff in respect of additional 2020 NFI requirements for Business Rates and Business Support Grant data to be provided • Review / comment on NFI 2020/21 Work Programme and Scale of Fees Consultation
CE01	Performance & Improvement	<ul style="list-style-type: none"> • Liaison regarding possible changes to Corporate Plan Indicators arising from change to Council's strategic priorities in 2019 • Liaison on the future of the Pentana software
CP04	Risk Management	<ul style="list-style-type: none"> • Further update of Strategic Risk Register via Governance & Risk Group (and agreed by CMT) in 4/20 in light of the Covid-19 crisis Updated SRR presented to A&GC 30/7/2020
IN02 CP05	Fraud & Corruption Fraud & Corruption	<ul style="list-style-type: none"> • Compilation of data for publication to meet Government Data Transparency Code requirements • Preparation of Annual Counter-Fraud Report Reported to A&GC 30/7/20 • Review of updated Fighting Fraud & Corruption Locally – A strategy for the 2020s (published in March 2020) • Submission of annual CIPFA Fraud & Corruption Tracker survey
AD08	Audit Standards & Quality (PSIAS/QAIP)	<ul style="list-style-type: none"> • Update of appropriate Arun internal audit documents • Progress External Quality assessment (EQA) action plan (as reported to A&GC 11/19)
PL02	Planning Section106	<ul style="list-style-type: none"> • Review of Community Infrastructure Levy (CIL) proposals • Liaison with other Council audit areas where CIL has already been implemented • Liaison with Planning and Finance staff on implementation proposals, processes, etc.
PL06	Economic Regeneration	<ul style="list-style-type: none"> • Liaison regarding administration of Covid-19 Discretionary Grant Fund / fraud checking

CP10	Resource Management	<ul style="list-style-type: none"> • Identification of agency and contract staff, including agencies / companies used and rates
CP11	Procurement & Contracts	<ul style="list-style-type: none"> • Liaison with new Procurement staff (shared arrangement with Chichester DC, with support from senior staff at Hampshire CC). Some discussion regarding Standing Orders, ordering, etc. • Constitution compliance (e.g. standing orders) review being progressed
CP13	Grants and External Funding	<ul style="list-style-type: none"> • Testing and certification of Disabled Facilities Grant usage in 2019/20 for Finance to return to WSCC
CS02	Housing Repairs	<ul style="list-style-type: none"> • Liaison with senior management on progress of investigation and agreed action plan to address the issues raised by the Regulator of Social Housing • Liaison regarding the progress of the current management restructure of the Housing department • Liaison with Housing and Finance staff regarding the change from Mears to Osbornes for reactive repairs and voids from 4/20 and arrangements for initial payments
CS03	Housing Finance	<ul style="list-style-type: none"> • (E&Y) Key controls testing completed
MS06	Follow-Up Review	<ul style="list-style-type: none"> • Liaison with service areas in respect of actions on outstanding audit points
LI02	Member Liaison / Committees	<ul style="list-style-type: none"> • Consideration information in respect of planned change to 'committee system' of governance from May 2021
TP02	Officer Group Representation	<ul style="list-style-type: none"> • Chairing meetings of the Information Security Group and liaison with members on progress

AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME – 2020/2021

Date of Meeting: 19 November 2020			
Statement of Accounts			
Agenda Items	Subject	Lead Officer / Member	Comments
1	Final Statement of Accounts 2019/20	Financial Services Manager	Draft version provided to external audit and posted on the Council's website
2	Final Annual Governance Statement	Internal Audit Manager	Draft version considered by Committee in July – final version will accompany the Council's audited Annual Accounts published on the Council's website
External Audit			
3	Audit Results Report – ISA 260	Ernst & Young	
Treasury Management			
4	Treasury Management Mid-Year Report	Senior Accountant (Treasury Management)	Recommendations for approval by Full Council (13 January 2021)
Internal Audit			
5	Update on the work of Internal Audit	Internal Audit Manager	
Other Items			
6	Members' Allowances – Recommendations For Future Special Responsibility Allowances for the New Council Structure From May 2021	Committee Services Manager	A&GC recommendations to be presented to Full Council (13 January 2021)
7	Data Protection Breach Overview	Acting Monitoring Officer & Data Protection Officer	
Work Programme			
8	To note the rolling work programme for 2020/21	Internal Audit Manager	Updates, etc.

**AUDIT & GOVERNANCE COMMITTEE
WORK PROGRAMME – 2020/2021**

Date of Meeting: 25 February 2021			
Statement of Accounts			
Agenda Items	Subject	Lead Officer / Member	Comments
1	Accounting Policies for 2020/21 Accounts	Financial Services Manager	If CIPFA advise of any changed requirements, then an update will be provided at the July meeting
External Audit			
2	Annual Audit Letter	Ernst & Young	
3	Annual Audit Fee Letter	Ernst & Young	TBC (future fees under discussion between E&Y and PSAA Ltd)
4	Audit Planning Report	Ernst & Young	TBC Covering the audit of the 2020/21 Accounts
5	Housing Benefit Subsidy Claim 2019/20 Certification	Internal Audit Manager	TBC Summary of results of annual claim certification performed by E&Y
Governance Framework			
6	Capital Strategy	Financial Services Manager	For approval by Full Council (17 March 2021)
7	Updated Strategic Risk Register	Internal Audit Manager	TBC If interim update required in respect of Arun's 'future ways of working'
Treasury Management			
8	Treasury Management Strategy Statement and Annual Investment Strategy	Senior Accountant (Treasury Management)	For approval by Full Council (17 March 2021)
Internal Audit			
9	Annual Internal Audit Plan	Internal Audit Manager	
10	Update on the work of Internal Audit	Internal Audit Manager	
11	Progress against action plan from the 2019 External Quality Assessment (EQA) on the	Internal Audit Manager	TBC (Initial report presented to Committee in

**AUDIT & GOVERNANCE COMMITTEE
WORK PROGRAMME – 2020/2021**

	Council's Internal Audit Service		November 2019)
Other Items			
12	Update on the progress against recommendations from the Partnerships audit	Group Head of Policy	TBC (Progress since report to the committee in 2/20)
Work Programme			
13	To agree the rolling work programme for 2021/2022	Internal Audit Manager	

February meeting has to be timed so that Treasury Management Strategy can be approved by Full Council before 31/3/21

**AUDIT & GOVERNANCE COMMITTEE
WORK PROGRAMME – 2020/2021**

Date of Meeting: xx July 2021 (TBC)			
Statement of Accounts			
Agenda Items	Subject	Lead Officer / Member	Comments
1	Final Statement of Accounts 2020/21	Financial Services Manager	Draft version provided to external audit and posted on the Council's website
2	Annual Governance Statement	Internal Audit Manager	Draft version to be considered by Chairman in May, provided to external audit and posted on the Council's website
External Audit			
3	Response to E&Y on annual assurance letter regarding governance arrangements	Committee Chairman	Letter to be agreed with the Chairman and sent to external audit in April
4	Updated Audit Plan and Audit Results Report – ISA 260	Ernst & Young	
Governance Framework			
5	Local Code of Corporate Governance	Internal Audit Manager	
Treasury Management			
6	Treasury Management Annual Report	Senior Accountant (Treasury Management)	Recommendations for approval by Full Council (xx September 2021)
Internal Audit			
7	Annual Internal Audit Report & Opinion	Internal Audit Manager	
8	Update on the work of Internal Audit	Internal Audit Manager	
Other Items			
9	Annual Counter-Fraud Report	Internal Audit Manager	
10	Chairman's Annual Report To Council	Committee Chairman	To be presented to Full Council
11	Annual update on use of RIPA powers in the previous Municipal Year	Internal Audit Manager	

**AUDIT & GOVERNANCE COMMITTEE
WORK PROGRAMME – 2020/2021**

12	Other items for this committee under new governance arrangements	TBC	TBC
Work Programme			
13	To agree the rolling work programme for 2021/2022	Internal Audit Manager	Updates, etc.

**AUDIT & GOVERNANCE COMMITTEE
WORK PROGRAMME – 2020/2021**

Other items to be considered in Work Programme:-

Independent Members' Remuneration Panel

- Recruitment / appointments
- Proposals for / progress of review
- Report on review / proposals for change to be passed by A&GC to Full Council

Governance & Risk Group updates

Relevant policy reviews, updates, etc.

From May 2021, the Council has resolved to change its governance structure from the Leader & Cabinet model to committees. The Council will be working through 2020 to update the Constitution, which will include responsibilities and terms of reference for the revised committees for 2021/22-onwards. It is understood that the Capital Strategy will, in future, form part of the work programme for the Corporate Policy & Performance Committee