



To: All Members of the Audit and Governance
Committee (including those on the distribution list for the
Committee)

22 September 2016

Please ask for:
Jane Fulton
Committee Manager
37611

Dear Member

Audit and Governance Committee – 29 September 2016

Please find attached further papers to be considered at next week's Audit & Governance Committee taking place on Thursday, 29 September 2016 at 9.30 am in Committee Room 1 [the Pink Room] here at the Arun Civic Centre. The additional papers are as follows:

Agenda Item 5 - (Ernst & Young – Audit Results Report)

The Audit Director from Ernst & Young will be present at the meeting to work through the **attached** report.

Agenda Item 6 – (Annual Statement of Accounts 2015/2016 and Letter of Representation)

The **attached** report provides information about the audit of the Council's 2015/2016 Statement of Accounts and recommends the approval of the 2015/2016 accounts and the Letter of Representation on behalf of the Council.

I would be grateful if you could please bring these papers along with you to the meeting.

Yours sincerely



Jane Fulton
Committee Manager

Enclosures

Arun District Council

Audit Results Report - ISA (UK and Ireland) 260
For the year ended 31 March 2016

September 2016

Ernst & Young LLP



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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies 2015-16”. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

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

The ‘Terms of Appointment from 1 April 2015’ 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. This report is intended solely for the use of the Members of the audited body. 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.

1. Executive summary

The National Audit Office's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Audit & Governance Committee – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. This report summarises the findings from the 2015/16 audit which is substantially complete. It includes messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Below are the results and conclusions on the significant areas of the audit process.

Status of the audit	<p>We have substantially completed our audit of the financial statements of Arun District Council for the year ended 2015/16. Subject to satisfactory completion of the following outstanding items we will issue an audit opinion in the form which appears in the financial statements presented for approval</p> <ul style="list-style-type: none"> · Review of the final version of the financial statements · Receipt of the signed management representation letter <p>We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the Council's financial statements.</p> <p>We expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.</p> <p>We have performed the procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission. We had no issues to report.</p> <p>We expect to issue the audit certificate at the same time as the audit opinion.</p>
Audit differences	<p>We have identified audit differences within the draft financial statements. We ask the Audit & Governance Committee to note these adjustments, which are set out in Appendix A to this report.</p>
Scope and materiality	<p>In our Audit Plan presented at the June 2016 Audit & Governance Committee meeting, we communicated that our audit procedures would be performed using a materiality of £1.793 million. We have reassessed this based on the actual results for the financial year and have reduced this amount to £1.758 million. The basis of our assessment is 2% of gross operating expenditure, which is consistent with prior years.</p> <p>The threshold for reporting audit differences which impact the financial statements has also decreased from £90,000 to £87,900.</p> <p>We carried out our work in accordance with our Audit Plan.</p>
Significant audit risks	<p>We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan:</p> <ul style="list-style-type: none"> · Risk of management override. <p>The 'addressing audit risks' section of this report sets out how we have gained audit assurance over this issue.</p>

Other reporting issues	We have no other matters we wish to report.
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Control observations	We have no other matters we wish to report.
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We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.



Paul King

Executive Director
For and on behalf of Ernst & Young LLP

2. Responsibilities and purpose of our work

The Council's responsibilities

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement (AGS). In the AGS, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Purpose of our work

Our audit was designed to:

- Express an opinion on the 2015/16 financial statements and the consistency of other information published with them;
- Report on an exception basis on the Annual Governance Statement;
- Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion); and
- Discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Council's accounting policies and key judgments.

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 are specified by the National Audit Office.

3. Financial statements audit

Addressing audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity's controls relevant to each risk and assess the design and implementation of the relevant controls.

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
<p>Risk of management override</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>	<ul style="list-style-type: none"> · Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; · reviewed accounting estimates for evidence of management bias; and; · evaluated the business rationale for any significant unusual transactions. 	<p>Our audit work found no evidence that management had attempted to override internal controls. This conclusion is based on detailed testing of accounts entries susceptible to potential manipulation.</p>

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to you oversight of the Council's financial reporting process, including the following:

- Qualitative aspects of your accounting practices; estimates and disclosures;
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
- Any significant difficulties encountered during the audit; and
- Other audit matters of governance interest

We have no matters to report.

Control themes and observations

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

We have tested the controls of the Council only to the extent necessary for us to complete our audit. We are not expressing an opinion on the overall effectiveness of internal control.

We have not identified any control themes or observations we wish to bring to your attention.

We have reviewed the Annual Governance Statement and can confirm that it not misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council.

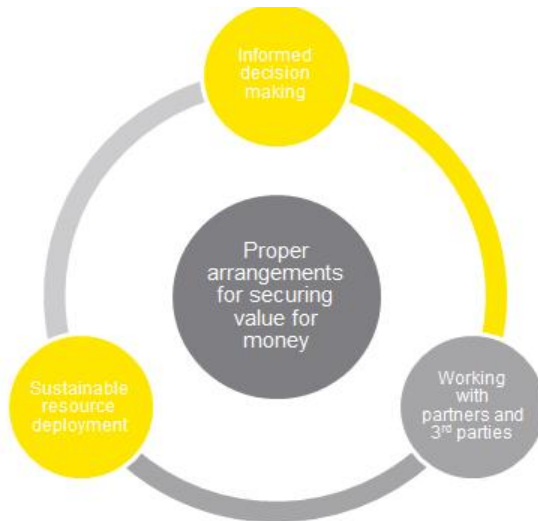
Request for written representations

We have requested a management representation letter to gain management's confirmation in relation to a number of matters to be tabled at the Audit & Governance Committee on 29 September 2016.

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 are specified by the National Audit Office.

4. Value for money



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.

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.

Overall conclusion

We did not identify any significant risks in relation to these criteria.

We have performed the procedures outlined in our Audit Plan. This work was informed by:

- A detailed review of how the medium term financial plan is created;
- Examination and challenge the key assumptions used by the Council to create the medium term financial plan; and
- A review of the extent to which the Council is dependent upon future savings. For significant savings reviewed the estimated savings in order to ensure that the Council's assumptions are reasonable.

As we noted last year, we recognise financial pressures continue to increase for the Council. We reviewed the Council's Financial Model and recognise that by 2019/20, the Council's reserves will be substantially depleted and over the course of the current five year forecast, there is little reduction in Net Service Expenditure. The model also assumes no major changes to the current local government financing regime and income from both New Homes Bonus (NHB) and local retention of business rates, on which the Council is currently reliant, continue into the future. Although these assumptions are reasonable they constitute further areas of uncertainty. Given its current relatively high level of net expenditure and low levels of income there is a growing imperative for the Council to change. We recognise the Council has achieved some efficiency by renewing and re-letting its contracts with the private sector. This is recognised as part of the Council's Vision 2020 strategy and programme.

We recognise the Council has made some progress to seek efficiencies, and is working with neighbouring authorities to test the viability of sharing services. However, the Council is still considering the options available to it and as yet, no firm decisions have been made. The impact of the changes on services and finances is therefore not yet known.

Other matters to bring to your attention

We have no other matters to bring to your attention.

Appendix A – Uncorrected audit differences

The following differences, which are greater than £87,900, have been identified during the course of our audit and have not been considered material by management or by us for adjustments. We are bringing them to the Committee’s attention to enable you to form your own view on these items.

Balance sheet and Statement of comprehensive income and expenditure

Item of account	Balance sheet (Decrease) / Increase £	Comprehensive income and expenditure statement (Decrease) / Increase £
We identified depreciation had been incorrectly included on revalued assets in year. This understated the value of the assets and overstated the charge to the CIES.	732,000	(732,000)

Appendix B – Corrected audit differences

The following corrected differences, which are greater than £87,900, have been identified during the course of our audit and warrant communicating to you.

These items have been corrected by management within the revised financial statements.

Disclosures

Disclosure	Description of difference
Note 17: Debtors	We identified a misclassification of debtors whereby £187,408 of debtors with “Other Local Authorities” had been incorrectly classified as “Customer and Clients”. This has been amended in the final version of the financial statements.

We also identified a small number of minor disclosure issues which have been amended in the financial statements.

Appendix C – Outstanding matters

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

Item	Actions to resolve	Responsibility
Letter of representation	Approval of Audit & Governance Committee on 29 September 2016.	Audit & Governance Committee
Statement of Accounts	<ul style="list-style-type: none"> ▶ Incorporation of EY amendments ▶ Approval of accounts by Audit & Governance Committee ▶ Accounts re-certified by CFO 	Management, Audit & Governance Committee and EY
Subsequent events review	Completion of the subsequent events procedures to the date of signing the audit report	EY and management
Any other outstanding work	Management and EY to work together to complete any outstanding work	EY and management

Appendix D – Independence

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated June 2016.

We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Public Sector Audit Appointments Ltd (PSAA)'s Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.

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 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 & Governance Committee on 29 September 2016.

We confirm that we have met the reporting requirements to the Audit & Governance Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements was set out in our Audit Plan of June 2016.

Appendix E – Auditor fees

The table below sets out the scale fee and our final proposed audit fees.

Description	Proposed final Fee 2015/16 £	Scale Fee 2015/16 £	Variation comments
Total Audit Fee – Code work	57,103	57,103	N/A
Certification of claims and returns	8,330	8,330	N/A

Our actual fee is in line with the scale fee set by the PSAA at this point in time, subject to satisfactory clearance of the outstanding work.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

Appendix E – Required communications with the Audit & Governance Committee

There are certain communications that we must provide to the Audit & Governance Committee of UK clients. These are detailed here:

Required communication	Reference
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit, including any limitations.</p>	Audit Plan
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ 	Audit Results Report
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or in aggregate, that indicated there could be doubt about Arun District Council's ability to continue as a going concern for the 12 months from the date of our report
<p>Misstatements</p> <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 ▶ In writing, corrected misstatements that are significant 	Audit Results Report
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the Audit & Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	By correspondence with the Chair of the Audit & Governance Committee. Audit results report
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	We have no matters we wish to report.

Required communication	Reference
<p>External confirmations</p> <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 	Management has not refused for us to request external confirmations.
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit & 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 & Governance Committee may be aware of. 	<p>We have not identified any material instances of non-compliance with law and regulation.</p> <p>We made written enquiries to managements and those charged with governance. We also have also received representations as part of the letter of management representation. No instances of material non-compliance have been disclosed by either management or those charged with governance.</p>
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's 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 	Audit Plan and Audit Results Report
<p>Significant deficiencies in internal controls identified during the audit</p>	Audit Results Report
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial Audit Plan ▶ Breakdown of fee information at the completion of the audit 	Audit Plan and Audit Results Report
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	Annual Certification Report – to be issued January 2017

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ARUN DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 29 SEPTEMBER 2016

Recommendation Paper

Subject : Annual Statement of Accounts 2015/16 and Letter of Representation

Report by : Carolin Martlew, Financial Services Manager

Report date : September 2016

EXECUTIVE SUMMARY

This report provides information about the audit of the Council's 2015/16 Statement of Accounts (accounts) and recommends the approval of the 2015/16 accounts and the Letter of Representation on behalf of the Council.

RECOMMENDATIONS

The Committee is requested to:

- i. Note the findings of Ernst & Young in their Audit Results Report (previous item on the agenda);
- ii. Approve the Letter of Representation on behalf of the Council (appendix 1);
- iii. Approve the Statement of Accounts for the financial year ended 31 March 2016 which will be signed by the Chairman of the Committee (appendix 2).

1.0 INTRODUCTION

1.1 The purpose of this report is to provide information about the audit of the financial statements for 2015/16. It recommends the approval of the audited Statement of Accounts 2015/16 and Letter of Representation on behalf of the Council.

- 1.2 The report presents the revised Statement of Accounts for 2015/16 following the audit which is attached as Appendix 2. This report will be preceded by the Audit Results Report issued by Ernst and Young LLP.
- 1.3 The final audited accounts, together with the auditor's opinion, are required to be published by 30 September 2016.
- 1.4 The Letter of Representation has been included as Appendix 1

2.0 OVERVIEW OF THE FINANCIAL STATEMENTS

- 2.1 The Statement of Accounts summarises the Council's financial transactions for the 2015/16 year and its position at 31 March 2016 and is comprised of the: Explanatory Foreword; 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:
 - Movement in Reserves Statement
 - Comprehensive Income and Expenditure 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.

3.0 AUDIT OF THE STATEMENT OF ACCOUNTS

- 3.1 The Committee will be updated at the meeting in relation to the key issues identified by the audit.
- 3.2 Members are requests to note the corrected and uncorrected audit differences contained in the Audit Results Report (previous item on the agenda).

3.3 Members are requested to approve the Letter of Representation in Appendix 1

4.0 CONCLUSION

4.1 The Statement of Accounts for the financial year ended 31 March 2016 has been prepared in compliance with the required standards and statute and should be approved and signed by the Chairman of the Committee.

Background Papers: none

Contact: Carolin Martlew, Financial Services Manager ext. 37568
carolin.martlew@arun.gov.uk



To:
Paul King
Executive Director
Ernst & Young LLP
Wessex House,
19 Threefield Lane,
Southampton SO14 3QB

29 September 2016

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 2016. 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 2016 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 2015/16.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. 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 2015/16, that are free from material misstatement, whether due to fraud or error.

B. Fraud

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

2. 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.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. 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 are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council and its relevant 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: 19 September 2016.
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.

E. Liabilities and Contingencies

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

contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

F. Subsequent Events

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

G. Use of the Work of a Specialist

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

H. Accounting Estimates

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

I. Retirement benefits

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

Signed on behalf of Arun District Council

I confirm that this letter has been discussed and agreed by the Audit & Governance Committee on 29 September 2016

Signed:

Name: Alan Peach

Position: Head of Finance and Property

Date: 29 September 2016

Name: Cllr. Mike Clayden

Position: Chairman, Audit & Governance Committee

Date: 29 September 2016



STATEMENT OF ACCOUNTS

2015/16

Arun District Council
Resources Directorate
Arun Civic Centre
Maltravers Road
Littlehampton
West Sussex
BN17 5LF
01903 737500

ARUN DISTRICT COUNCIL STATEMENT OF ACCOUNTS 2015/16

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Narrative Report

Introduction

Arun District is the largest district in West Sussex, both in terms of population (154,414 mid-year 2014) and Council Tax Base (56,762 equivalent Band D properties). It includes the towns of Arundel, Bognor Regis and Littlehampton together with 28 surrounding parishes. The purpose of this Statement of Accounts is to provide information on how the Council has utilised the financial resources available to it in the delivery of the varied services it provides, both statutory and discretionary, to Arun's residents, and in a format which conforms as closely as possible to generally accepted accounting practices for company accounts.

The Council's demographic profile is changing leading up to 2020. The population is anticipated to increase due to migration into the district, reaching 161,400 (an increase of 6.6% from 2012). The population is anticipated to be older than currently (7.3 years older than the national average). Household numbers are anticipated to increase by 12.4% from 2011. People of working age are only anticipated to increase by 9.9% over the same period. These demographic changes, substantial reductions in Government general grant funding and cost pressures pose a significant challenge to the Council and the Council has therefore embarked on a transformation process.

The Strategic Direction of the Council

The Council's 2020 Vision programme (working together for a better future) has been 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 Performance

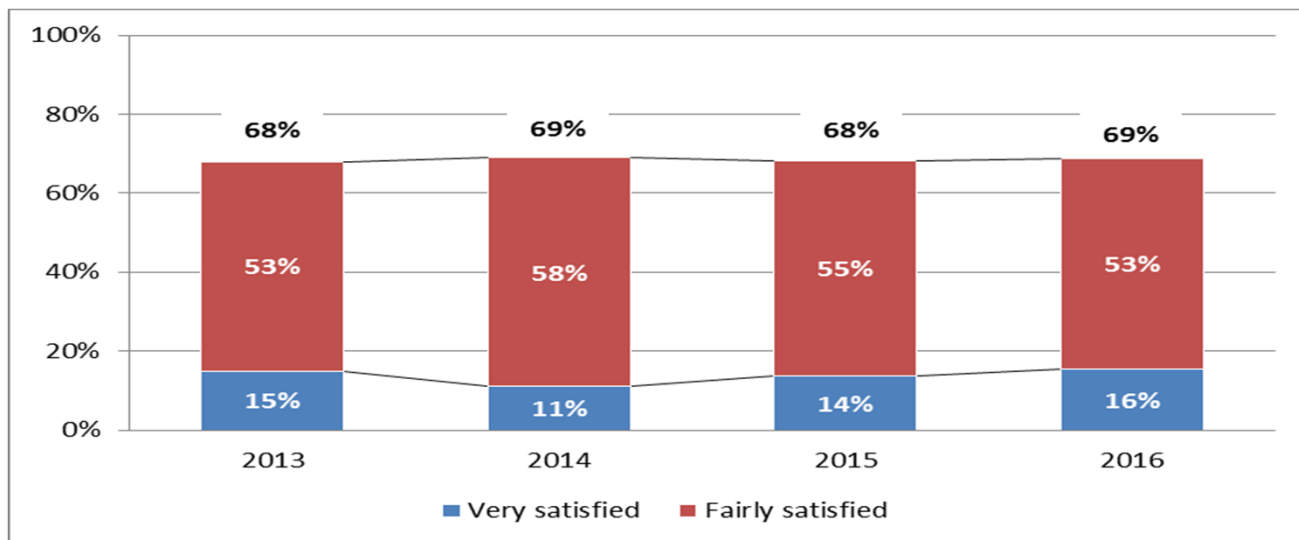
The Council's strategic performance indicators for 2013/2017 are set in the Corporate Plan, which was approved by Council in 2013. The current plan consists of 18 indicators split into the Council's three priority areas: Your Councils Services; Your Future; and If Your Family Needs Help. These indicators are adjusted on an annual basis to ensure that they still meet the Council's requirements. Cabinet is updated on performance twice a year. The full outturn report of the Council's performance was considered at the cabinet meeting on 27 June 2016. For 2015/16 45% of Corporate Plan Indicators achieved target (63% previous year).

Residents Satisfaction

The Council carried out satisfaction surveys looking at 'overall' satisfaction with the Councils services and the cleanliness of the district. Overall satisfaction with the cleanliness of the district has remained constant since the survey began in 2013. The percentage of 'very satisfied' has risen over the last 3 years (up from 14% to 16% between 2015 and 2016).

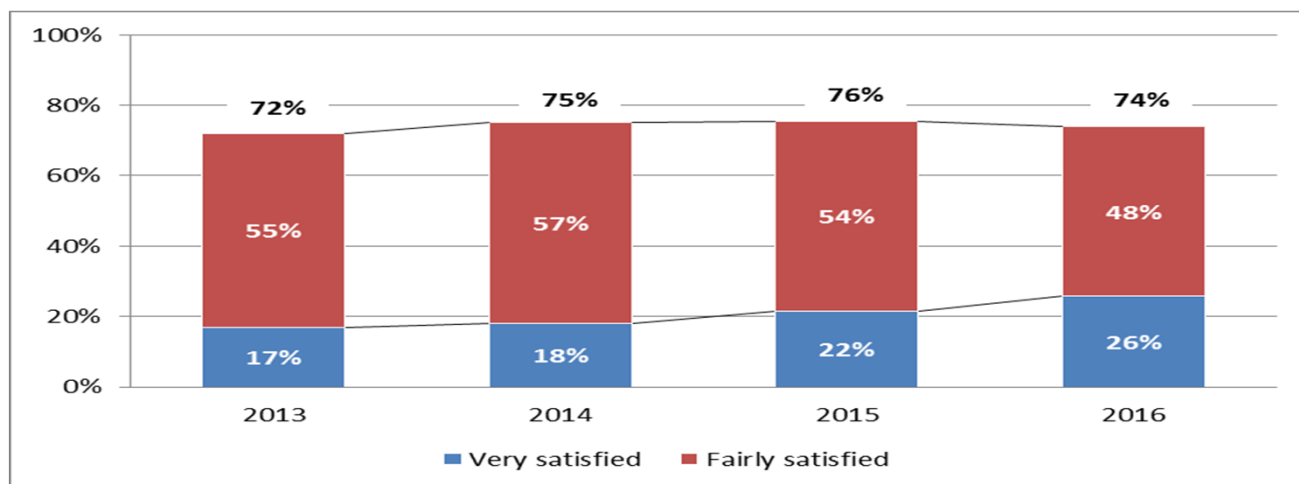
Narrative Report (continued)

Resident Satisfaction with Cleanliness 2013 to 2016:



Overall satisfaction with the Council's services has also remained fairly constant over the same period. The percentage of 'very satisfied' has improved every year (up from 22% in 2015 to 26% in 2016). The outturn of overall satisfaction of 74% (76% previous year) is marginally below the target of 76%.

Satisfaction with Arun's Services 2013 to 2016:



Council Tax Collection was 98.16% (98.15% previous year) an improvement of 0.01%. The total collected increased by £1.8 million to £86.9 million (£85.1 million previous year). A council led exercise resulted in the cancellation of in excess of 500 single residents discounts. Council tax was also collected on 600 new properties.

Following submission of the Local Plan in February 2015, the housing projections data significantly changed. The examination commenced in June 2015 but the examination was formally suspended in February 2016 (following the Inspectors conclusions in July 2015). The new timetable has been set out and agreed with the Inspectors and examination is due to resume in spring 2017. The delay will require a refresh of key evidence at additional cost to the Council and poses significant risk to the Council in terms of unwanted development and the potential loss of New Homes Bonus.

Narrative Report (*continued*)

Financial Performance

Economic Climate

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 Council's General Fund expenditure is supported by Government through the Business Rate Retention scheme, the Revenue Support Grant (RSG) and the New Homes Bonus (NHB). There has been a continual sharp decline in the level of Central Government support due to the government's austerity measures but the council has benefited from the New Homes Bonus and the new Business Rate Retention scheme due to growth in both the domestic and commercial sectors.

The 2015 Spending Review announced a number of significant changes in the way Local Government will be funded in the future. The announcements made confirmed the proposal for the 100% business rate retention by 2020. However, there is anticipated to be a shift between the tiers of Local Government and the potential of transferring extra responsibility (and cost) to Local Government. It was also announced that the New Homes Bonus (NHB) would be changed. The changes to the NHB are currently out to consultation and are anticipated to take effect from 2017/18. The changes will almost certainly lead to significant reductions in NHB and an assessment will be made when information becomes available.

The Council received £3.088 million in New Homes Bonus in 2015/16 (£2.549 million previous year) and this will increase to £4.014 million for 2016/17. The Council has had significant benefits from the New Homes Bonus, however, the increasing amount of NHB awarded should be considered in light of significant reductions in other sources of external funding, notably RSG.

The RSG (including Council Tax freeze grant) of £2.820 million was significantly less than the amount received in 2014/15 (£3.870 million). RSG is reducing further to £1.666 million in 2016/17 and this trend of steeply declining RSG continues until no grant is received in 2019/20.

The Business Rates Retention scheme has transferred a considerable risk to the council by linking DCLG support directly to the local economy. This is a strong incentive for the Council to ensure that the business ratings list is fully inclusive and to encourage a buoyant local economy. It is also important to note any significant negative changes in the value of the ratings list will directly reduce the level of funding received in future, such as valuation appeals which can go back a number of years. The Council has set up a specific Business Rate Equalisation Reserve to help mitigate the risk associated with the volatility of the scheme.

The income from fees and charges (principally from Planning) has been buoyant, having benefitted from a number of large planning applications in the district. Car parking fees and charges have improved from a reduction in 2014/15. Fees were lower in 2014/15 due to public realm improvements (which required storage areas located in car parks) and Economic Regeneration related free parking initiatives. The collection rate of Council Tax has remained constant which should be considered a significant achievement given the current economic climate.

As referred to above the low interest environment has persisted, which has meant that the Council has received considerably less interest from its investments than in previous years which is significant given the level of balances and reserves available which are outlined below.

The Council has a General Fund revenue balance of over £10 million 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 volatility in the council's funding, which means that the maintenance of a reasonably high level of balances is essential.

West Sussex Business Rate Pool

The Council is a member of the West Sussex Business Pool. The other members are: Adur District Council; Worthing Borough Council; Chichester District Council; and West Sussex County Council (lead authority). The business rate pool commenced in 2015/16 and will continue for 2016/17. The aim of the Business Rates pool is to generate additional growth through collaborative effort and to smooth the impact of volatility in rates income across a wider economic area. The benefit from pooling is for the whole of the county.

Financial Management

The 2015/16 budget was considered by the Overview Select Committee on 27 January 2015 and cabinet on 9 February 2015 before being formally approved by Full Council on 24 February 2015. The budget took account of the Council's Medium Term Financial Strategy and Housing Revenue Account business plan. The Local Government Finance settlement issued by the Department of Communities and Local Government (DCLG) in December 2014 was also taken into consideration.

Narrative Report (continued)

The revenue budget is shown below, analysed according to the responsibilities of the individual cabinet member portfolios. Expenditure on establishment, rates and insurance is considered corporate spend and is shown separately. This statement excludes the Housing Revenue Account to ensure consistency with reporting arrangements for budget approval and budget monitoring.

General Fund Revenue Budget and Outturn 2015/16 Summary

Description	Original	Actual	Variance
	Budget		
	£'000	£'000	£'000
Cost of Service			
Community Development	(179)	(129)	50
Corporate Governance	148	(47)	(195)
Council Strategy	123	3	(120)
Environmental Services	398	594	196
Housing	385	324	(61)
Leisure & Amenities	4,092	4,563	471
Planning & Infrastructure	(765)	(671)	94
Support Services	1,930	2,351	421
Establishment	12,622	12,706	84
Rates	434	430	(4)
Insurance	215	227	12
Recharges	(1,041)	(1,196)	(155)
Total Cost of Service:	18,362	19,155	793
Corporate Cost			
Parish Precepts	3,589	3,589	-
Grant payments to parishes	287	287	-
Other precepts and levies	252	253	1
Interest and investment income	(411)	(589)	(178)
Contingencies / miscellaneous	775	-	(775)
Contribution to / (from) earmarked reserves	(1,863)	1,719	3,582
Capital expenditure financed from revenue	2,908	259	(2,649)
Pension deficit contributions	1,195	1,321	126
Total Corporate Cost:	6,732	6,839	107
Total Net Budget Requirement	25,094	25,994	900
Financed By			
Revenue Support Grant	(2,716)	(2,716)	-
Retained Business Rates	(3,491)	(2,883)	608
New Homes Bonus	(3,088)	(3,088)	-
Other non ring-fenced grants	(1,116)	(2,624)	(1,508)
Council Tax Income - Arun Excluding Parishes	(9,160)	(9,160)	-
Council Tax Income - Town & Parish Councils	(3,589)	(3,589)	-
Collection Fund deficit/(surplus)	(60)	(60)	-
Total External Finance:	(23,220)	(24,120)	(900)
Transfer (to) / from General Fund Reserve	1,874	1,874	-

Narrative Report *(continued)*

The original budget for 2015/16 anticipated a draw down from General Fund Reserve of £1.874 million. During the year additional supplementary estimates totalling £0.275 million were approved resulting in a current budgeted draw down from reserves of £2.149 million. The outturn for 2015/16 of £1.874 million draw down from balances resulted in a favourable variation of £0.275 million against the current budget (whilst being neutral against the original budget). It is important to note that some of the variations against the original budget are due to accounting requirements (e.g. IAS19 pension adjustments) and the way the original budget is presented (Contingency budget).

The current budget takes account of the virement and supplementary estimates that have been approved during the year and therefore provides a better analysis of budget against outturn. During the year contingency and miscellaneous budget items are vired to: service areas; capital schemes; and contributions to earmarked reserves (if required for future years); or if unrequired are made available as part of identified savings that can be vired to fund unforeseen expenditure in order to minimise the use of supplementary estimates during the year.

During the year income and expenditure variations and the estimated outturn General Fund position were monitored and reported on a regular basis. The final budget monitoring report (Cabinet 21 March 2016) anticipated a drawdown of £1.372 million from General Fund Reserve (estimated General Fund closing balance of £10.663 million). There were some additional savings summarised in the table below which enabled a £1.203 million contribution to the Pensions reserve and £0.805 million to be earmarked for the new Littlehampton Leisure Centre. The contribution to the Pensions Reserve allows the annual contribution from this earmarked reserve to continue until 2019/20 and is now aligned with the planned implementation of the Council's Vision 2020. The Council has already earmarked a minimum of £8 million of usable capital receipts for the Littlehampton Leisure Centre but there continues to be a funding gap which will have to be met through prudential borrowing, which will have adverse revenue consequences if no additional resources can be identified.

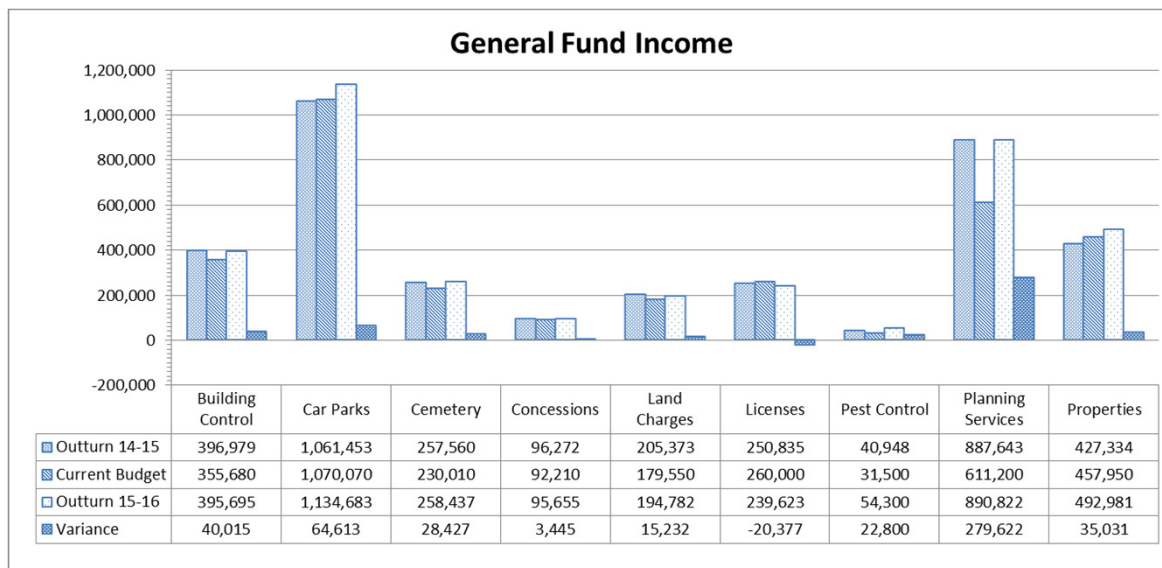
The outturn variations +/- £100k against current budget 2015/16 are summarised in the table below:

	£,000
Establishment	(191)
Housing Benefit	(188)
Recycling credits and garden waste contributions	(122)
Additional HRA support service recharge	(155)
Unrequired Contingency Budgets	(196)
Service related income	(469)
Disabled Facilities Grants	(236)
Unrequired earmarked reserves returned to General Fund	(136)
Transfer to Pensions Reserve	1,203
Transfer to Littlehampton Leisure Centre Reserve	805
Other Variations <£100k	(590)
Total Variation	(275)

Service related income from fees, charges and rents are included within net cost of service. In total this amounts to an overall financing of £3.2 million (budget 2015/16). 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.

Narrative Report (continued)

The graph below analyses (£0.469 million) favourable outturn income variation by source and value.



Capital Spending and Finance

A budget of £7.0 million for capital and special revenue projects was approved by the Council for 2015/16. Actual expenditure for the year amounted to £4.0 million on capital and £2.1 million on special revenue projects. The difference is largely due to slippage (delayed progress on schemes).

Narrative Report (continued)

Capital Expenditure and Financing Summary

	2014/15	2015/16	2016/17
	Actual	Actual	Current budget*
	£'000	£'000	£'000
General Fund			
Community Services	-	-	-
Corporate Governance	474	848	4,300
Council Strategy	-	-	882
Environmental Services	1,324	543	167
Housing	640	559	849
Leisure and Amenities	-	-	1,963
Planning & Infrastructure	-	-	200
Total	2,438	1,950	8,361
Financed by :			
Grants	1,368	1,521	794
Capital Receipts	13	170	1,105
Revenue Contributions	1,057	259	5,309
Borrowing	-	-	1,153
Total	2,438	1,950	8,361
Housing Revenue Account			
Acquisition/new build programme	32	-	5,646
Other	2,448	2,096	3,774
Total	2,480	2,096	9,420
Financed by :			
Capital Receipts ("1 for 1" receipts)	-	-	1,694
Major Repairs Reserve	2,357	2,096	3,522
Revenue Contributions	123	-	252
Borrowing	-	-	3,952
Total	2,480	2,096	9,420

*Note: 2016/17 current budget is 2016/17 original budget plus slippage of 2015/16 Capital Programme.

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. The future GF capital programme is dominated by the Littlehampton Leisure Centre new build. Work began on the design phase in 2015. The Leisure Centre will be built on the existing site in Sea Lane and is planned to be open by April 2019 at an estimated cost of £15 million. The Council has approved the use of £8 million of capital receipts toward the funding of the project and has set up an earmarked reserve for £0.8 million.

Narrative Report (*continued*)

The commitment to build a new Leisure Centre contributed to a significant improvement in the Leisure management fee receivable by the Council when the contract was tendered during 2015/16. The new Leisure contract commenced on 1 April 2016 and will run for 10 years.

Bognor Regis Public Realm improvements are being delivered in partnership between Arun, West Sussex County Council, Bognor Regis Town Council and using significant sums of Government Coastal Communities Funding (£1.327 million for 2015/16 and £0.316 million previous year). The aim of the scheme is to provide a high quality and distinctive pedestrian route running from the railway station to the seafront. The project received overwhelming public support during public consultation in March 2013. The key town gateway at Station Square has been completed. The next phase to be delivered is Station Road and Upper Bognor Road linking Station Square to the already transformed precinct.

The most significant issue for the Housing Revenue Account is the acquisition/new build programme, a key objective of the Council's HRA Business Plan. Some 20 additional dwellings have already been provided and Arun's Cabinet has now approved the next phase of the programme which will result in 33 new dwellings. This phase of the programme will be funded partly by the use of "1 for 1" capital receipts (the additional Right to Buy receipts retained by agreement with the Government) and partly by borrowing.

Housing Revenue Account

In March 2015 Arun's Cabinet approved an updated HRA Business Plan. This plan set out how the Council intended to manage, maintain and invest in its housing and deliver services to its tenants and leaseholders. The plan set out a number of strategic objectives, notably the development or acquisition of 150 new homes by March 2020 and a 5 year programme to improve and develop the Council's sheltered housing.

However, in his 2015 summer budget speech the Chancellor outlined his intention to introduce a legislative requirement for social/affordable housing providers like Arun to reduce their rents by 1% for each of the next four years, starting from April 2016. Arun's Business Plan was based on an annual rent increase of CPI plus 1%, in line with Government guidance as it stood at the time. This change in rent policy had severe adverse consequences for the HRA Business Plan and meant that the 5 year programme to improve and develop the Council's sheltered housing was no longer affordable, given that the development or acquisition of new homes was deemed to be the key priority.

In addition to the change in rent policy outlined above the new Housing and Planning Act has given the Secretary of State power to require local housing authorities to pay levies in respect of a) their interest in high value housing that may become vacant and b) additional rent income they may receive as a result of charging higher rents to high income tenants. These new powers are also likely to have significant adverse consequences for the HRA Business Plan.

Arun's Members have been fully informed of these developments both in the regular budget monitoring reports and whenever reports have been taken to Cabinet in respect of the proposed development/acquisition programme. In particular the Council's S.151 officer has given a clear outline of the financial risks of undertaking a major development/acquisition programme before the levies (re high value housing and high income tenants) can be quantified.

With regard to 2015/16 the HRA, including the Major Repairs Reserve, showed a surplus of £1.562 million compared with the budgeted surplus of £0.542 million. The improved position is due to net slippage, additional income and savings on both Supervision & Management and Repairs. The HRA balance at 31 March 2016 is £7.940 million, of which £1.519 million is committed for funding slippage of the 2015/16 capital programme. A further £0.2 million has been earmarked for funding additional repairs expenditure in 2016/17, leaving an uncommitted balance of £6.221 million. This balance will help to protect the HRA against the adverse consequences of the levies relating to high value dwellings and higher rents for high income tenants.

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. At 31 March 2016 the liability was £28.3 million compared with £41.1 million for the previous year. The decrease is accounted for mainly by changes in actuarial assumptions (the positive impact of the increase in the net discount rate, which has outweighed the likely lower than expected asset returns). The relevant details are shown in note 39 Defined Benefit Pension Scheme.

Narrative Report (*continued*)

Treasury Management

The Council has significant cash surpluses, and these are mainly invested with the highest quality banks and building societies and £2 million 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 £56.1 million (£56.5 million including accrued interest), managed entirely internally. The portfolio included £11.0 million invested for longer than one year. The total interest earned in 2015/16 was £0.611 million, representing an average interest rate of 1.13% (2014/15 1.02%).

Balances and Reserves

The Council's total usable reserves at 31 March 2016 amounted to £43.053 million, an increase of £3.112 million compared with the previous year. They were comprised of: earmarked reserves £13.177 million; Housing Revenue Account balance £6.903 million; General Fund Revenue balance £10.161 million; usable capital receipts £11.775 million; and Housing Major Repairs Reserve £1.037 million. The usable capital receipts are available to finance capital expenditure (a minimum of £8 million will be applied to the financing of the Littlehampton Sports Centre as mentioned above). The earmarked reserves also include £2.101 million for slippage in capital and special projects. The increase in usable reserves will provide a useful cushion against the present adverse economic climate, which will inevitably lead to a decline in reserves in future years.

Explanation of the Accounting Statements

The accounting statements and their location in this document are listed on page 2. 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 £18.356 million. 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 decreased by £1.874 million and HRA balances (including Major Repairs Reserve), increased by £1.562 million.

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 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 2015 and March 2016 reflects an increase of £12.255 million in the valuation of the Council's housing stock.

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 2. Their nature and purpose is 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 Head of Finance and Property, Arun Civic Centre, Maltravers Road, Littlehampton.

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 Head of Finance and Property
- ◆ manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- ◆ approve the Statement of Accounts.

Responsibilities of the Head of Finance and Property

The Head of Finance and Property 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 Head of Finance and Property has:

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

The Head of Finance and Property 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 Head of Finance and Property 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 2016. 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. These financial statements replace those certified by the Head of Finance and Property on 28 June 2016

Alan Peach C.P.F.A., Head of Finance and Property

Dated 29 September 2016

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 29 September 2016.

Councillor Mike Clayden - Chairman, Audit & Governance Committee

Dated 29 September 2016

Movement in Reserves Statement

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

	General Fund Balance £,000	Earmarked General Fund Reserves £,000	Housing Revenue Account £,000	Capital Receipts Reserve £,000	Major Repairs Reserve £,000	Capital Grants Unapplied £,000	Total Usable Reserves £,000	Unusable Reserves £,000	Total Authority Reserves £,000
Balance at 31 March 2014	13,834	8,440	3,024	7,911	2,902	-	36,111	115,035	151,146
Movement in reserves during 2014/15									
Surplus or (deficit) on the provision of services	(41)	-	19,274	-	-	-	19,233	-	19,233
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	(2,472)	(2,472)
Total Comprehensive Income & Expenditure	(41)	-	19,274	-	-	-	19,233	(2,472)	16,761
Adjustments between accounting basis & funding basis under regulations (Note 7)	1,260	-	(16,512)	2,159	(2,310)	-	(15,403)	15,403	-
Net increase / (decrease) before transfers to Earmarked Reserves	1,219	-	2,762	2,159	(2,310)	-	3,830	12,931	16,761
Transfers to/from Earmarked Reserves (Note 8)	(3,018)	3,018	-	-	-	-	-	-	-
Increase / (decrease) in 2014/15	(1,799)	3,018	2,762	2,159	(2,310)	-	3,830	12,931	16,761
Balance at 31 March 2015 carried forward	12,035	11,458	5,786	10,070	592	-	39,941	127,966	167,907

Movement in Reserves Statement (continued)

	General Fund Balance £,000	Earmarked General Fund Reserves £,000	Housing Revenue Account £,000	Capital Receipts Reserve £,000	Major Repairs Reserve £,000	Capital Grants Unapplied £,000	Total Usable Reserves £,000	Unusable Reserves £,000	Total Authority Reserves £,000
Balance at 31 March 2015	12,035	11,458	5,786	10,070	592	-	39,941	127,966	167,907
Movement in reserves during 2015/16									
Surplus or (deficit) on the provision of services	(1,602)	-	19,958	-	-	-	18,356	-	18,356
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	18,165	18,165
Total Comprehensive Income & Expenditure	(1,602)	-	19,958	-	-	-	18,356	18,165	36,521
Adjustments between accounting basis & funding basis under regulations (Note 7)	1,447	-	(18,841)	1,705	445	-	(15,244)	15,244	-
Net increase / (decrease) before transfers to Earmarked Reserves	(155)	-	1,117	1,705	445	-	3,112	33,409	36,521
Transfers to/from Earmarked Reserves (Note 8)	(1,719)	1,719	-	-	-	-	-	-	-
Increase / (decrease) in 2015/16	(1,874)	1,719	1,117	1,705	445	-	3,112	33,409	36,521
Balance at 31 March 2016 carried forward	10,161	13,177	6,903	11,775	1,037	-	43,053	161,375	204,428

Comprehensive Income and Expenditure Statement

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

2014/15				2015/16		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£,000	£,000	£,000		£,000	£,000	£,000
2,892	(441)	2,451	Central services to the public	3,131	(451)	2,680
5,150	(1,689)	3,461	Cultural and related services	5,045	(697)	4,348
11,648	(3,842)	7,806	Environmental and regulatory services	11,389	(3,175)	8,214
7,044	(3,910)	3,134	Planning services	6,865	(3,670)	3,195
1,163	(1,338)	(175)	Highways and transport services	1,294	(1,440)	(146)
(3,364)	(16,759)	(20,123)	Local authority housing (HRA)	(3,610)	(17,184)	(20,794)
55,853	(53,191)	2,662	Other housing services	54,530	(52,574)	1,956
1,568	-	1,568	Corporate and democratic core	1,585	-	1,585
-	-	-	Non distributed costs / gains	120	-	120
81,954	(81,170)	784	Cost of Services	80,349	(79,191)	1,158
5,983	(2,555)	3,428	Other operating expenditure (Note 9)	5,829	(2,274)	3,555
7,602	(5,074)	2,528	Financing and investment income and expenditure (Note 10)	6,838	(4,497)	2,341
-	(25,973)	(25,973)	Taxation and non-specific grant income (Note 11)	-	(25,410)	(25,410)
95,539	(114,772)	(19,233)	(Surplus) or Deficit on Provision of Services	93,016	(111,372)	(18,356)
-	(4,039)	(4,039)	Surplus or deficit on revaluation of Property, Plant & Equipment assets	-	(4,190)	(4,190)
18,599	(12,129)	6,470	Actuarial gains/losses on pension assets / liabilities	1,276	(15,209)	(13,933)
41	-	41	Surplus or deficit on revaluation of available for sale financial assets	-	(42)	(42)
18,640	(16,168)	2,472	Other Comprehensive Income and Expenditure	1,276	(19,441)	(18,165)
114,179	(130,940)	(16,761)	Total Comprehensive Income and Expenditure	94,292	(130,813)	(36,521)

ARUN DISTRICT COUNCIL STATEMENT OF ACCOUNTS 2015/16

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 authority. Reserves are reported in two categories. The first category of reserves is 'usable reserves', i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves contains those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'. Assets and liabilities are shown on this page - reserves are disclosed on the following page.

31 March 2015 £,000		Notes	31 March 2016 £,000
	Property, Plant and Equipment (PPE)	12	
	Operational Assets (PPE)		
169,041	Council Dwellings		181,296
48,842	Other Land and Buildings		52,283
1,396	Vehicles, Plant and Equipment		2,179
5,723	Infrastructure Assets		5,802
2,581	Community Assets		2,789
320	Assets under construction		-
15	Surplus Assets		194
227,918	Total Operational PPE		244,543
540	Investment property	13	540
212	Intangible Assets	14	224
-	Assets Held for Sale	19	-
12,995	Long Term Investments	15	11,000
31	Long term Debtors	15	17
241,696	Long Term Assets		256,324
33,333	Short Term Investments	15	43,434
12	Inventories	16	7
4,531	Short Term Debtors	17	3,274
2,802	Cash and Cash Equivalents	18	2,571
40,678	Current Assets		49,286
-	Short Term Borrowing (PWLB debt maturing in < 1 year)		8,860
8,116	Short Term Creditors	20	6,793
1,294	Provisions	22	2,101
-	Capital Grants Receipts in Advance		-
9,410	Current Liabilities		17,754
62,040	Long Term Borrowing	15	53,180
1,886	Long Term Creditors	21	1,982
41,131	Pensions Liabilities	39	28,266
105,057	Long Term Liabilities		83,428
167,907	Net Assets		204,428

ARUN DISTRICT COUNCIL STATEMENT OF ACCOUNTS 2015/16

Balance Sheet (*continued*)

31 March 2015 £,000		Notes	31 March 2016 £,000
	Usable Reserves	23	
12,035	General Fund balance		10,161
11,458	Earmarked General Fund Reserves		13,177
5,786	Housing Revenue Account		6,903
10,070	Capital Receipts Reserve		11,775
592	Major Repairs Reserve (HRA dwellings)		1,037
-	Capital Grants Unapplied		-
39,941	Total Usable Reserves		43,053
	Unusable Reserves	24	
22,273	Revaluation Reserve		25,950
(41)	Available for Sale Financial Instruments Reserve		-
148,762	Capital Adjustment Account		165,267
(41,131)	Pensions Reserve		(28,266)
(1,770)	Collection Fund Adjustment Account		(1,443)
(127)	Accumulated Absences Account		(133)
127,966	Total Unusable Reserves		161,375
167,907	Total Reserves		204,428

These financial statements replace the unaudited financial statements certified by Alan Peach C.P.F.A., Head of Finance and Property on 28 June 2016

Alan Peach C.P.F.A., Head of Finance and Property

29 September 2016

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 authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the 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 authority.

<i>2014/15</i>		<i>2015/16</i>
<i>£,000</i>		<i>£,000</i>
19,233	Net surplus or (deficit) on the provision of services	18,356
(6,980)	Adjustments to net surplus or deficit on the provision of services for non-cash movements: (Note 25)	(7,891)
(3,295)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 25)	(3,237)
8,958	Net cash flows from Operating Activities (Note 25)	7,228
(1,740)	Net cash flows from Investing Activities (Note 26)	(8,415)
(9,362)	Net cash flows from Financing Activities (Note 27)	956
(2,144)	Net increase or decrease in cash and cash equivalents	(231)
4,946	Cash and cash equivalents at the beginning of the reporting period	2,802
2,802	Cash and cash equivalents at the end of the reporting period	2,571

Notes to the Accounts

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. 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 2015/16* and the *Service Reporting Code of Practice 2015/16*, 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 the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- ◆ Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- ◆ Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet, 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 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.

Notes to the Accounts

1. Accounting Policies (*continued*)

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 would therefore then be 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.

Notes to the Accounts

1. Accounting Policies (*continued*)

vii. 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 or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

Post-employment Benefits

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

Notes to the Accounts

1. Accounting Policies (*continued*)

vii. Employee Benefits (continued)

The Local Government Pension Scheme (*continued*)

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

◆ Service cost comprising:

current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;

past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;

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

◆ Remeasurements comprising:

the return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

◆ Contributions paid to the West Sussex 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.

Notes to the Accounts

1. Accounting Policies (*continued*)

viii. 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.

ix. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority 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 40.

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

Notes to the Accounts

1. Accounting Policies (*continued*)

ix. Financial Instruments (continued)

Available-for-sale Assets

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

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

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

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

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

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

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

Notes to the Accounts

1. Accounting Policies (*continued*)

x. Government Grants and Contributions

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

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

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

xi. Heritage Assets

The Council recognises the following as tangible heritage assets: Blackfriars ancient monument, Arundel; 18th century clock, Hotham Park House, Bognor Regis; Hotham Park wall, Bognor Regis; Ice House, Bognor Regis; Queen Victoria monument, The Steyne, Bognor Regis; war memorial, Bognor Town Hall. The Council does not consider that reliable cost or valuation information can be obtained for these items due to their nature and the lack of comparable market values. Consequently, the Council does not recognise these assets on the Balance Sheet.

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.

Notes to the Accounts

1. Accounting Policies (*continued*)

xiii. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xiv. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value (see xxii). 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.

xv. Leases

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

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

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

The Authority as Lessee

Finance Leases

The Council has no leases currently determined as finance leases.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services which benefit 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 Authority 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 the Surplus or deficit on Provision of Services 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.

Notes to the Accounts

1. Accounting Policies (*continued*)

xvi. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- ◆ Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation.
- ◆ Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xvii. Property, Plant and Equipment

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

Recognition

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

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

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

The cost of assets acquired other than by purchase is deemed to be 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).

Notes to the Accounts

1. Accounting Policies (*continued*)

xvii. Property, Plant and Equipment (continued)

Measurement (continued)

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).

Notes to the Accounts

1. Accounting Policies (*continued*)

xvii. Property, Plant and Equipment (continued)

Depreciation (continued)

Depreciation is calculated on the following bases:

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

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 assets whose depreciable capital value is greater than or equal to £500k.
- ◆ *HRA dwellings* - componentisation does not currently apply, but this is being reviewed in consultation with the Council's external valuers.

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 is 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.

Notes to the Accounts

1. Accounting Policies (*continued*)

xvii. Property, Plant and Equipment (continued)

Disposals and Non-current Assets Held for Sale

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

xviii. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Contingent Assets

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

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

xix. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

Notes to the Accounts

1. Accounting Policies (*continued*)

xx. Revenue Expenditure Funded from Capital under Statute

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

xxi. 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.

xxii. 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 participants 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.

2. Accounting standards issued but not yet adopted

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the CIPFA Code of Practice on Local Authority Accounting for the relevant financial year.

For 2015/16 the following accounting policy changes that need to be reported relate to:

- ◆ Amendments to IAS 19 Employee Benefits
- ◆ Amendment to IFRS11 Joint Arrangements
- ◆ Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
- ◆ Amendment to IAS 1 Presentation of Financial Statements
- ◆ Annual Improvements to IFRSs

The accounting changes required by these standards are not expected to have a material effect on the Authority's Financial Statements.

Notes to the Accounts

3. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- ◆ 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 used in the combined cleansing contract, the grounds maintenance contract, and the housing repairs and maintenance contracts. In all cases, it has been judged that these arrangements do not constitute any form of lease.
- ◆ 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, Inspire Leisure and Age UK West Sussex.
- ◆ The Council has made judgements on a prudent level of allowances for doubtful 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 40.
- ◆ 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 can have a significant effect on the value of the Council's retirement benefit obligation. The key assumptions made are set out in note 1, and transactions disclosed in note 39.

Notes to the Accounts

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 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<i>Item</i>	<i>Uncertainties</i>	<i>Effect if actual results differ from assumptions</i>
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 £168k for every year that useful lives had to be reduced.
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	<p>The effects on the net pensions 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 £13.680 million.</p> <p>However, the assumptions interact in complex ways. During 2015/16, the Council's actuaries advised that the net pensions liability had decreased by £12.865 million. This is as a result of an increase in the net discount rate over this period, the positive impact of which has outweighed the likely lower than expected asset returns and a change to career average revalued earnings (CARE).</p>
Doubtful debt allowances	The Council has made allowances for doubtful debts of £2.874 million in 2015/16 (£2.671 million in 2014/15) 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 £142k (£134k in 2014/15).
Provisions	A provision of £2.101 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 2015/16 and earlier years, following successful 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 appeals can lead to a significant reduction in the amount receivable. If the amounts refunded following successful appeals were greater or less than anticipated, a 10% change in the provision would equate to £210k.

Notes to the Accounts

4. Assumptions made about the future and other major sources of estimation uncertainty (*continued*)

<i>Item</i>	<i>Uncertainties</i>	<i>Effect if actual results differ from assumptions</i>
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 cashflow (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).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 13 and 15.</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.

5. Material Items of Income and Expenditure

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

6. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Head of Finance and Property on 29 September 2016. 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 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Notes to the Accounts

7. Adjustments between accounting basis and funding basis under regulations

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

2015/16	Usable Reserves					
	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 primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	1,571	2,454				(4,025)
Revaluation losses/(gains) on Property, Plant & Equipment	159	(14,265)				14,106
Other movements in cost or valuation on Property, Plant & Equipment	(235)					235
Movements in the fair value of Investment Properties						-
Amortisation of intangible assets	28	29				(57)
Capital grants and contributions applied	(559)					559
Revenue expenditure funded from capital under statute	559					(559)
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	108	1,192				(1,300)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Capital expenditure charged against the General Fund and HRA balances	(259)					259
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(962)				962	-
Application of grants to capital financing transferred to the Capital Adjustment Account					(962)	962
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(164)	(1,924)	2,088			-
Use of the Capital Receipts Reserve to finance new capital expenditure			(170)			170
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	399		(399)			-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash						-
Transfer from Housing Revenue Account re income from unattached capital receipts		(186)	186			-
Repayment of capital advances						-

Notes to the Accounts

7. Adjustments between accounting basis and funding basis under regulations (*continued*)

2015/16	Usable Reserves					
	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 primarily involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the Housing Revenue Account		(6,085)		6,085		-
Discretionary contribution from Housing Revenue Account						-
Amount set aside for debt repayment				(3,544)		3,544
Use of the Major Repairs Reserve to finance new capital expenditure				(2,096)		2,096
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements						-
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	4,117	488				(4,605)
Employer's pension contributions and direct payments to pensioners payable in year	(2,993)	(544)				3,537
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	(327)					327
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	5					(5)
Total Adjustments	1,447	(18,841)	1,705	445	-	15,244

Notes to the Accounts

7. Adjustments between accounting basis and funding basis under regulations (*continued*)

2014/15 Comparative Figures	Usable Reserves					
	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 primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation and impairment of non-current asset	1,459	2,262	-	-	-	(3,721)
Revaluation losses on Property, Plant & Equipment	(10)	(13,966)	-	-	-	13,976
Other movements in cost or valuation on Property, Plant & Equipment	(502)					502
Movements in the fair value of Investment Properties	(68)					68
Amortisation of intangible assets	46	10	-	-	-	(56)
Capital grants and contributions applied	(627)	-	-	-	-	627
Revenue expenditure funded from capital under statute	640	-	-	-	-	(640)
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	313	1,167	-	-	-	(1,480)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Capital expenditure charged against the General Fund and HRA balances	(1,058)	(122)	-	-	-	1,180
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(740)	-	-	-	740	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	(740)	740
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(418)	(1,884)	2,302	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(13)	-	-	13
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	382	-	(382)	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-
Transfer from Housing Revenue Account re income from unattached capital receipts	-	(252)	252	-	-	-
Repayment of capital advances	-	-	-	-	-	-

Notes to the Accounts

7. Adjustments between accounting basis and funding basis under regulations (*continued*)

2014/15 Comparative Figures

	Usable Reserves					
	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 primarily involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the Housing Revenue Account	-	(3,591)	-	3,591	-	-
Discretionary contribution from Housing Revenue Account	-	-	-	-	-	-
Amount set aside for debt repayment	-	-	-	(3,544)	-	3,544
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	(2,357)	-	2,357
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	3,566	404	-	-	-	(3,970)
Employer's pension contributions and direct payments to pensioners payable in year	(2,814)	(537)	-	-	-	3,351
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,112	-	-	-	-	(1,112)
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(21)	(3)	-	-	-	24
Total Adjustments	1,260	(16,512)	2,159	(2,310)	-	15,403

Notes to the Accounts

8. 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 2015/16.

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 the revised service portfolios agreed in June 2014, and represent: approved but delayed revenue projects; or grants and contributions received from partnership bodies in advance of allocation to specific projects.

	<i>Balance at 1 April 2014 £,000</i>	<i>Transfers out 2014/15 £,000</i>	<i>Transfers in 2014/15 £,000</i>	<i>Balance at 31 Mar 2015 £,000</i>	<i>Transfers out 2015/16 £,000</i>	<i>Transfers in 2015/16 £,000</i>	<i>Balance at 31 Mar 2016 £,000</i>
Delayed capital and special projects	2,071	(2,071)	2,101	2,101	(2,101)	2,557	2,557
Pension deficit financing	3,317	(967)	1,518	3,868	(967)	1,203	4,104
Community Services	332	(57)	91	366	(149)	52	269
Corporate Governance	595	(227)	1,713	2,081	(511)	174	1,744
Council Strategy	698	(611)	355	442	(117)	1,314	1,639
Environmental Services	154	(73)	121	202	(64)	19	157
Housing	265	(15)	168	418	(54)	40	404
Leisure & Amenities	175	(30)	406	551	(314)	897	1,134
Planning and Infrastructure	833	(785)	1,381	1,429	(560)	300	1,169
Total	8,440	(4,836)	7,854	11,458	(4,837)	6,556	13,177

Notes to the Accounts

9. Other Operating Expenditure

<i>2014/15</i> <i>£,000</i>		<i>2015/16</i> <i>£,000</i>
3,870	Parish council precepts and grants	3,877
250	Levies	253
382	Payments to the Government Housing Capital Receipts Pool	399
(822)	(Gains) / losses on the disposal of non-current assets	(788)
(252)	Income from unattached capital receipts	(186)
3,428	Total	3,555

10. Financing and Investment Income and Expenditure

<i>2014/15</i> <i>£,000</i>		<i>2015/16</i> <i>£,000</i>
1,772	Interest payable and similar charges	1,706
1,446	Net interest on the net defined benefits liability	1,312
(603)	Interest receivable and similar income	(663)
(87)	Income and expenditure in relation to investment properties and changes in their fair value	(14)
2,528	Total	2,341

11. Taxation and Non-Specific Grant Income

<i>2014/15</i> <i>£,000</i>		<i>2015/16</i> <i>£,000</i>
(12,564)	Council tax income	(12,911)
(3,213)	Non domestic rates	(3,109)
(9,456)	Non-ringfenced government grants	(8,428)
(740)	Capital grants and contributions	(962)
(25,973)	Total	(25,410)

Notes to the Accounts

12. Property, Plant and Equipment

Movements on Balances

Movements in 2015/16

	Council Dwellings £,000	Other Land and Buildings £,000	Vehicles, Plant & Equipment £,000	Infrastructure Assets £,000	Community Assets £,000	Assets Under Construction £,000	Surplus Assets £,000	Total £,000
Cost or Valuation								
at 1 April 2015	169,041	50,609	2,033	13,715	2,581	320	15	238,314
additions	1,562	229	940	622		49		3,402
donations								-
revaluation increases/(decreases) recognised in the Revaluation reserve		2,591					179	2,770
revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	11,885	(215)						11,670
derecognition - disposals		(115)	(183)					(298)
derecognition - other			(166)	(7)				(173)
assets reclassified (to)/from Held for Sale	(1,192)							(1,192)
assets reclassified other		369				(369)		-
other movements in cost or valuation					208			208
at 31 March 2016	181,296	53,468	2,624	14,330	2,789	-	194	254,701
Accumulated Depreciation and Impairment								
at April 2015		(1,767)	(637)	(7,992)				(10,396)
depreciation charge	(2,378)	(975)	(130)	(542)				(4,025)
depreciation written out to the Revaluation Reserve		1,420						1,420
Depreciation written out to the Surplus/Deficit on the Provision of Services	2,378	58						2,436
impairment losses/(reversals) recognised in the Revaluation Reserve								-
impairment losses/(reversals) recognised in the Surplus/Deficit on Provision of services								-
derecognition - disposals		79	129					208
derecognition - other			166	6				172
other movements in depreciation and impairment			27					27
at 31 March 2016	-	(1,185)	(445)	(8,528)	-	-	-	(10,158)
Net Book Value								
at 31 March 2016	181,296	52,283	2,179	5,802	2,789	-	194	244,543
at 31 March 2015	169,041	48,842	1,396	5,723	2,581	320	15	227,918

Notes to the Accounts

12. Property, Plant and Equipment (*continued*)Movements on Balances (*continued*)

Comparative Movements in 2014/15

	Council Dwellings £,000	Other Land and Buildings £,000	Vehicles, Plant & Equipment £,000	Infrastructure Assets £,000	Community Assets £,000	Assets Under Construction £,000	Surplus Assets £,000	Total £,000
Cost or Valuation								
at 1 April 2014	156,301	43,351	1,873	12,638	2,215	-	-	216,378
additions	1,970	142	396	1,324	-	320	-	4,152
donations	-	-	-	-	-	-	-	-
revaluation increases/(decreases) recognised in the Revaluation Reserve	-	3,551	-	-	-	-	3	3,554
revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	11,676	31	-	-	-	-	-	11,707
derecognition - disposals	-	(34)	-	-	-	-	-	(34)
derecognition - other	-	-	(372)	(247)	-	-	-	(619)
assets reclassified (to)/from Held for Sale	(1,166)	-	-	-	-	-	-	(1,166)
assets reclassified other	260	3,568	136	-	(136)	-	12	3,840
other movements in cost or valuation	-	-	-	-	502	-	-	502
at 31 March 2015	169,041	50,609	2,033	13,715	2,581	320	15	238,314
Accumulated Depreciation and Impairment								
at April 2014	-	(1,559)	(741)	(7,697)	-	-	-	(9,997)
depreciation charge	(2,202)	(777)	(200)	(542)	-	-	-	(3,721)
depreciation written out to the Revaluation Reserve	-	485	-	-	-	-	-	485
depreciation written out to the Surplus/Deficit on the Provision of Services	2,202	67	-	-	-	-	-	2,269
impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
impairment losses/(reversals) recognised in the Surplus/Deficit on Provision of services	-	-	-	-	-	-	-	-
derecognition - disposals	-	12	-	-	-	-	-	12
derecognition - other	-	-	304	247	-	-	-	551
other movements in depreciation and impairment	-	5	-	-	-	-	-	5
at 31 March 2015	-	(1,767)	(637)	(7,992)	-	-	-	(10,396)
Net Book Value								
at 31 March 2015	169,041	48,842	1,396	5,723	2,581	320	15	227,918
at 31 March 2014	156,301	41,792	1,132	4,941	2,215	-	-	206,381

Notes to the Accounts

12. Property, Plant and Equipment (*continued*)

Depreciation

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

- ◆ Council Dwellings: 60 years
- ◆ Other Land and Buildings: generally 35 years
- ◆ Vehicles, Plant and Equipment: 5 - 20 years
- ◆ Infrastructure: 20 - 40 years

Capital Commitments

At 31 March 2016, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16 budgeted to cost £334k. Similar commitments at 31 March 2015 were £557k.

Community Assets

During the year some preparatory work was undertaken with regard to the new measurement requirements for Highway Network Assets. This included a detailed investigation of the Council's asset base to identify paths and roadways. As a result of this investigation eight open spaces were identified which had not previously been included in the Council's asset base. The total historic cost of these open spaces is £208k and the Council's net book value for Property, Plant and Equipment has been increased by this amount.

The same sum has also been charged to Cost of Services in the Comprehensive Income and Expenditure Statement and subsequently reversed out in the Movement in Reserves Statement. There are no depreciation adjustments in respect of the eight open spaces as Community Assets are not depreciated.

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 either Chichester District Council (with whom Arun has a Service Level Agreement for the provision of valuation services) or 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, furniture 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.

	<i>Council Dwellings & buildings</i>	<i>Other land & buildings</i>	<i>Vehicles, Plant and Equipment</i>	<i>Infrastructure Assets</i>	<i>Community Assets</i>	<i>Surplus Assets</i>	Total
	£,000	£,000	£,000	£,000	£,000	£,000	£,000
<i>Carried at historical cost</i>			2,179	5,802	2,789		10,770
<i>Valued at current value as at:</i>							
31 March 2016	181,296	32,837				194	214,327
31 March 2015		6,968					6,968
31 March 2014		10,458					10,458
31 March 2013		2,020					2,020
Total Cost or Valuation	181,296	52,283	2,179	5,802	2,789	194	244,543

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

The authority does not have material surplus Assets.

Notes to the Accounts

13. Investment Properties

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

	2014/15 £,000	2015/16 £,000
Rental income from investment property	62	66
Direct operating expenses arising from investment property	(43)	(52)
Change in fair value of investment property	68	-
Net gain / (loss)	87	14

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 for repairs, maintenance or enhancement.

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

	2014/15 £,000	2015/16 £,000
Balance at start of the year	4,317	540
Net gains/(losses) from fair value adjustments	68	-
Other changes	(3,845)	-
Balance at end of the year	540	540

Fair Value Hierarchy

Details of the Council's Investment Property and information about the fair value hierarchy as at 31 March 2016 is as follows:

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £,000	Other significant observable inputs (Level 2) £,000	Significant unobservable inputs (Level 3) £,000	Fair value as at 31 March 2016 £,000
Commercial unit	-	-	540	540
Total	-	-	540	540

Transfers between Levels of Fair Value Hierarchy

There were no transfers between levels during the year.

Notes to the Accounts

13. Investment Properties *(continued)*

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.

The commercial unit is 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).

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.

Valuation Techniques

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

Valuation Process for Investment Property

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 estimated set out in the professional standards of the Royal Institution of Chartered Surveyors.

14. 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 carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £57k charged to revenue in 2015/16 was charged to the appropriate service, or the Corporate IT cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the Corporate IT amortisation is attributable to each service heading.

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

	<i>2014/15</i> <i>£,000</i>	<i>2015/16</i> <i>£,000</i>
Cost or valuation		
Balance at the start of the year	466	411
Additions: purchases	126	85
Derecognition - disposals	(181)	(89)
Balance at the end of the year	411	407
Accumulated depreciation and impairment		
Balance at the start of the year	(323)	(199)
Amortisation charge	(57)	(57)
Derecognition - disposals	181	73
Balance at the end of the year	(199)	(183)
Net book value at the end of the year	212	224

Notes to the Accounts

15. Financial Instruments

Categories of Financial Instruments

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

	Long-term		Current	
	March 2015	March 2016	March 2015	March 2016
	£,000	£,000	£,000	£,000
Financial assets				
Investments:				
Loans and Receivables				
NatWest / RBS	5,000	5,000	4,000	5,000
Lloyds Banking Group	6,000	2,000	5,000	9,000
Santander UK	-	-	5,000	7,000
Barclays	1,000	-	6,000	4,000
Svenska Handelsbanken	-	2,000	2,000	-
United Overseas Bank (UOB)	-	-	-	1,000
Close Brothers Limited	-	-	-	4,000
Goldman Sachs International	-	-	-	4,000
Nationwide Building Society	-	-	5,000	5,000
Skipton Building Society	-	-	4,000	4,000
Leeds Building Society	-	-	1,000	-
Glasgow City Council	-	-	1,000	-
Available for sale financial assets				
CCLA property Fund	959	2,000	-	-
Accrued interest	36	-	333	434
Total investments	12,995	11,000	33,333	43,434
Debtors	31	17	1,559	1,561
Cash & cash equivalents	-	-	2,802	2,571
Financial liabilities at amortised cost				
Borrowings (all PWLB)	62,040	53,180	-	8,860
Creditors	-	-	3,809	2,815

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:

March 2015				March 2016			
Financial Liabilities: measured at amortised cost	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale	Total:	Financial Liabilities: measured at amortised cost	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale	Total:
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
(1,772)			(1,772)	(1,706)			(1,706)
	595	8	603		579	84	663
		(41)	(41)			42	42
(1,772)	595	(33)	(1,210)	(1,706)	579	126	(1,001)
			Net gain/(loss) for the year				

Notes to the Accounts

15. Financial Instruments (*continued*)

Fair value of financial assets

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 March 2015 Fair Value £'000	31 March 2015 Fair Value £'000
Available for Sale - CCLA	Level 1	Unadjusted quoted prices in active markets for identical shares	966	2025
Total:			966	2025

Fair value of assets and liabilities

Financial liabilities (PWLB), financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Available for Sale financial assets are carried at fair value - the price that would be received or paid in an orderly transaction between market participants at the measurement date.

The fair values calculated are as follows:

	31 March 2015		Restated	31 March 2016	
	Carrying amount	Fair value	31 March 2015 Fair value	Carrying amount	Fair value
	£,000	£,000	£,000	£,000	£,000
Financial liabilities (PWLB loans)	62,059	64,898	73,305	62,059	74,070
Long-term creditors	-	-	-	-	-
Loans and receivables	47,688	47,806	47,806	54,525	55,719
Available for sale financial assets	966	966	966	2,025	2,025
Long-term debtors	31	31	31	17	17

- ◆ The fair value of the PWLB loans (£74 million) is calculated using the premature repayment method which is published by the PWLB on 31 March 2016. In previous years fair value of PWLB loans was calculated by reference to new borrowing rates. The fair value at 31 March 2015 has been restated on the new basis. (Level 2)
- ◆ The fair value of the loans and receivables is calculated by reference to prevailing benchmark market rates. (Level 2)
- ◆ The fair value of the available for sales financial assets is calculated using the unadjusted quoted prices in active markets for identical shares. (Level 1)
- ◆ 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.

Notes to the Accounts

15. Financial Instruments (*continued*)

Nature and extent of risks arising from financial instruments (*continued*)

The Authority'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); and Money Market Funds which have been rated "AAA", mmf or equivalent and are stable NAV.

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 £56.1 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 2016 that this was likely to materialise. The following analysis summarises the risk categories of the Council's financial assets at 31 March 2016.

	<i>Amount at 31 March 2016</i>
	<i>£,000</i>
<i>Deposits with financial institutions:</i>	
AAA rated counterparties	2,080
AA rated counterparties	3,033
A rated counterparties	35,000
Part Nationalised Banks	10,000
Building Societies with assets greater than £10 Billion	4,000
Unrated pooled Funds	2,000
Total	56,113

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

The Council does not generally allow credit for customers, such that £258k of the £1.578 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:

	<i>31/03/2015</i>	<i>31/03/2016</i>
	<i>£,000</i>	<i>£,000</i>
Less than three months	18	30
Three to nine months	134	28
Nine months to one year	31	8
More than one year	167	192
Total	350	258

Notes to the Accounts

15. Financial Instruments (*continued*)

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 HRA borrowing, whether HRA or General Fund, will be subject to a rigorous assessment of affordability.

	31/03/2015	31/03/2016
	£,000	£,000
Less than one year	-	8,860
Between one and two years	8,860	-
Between two and five years	8,860	8,860
Between six and ten years	8,860	8,860
Between eleven and twenty years	17,740	17,740
More than twenty years	17,720	17,720
Total	62,040	62,040

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. All investments are cash. 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. The Treasury Management team has an active strategy for assessing interest rate exposure that 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 2016, 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 £87k.

Price Risk. The Council does not invest in equity shares so is not exposed to losses arising from movements in the prices of shares.

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.

Notes to the Accounts

16. Inventories

	<i>2014/15</i> £,000	<i>2015/16</i> £,000
Balance outstanding at start of year	6	12
Purchases	116	118
Recognised as an expense in the year	(110)	(123)
Written off balances	-	-
Balance outstanding at year-end	12	7

17. Short-term Debtors

	<i>31/03/15</i> £,000	<i>31/03/16</i> £,000
Central government bodies	1,300	464
Other local authorities	359	187
NHS bodies	-	-
Housing rents:		
Arrears	366	405
Provision for doubtful debts	(60)	(60)
Council taxpayers (Arun District Council share only):		
Arrears	868	908
Provision for doubtful debts	(556)	(581)
Business ratepayers (Arun District Council share only):		
Arrears	358	295
Provision for doubtful debts	(153)	(107)
Housing Benefit overpayments:		
Arrears	2,096	2,426
Provision for doubtful debts	(1,758)	(1,965)
Customers and clients:		
Arrears	1,199	1,017
Provision for doubtful debts	(144)	(134)
Payments in advance	656	419
Total	4,531	3,274

18. Cash and Cash Equivalents

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

	<i>31/03/15</i> £,000	<i>31/03/16</i> £,000
Cash held by the Council and its agents	458	401
Bank current accounts	17	54
Short-term deposits with banks and building societies	2,327	2,116
Total	2,802	2,571

Notes to the Accounts

19. Non-Current Assets Held for Sale

	<i>2014/15</i> £,000	<i>2015/16</i> £,000
Balance outstanding at start of year	224	-
Asset newly classified as held for sale, formerly Property, Plant and Equipment	1,166	1,192
Assets declassified	-	-
Assets sold	(1,390)	(1,192)
Loss on valuation	-	-
Balance outstanding at year-end	-	-

20. Short-term Creditors

	<i>31/03/15</i> £,000	<i>31/03/16</i> £,000
Central government bodies	2,016	1,072
Other local authorities	879	1,820
NHS bodies	-	-
Interest accrued on long-term loans	19	19
Housing rents	64	89
Council taxpayers (Arun District Council share only)	128	121
Business Rates (Arun District Council share only)	141	242
Employees	157	161
Contractors and suppliers	3,759	2,644
s.106 Town & Country Planning Act 1990 contributions	2	-
Other deposits and receipts in advance	951	625
Total	8,116	6,793

In 2015/16, £1.982 million (£1.886 million previous year) on s106 Town & Country Planning Act 1990 have been classified as long-term creditors based upon the repayment terms contained within the planning agreements (See Note 21).

21. Long-term Creditors

	<i>31/03/15</i> £,000	<i>31/03/16</i> £,000
s.106 Town & Country Planning Act 1990 contributions	1,886	1,982
Total	1,886	1,982

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.

Notes to the Accounts

22. Provisions

	<i>Total</i> £,000
Balance at 1 April 2015	1,294
Additional provisions made in 2015/16	1,252
Amounts used in 2015/16	(445)
Balance at 31 March 2016	2,101

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 rateable value of their premises. The provision of £2.101 million represents the Council's share of the estimated amounts which will be refunded in respect of business rate liability for 2015/16 and earlier years following successful appeals.

23. Usable Reserves

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

24. Unusable Reserves

<i>31 March 2015</i> £,000		<i>31 March 2016</i> £,000
22,273	Revaluation Reserve	25,950
(41)	Available for Sale Financial Instruments Reserve	-
148,762	Capital Adjustment Account	165,267
(41,131)	Pensions Reserve	(28,266)
(1,770)	Collection Fund Adjustment Account	(1,443)
(127)	Accumulated Absences Account	(133)
127,966	Total Unusable Reserves	161,375

Notes to the Accounts

24. Unusable Reserves (continued)

Revaluation Reserve

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

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

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

<i>2014/15</i> <i>£,000</i>		<i>2015/16</i> <i>£,000</i>
18,713	Balance at 1 April	22,273
4,255	Upward revaluation of assets	4,360
(216)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(170)
<hr/> 4,039	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of services	<hr/> 4,190
(326)	Difference between fair value depreciation and historical cost depreciation	(513)
(153)	Accumulated gains on assets sold or scrapped	<hr/> -
(479)	Amount written off to the Capital Adjustment Account	(513)
<hr/> 22,273	Balance at 31 March	<hr/> 25,950

Available for Sale Financial Instruments Reserve

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

- ◆ revalued downwards or impaired and the gains are lost
- ◆ disposed of and the gains are realised

<i>2014/15</i> <i>£,000</i>		<i>2015/16</i> <i>£,000</i>
-	Balance at 1 April	(41)
-	Upward revaluation of investments	41
(41)	Downward revaluation of investments not charged to the surplus/deficit on the provision of services	-
-	Accumulated gains/losses on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of other investment income	-
<hr/> (41)	Balance at 31 March	<hr/> -

Notes to the Accounts

24. Unusable Reserves (continued)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2014/15 £,000		2015/16 £,000
131,173	Balance at 1 April	148,762
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(3,721)	◆ Charges for depreciation and impairment of non-current assets	(4,024)
13,976	◆ Revaluation gains/(losses) on Property, Plant and Equipment	14,106
502	◆ Other movements in cost or valuation on Property, Plant & Equipment	235
(57)	◆ Amortisation of intangible assets	(57)
(640)	◆ Revenue expenditure funded from capital under statute	(559)
(1,480)	◆ 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	(1,299)
<hr/> 8,580		<hr/> 8,402
479	Adjusting amounts written out of the Revaluation Reserve	513
<hr/> 9,059	Net written out amount of the cost of non-current assets consumed in the year	<hr/> 8,915
	Capital financing applied in the year:	
13	◆ Use of the Capital Receipts Reserve to finance new capital expenditure	170
2,357	◆ Use of the Major Repairs Reserve to finance new capital expenditure	2,096
627	◆ Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	559
741	◆ Application of grants to capital financing from the Capital Grants Unapplied Account	962
1,180	◆ Capital expenditure charged against the General Fund and HRA balance	259
<hr/> 4,918		<hr/> 4,046
68	Movements in the fair value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	-
3,544	Provision for loan repayment	3,544
-	Repayment of capital advances	-
<hr/> 148,762	Balance at 31 March	<hr/> 165,267

Notes to the Accounts

24. Unusable Reserves (*continued*)

Pensions Reserve

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

<i>2014/15</i>		<i>2015/16</i>
<i>£,000</i>		<i>£,000</i>
(34,042)	Balance at 1 April	(41,131)
(6,470)	Actuarial gains or (losses) on pensions assets and liabilities	13,933
(3,970)	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	(4,605)
3,351	Employer's pension contributions and direct payments to pensioners payable in the year	3,537
(41,131)	Balance at 31 March	(28,266)

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rate income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax and Business Rate payers, compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

<i>2014/15</i>		<i>2015/16</i>
<i>£,000</i>		<i>£,000</i>
(658)	Balance at 1 April	(1,770)
(1,112)	Amount by which council tax and business rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rate income calculated for the year in accordance with statutory requirements	327
(1,770)	Balance at 31 March	(1,443)

Notes to the Accounts

24. Unusable Reserves (*continued*)**Accumulated Absences Account**

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

<i>2014/15</i> <i>£,000</i>		<i>2015/16</i> <i>£,000</i>
(151)	Balance at 1 April	(127)
151	Cancellation of accrual made at the end of the preceding year	127
<u>(127)</u>	Amounts accrued at the end of the current year	<u>(133)</u>
24	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(6)
<u>(127)</u>	Balance at 31 March	<u>(133)</u>

Notes to the Accounts

25. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2014/15 £,000		2015/16 £,000
603	Interest received	599
(1,772)	Interest paid	(1,706)

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

2014/15 £,000		2015/16 £,000
3,721	Depreciation	4,025
(14,478)	Impairment and downward valuations	(14,106)
57	Amortisation	57
(308)	Increase / decrease in creditors	(871)
1,726	Increase / decrease in debtors	59
(5)	Increase / decrease in inventories	5
619	Movement in pension liability	1,068
1,480	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	1,300
208	Other non-cash items charged to the net surplus or deficit on the provision of services	572
<u>(6,980)</u>		<u>(7,891)</u>

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

2014/15 £,000		2015/16 £,000
(2,555)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,275)
(740)	Any other items for which the cash effects are investing or financing cash flows	(962)
<u>(3,295)</u>		<u>(3,237)</u>

Notes to the Accounts

26. Cash Flow Statement - Investing Activities

<i>2014/15</i>		<i>2015/16</i>
<i>£,000</i>		<i>£,000</i>
(4,635)	Purchase of property, plant and equipment and intangible assets	(3,651)
(8,000)	Purchase of short-term and long-term investments	(19,000)
2,555	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,274
8,000	Proceeds from short-term and long-term investments	11,000
340	Other receipts from investing activities	962
<u>(1,740)</u>	Net cash flows from investing activities	<u>(8,415)</u>

27. Cash Flow Statement - Financing Activities

<i>2014/15</i>		<i>2015/16</i>
<i>£,000</i>		<i>£,000</i>
(8,862)	Repayments of short and long-term borrowing	-
(500)	Other payments for financing activities	956
<u>(9,362)</u>	Net cash flows from financing activities	<u>956</u>

Notes to the Accounts

28. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across Cabinet portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- ◆ no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- ◆ expenditure on support services is budgeted for centrally and not charged to Cabinet portfolios

Cabinet portfolio income and expenditure 2015/16

	Community Development £,000	Corporate Governance £,000	Council Strategy £,000	Environmental Services £,000	Housing £,000	Leisure & Amenities £,000	Planning & Infrastructure £,000	Support Services £,000	Total £,000
Total income	(1,072)	(52,416)	(882)	(1,062)	(730)	(3,803)	(2,112)	(398)	(62,475)
Employee expenses	862	1,606	367	1,245	618	677	1,874	5,747	12,996
Premises	12	69	319	1,108	8	1,063	35	570	3,184
Transport	44	25	3	111	30	59	49	172	493
Supplies and services	642	633	504	417	1,004	597	1,298	2,107	7,202
Contract costs	233	-	42	10	8	6,897	53	54	7,297
Transfer payments	-	51,654	-	-	-	-	-	-	51,654
Total expenditure	1,793	53,987	1,235	2,891	1,668	9,293	3,309	8,650	82,826
Net expenditure	721	1,571	353	1,829	938	5,490	1,197	8,252	20,351

Cabinet portfolio income and expenditure 2014/15 comparative figures

	Community Development £,000	Corporate Governance £,000	Council Strategy £,000	Environmental Services £,000	Housing £,000	Leisure & Amenities £,000	Planning & Infrastructure £,000	Support Services £,000	Total £,000
Total income	(1,133)	(53,080)	(1,122)	(2,108)	(325)	(3,635)	(2,517)	(407)	(64,327)
Employee expenses	766	1,611	297	1,225	551	663	1,778	5,589	12,480
Premises	49	78	742	1,270	-	1,464	16	1,212	4,831
Transport	43	27	5	98	29	54	48	180	484
Supplies and services	740	554	584	431	1,190	586	956	1,962	7,003
Contract costs	223	-	38	9	9	6,803	112	51	7,245
Transfer payments	-	52,714	-	-	-	-	-	-	52,714
Total expenditure	1,821	54,984	1,666	3,033	1,779	9,570	2,910	8,994	84,757
Net expenditure	688	1,904	544	925	1,454	5,935	393	8,587	20,430

Notes to the Accounts

28. Amounts Reported for Resource Allocation Decisions (*continued*)

Reconciliation of Cabinet Portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of Cabinet portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2014/15 £,000	2015/16 £,000
Net expenditure in the Portfolio Analysis	20,430	20,351
Net expenditure of service and support services not included in the analysis	(8,097)	(8,758)
Amounts in the Comprehensive Income and Expenditure Statement but not reported to management in the analysis	(10,192)	(9,002)
Amounts included in the Analysis but not included in the Comprehensive Income and Expenditure Statement	(1,357)	(1,433)
Cost of Services in the Comprehensive Income and Expenditure Statement	784	1,158

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Cabinet Portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2015/16

	Portfolio analysis £,000	Services not in analysis £,000	Amounts not reported £,000	Amounts not in CoS £,000	Cost of services (CoS) £,000	Corporate amounts £,000	Total £,000
Fees, charges & other service income	(9,895)	(16,902)	-	-	(26,797)	-	(26,797)
Financing & investment income	(69)	(78)	-	147	-	(4,497)	(4,497)
Gain on disposal of fixed assets	-	(186)	-	186	-	(918)	(918)
Income from council tax	-	-	-	-	-	(16,020)	(16,020)
Government grants and contributions	(52,509)	-	-	-	(52,509)	(9,390)	(61,899)
Total Income	(62,473)	(17,166)	-	333	(79,306)	(30,825)	(110,131)
Employee expenses	12,997	1,471	1,137	-	15,605	-	15,605
Other service expenses	18,172	5,227	-	(9)	23,390	9	23,399
Transfer payments	51,655	-	-	-	51,655	-	51,655
Support service recharges	-	-	-	(47)	(47)	47	-
Depreciation, amortisation and impairment	-	-	(10,259)	-	(10,259)	-	(10,259)
Non-distributed costs	-	-	120	-	120	-	120
Financing & investment expenditure	-	1,710	-	(1,710)	-	6,783	6,783
Precepts, Levies and Parish Grant Payments	-	-	-	-	-	4,130	4,130
Gain on disposal of fixed assets	-	-	-	-	-	(57)	(57)
Payments to Housing Capital Receipts Pool	-	-	-	-	-	399	399
Total expenditure	82,824	8,408	(9,002)	(1,766)	80,464	11,311	91,775
Surplus or deficit on the provision of services	20,351	(8,758)	(9,002)	(1,433)	1,158	(19,514)	(18,356)

Notes to the Accounts

28. Amounts Reported for Resource Allocation Decisions (*continued*)

Reconciliation to Subjective Analysis

2014/15 Comparative Figures	Portfolio analysis £,000	Services not in analysis £,000	Amounts not reported £,000	Amounts not in CoS £,000	Cost of services (CoS) £,000	Corporate amounts £,000	Total £,000
Fees, charges & other service income	(11,008)	(16,759)			(27,767)	-	(27,767)
Financing & investment income	(65)	(54)		119	-	(5,074)	(5,074)
Gain on disposal of fixed assets		(252)		252	-	(970)	(970)
Income from council tax					-	(15,777)	(15,777)
Government grants and contributions	(53,254)				(53,254)	(10,196)	(63,450)
Total Income	(64,327)	(17,065)	-	371	(81,021)	(32,017)	(113,038)
Employee expenses	12,481	1,575	576		14,632		14,632
Other service expenses	19,562	5,643		(4)	25,201	4	25,205
Transfer payments	52,714				52,714		52,714
Support service recharges				(42)	(42)	42	-
Depreciation, amortisation and impairment			(10,768)	68	(10,700)	(68)	(10,768)
Non-distributed costs					-		-
Financing & investment expenditure		1,750		(1,750)	-	7,624	7,624
Precepts, Levies and Parish Grant Payments					-	4,120	4,120
Gain on disposal of fixed assets					-	(104)	(104)
Payments to Housing Capital Receipts Pool					-	382	382
Total expenditure	84,757	8,968	(10,192)	(1,728)	81,805	12,000	93,805
Surplus or deficit on the provision of services	20,430	(8,097)	(10,192)	(1,357)	784	(20,017)	(19,233)

29. Agency Services

The Council provided the following agency services in 2015/16:

- ◆ Collection of car park income for West Sussex County Council (£804k) and other third parties (£130k).
- ◆ Provision of a payroll service for a number of voluntary organisations and two parish councils (no charge is made for this service).

Notes to the Accounts

30. Members' Allowances

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

	2014/15	2015/16
	£,000	£,000
Allowances	456	434
Expenses	16	15
Total	472	449

31. Officers' Remuneration

The remuneration paid to the Council's senior employees is as follows:

		Salary and allowances	Expenses allowances	Compensation for loss of office	Pension Contribution	Total
		£	£		£	£
Chief Executive	2015/16	107,896	485	-	21,471	129,852
	2014/15	102,944	505	-	19,480	122,929
Resources Director & Deputy Chief Executive	2015/16	95,460	107	-	18,996	114,563
	2014/15	89,500	470	-	16,916	106,886
Assistant Director Planning & Economic Regeneration	2015/16	75,051	10	-	14,935	89,996
	2014/15	69,738	1,275	-	13,180	84,193
Assistant Director Customer Services	2015/16	75,051	17	-	14,935	90,003
	2014/15	68,343	19	-	12,917	81,279
Assistant Director Environmental Services	2015/16	75,051	225	-	14,935	90,211
	2014/15	68,343	1,705	-	12,917	82,965
Head of Finance & Property & s151 Officer	2015/16	66,712	1,243	-	13,276	81,231
	2014/15	65,635	1,244	-	12,405	79,284
Head of Housing	2015/16	64,627	1,638	-	12,861	79,126
	2014/15	63,584	1,639	-	12,017	77,240
Head of Human Resources & Customer Services	2015/16	62,043	1,239	-	12,347	75,629
	2014/15	61,041	1,255	-	11,537	73,833
Head of Legal & Administration	2015/16	63,743	1,254	-	12,685	77,682
	2014/15	62,041	1,251	-	11,726	75,018
Head of Neighbourhoods	2015/16	63,335	1,824	-	12,604	77,763
	2014/15	62,313	1,852	-	11,777	75,942

No Senior Officer was in receipt of compensation for loss of office for 2015/16.

No Senior Officer was in receipt of bonus payments or benefits in kind for 2015/16.

Notes to the Accounts

31. Officers' Remuneration (continued)

The Council's employees receiving more than £50k remuneration for the year, including the senior officers disclosed above (but excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	Number of employees	
	2014/15	2015/16
£50,000 - £54,999	7 **	7
£55,000 - £59,999	-	3
£60,000 - £64,999	3	2
£65,000 - £69,999	3	3
£70,000 - £74,999	2	-
£75,000 - £79,999	1 *	3
£80,000 - £84,999	-	-
£85,000 - £89,999	1	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	1
£100,000 - £104,999	1	-
£105,000 - £109,999	-	1
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-
£125,000 - £129,999	-	-
£130,000 - £134,999	-	-
£135,000 - £139,999	-	-
£140,000 - £144,999	-	-

* One employee included by virtue of redundancy pay

** One employee included by virtue of annualised salary

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 packages cost band (including special payments)	No. of compulsory redundancies		No. of other departures agreed		Total no. of exit packages by cost band		Total cost of exit packages in each band	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
£0 - £20,000	-	3	-	-	-	3	-	34,190
£20,001 - £40,000	-	2	-	-	-	2	-	48,755
£40,001 - £60,000	1	-	-	-	1	-	£41,016	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
Total cost included in bandings							£41,016	£82,945

Notes to the Accounts

32. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

	2014/15 £,000	2015/16 £,000
<i>Fees payable to Ernst & Young LLP:</i>		
external audit services carried out by the appointed auditor	75	57
statutory inspections	-	-
certification of grant claims and returns	12	8
other services	-	-
Total	87	65

33. 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.

	2014/15 £,000	2015/16 £,000
Credited to Taxation and Non-Specific Grant Income		
Benefits Administration Grant	727	633
Localised Council Tax Support Administration	190	175
Business Rate collection allowance	174	174
Council Tax freeze	103	104
Disabled Facilities Grants	627	-
New Homes Bonus Grant	2,549	3,088
Revenue Support Grant	3,768	2,716
S.31 grants paid to compensate for the loss of business rate income due to the granting of additional relief	975	1,158
Individual Electoral Registration (IER)	111	87
Other non-ringfenced grants	232	293
Capital grants and contributions	740	962
Total	10,196	9,390
Credited to Services		
Community Wellbeing	423	448
Coast Protection	141	1
Crime Reduction	90	59
Disabled Facilities Grants	-	559
Economic Regeneration	573	703
Family Intervention project	249	194
Fuel poverty	123	-
Housing Benefit Subsidy	52,545	51,758
Neighbourhood Plan	350	45
Other	456	550
Total	54,950	54,317
Total Grants, Contributions & Donations	65,146	63,707

Notes to the Accounts

34. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions 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 the subjective analysis in Note 28 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2016 are shown in Note 17 (Central Government bodies).

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in Note 30. No members declared any transactions for 2015/16 that fall within the related party definition.

Officers

The Council's Chief Executive repaid the balance of his car loan of £3,000 during 2015/16. No other transactions with senior officers fall within the related party definition.

Other public bodies

Precepts and levies totalling £4.130 million were paid as disclosed in Note 9.

Entities Controlled or Significantly Influenced by the Council

There are no entities meeting the definition of related parties.

Notes to the Accounts

35. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. The table also shows the amounts set aside for loan repayment, resulting in a reduction in the Capital Financing Requirement during 2015/16.

	<i>2014/15</i>	<i>2015/16</i>
	<i>£,000</i>	<i>£,000</i>
<i>Opening Capital Financing Requirement</i>	61,178	57,634
<i>Capital investment</i>		
Property, Plant and Equipment	4,152	3,402
Intangible Assets	126	85
Revenue Expenditure Funded from Capital under Statute	640	559
<i>Sources of finance</i>		
Capital receipts	(13)	(170)
Government grants and other contributions	(1,368)	(1,521)
Direct revenue contributions - general	(1,057)	(259)
Direct revenue contributions - housing	(123)	-
Housing Major Repairs Reserve	(2,357)	(2,096)
<i>Amount set aside for loan repayment</i>	(3,544)	(3,544)
<i>Closing Capital Financing Requirement</i>	57,634	54,090
<i>Explanation of movements in the year:</i>		
Increase in underlying need to borrow	-	-
Amount set aside for loan repayment	(3,544)	(3,544)
Other	-	-
<i>Increase / (decrease) in Capital Financing Requirement</i>	(3,544)	(3,544)

Notes to the Accounts

36. Leases

Council as Lessee

Finance Leases

The Council has no currently determined finance leases as lessee

Operating Leases

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

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

	<i>31 Mar 2015</i>	<i>31 Mar 2016</i>
	<i>£,000</i>	<i>£,000</i>
Not later than one year	110	111
Later than one year and not later than five years	68	317
Later than five years	32	30
	210	458

The expenditure charged to the Comprehensive Income and Expenditure Statement in relation to these leases in 2015/16 was £160.9k (2014/15 £154.6k) 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 surplus 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:

	<i>31 Mar 2015</i>	<i>31 Mar 2016</i>
	<i>£,000</i>	<i>£,000</i>
Not later than one year	436	476
Later than one year and not later than five years	1,335	1,357
Later than five years	8,973	8,645
	10,744	10,478

The lease payments receivable include 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.

Notes to the Accounts

37. Impairment Losses

There were no material impairment losses during 2015/16.

38. Termination Benefits

The Authority terminated the contracts of five employees in 2015/16 as part of the process of achieving required budget savings, incurring a liability of £83k. There were no provisions made in prior years. See Note 31 for the number of exit packages and the total cost per band.

39. 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 pensions 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.

Notes to the Accounts

39. Defined Benefit Pension Scheme (continued)

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:

	<i>Local Government Pension Scheme</i>		<i>Discretionary Benefits arrangements</i>	
	<i>2014/15 £,000</i>	<i>2015/16 £,000</i>	<i>2014/15 £,000</i>	<i>2015/16 £,000</i>
Comprehensive Income and Expenditure Statement -				
Cost of services:				
<i>Service cost comprising:</i>				
◆ current service cost	2,524	3,173	-	-
◆ past service costs (including curtailments)	-	120	-	-
◆ effect of settlements	-	-	-	-
<i>Financing and Investment Income and Expenditure:</i>				
◆ Net interest expense	1,446	1,312	-	-
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	3,970	4,605	-	-
<i>Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</i>				
<i>Remeasurement of the net defined benefit liability comprising:</i>				
◆ Return on plan assets (excluding the amount included in the net interest expense)	(11,182)	1,296	-	-
◆ Actuarial gains and losses arising on changes in demographic assumptions	-	-	-	-
◆ Actuarial gains and losses arising on changes in financial assumptions	18,599	(12,991)	-	-
◆ Other experience	(1,278)	(1,743)	331	(455)
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	10,109	(8,833)	331	(455)
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	3,970	4,605	-	-
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>				
◆ employer's contributions payable to scheme	3,069	3,260	-	-
◆ retirement benefits payable to pensioners	-	-	282	277

Notes to the Accounts

39. Defined Benefit Pension Scheme (continued)

Pensions Assets and liabilities recognised in the Balance Sheet

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

	<i>Local Government Pension Scheme</i>		<i>Discretionary Benefits</i>	
	<i>2014/15</i>	<i>2015/16</i>	<i>2014/15</i>	<i>2015/16</i>
	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>
Present value of the defined benefit obligation	(153,999)	(143,055)	(5,137)	(4,682)
Fair value of plan assets	118,005	119,471	-	-
Net liability arising from defined benefit obligation	(35,994)	(23,584)	(5,137)	(4,682)

Reconciliation of the movements in the fair value of scheme assets

	<i>Local Government Pension Scheme</i>		<i>Discretionary Benefits</i>	
	<i>2014/15</i>	<i>2015/16</i>	<i>2014/15</i>	<i>2015/16</i>
	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>
Opening fair value of scheme assets	103,700	118,005	-	-
Interest income	4,428	3,760	-	-
Remeasurement gain/(loss):				
Return on plan assets excluding the amount included in the net interest expense	11,182	(1,296)	-	-
Other	(45)	2	-	-
Contributions from employer	3,069	3,260	282	277
Contributions from employees into the scheme	703	694	-	-
Benefits paid	(5,032)	(4,954)	(282)	(277)
Closing fair value of scheme assets	118,005	119,471	-	-

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

	<i>Funded liabilities Local Government Pension Scheme</i>		<i>Unfunded liabilities Discretionary Benefits</i>	
	<i>2014/15</i>	<i>2015/16</i>	<i>2014/15</i>	<i>2015/16</i>
	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>
Opening balance at 1 April	132,936	153,999	4,806	5,137
Current service cost	2,524	3,293	-	-
Interest cost	5,874	5,072	-	-
Contributions by scheme participants	703	694	-	-
Remeasurement (gains) and losses:				
Actuarial gains/losses arising from changes in demograph assumptions	-	-	-	-
Actuarial gains/losses arising from changes in financial assumptions	18,599	(12,991)	-	-
Other	(1,605)	(2,058)	613	(178)
Past service cost	-	-	-	-
Benefits paid	(5,032)	(4,954)	(282)	(277)
Closing balance at 31 March	153,999	143,055	5,137	4,682

Notes to the Accounts

39. Defined Benefit Pension Scheme (*continued*)

Local Government Pension Scheme assets comprised:

	2014/15 £,000	2015/16 £,000
Cash and cash equivalents	5,233	2,463
Equity securities by industry type:		
Consumer	17,782	19,516
Manufacturing	10,358	4,084
Energy and utilities	5,252	4,132
Financial institutions	18,532	19,353
Health and care	7,850	7,712
Information technology	15,206	15,434
Other	4,139	10,458
Debt securities:		
UK Government	2,407	2,080
Private Equity - All categories	6,426	5,742
Real estate:		
UK property	7,647	10,780
Overseas property	65	13
Investment funds and unit trusts:		
Equities	-	-
Bonds	16,242	16,788
Other	868	916
Totals	118,005	119,471

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

Notes to the Accounts

39. Defined Benefit Pension Scheme (*continued*)

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 Hymans Robertson, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 1 April 2013. The principal assumptions used in their calculations have been:

	<i>Local Government Pension Scheme</i>		<i>Discretionary Benefits</i>	
	<i>2014/15</i>	<i>2015/16</i>	<i>2014/15</i>	<i>2015/16</i>
<i>Long-term expected rate of return on assets in the scheme:</i>				
Equity investments	8.3%	-0.9%	-	-
Bonds	8.3%	-0.9%	-	-
Property	8.3%	-0.9%	-	-
Cash	8.3%	-0.9%	-	-
<i>Mortality assumptions:</i>				
Longevity at 65 for current pensioners:				
◆ Men	24.4 years	24.4 years	24.4 years	24.4 years
◆ Women	25.8 years	25.8 years	25.8 years	25.8 years
Longevity at 65 for future pensioners:				
◆ Men	26.9 years	26.9 years	26.9 years	26.9 years
◆ Women	28.5 years	28.5 years	28.5 years	28.5 years
Rate of inflation	3.3%	3.2%	3.3%	3.2%
Rate of increase in salaries	3.8%	3.7%	3.8%	3.7%
Rate of increase in pensions (CPI)	2.4%	2.2%	2.4%	2.2%
Rate for discounting scheme liabilities	3.2%	3.5%	3.2%	3.5%

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 2016

	<i>Approx. % increase to employer liability</i>	<i>Approx. monetary amount (£,000)</i>
0.5% decrease in Real Discount Rate	9.0%	13,680
1 year increase in member life expectancy	3.0%	4,432
0.5% increase in the Salary Increase Rate	2.0%	3,546
0.5% increase in the Pension Increase Rate	7.0%	9,968

Notes to the Accounts

39. Defined Benefit Pension Scheme (*continued*)

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 is due to be completed on 31 March 2016.

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 £3.265 million for employer contributions to the scheme in 2016/17.

The weighted average duration of the defined benefit obligation for scheme members is 17.7 years for 2015/16.

40. Contingent Liabilities

The Council's contractual arrangement with Culture, Art and Sport (Arun) Ltd. (trading as Inspire Leisure), for the management of its leisure services, ended on 31 March 2016. However, Arun acts as guarantor for Inspire Leisure's pension deficit at this date. The quantum of this deficit (if any) has not yet been determined but West Sussex County Council, as the Pension Administering Authority, has been targeting a fully funded position and has set the pension rate accordingly.

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 Arun 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 2016 Arun held £1.956m of unused "1 for 1 replacement" receipts. However, the Council has an approved housing acquisition/ new build programme in place and this should ensure that the "1 for 1 replacement" receipts are spent within the required timescale.

The Council is in receipt of two claims relating to the period prior to 31 March 2016. One relates to the award of relief for business rate liability and the other to compensation for an occupational illness. It is not yet possible to determine whether or not these claims will be successful or whether there will be other similar claims in the future.

HRA Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

2014/15 £,000		2015/16 £,000
	Expenditure	
3,803	Repairs and maintenance	3,827
4,389	Supervision and management	4,143
152	Rents, rates, taxes and other charges	147
(11,694)	Depreciation, amortisation and impairment of non-current assets	(11,782)
(14)	Movement in the allowance for bad debts	55
(3,364)	Total Expenditure	(3,610)
	Income	
(15,736)	Dwelling rents	(16,024)
(391)	Non-dwelling rents	(393)
(598)	Charges for services and facilities	(729)
(34)	Contributions towards expenditure	(38)
(16,759)	Total Income	(17,184)
(20,123)	Net expenditure or income on HRA Services as included in the whole authority Income and Expenditure Statement	(20,794)
123	HRA services share of Corporate and Democratic Core	122
(20,000)	Net expenditure on HRA Services	(20,672)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:	
(718)	Gain or loss on sale of HRA non-current assets	(732)
(252)	Other income - unattached capital receipts	(186)
1,772	Interest payable and similar charges	1,706
(76)	Interest and investment income	(74)
(19,274)	Surplus or deficit for the year on HRA services	(19,958)

Movement on the HRA Statement

2014/15 £,000		2015/16 £,000
(3,024)	Balance on the HRA at the end of the previous year	(5,786)
(19,274)	Surplus or deficit for the year on the HRA Income and Expenditure Statement	(19,958)
16,512	Adjustments between accounting basis and funding basis under statute	18,841
(2,762)	Net increase or decrease before transfers to or from reserves	(1,117)
-	Transfers to or from reserves	-
(2,762)	Increase or decrease in year on the HRA	(1,117)
(5,786)	Balance on the HRA at the end of the current year	(6,903)

Notes to the HRA Statement

1. Adjustments between accounting basis and funding basis under regulations

2014/15 £,000		2015/16 £,000
970	Gain or loss on sale of HRA non-current assets	918
132	HRA share of contributions to or from the Pensions Reserve	56
122	Capital expenditure funded by the HRA	-
3,591	Transfer to/from the Major repairs Reserve	6,085
3	Transfer to/from Accumulated Absences Account	-
11,694	Transfer to/from the Capital Adjustment Account	11,782
16,512	Total adjustments	18,841

2. Housing Stock Analysis

	31 Mar 2015 No.	31 Mar 2016 No.
Dwelling type		
Bedsits	179	179
Flats	1,572	1,570
Houses / bungalows	1,646	1,629
Hostels	2	2
Total	3,399	3,380
Balance sheet value of assets	£,000	£,000
Dwellings	169,041	181,296
Garages	2,722	2,685
Other land and buildings	637	645
Held for sale	-	-
Plant & equipment	499	1,000
Computer software	101	73
Total	173,000	185,699

3. Vacant Possession value of HRA Dwellings

The vacant possession value of dwellings within the Council's Housing Revenue Account as at 1 April 2015 was £531 million. Comparing the vacant possession value and the balance sheet value shows the economic cost to Government of providing council housing at less than open market rents.

4. Major Repairs Reserve

	2014/15 £,000	2015/16 £,000
Balance at 1 April	2,902	592
Transfers from Housing Revenue Account	3,591	6,085
Transfer to Capital Adjustment Account re financing of HRA capital expenditure	(2,357)	(2,096)
Provision for loan repayment	(3,544)	(3,544)
Balance at 31 March	592	1,037

Notes to the HRA Statement

5. Capital Expenditure on Land and Property within the HRA

	2014/15 £,000	2015/16 £,000
Expenditure		
Housing improvements and repairs	1,944	1,842
Development programme	32	-
Disabled facilities	413	254
Total expenditure	2,389	2,096
Financed by:		
Revenue contributions	32	-
Major Repairs Reserve	2,357	2,096
Usable Capital Receipts	-	-
Total financing	2,389	2,096

6. Capital Receipts from the disposal of HRA Land and Property

	2014/15 £,000	2015/16 £,000
Dwellings	2,137	2,090
Other assets	-	20
Total capital receipts	2,137	2,110

7. Depreciation charged to the Housing Revenue Account

	2014/15 £,000	2015/16 £,000
Operational Assets		
Council dwellings	2,202	2,378
Garages separate from curtilage of dwellings	39	39
Other tangible fixed assets	21	37
Intangible fixed assets	10	29
Total	2,272	2,483

8. Rent Arrears

Tenants' arrears at 31 March 2016 were £405k (previous year £366k). The provision for doubtful debts amounted to £60k (previous year £60k).

9. HRA Contributions to Pensions Reserve

IAS 19 requires that the current service cost of retirement benefits is included in the Net Cost of Services in the Income and Expenditure Account, and the Housing Revenue Account fulfils this requirement with a charge of £488k having been made for the year. However, legislation requires that this charge be reversed out in the Statement of Movement on the HRA Balance, and replaced by contributions payable to the WSCC Pension Fund. These were calculated to be £544k for the year. The Head of Finance and Property does not consider that the Housing Revenue Account has separately identified employees, and there is therefore no attribution of a share of other IAS 19 entries identified in the Comprehensive Income and Expenditure Statement.

ARUN DISTRICT COUNCIL STATEMENT OF ACCOUNTS 2015/16

Collection Fund Statement

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.

2014/15 £,000		2015/16 £,000
	Income	
	<i>Local Taxes:</i>	
86,321	Net Council Tax	88,222
34,914	Net business rates	34,981
10	Government Grants	63
121,245	Total income	123,266
	Expenditure	
	<i>Demands and Precepts:</i>	
64,948	West Sussex County Council	65,957
7,888	Sussex Police and Crime Commissioner	8,169
12,460	Arun District Council	12,749
-	<i>Interest</i>	
	<i>Share of business rate income</i>	
3,344	West Sussex County Council	3,393
16,718	Central Government	16,967
13,375	Arun District Council	13,573
247	Payments to Central Government re transitional protection	-
174	Transfer to General Fund re cost of Business Rate collection	174
	<i>Shares of Fund surplus or (deficit) - Council Tax:</i>	
523	West Sussex County Council	312
62	Sussex Police and Crime Commissioner	38
100	Arun District Council	60
	<i>Shares of Fund surplus or (deficit) - Business rates:</i>	
115	West Sussex County Council	(283)
575	Central Government	(1,417)
460	Arun District Council	(1,134)
	<i>Bad and doubtful debts - Council Tax:</i>	
216	Written off	203
110	Provision adjustments	46
	<i>Bad and doubtful debts - Business rates:</i>	
184	Written off	180
(29)	Provision adjustments	(115)
	<i>Appeals - Business rates:</i>	
1,850	Use of provision	1,111
691	Provision adjustments	2,019
124,011	Total Expenditure	122,002
2,766	(Surplus) / deficit for year	(1,264)
1,477	Balance at 1 April brought forward	4,243
4,243	Balance at 31 March carried forward	2,979

The balance on this account represents the difference between total Council Tax and Business Rates receivable on an accruals basis and the payments made to this Council, major preceptors and the Government on a cash basis. The shares attributable to these bodies are shown below. This Council's share is shown on the Balance Sheet as "Collection Fund Adjustment Account".

2,267	Government	1,986
233	West Sussex County Council	(357)
(27)	Sussex Police and Crime Commissioner	(93)
1,770	Arun District Council	1,443
4,243	Total	2,979

Analysis of movement on Collection Fund balance

	2014/15 £,000	2015/16 £,000
<i>(Surplus) / deficit for year:</i>		
Council Tax	(24)	(701)
Business rates	2,790	(563)
Total	2,766	(1,264)
<i>Balance at 1 April brought forward</i>		
Council Tax	(267)	(291)
Business rates	1,744	4,534
Total	1,477	4,243
<i>Balance at 31 March carried forward</i>		
Council Tax	(291)	(992)
Business rates	4,534	3,971
Total	4,243	2,979

Notes to the Collection Fund Statement

1. Council Tax Base

	2014/15	2015/16
<i>Equivalent Valuation Band D properties in:</i>		
Valuation Band A	2,778	2,854
Valuation Band B	6,167	6,307
Valuation Band C	12,728	12,956
Valuation Band D	12,129	12,390
Valuation Band E	10,639	10,717
Valuation Band F	7,294	7,334
Valuation Band G	4,044	4,096
Valuation Band H	452	450
Total Band D Equivalentents	56,231	57,104
Allowance for non-collection 0.6%	(337)	(342)
Tax Base for year	55,894	56,762

2. Council Tax (total including parish average)

	2014/15	2015/16
Valuation Band A	£1,017.35	£1,020.33
Valuation Band B	£1,186.90	£1,190.39
Valuation Band C	£1,356.46	£1,360.44
Valuation Band D	£1,526.02	£1,530.50
Valuation Band E	£1,865.14	£1,870.61
Valuation Band F	£2,204.25	£2,210.72
Valuation Band G	£2,543.37	£2,550.83
Valuation Band H	£3,052.04	£3,061.00

3. General Statistics

	2014/15	2015/16
Rateable value of non-domestic properties at 31 March	£86.8m	£89.8m
Number of non-domestic properties at 31 March	4,416	4,521
Non-domestic rating multiplier: small businesses	0.471	0.480
Non-domestic rating multiplier: other	0.482	0.493
Average Council Tax for a Band D property	£1,526	£1,531

Glossary of Terms

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

Accrual - a sum included in the financial statements to cover income or expenditure attributable to an accounting period for goods received or work done, but for which payment has not been received/made by the end date of the period for which the accounts are prepared.

Accrued Interest - interest accumulated but not yet received or paid.

Actuarial - relating to the appraisal of economic and demographic factors in order to estimate future pension liabilities.

Agency Services - services which are performed by or for other authorities or bodies, where the authority/body responsible for the service reimburses the authority 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 of worth which has a measureable monetary value. Assets can be defined as Fixed or Current.

Budget - the spending plans of the Council over a specific period of time, generally the financial year.

Capital Charge - the charge to the services for the use of fixed asset. As a minimum, the capital charge must cover the annual provision for *depreciation*.

Capital Expenditure - expenditure on the acquisition or creation of a tangible fixed asset which will have long term value to the Council or expenditure which adds to and not merely maintains the value of an existing tangible fixed asset. Expenditure must meet the Council's de minimis limit in order to be capitalised. De minimis is the minimum limit set by the Council below which expenditure will not usually be classified as capital even if it otherwise meets the definition of capital.

Capital Financing Requirement - the authority's underlying need to borrow for capital purposes.

Capital Grants - grants received towards capital expenditure.

Capital Receipts - proceeds on disposal of any non-current asset where the proceeds total over £10,000.

Carrying Amount - see *Net Book Value*.

Cash & Cash Equivalents - comprises of cash in hand and demand deposits, together with short-term, highly liquid investments that are readily convertible to a known amount of cash, and that are subject to an insignificant risk of changes in value.

Collection Fund Statement - a statement that shows the transactions of the billing authority (Arun) in relation to *Non-Domestic Rates* and *Council Tax*, and illustrates the way these have been distributed to preceptors (see *Precepting Authorities*), the national non-domestic rates pool and the *General Fund*.

Community Assets - assets that the Council intends to hold in perpetuity, or that have no determinable useful life, and that may have restrictions on their disposal. An example would be parks and green spaces.

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.

Contingent Assets - assets where the possibility of an economic benefit depends solely upon future events that are not wholly within the control of the Council.

Glossary of Terms (*continued*)

Contingent Liabilities - a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council. Contingent Liabilities also arise 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.

Corporate & Democratic Core - expenditure relating to the need to co-ordinate and account for the many services provided to the public, including the cost of member representation and authorities associated with public accountability.

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 Accounting, the leading accounting body for local government.

CIPFA Treasury Management Code of Practice - provides a basis for all public service organisations to create clear *treasury management* objectives and to structure and maintain sound treasury management policies and practices.

Creditors - a person, company or other organisation to whom the Council owes money for works done, goods received or services rendered before the end of the accounting period but for which payment has not been made by the end of that period, shown as a liability on the Balance Sheet. Also known as Payables.

Current Assets - an asset that can be readily converted into cash within less than one year.

Current Liabilities - a liability that is due to be settled within one year.

DCLG - Department for Communities and Local Government, the main Government department dealing with local government and community issues.

Debtors - a person, company or other organisation that owes money to the Council for works done, goods received or services rendered before the end of the accounting period but for which payment has not yet been made by the end of that period, shown as an asset on the Balance Sheet. Also known as Receivables.

Defined Benefit Pension Scheme - a scheme in which the benefits are defined in the scheme rules and accrue independently of the contributions payable and investment returns.

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 wearing out, consumption, or other reduction in the useful economic life of a tangible fixed asset, whether arising from use, passing of time or obsolescence through technological or other changes.

Direct Revenue Funding - capital expenditure funded from revenue budgets. Also known as Revenue Contributions to Capital Outlay (RCCO).

Doubtful 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 an authority for specified purposes.

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.

Glossary of Terms (*continued*)

Fair Value - 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.

Finance Lease - a *lease* that transfers substantially all the risks and rewards incidental to ownership of an 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 authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

Government Grant - financial assistance from Central Government (including government agencies and similar bodies) in the form of a cash grant. In return the Council will comply with any conditions attached to the issuing of the grant.

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.

Heritage Assets - tangible or intangible assets which are intended to be preserved for future generations because of their historical, artistic, scientific, technological, geophysical or environmental qualities and are held and maintained principally for their contribution to knowledge and culture.

Highest and 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 - reflects a statutory obligation to account separately for local authority housing provision. It shows the major elements of housing revenue expenditure and how this is met by rents, subsidy and other income.

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 due to consumption of economic benefits or a general fall in market value.

Infrastructure Assets - fixed assets that cannot be taken away or transferred, and whose benefits can only be obtained by continued use of the asset created. For example, a major coast protection project.

Intangible Fixed Assets - assets that have no physical substance but are identifiable and controlled by the Council through custody or legal rights. An example would be a software licence.

Inventory - inventory items include consumable stores and goods purchase for resale.

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.

Glossary of Terms (*continued*)

Lease - a lease is 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 - an amount owed by the Council that will be paid at some time in the future.

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 - are 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 - omissions or misstatements of items are material if they could, by their size or nature, individually or collectively, influence the economic decisions of users taken on the basis of the financial statements.

Minimum Revenue Provision (MRP) - the minimum amount which must be charged to the revenue account each year and set aside as provision for repaying external loans and meeting other credit liabilities.

Net Book Value - the amount at which an asset is recognised in the balance sheet after deducting any accumulated *depreciation, amortisation and impairment*. Also known as carrying amount.

Non-Current Asset - tangible or intangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

Non-Distributable Costs - central costs that are not apportioned to the service user.

Non-Domestic Rates - rates payable by local businesses.

Non-Operational Assets - tangible fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. e.g. *investment properties*.

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* other than a *finance lease*.

Operational Assets - fixed assets held and occupied, used or consumed by the Council 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 - see *Creditors*.

Precept - demand on the Council's *Collection Fund* made by a *Precepting Authority*.

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.

Prior Period - usually relates to the previous accounting year and is generally used in association with adjustments made in the current accounting year to reflect either a new accounting policy or correction of errors.

Glossary of Terms (*continued*)

Property, Plant & Equipment - 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*.

Provisions - sums set aside to meet liabilities or losses which it is anticipated will be incurred but where the amount and/or the timing is uncertain.

Public Works Loan Board (PWLB) - a Central Government agency, which lends money to Local Authorities at lower interest rates than those generally available from the private sector. Local Authorities are able to borrow a proportion of their requirements to finance capital spending from this source.

Receivables - see *Debtors*.

Related Parties - a person or entity that is related to the Council.

Related Parties Transaction - the transfer of assets or liabilities or the performance of services by, to, or for, a related party irrespective of whether a charge is made.

Reserve - surpluses and deficits that have been accumulated over past years. Reserves of a revenue nature can be spent or earmarked at the discretion of the Council. Some capital reserves such as the revaluation reserve cannot be used to meet current expenditure.

Revaluation - the process of establishing or reviewing the fair value of a non-current asset.

Revenue Expenditure - the operating costs incurred by the Council during the financial year in providing its day to day services.

Revenue Expenditure Financed from Capital Under Statute (REFCUS) - expenditure which would be classed as revenue expenditure but which statutory regulations require the Council to treat as capital for financing purposes, typically this involves expenditure on or contributions towards another organisation's asset.

Self Financing - relates to the new Housing Revenue Account funding regime under which, from April 2012 Councils retain their rental income and use it to fund their housing stock.

Slippage - a delay in the progress of a capital scheme caused by departures from the start date and flow of payments originally allowed for in the capital programme.

Supplementary Estimate - where it is proposed to incur expenditure which is not provided for in the budget, and which cannot be met from specifically identified savings, a supplementary estimate is required. Supplementary estimates, which may be for General Fund or the Housing Revenue Account purposes, require Full Council approval.

Support Service 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 local authority and the services it provides for a period of more than one year.

Treasury Management - defined by *CIPFA* as 'the management of the organisation's 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'.

Unobservable Inputs - are inputs for which market data is not available and that are developed using the best information available to the authority 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.