



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

21 September 2017

Please ask for:
Jane Fulton
Committee Manager
37611

Dear Member

Audit and Governance Committee – 28 September 2017

Please find attached further papers to be considered at next week's Audit & Governance Committee taking place on Thursday, 28 September 2017 now in the revised venue of the **The Millennium Chamber at Littlehampton Town Council**. The start time remains unchanged at 9.30 am. The additional papers are as follows:

Agenda Item 5 - (Ernst & Young – Report to Those Charged with Governance and Progress 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 2016/2017 and Letter of Representation)

The **attached** report provides information about the audit of the Council's 2016/2017 Statement of Accounts and recommends the approval of the 2016/2017 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

Year ended 31 March 2017



20 September 2017

Dear Members

We have substantially completed our audit of Arun District Council's (the Council) financial statements for the year ended 31 March 2017.

Subject to the adequate resolution of the outstanding matters listed in our report, we confirm that we anticipate being in a position to issue an unqualified audit opinion on the financial statements in the form that appears in Section 3, after your Audit and Governance Committee meeting on 28 September and before the statutory deadline of 30 September 2017.

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

This report is intended solely for the use of members and senior management, and should not be used for any other purpose nor given to any other party without our prior written consent.

We would like to thank your staff for the assistance provided to us during the engagement.

We look forward to the opportunity of discussing with you any aspects of this report or any other issues arising from our work.

Yours faithfully

Paul King
Executive Director

For and on behalf of Ernst & Young LLP
United Kingdom

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the 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 (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Members of Arun District Council and management of the Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Council members and senior management for this report or for the opinions we have formed. It should not be provided to any third party without our prior written consent.



Executive summary

Overview of the audit

Scope and materiality

In our Audit Plan, presented at the 23 February 2017 Audit and Governance Committee meeting, we provided you with an overview of our audit scope and approach for how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan.

We planned our procedures using materiality of £1.758 million. We have reassessed this based on the actual results for the financial year and have decreased this amount to £1.717 million. The threshold for reporting audit differences has decreased slightly from £0.088 million to £0.086 million. The basis of our assessment of materiality has remained consistent with prior years at 2% of gross expenditure.

Status of the audit

We are still in the process of completing our audit of the financial statements for the year ended 31 March 2017 and are performing the procedures outlined in our audit plan. Subject to satisfactory completion of the outstanding items we expect to issue an unqualified opinion on the Council's financial statements. However, it is possible that further matters requiring amendment may arise. We will provide an update to the Audit and Governance Committee at its meeting on 28 September 2017.

The following matters are outstanding at the time of writing this report:

- Receipt of the signed Letter of Representation.
- Review of the final version of the financial statements.
- Completion of subsequent events review.
- Approval of the accounts by the Audit and Governance Committee on 28 September 2017.

We expect to issue the audit certificate at the same time as the audit opinion after the Audit and Governance Committee meeting on 28 September 2017.



Executive Summary

Executive summary (continued)

Audit differences – Adjusted

As at 20 September we have identified the following audit difference which management has corrected:

- Note 24: Cash Flow Statement – Operating Activities. Increase / decrease in creditors and Increase / decrease in debtors were understated by £113,000 due to incorrect figures transferred from the cash flow statement work paper to the draft statements.

Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial statements. This report sets out our observations and conclusions on these areas. Our consideration of these matters and others identified is summarised in the "Areas of audit focus" section of this report.

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

- there are no residual further considerations or matters that could have an impact on these issues;
- you agree with the resolution of the issue;
- there are no further significant issues known to you which need to be considered before the financial report is finalised.

There are no matters that we believe need to be brought to the Audit and Governance Committee's attention, other than those reported by management or disclosed in this report.

Other reporting issues

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

For the Whole of Government Accounts, as the Council is below the specified audit threshold of £350 million, we did not perform any audit procedures on the consolidation pack. We have no matters to report.

We have no other matters we wish to report.



Executive Summary

Value for money

We have considered your arrangements for taking informed decisions, deploying resources in a sustainable manner, and working with partners and other third parties. In our audit plan we did not identify any significant risk around these arrangements.

As discussed, in Section 5, our work did not identify any issues that we needed to report to you in terms of your arrangements to secure economy efficiency and effectiveness in your use of resources.

Control observations

We have adopted a fully substantive approach and so have not tested the operation of controls.

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

There are no matters we wish to report.

Independence

Please refer to Appendix B for our update on independence. There are no issues to report.



02

Areas of Audit Focus



Audit issues and approach: Management override – significant risk

Management override

What are our conclusions?

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

What is the risk?

Risk of management override
As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
We identify and respond to this fraud risk on every audit engagement.

What did we do?

Our approach focused on:

- ▶ testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, e.g. senior managers entering journals (we would not normally expect this), journals posted at weekends and those not netting to zero, and journals with descriptions such as 'fraud' and 'error';
- ▶ testing the Movement in Reserves Statement to assess the appropriateness of the adjustments between accounting and funding basis which impact the Useable and Unusable Reserves;
- ▶ reviewing accounting estimates for evidence of management bias in how they had been arrived at, e.g. understating assumptions about accruals and;
- ▶ evaluating the business rationale for significant unusual transactions, e.g. individual material items, anomalies in accounting treatment, transactions put through the ledger at unusual times.

We found no issues to report.



03 Audit Report



Audit Report

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

Opinion on the Arun District Council's financial statements

We have audited the financial statements of Arun District Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Movement in Reserves Statement;
- Cash Flow Statement;
- the related notes 1 to 38;
- the Housing Revenue Account and related notes 1 to 9; and
- the Collection Fund and related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

Respective responsibilities of the Group Head of Corporate Support and auditor

As explained more fully in the Statement of Responsibilities set out on page 3, the Group Head of Corporate Support is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Arun District Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Group Head of Corporate Support; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Council's Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Audit Report

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Arun District Council as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Council's Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Arun District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Council's responsibilities

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

Auditor's responsibilities

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



Audit Report

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2016, as to whether the Arun District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Arun District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Arun District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

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

Paul King (senior statutory auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor

Reading

xx September 2017

The maintenance and integrity of the Arun District Council's website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



04 Audit Differences



Audit Differences

Audit differences

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

Summary of adjusted differences

We have included all known amounts greater than £86,000 relating to Arun District Council in our summary of misstatements below.

We highlight the following misstatement in the financial statements and disclosures identified during the audit. These have been corrected by management:

- Cash flow statement: An understatement of £113,000 in the notes to the cash flow statement relating to the increase / decrease in debtors and creditors.
- A small number of minor amendments to disclosure notes.

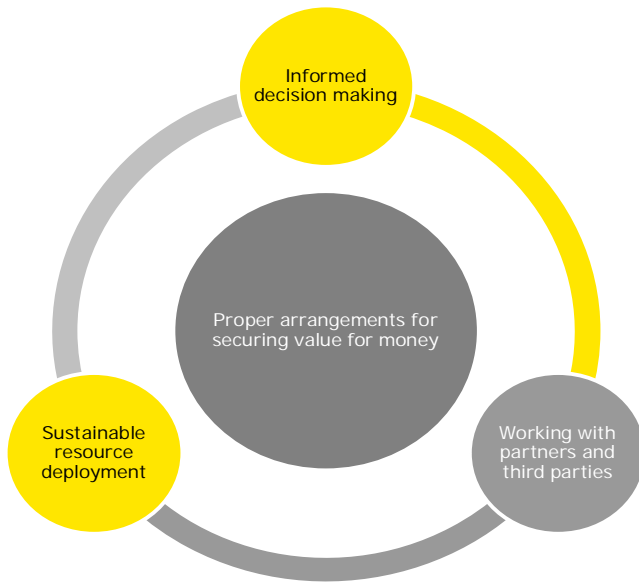
There were no uncorrected misstatements.



05 Value for Money



Value for Money



Economy, efficiency and effectiveness

We are required to consider whether the Council has 'proper arrangements' to secure economy, efficiency and effectiveness in their 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.

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

Overall conclusion

We have considered your arrangements for taking informed decisions, deploying resources in a sustainable manner, and working with partners and other third parties. In our audit plan we did not identify any significant risk around these arrangements.

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 of the key assumptions used by Council to create the medium term financial plan; and
- a review of the extent to which the Council is dependent on future savings. For significant savings we reviewed the estimates savings in order to ensure that the Council's assumptions are reasonable

We reviewed the Council's Financial Model and over the medium term the Council has sufficient reserves to maintain financial sustainability. Key assumptions in the financial model recognise uncertain levels of funding and the Council has been prudent in its forecast of Business Rate Income and New Homes Bonus. In terms of the Revenue Support Grant, the Council has accepted a four year guaranteed minimum settlement. The Council has a sound record for delivering efficiency plans. Individual schemes underpinning the plan are developed and the Council is confident they are achievable.



06 Other reporting issues



Other reporting issues

Other reporting issues

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

We must give an opinion on the consistency of the financial and non-financial information in the Arun District Council Statement of Accounts 2016/17 with the audited financial statements.

- We found that the financial information in the Arun District Council Statement of Accounts for the Year ended 31 March 2017 and published with the financial statements was consistent with the audited financial statements.

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

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

Other powers and duties

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

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

Whole of Government Accounts

For the Whole of Government Accounts, as the Council is below the specified audit threshold of £350 million, we did not perform any audit procedures on the consolidation pack. We have no matters to report.



Other reporting issues

Other matters

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

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

There were no matters to report.



07

Assessment of Control Environment



Assessment of control environment

Financial controls

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 auditor is to consider whether the Council has adequate arrangements to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have not tested the operation of controls.

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

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

A close-up photograph of a person's hand sorting through several manila-colored folders filled with papers. The folders are arranged in a row, and the hand is reaching towards the top of one of them. The background is a light-colored, textured wall.




08 Appendices



Appendix A

Required communications with the Audit and Governance Committee

There are certain communications that we must provide to the audit committees of UK clients. We have done this by:

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Council of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, including any limitations.	23 February 2017 Audit Plan
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	28 September 2017 Audit Results Report
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or in aggregate, to raise any doubt about the Council's ability to continue for 12 months from the date of our report
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	28 September 2017 Audit Results Report



Appendix A

Our Reporting to you

Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> ▶ Asking the Audit and Governance Committee whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Unless all of those charged with governance are involved in managing the entity, any fraud that we have identified or information we have obtained that indicates that a fraud may exist involving: <ul style="list-style-type: none"> (a) management; (b) employees who have significant roles in internal control; or (c) others where the fraud results in a material misstatement in the financial statements. ▶ A discussion of any other matters related to fraud, relevant to Audit and Governance Committee responsibility. 	<p>We have asked management and those charged with governance about arrangements to prevent and/ or detect fraud.</p> <p>We have also focused our consideration of management override and revenue recognition towards higher risk areas, see Areas of audit focus in the report.</p> <p>We have not become aware of any fraud or illegal acts during our audit.</p>
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	We have no matters to report
Subsequent events	<ul style="list-style-type: none"> ▶ Asking the Audit and Governance Committee, where appropriate, about whether any subsequent events have occurred that might affect the financial statements. 	We have made enquiries of management and those charged with governance. We have no matters to report
Other information	<ul style="list-style-type: none"> ▶ Where material inconsistencies are identified in other information included in the document containing the financial statements and management refuses to make the revision. 	We have no matters to report
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	We have received all requested confirmations



Appendix A

Our Reporting to you

Required communications	What is reported?	When and where
Consideration of laws and regulations	<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. ▶ Asking the Audit and Governance Committee about possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements. 	We have not identified any material instances or non-compliance with laws or regulations as a result of asking the Audit and Governance Committee and management.
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	28 September 2017 Audit Results Report
Independence	<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 <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>23 February 2017 Audit Plan</p> <p>28 September 2017 Audit Results Report</p>
Fee Reporting	<p>Breakdown of fee information at the agreement of the initial audit plan</p> <p>Breakdown of fee information at the completion of the audit</p> <p>Any non-audit work undertaken</p>	<p>23 February 2017 Audit Plan</p> <p>28 September 2017 Audit Results Report</p>
Certification work	Summary of certification work	Certification Report (due later this year)



Independence

We confirm there are no changes in our assessment of independence since the confirmation in our audit plan of 23 February 2017.

We complied with the APB Ethical Standards and the requirements of the 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 consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your members consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit and Governance Committee on 28 September 2017.

As part of our reporting on our independence, we set out below a summary of the fees you have paid us for the year ended 31 March 2017.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements. We have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO in December 2016.

	Final fee 2015/16	Planned fee 2016/17	Scale fee 2016/17	Final fee 2016/17
Audit fee - code work	57,103	57,103	57,103	57,103
Certification of claims and returns	8,330	9,053	9,053	9,053*
Total audit fee	65,433	66,156	66,156	66,156

*Our final fee for our work on the Housing Benefit subsidy claim will be confirmed following completion of the work by the deadline of 30 November 2017; and reported in our certification report.



Appendix C

Management representation letter

Management Representation Letter

[To be prepared on the entity's letterhead]

28 September 2017

Paul King
Ernst & Young
Wessex House,
19 Threefield Lane,
Southampton
SO14 3QB,

This letter of representation is provided in connection with your audit of the financial statements of Arun District Council ("the Council") for the year ended 31 March 2017. 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 (or 'present fairly, in all material respects,') the financial position of the Authority as of 31 March 2017 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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 (England) 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We acknowledge 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 and of its expenditure and income of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and are free of material misstatements, including omissions. We have approved the financial statements.



Appendix C

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. 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 2016/17 that are free from material misstatement, whether due to fraud or error
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

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 known actual or suspected noncompliance 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 as agreed in terms of the audit engagement.
 - 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, the Cabinet, and all committees including the Audit and Governance Committee.



Appendix C

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 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,

F. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
2. Accounting estimates recognised or disclosed in the financial statements:
 - We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.
 - The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
 - The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
 - No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H. Expenditure Funding Analysis



Appendix C

1. That you have reviewed the new requirements (as set out in the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17), in relation to the preparation of the Expenditure Funding Analysis to replace the previous segmental reporting analysis, and confirm that all required amendments to the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement, as well as the requirements to prepare the Expenditure Funding Analysis and related notes have been correctly reflected in the financial statements, including retrospectively reflecting this in the financial statements.

2. You confirm that the financial statements reflect the operating segments reported internally to the Council.

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.

J. Use of the Work of an Expert

1. We agree with the findings of the experts engaged to evaluate the Local Government Pension Fund balances and the valuation of properties and have adequately considered the qualifications of the experts 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 experts 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 experts.

Yours Faithfully,

Alan Peach
Group Head of Corporate Support

I confirm that this letter has been discussed and agreed at the Arun District Council's Audit and Governance Committee on 28 September 2017.

Councillor Terence Chapman
Chairman of the Arun District Council's Audit and Governance Committee

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ED None

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ARUN DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 28 SEPTEMBER 2017

Recommendation Paper

Subject : Annual Statement of Accounts 2016/2017 and Letter of Representation

Report by : Carolin Martlew, Financial Services Manager

Report date : September 2017

EXECUTIVE SUMMARY

This report provides information about the audit of the Council's 2016/17 Statement of Accounts (accounts) and recommends the approval of the 2016/17 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 2017 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 2016/17. It recommends the approval of the audited Statement of Accounts 2016/17 and Letter of Representation on behalf of the Council.

- 1.2 The report presents the revised Statement of Accounts for 2016/17 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 2017.
- 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 2016/17 year and its position at 31 March 2017 and is comprised of the: Narrative Report; Statement of Responsibilities; Core Financial Statements; Notes to the Accounts (including Accounting Policies); Supplementary Statements; and Auditor's opinion.
- 2.2 The meeting will focus on the core financial statements and the Supplementary financial Statements. The core financial statements are comprised of the:
 - Comprehensive Income and Expenditure Statement
 - Balance Sheet
 - Movement in Reserves Statement
 - 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 audit difference 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 2017 have 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

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28 September 2017

Please ask for: Alan Peach

Paul King
Ernst & Young
Wessex House
19 Threefield Land
Southampton
SO14 3QB

This letter of representation is provided in connection with your audit of the financial statements of Arun District Council ("the Council") for the year ended 31 March 2017. 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 (or 'present fairly, in all material respects,') the financial position of the Authority as of 31 March 2017 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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 (England) 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We acknowledge 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 and of its expenditure and income of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. 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 2016/17 that are free from material misstatement, whether due to fraud or error
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

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 known actual or suspected noncompliance 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 as agreed in terms of the audit engagement.
 - 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, the Cabinet, and all committees including the Audit and Governance Committee.
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.
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 - No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H. Expenditure Funding Analysis

1. That you have reviewed the new requirements (as set out in the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17), in relation to the preparation of the Expenditure Funding Analysis to replace the previous segmental reporting analysis, and confirm that all required amendments to the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement, as well as the requirements to prepare the Expenditure Funding Analysis and related notes have been correctly reflected in the financial statements, including retrospectively reflecting this in the financial statements.
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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.

J. Use of the Work of an Expert

1. We agree with the findings of the experts engaged to evaluate the Local Government Pension Fund balances and the valuation of properties and have adequately considered the qualifications of the experts 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 experts 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 experts.

Yours Faithfully

Alan Peach
Group Head of Corporate Support

I confirm that this letter has been discussed and agreed at the Arun District Council's Audit and Governance Committee on 28 September 2017.

Councillor Terence Chapman
Chairman of the Arun District Council's Audit and Governance Committee



STATEMENT OF ACCOUNTS

2016/17

Arun District Council
Transformation Directorate
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Maltravers Road
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West Sussex
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01903 737568

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Narrative Report

Introduction

Arun District is the largest district in West Sussex, both in terms of population (155,732 mid-year 2015) and Council Tax Base (57,803 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.

Arun's population is projected to reach 163,576 by mid-2020, up 13,765 (9.2%) from 149,811 at mid-year 2011. The population is ageing. The average (median) age of Arun residents is projected to rise 2.9 years from 47.4 years old in 2011 to 50.3 years old in 2020. By comparison, the UK median age is projected to be 40.4 years by 2020, up just 0.8 years from 39.6 at the Census. Historically the 'natural' population of Arun (population plus births, less deaths) declines as the death rate is higher than the birth rate; however net inward migration, international and, especially, internal migration (i.e. within England) account for the district's population growth. A 'natural' population fall of (5,000), against net gains of 14,800 internal migrants and 4,000 international migrants, give a projected increase of 13,800 between mid-2011 and mid-2020. Behind the overall population increase are apparent variations by age group. There are two main factors behind this: the existing population is ageing; there is net inward migration of older people from other parts of England to the district

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

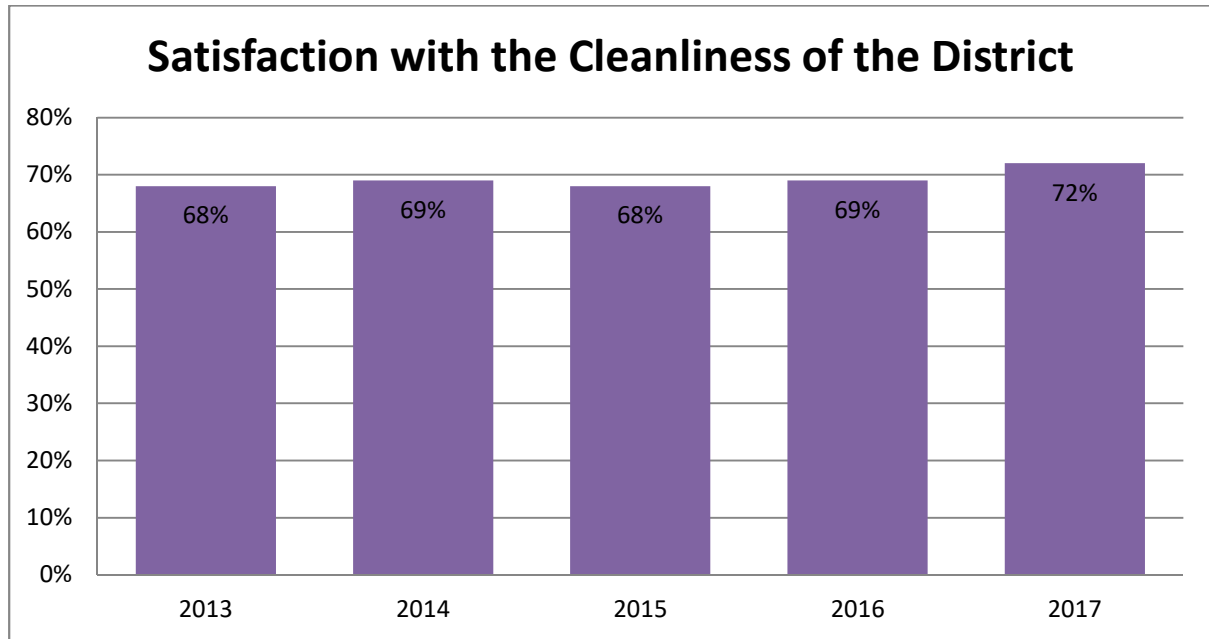
The Council's Performance

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, which are: Your Council's 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. The existing three Council Priorities were reconfirmed for the period 2017/2021 as: Your Council's Services; Supporting you if you need help; and Your future. Cabinet is updated on performance twice a year. The full outturn report of the Council's

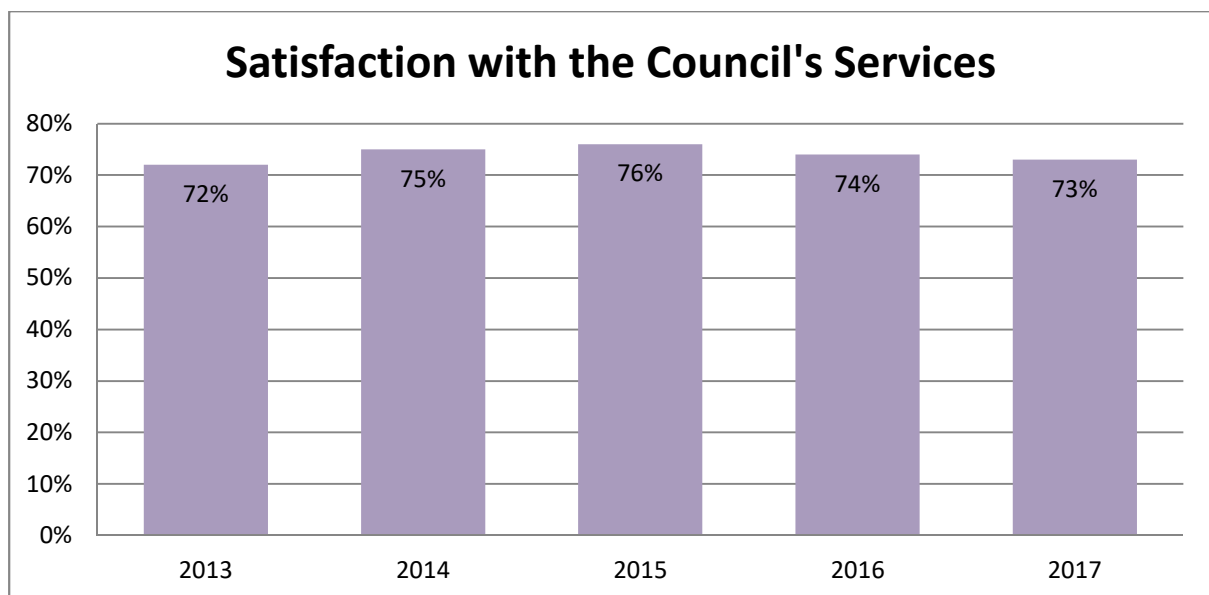
performance was considered at the Cabinet meeting on 19 June 2017. For 2016/17 39% of Corporate Plan Indicators achieved target (45% previous year).

Residents Satisfaction

The Council carried out satisfaction surveys looking at 'overall' satisfaction with the Council's 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 outturn of overall satisfaction of 72% (69% previous year) is above the target of 69%.



Overall satisfaction with the Council's services has also remained fairly constant over the same period. The outturn of overall satisfaction of 73% (74% previous year) is marginally below the target of 76%.



Council Tax Collection was 98.25% (98.16% previous year) an improvement of 0.09%. The total collected increased by £5.0m to £91.9m (£86.9m previous year).

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 September 2017. The delay has required 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. Adoption of the Local Plan is anticipated in early 2018.

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 Business Rate Retention scheme was introduced in April 2013. The scheme focuses on promoting economic growth through the local retention of business rates. Currently half of the rates revenue is retained locally with the local share being split between Arun (80%) and West Sussex County Council (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 be backdated. There is an additional level of uncertainty for business rates income for 2017/18 as the new ratings list comes into effect from April 2017 and this is likely to lead to a significant number of new appeals. The likelihood of the Governments proposal for the 100% business rate retention by 2020 is looking increasingly unlikely following the General Election.

The Council received £4.014m in New Homes Bonus in 2016/17 (£3.088m previous year) and this will decrease to £3.677m for 2017/18. The NHB has been reformed. The allocation for 2017/18 was subject to a 0.4% baseline or deadweight adjustment for growth deemed to have happened anyway. The grant will be paid for 5 years for 2017/18 and then drop to 4 years. The level of NHB is summarised in the table below:

ARUN DISTRICT COUNCIL STATEMENT OF ACCOUNTS 2016/17

NHB Payment relating to:	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2011/12	509	509	509	509	509	509	0
2012/13		556	556	556	556	556	0
2013/14			1,000	1,000	1,000	1,000	1,000
2014/15				484	484	484	484
2015/16					539	539	539
2016/17						926	926
2017/18							728
Total	509	1,065	2,065	2,549	3,088	4,014	3,677

The Council has had significant benefits from the New Homes Bonus, however, the new scheme has resulted in a significant overall reduction in funding and is dependent on the level of growth continuing. NHB awarded should be considered in light of significant reductions in other sources of external funding, notably RSG.

It should be noted that the Government is also considering withholding NHB from Local Authorities that are not planning effectively by making positive decisions on planning applications and delivering housing growth. From 2018/19 NHB may be withheld for homes that have been built following appeal. The government will not introduce the proposal to withhold NHB payments for areas without a Local Plan in 2017/18 but may consider doing this in the future following consultation.

The level of RSG was £1.666m in 2016/17 (£2.716m previous year) and is reducing further to £750k in 2017/18 and this trend of steeply declining RSG continues until no grant is received in 2019/20 when the contribution becomes negative in the form of a £430k tariff adjustment.

The income from fees and charges (principally from Planning and car parking) has been buoyant, having benefitted from a number of large planning applications in the district.

Council tax was increased in 2016/17 having remained frozen for 5 years. This has started to redress the reduction, in real terms, of the basic tax level. Council Tax for 2016/17 was £9.614m for Arun (excluding parish/town councils). This is based on an Arun Band D Council Tax of £166.32, representing an increase of £4.95 or 3.1%. The government's calculation of the Council's spending power is based on a £5 increase on a band D Council Tax. Council Tax was increased by a further £4.95 (2.98%) in 2017/18. This resulted in an income figure of £10.183m for Arun and (excluding parish/town councils) is based on an Arun Band D Council Tax of £171.27. The Councils Medium Term Financial Plan assumes annual £5 increases in the Council tax over the next 5 years in order to become more self-sufficient whilst still remaining a low Council Tax Authority. 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 £8m (£10.161m previous year) which is adequate to withstand immediate financial pressures but is inevitably a finite resource and will be monitored carefully. There are several major risks and uncertainties associated with the 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 2017/18. 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 2016/17 budget was considered by the Overview Select Committee on 26 January 2016 and cabinet on 9 February 2016 before being formally approved by Full Council on 23 February 2016. 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 2015 was also taken into consideration.

The statutory ringfence of the Housing Revenue Account (HRA) requires that the Council sets separate budgets for the HRA and GF. The Code requires that these are aggregated in the Primary performance statements (p16 to p20) and the Expenditure and Funding Analysis (p34). The table below shows the relationship between the cost of service in the Comprehensive Income and Expenditure Statement, the Net cost of service in the expenditure and funding analysis and the outturn for 2016/17 for the GF and HRA (please see page 12 for further details on HRA).

Reconciliation of the outturn position to the Financial Statements 2016-17			
	GF £'000	HRA £'000	Combined £'000
Cost of Service as per Comprehensive Income & Expenditure Statement	21,013	(21,864)	(851)
Adjustments between accounting basis & funding under regulations			
Adjustment for Capital Purposes	(2,400)	20,065	17,665
Net Change for Pensions Adjustments	315	(55)	260
Total Adjustments (See Note 2)	(2,085)	20,010	17,925
Net Cost of Services in the Expenditure and Funding Analysis (See Note 2)	18,928	(1,854)	17,074
Other income and Expenditure (See Note 2)	(18,614)	1,769	(16,845)
Transfers to / (from) Earmarked Reserves (See Note 9 - Net Transfers)	1,604	-	1,604
(Surplus) / Deficit for the year	1,918	(85)	1,833

ARUN DISTRICT COUNCIL STATEMENT OF ACCOUNTS 2016/17

The GF revenue budget is shown below, analysed according to the responsibilities of the individual cabinet member portfolios. 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 2016/17 Summary

	Original Budget £'000	Actual £'000	Variance £'000
Cost of service			
Community Services	301	(293)	(594)
Corporate Governance	443	78	(365)
Council Strategy	120	1,165	1,045
Environmental Services	459	283	(176)
Housing	337	346	9
Leisure & Amenities	3,067	4,171	1,104
Planning & Infrastructure	(889)	(1,793)	(904)
Support Services	2,061	2,546	485
Establishment	12,751	13,114	363
Rates	435	490	55
Insurance	243	256	13
Recharges	(1,136)	(1,413)	(277)
Total Cost of Service	18,192	18,950	758
Corporate Costs			
Parish Precepts	3,783	3,783	0
Grant payments to parishes	144	144	0
Other precepts and levies	210	210	0
Interest and investment income	(470)	(644)	(174)
Contingencies / miscellaneous	1,270	0	(1,270)
Contribution to / (from) earmarked reserves	(2,208)	1,603	3,811
Capital expenditure financed from revenue	1,864	0	(1,864)
Pension deficit contributions	1,189	1,218	29
Total Corporate Costs	5,782	6,314	532
Total net budget requirement	23,974	25,264	1,290
Financed by:			
Revenue Support Grant	(1,666)	(1,666)	0
Retained Business Rates (incl. s31 grants)	(3,183)	(2,891)	292
New Homes Bonus	(4,014)	(4,014)	0
Other non-ringfenced grants	(855)	(1,238)	(383)
Council Tax income - Arun District Council	0	0	0
Council Tax income - Town & Parish Councils	0	0	0
Council Tax income	(13,397)	(13,397)	0
Collection Fund deficit / (surplus)	(140)	(140)	0
Total external finance	(23,255)	(23,346)	(91)
Transfer (to) / from General Fund Reserve	719	1,918	1,199

Significant 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 virements 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.

The original budget for 2016/17 anticipated a draw down from General Fund Reserve of £0.719m. During the year additional supplementary estimates totalling £1.199m were approved resulting in a current budgeted draw down from reserves of £1.918m. The outturn for 2016/17 of £1.918m draw down from balances is a nil variation against approved budget. It is important to note that the outturn position is comprised of a significant number of underspends, which allowed an additional contribution to be made to the Littlehampton Leisure Centre Reserve (£892k) and to finance the works to the Arun Leisure Centre (£1.004m) which are mainly revenue in nature (as reported to Cabinet 10 April 2017).

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 10 April 2017) anticipated a drawdown of £1.668m from General Fund Reserve (estimated General Fund closing balance of £8.493m). When the budget for 2016/17 was prepared the precise nature of the works at the Arun Leisure Centre was unknown. These works are mainly revenue in nature and therefore cannot be financed as capital expenditure. It should be noted that the costs of these works are effectively borne by the Council's leisure management provider in the form of increased annual revenue contributions. The net effect of the ALC works is £1.004m in 2016/17.

There were some additional underspends (£892k); earmarked reserves that were no longer required (£536k); and s106 maintenance in perpetuity contributions (£119k) which allowed a further contribution of £1.547m to be made to the Littlehampton Leisure Centre reserve (balance £2.352m at 31 March 2017). The Council has already earmarked a minimum of £9.610m of usable capital receipts and has budgeted for a £2.0m revenue contribution to the Littlehampton Leisure Centre in 2017/18. However, there continues to be a funding gap which will have to be met through prudential borrowing if no additional resources can be identified. The Council has committed itself to reducing the amount of borrowing to a minimum for the scheme in order to avoid the negative impact on its revenue budget.

The Council is anticipating the receipt of significant s106 sums for maintenance in perpetuity in respect of a number of sites and these sums will enhance the forecast level of General Fund balance. However, the receipt of these sums will also lead to the requirement for additional revenue expenditure in respect of maintaining the relevant sites. These sums are not included in the budget for 2016/17 or the estimated outturn for 2016/17 where the timing of the receipts is not certain.

ARUN DISTRICT COUNCIL STATEMENT OF ACCOUNTS 2016/17

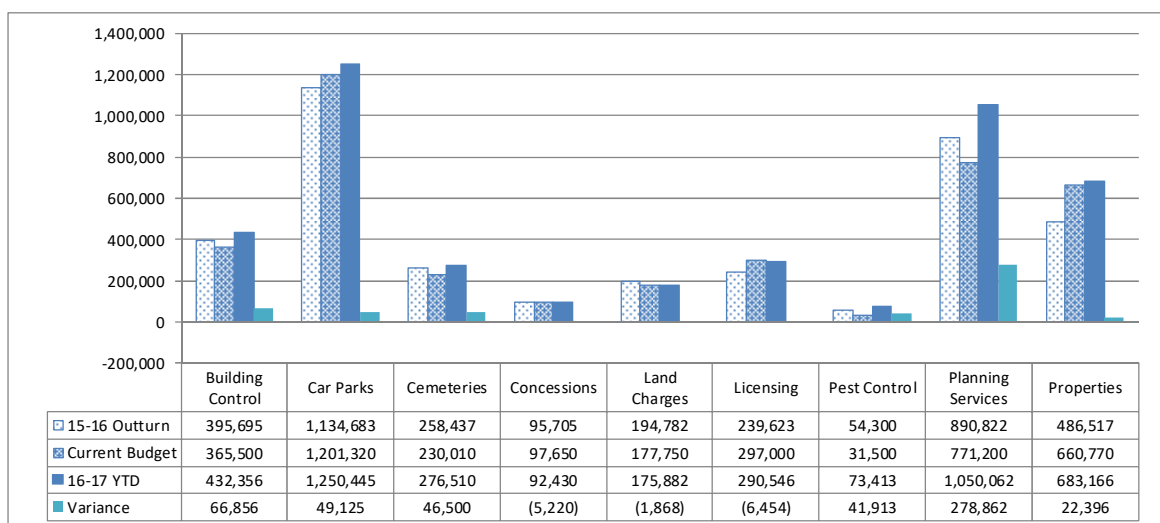
The outturn variations +/-£100k against current budget 2016/17 are summarised in the table below:

	£'000
Establishment (above vacancy target)	(183)
Housing Benefit	(256)
Major Contracts	(152)
Income	(492)
s106 developer contributions in perpetuity	(119)
Unrequired earmarked reserves applied to LLC	(536)
Transfer to Littlehampton Leisure Centre (LLC) Reserve	1,547
Financing of Arun Leisure Centre works	1,004
HRA recharge	(243)
Retained Business Rates	254
Other Variations < £100k	(824)
Total Variation	0

The variation on retained business rates has a number of components. With regard to net business rates income there has been additional growth, and the Council will benefit from this in future years when the Collection Fund surplus is distributed. However in 2016/17 there are adverse consequences due to the payment of the Levy on this growth. The total variation for 2016/17 was £254k adverse.

Service related income from fees, charges and rents are included within net cost of service. In total this amounts to an overall financing of £4.3 million in 2016/17 (£3.8 million previous year). Income is a key risk area to the budget as it is predominantly externally influenced, without direct link to service cost and each source is unique.

The graph below analyses (£492k) favourable outturn income variation by source and value.



Capital Spending and Finance

A budget of £6.8m for capital and special revenue projects was approved by the Council for 2016/17. In addition £10.1m was carried forward from 2015/16 due to project slippage. Actual expenditure for the year amounted to £5.6m on capital schemes and £2.6m on special revenue projects. Details of the capital financing is contained in Note 33 to the Accounts (Capital Expenditure and Financing)

	2015/16	2016/17	2017/18
	Actual	Actual	Current budget*
	£'000	£'000	£'000
General Fund			
Corporate Governance	848	136	4,349
Environmental Services	543	0	257
Housing	559	599	1,048
Leisure and Amenities	-	638	16,025
Planning & Infrastructure	-	-	300
Assets acquired under embedded finance leases	-	1,251	-
Total	1,950	2,624	21,979
Housing Revenue Account			
Acquisition/new build programme	-	1,666	4,621
Other	2,096	2,555	3,434
Total	2,096	4,221	8,055

*Note: 2017/18 current budget is 2017/18 original budget plus slippage of 2016/17 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 General Fund capital programme is dominated by the Littlehampton Leisure Centre (LLC) which will be built on the existing site in Sea Lane. Work is anticipated to commence late summer 2017. It is anticipated that the new centre will be open by April 2019. The capital element of the scheme will be financed from a variety of sources including Capital Receipts, Capital Grants, Prudential Borrowing and Revenue Finance. The final tenders for the construction of the leisure centre will be presented to Cabinet at its meeting on 17 July 2017. As mentioned above, the underspends identified in 2016/17 allowed an additional contribution of £1.547m to the LLC earmarked reserve. The budget for 2017/18 includes a £2.0m contribution to fund the revenue expenditure associated with the scheme. Confirmed funding for the project is £14.3m. However, there still remains a funding gap. The Council has applied for a capital grant from the Sports Council towards the project. The Council has committed itself to closing the funding gap through the use of any one-off

income/savings with the remainder financed through prudential borrowing. The council's policy is to minimise the borrowing as it impacts on the revenue account and the Vision 2020 savings already made. The offer of a new Leisure Centre contributed to the significant improvement in the Leisure management fee received by the Council when the contract was retendered during 2015/16. The new Leisure contract commenced on 1 April 2016 and will run for 10 years.

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 8 additional dwellings have already been provided. Work has begun on 33 new dwellings and it is anticipated that the first tranche will be available for rental in summer 2017.

Housing Revenue Account (HRA)

The HRA Business Plan, approved by Arun's Cabinet in March 2015, set out a number of strategic objectives, including significant programmes in respect of the acquisition/building of new dwellings and the improvement and development of the Council's sheltered housing.

However, after the Business Plan was approved, the Government imposed an annual 1% rent reduction for four years, starting from April 2016. This resulted in a significant reduction in rent income and meant that many of the objectives of the Business Plan could not be met within the originally planned timetable. A new Business Plan is being developed, to be considered by Arun's Cabinet in the summer of 2017. The new Plan takes account of the reduced level of rent income but still provides for a programme of new dwellings and additional expenditure on sheltered housing.

With regard to 2016/17 the HRA, including the Major Repairs Reserve, showed a surplus of £0.565m compared with the budgeted deficit of £0.115m. The improved position is chiefly due to additional income and savings on both Supervision & Management and Repairs. The HRA balance at 31 March 2017 is £8.505m, of which £1.212m is committed for funding slippage of the 2016/17 capital programme. A further £0.224m has been earmarked for funding additional repairs expenditure in 2017/18, leaving an uncommitted balance of £7.069m. This balance is expected to reduce over the first few years of the new Business Plan as a result of the programme of new dwellings and additional expenditure on sheltered housing. The relationship between the HRA and the CIES and EAFA is analysed on page 7. The surplus of £0.565m referred to above comprises £0.085m surplus on the HRA and £0.480 surplus on the Major Repairs Reserve.

Pensions Liability

Under the requirements of IAS 19 the Council shows the total future costs of pension liabilities for the Local Government Pension Scheme. It is important to note that as the liability is matched by a reserve, the figures do not have any effect on the level of Council Tax. At 31 March 2017 the liability was £27.2m compared with £28.3m for the previous year. The decrease is largely attributable to the 2016 formal valuation. The relevant details are shown in Note 37 Defined Benefit Pension Scheme.

Treasury Management

The Council has significant cash surpluses, and these are mainly invested with the highest quality banks and building societies and £4m 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 £60.6m (£61m including accrued interest), managed entirely internally. The portfolio included £14.0m invested for longer than one year. The total interest earned in 2016/17 was £0.754m, representing an average interest rate of 1.11% (2015/16 1.13%).

Balances and Reserves

The Council's total usable reserves at 31 March 2017 amounted to £44.726m, an increase of £1.673m compared with the previous year. They were comprised of: earmarked reserves £14.781m; Housing Revenue Account balance £6.988m; General Fund Revenue balance £8.243m; usable capital receipts £13.197m; and Housing Major Repairs Reserve £1.517m. The usable capital receipts are available to finance capital expenditure (a minimum of £9.6m will be applied to the financing of the Littlehampton Leisure Centre as mentioned above). The earmarked reserves also include £4.289m for slippage in capital and special projects. The Council's General Fund Reserve is declining as mentioned above. The level of 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 £21.578m. 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 £1.918m and HRA balances (including Major Repairs Reserve), increased by £0.565m.

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 2016 and March 2017 reflects an increase of £14.166m in the valuation of the Council's housing stock.

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

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

The supplementary financial statements are also listed on page 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 Group Head of Corporate Support, 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 Group Head of Corporate Support.
- ◆ manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- ◆ approve the Statement of Accounts.

Responsibilities of the Group Head of Corporate Support

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

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

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

The Group Head of Corporate Support has also:

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

Certificate of Group Head of Corporate Support and Section 151 Officer

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2017. I confirm that the date of this declaration is the date up to which events have been considered for inclusion within the Council's Statement of Accounts, and that events after the Balance Sheet date have been considered to this date and the accounts amended accordingly for such events and adjustments arising from audit. The accounts are therefore authorised for issue.

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

Dated 28 September 2017

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 Trerance Chapman - Chairman, Audit & Governance Committee

Dated 28 September 2017

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 (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement. The Code of Practice 2016-17 introduced new formats and reporting requirements following the 'Telling the Story' review of the presentation of *Local Authority Financial Statements*. The Comprehensive and Expenditure Statement (CIES) Cost of Services has, therefore, been restated from a Sercop basis to Arun District Council's internal reporting basis i.e. how expenditure is allocated for decision making purposes between the Council's service areas.

2015/16 Restated				2016/17		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£,000	£,000	£,000		£,000	£,000	£,000
1,913	(1,072)	841	Community Services	1,718	(1,109)	609
54,155	(52,346)	1,809	Corporate Governance	52,126	(50,270)	1,856
1,263	(882)	381	Council Strategy	1,891	(318)	1,573
3,599	(1,062)	2,537	Environmental Services	3,804	(1,440)	2,364
1,715	(730)	985	Housing	1,897	(894)	1,003
9,993	(3,803)	6,190	Leisure and Amenities	10,783	(4,376)	6,407
(3,489)	(17,184)	(20,673)	Housing Revenue Account (HRA)	(4,714)	(17,150)	(21,864)
3,445	(2,112)	1,333	Planning & Infrastructure	3,213	(2,814)	399
8,033	(398)	7,635	Support Services	8,002	(368)	7,634
120	-	120	Non distributed costs / gains	-	(832)	(832)
80,747	(79,589)	1,158	Cost of Services	78,720	(79,571)	(851)
5,829	(2,274)	3,555	Other operating expenditure (Note 10)	6,385	(3,063)	3,322
6,838	(4,497)	2,341	Financing and investment income and expenditure (Note 11)	6,659	(4,857)	1,802
-	(25,410)	(25,410)	Taxation and non-specific grant income (Note 12)	-	(25,851)	(25,851)
93,414	(111,770)	(18,356)	(Surplus) or Deficit on Provision of Services	91,764	(113,342)	(21,578)
-	(4,190)	(4,190)	(Surplus) or deficit on revaluation of Property, Plant & Equipment assets	4,623	-	4,623
1,276	(15,209)	(13,933)	Remeasurement of the net defined benefit liability/(asset)	30,980	(31,382)	(402)
-	(42)	(42)	(Surplus) or deficit on revaluation of available for sale financial assets	154	-	154
1,276	(19,441)	(18,165)	Other Comprehensive Income and Expenditure	35,757	(31,382)	4,375
94,690	(131,211)	(36,521)	Total Comprehensive Income and Expenditure	127,521	(144,724)	(17,203)

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 2016 £,000		Notes	31 March 2017 £,000
	Property, Plant and Equipment (PPE)	13	
	Operational Assets (PPE)		
181,296	Council Dwellings		195,462
52,283	Other Land and Buildings		46,224
2,179	Vehicles, Plant and Equipment		3,697
5,802	Infrastructure Assets		5,215
2,789	Community Assets		2,789
-	Assets under construction		1,888
194	Surplus Assets		137
244,543	Total Operational PPE		255,412
540	Investment property	14	617
224	Intangible Assets	15	160
-	Assets Held for Sale	19	-
11,000	Long Term Investments	16	13,846
17	Long term Debtors	16	17
256,324	Long Term Assets		270,052
43,434	Short Term Investments	16	44,374
7	Inventories		-
3,274	Short Term Debtors	17	3,898
2,571	Cash and Cash Equivalents	18	3,475
49,286	Current Assets		51,747
8,860	Short Term Borrowing (PWLB debt maturing in <1 year)	16	-
6,793	Short Term Creditors	20	13,519
2,101	Provisions	21	2,006
-	Capital Grant Receipts in Advance	31	665
17,754	Current Liabilities		16,190
53,180	Long Term Borrowing	16	53,180
1,982	Long Term Creditors	20	3,638
28,266	Pensions Liabilities	37	27,159
83,428	Long Term Liabilities		83,977
204,428	Net Assets		221,632

Balance Sheet (continued)

31 March 2016 £,000		Notes	31 March 2017 £,000
	Usable Reserves	22	
10,161	General Fund balance		8,243
13,177	Earmarked General Fund Reserves		14,781
6,903	Housing Revenue Account		6,988
11,775	Capital Receipts Reserve		13,197
1,037	Major Repairs Reserve (HRA dwellings)		1,517
-	Capital Grants Unapplied		-
43,053	Total Usable Reserves		44,726
	Unusable Reserves	23	
25,950	Revaluation Reserve		20,848
-	Available for Sale Financial Instruments Reserve		(154)
165,267	Capital Adjustment Account		182,503
(28,266)	Pensions Reserve		(27,159)
(1,443)	Collection Fund Adjustment Account		1,001
(133)	Accumulated Absences Account		(133)
161,375	Total Unusable Reserves		176,906
<hr/>			<hr/>
204,428	Total Reserves		221,632
<hr/>			<hr/>

These financial statements replace the unaudited financial statements certified by Alan Peach C.P.F.A., Group Head of Corporate Support and Property on 29 June 2017

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

28 September 2017

Movement In Reserves 2016-17

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

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2016	23,338	6,903	11,775	1,037	-	43,053	161,375	204,428
Movement in reserves during 2016-17								
Total Comprehensive Income and Expenditure	148	21,430	-	-	-	21,578	(4,374)	17,204
Adjustments between accounting basis & funding basis under regulations (Note 8)	(462)	(21,345)	1,422	480	-	(19,905)	19,905	-
Increase or (Decrease) in 2016-17	(314)	85	1,422	480	-	1,673	15,531	17,204
Balance at 31 March 2017 carried forward	23,024	6,988	13,197	1,517	-	44,726	176,906	221,632
Comparative Year (Restated)								
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2015	23,493	5,786	10,070	592	-	39,941	127,966	167,907
Movement in reserves during 2015-16								
Total Comprehensive Income and Expenditure	(1,602)	19,958	-	-	-	18,356	18,165	36,521
Adjustments between accounting basis & funding basis under regulations (Note 8)	1,447	(18,841)	1,705	445	-	(15,244)	15,244	-
Increase or (Decrease) in 2015-16	(155)	1,117	1,705	445	-	3,112	33,409	36,521
Balance at 31 March 2016 carried forward	23,338	6,903	11,775	1,037	-	43,053	161,375	204,428

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>2015/16</i>		<i>Notes</i>	<i>2016/17</i>
<i>£,000</i>			<i>£,000</i>
18,356	Net surplus or (deficit) on the provision of services		21,578
(7,891)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	24	(7,172)
(3,237)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24	(3,063)
7,228	Net cash flows from Operating Activities	24	11,343
(8,415)	Net cash flows from Investing Activities	25	(5,086)
956	Net cash flows from Financing Activities	26	(5,353)
(231)	Net increase or decrease in cash and cash equivalents		904
2,802	Cash and cash equivalents at the beginning of the reporting period		2,571
2,571	Cash and cash equivalents at the end of the reporting period		3,475

Notes to the Accounts

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. 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 2016/17* and the *Service Reporting Code of Practice 2016/17*, 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 highly liquid investments that mature in one month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

iv. Exceptional Items

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

Notes to the Accounts

1. Accounting Policies (continued)

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

vi. Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance for MRP, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two. Whilst the Council is no longer debt-free, the debt held relates solely to the HRA self-financing settlement, and under current regulations there is no requirement for MRP. However, the Council has an approved loan repayment provision policy which ensures that there will be sufficient funds available to repay the housing debt when it matures.

vii. Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including Government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionally the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

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

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

Notes to the Accounts

1. Accounting Policies (*continued*)

viii. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

Post-employment Benefits

Employees of the Council are members of The Local Government Pensions Scheme, administered by 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*)

viii. 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;

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

◆ Remeasurements comprising:

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

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

◆ Contributions paid to the West Sussex County Council Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

Notes to the Accounts

1. Accounting Policies (continued)

ix. Events After the Balance Sheet Date

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

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

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

x. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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

The financial guarantees given by the Council are not recognised in the Balance Sheet, but are disclosed in note 38.

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 Council 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.

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 xxi). 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.

Notes to the Accounts

1. Accounting Policies (*continued*)

x. Financial Instruments (*continued*)

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

- ◆ instruments with quoted market prices - the market price
- ◆ other instruments with fixed and determinable payments - discounted cash flow analysis
- ◆ equity shares with no quoted market prices - multiple valuation techniques (which include market approach, income approach and cost approach)

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).

xi. Government Grants and Contributions

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

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

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

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

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

Notes to the Accounts

1. Accounting Policies (*continued*)

xii. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

xiii. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value (see xxi) . Properties are not depreciated but are revalued annually by a professionally qualified valuer according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

xiv. Leases

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

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

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

Notes to the Accounts

1. Accounting Policies (*continued*)

xiv. Leases (continued)

The Authority as Lessee:

Finance Leases

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

Lease payments are apportioned between:

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

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

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

Operating Leases

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

The 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 Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, which matches the pattern of receipts in all cases.

xv. Overheads and Support Services

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

Notes to the Accounts

1. Accounting Policies (*continued*)

xvi. Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an 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).

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.]

Notes to the Accounts

1. Accounting Policies (*continued*)

xvi. Property, Plant and Equipment (continued)

Measurement (*continued*)

Where decreases in value are identified, they are accounted for by:

- ◆ where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- ◆ where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- ◆ where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- ◆ where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following basis:

- ◆ dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- ◆ 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.

Notes to the Accounts

1. Accounting Policies (*continued*)

xvi. Property, Plant and Equipment (continued)

Depreciation (continued)

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.

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 non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Notes to the Accounts

1. Accounting Policies (*continued*)

xvii. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council has an obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from insurance claim), this is only recognised as income for the relevant service area if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

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

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

Contingent Assets

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

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

xviii. Reserves

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

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

Notes to the Accounts

1. Accounting Policies (*continued*)

xix. Revenue Expenditure Funded from Capital under Statute

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

xx. Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

xxi. Fair Value

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

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

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

Notes to the Accounts

2. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

2015/16			2016/17		
<i>Net Expenditure Chargeable to the General Fund & HRA Balances</i>	<i>Adjustments between Funding and Accounting Basis</i>	<i>Net Expenditure in the CIES</i>	<i>Net Expenditure Chargeable to the General Fund & HRA Balances</i>	<i>Adjustments between Funding and Accounting Basis</i>	<i>Net Expenditure in the CIES</i>
£,000	£,000	£,000	£,000	£,000	£,000
721	120	841	525	84	609
1,632	177	1,809	1,786	70	1,856
353	28	381	1,471	102	1,573
1,829	708	2,537	1,607	757	2,364
938	47	985	977	26	1,003
5,490	700	6,190	5,049	1,358	6,407
(2,923)	(17,750)	(20,673)	(1,854)	(20,010)	(21,864)
1,197	136	1,333	328	71	399
7,009	626	7,635	7,185	449	7,634
-	120	120	-	(832)	(832)
16,246	(15,088)	1,158	17,074	(17,925)	(851)
(17,208)	(2,307)	(19,515)	(16,845)	(3,882)	(20,727)
(962)	(17,395)	(18,357)	229	(21,807)	(21,578)
(29,279)		Opening General Fund & HRA Balance at 31 March	(30,241)		
(962)		Plus Deficit/(Surplus) on General Fund and HRA Balance in Year	229		
(30,241)		Closing General Fund and HRA Balance at 31 March 2017*	(30,012)		

* For a split of this balance between the General Fund and the HRA - see the Movement in Reserves Statement

Notes to the Accounts

2. Expenditure and Funding Analysis (continued)

Notes to the Expenditure and Funding Analysis

2016/17

<i>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</i>	<i>Adjustments for Capital Purposes</i>	<i>Net change for the Pensions Adjustments</i>	<i>Other Differences</i>	<i>Total Adjustments</i>
<i>Notes to the Expenditure and Funding Analysis</i>	<i>(Note i)</i>	<i>(Note ii)</i>	<i>(Note iii)</i>	
	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>
Community Services	49	35	-	84
Corporate Governance	8	61	-	69
Council Strategy	89	13	-	103
Environmental Services	703	54	-	757
Housing	-	26	-	26
Leisure and Amenities	1,332	25	-	1,358
Local authority housing (HRA)	(20,065)	56	-	(20,009)
Planning & Infrastructure	-	71	-	71
Support Services	218	231	-	449
Non distributed costs / (gains)	-	(832)	-	(832)
Net Cost of Services	(17,665)	(260)	-	(17,925)
Other income and expenditure from the Expenditure and Funding Analysis	(995)	(444)	(2,444)	(3,882)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(18,659)	(704)	(2,444)	(21,807)

2015/16 Comparative Figures

<i>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</i>	<i>Adjustments for Capital Purposes</i>	<i>Net change for the Pensions Adjustments</i>	<i>Other Differences</i>	<i>Total Adjustments</i>
<i>Notes to the Expenditure and Funding Analysis</i>	<i>(Note i)</i>	<i>(Note ii)</i>	<i>(Note iii)</i>	
	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>
Community Services	49	71	-	120
Corporate Governance	52	124	1	177
Council Strategy	-	28	-	28
Environmental Services	606	102	-	708
Housing	-	47	-	47
Leisure and Amenities	645	54	-	699
Local authority housing (HRA)	(17,868)	118	1	(17,749)
Planning & Infrastructure	-	135	1	136
Support Services	172	452	2	626
Non distributed costs / (gains)	-	120	-	120
Net Cost of Services	(16,344)	1,251	5	(15,088)
Other income and expenditure from the Expenditure and Funding Analysis	(1,797)	(183)	(327)	(2,307)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(18,141)	1,068	(322)	(17,395)

Notes to the Accounts

2. Expenditure and Funding Analysis (continued)

Notes to the Expenditure and Funding Analysis

Note i - Adjustments for Capital Purposes

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

- ◆ **Other operating expenditure** - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- ◆ **Financing and investment income and expenditure** - the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- ◆ **Taxation and non-specific grant income and expenditure** - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note ii - Net Change for the Pensions Adjustment

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

- ◆ **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- ◆ **For Financing and investment income and expenditure** - the net interest on the defined benefit liability is charged to the CIES.

Note iii - Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- ◆ **For services** this represents the removal of the Accumulated Absences allowed by statute.
- ◆ **For Financing and investment income and expenditure** - the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- ◆ The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Notes to the Accounts

3. Expenditure and Income Analysed by Nature

	<i>2015/16</i>	<i>2016/17</i>
	<i>£'000</i>	<i>£'000</i>
Expenditure / Income		
Expenditure		
Employee benefits expenses	1,251	2,678
Other services expenses	89,810	87,177
Support service recharges	0	0
Depreciation, amortisation, impairment	(10,259)	(11,162)
Interest payments	6,783	6,686
Precepts and levies	4,130	4,137
Payments to Housing Capital Receipts Pool	399	343
Loss on the disposal of assets	1,300	1,905
Total expenditure	93,414	91,764
Income		
Fees, charges and other service income	27,435	30,026
Interest and investment income	4,349	4,693
Income from council tax, non-domestic rates, district rate income	16,020	18,022
Government grants and contributions	63,801	60,448
Gain on the disposal of assets	165	153
Total income	111,770	113,342
(Surplus) or Deficit on the Provision of Services	(18,356)	(21,578)

Notes to the Accounts

4. 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 the cases of the combined cleansing and grounds maintenance contracts the advice received has been that the contractual arrangements do have the substance of a lease. The accounts for 2016/17 have been prepared on the basis of this advice.
- ◆ In the course of providing its services, the Council has dealings with many entities. However, after due consideration by officers, it has been determined that none of these entities are controlled by the Council and that publication of group accounts is therefore unnecessary. Particular attention has been paid to the Littlehampton Harbour Board and Age Concern West Sussex. The Council is considering the setting up of a wholly owned Local Property Company and has registered the name of the Company - "Trisanto Development Corporation" - at companies house. However, the Company is dormant and there are no implications for the 2016/17 accounts.
- ◆ 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 21, and contingent liabilities in note 38.
- ◆ 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 37.

Notes to the Accounts

5. 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 2017 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 £261k 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 £15.304 million.</p> <p>However, the assumptions interact in complex ways. During 2016/17, the Council's actuaries advised that the net pensions liability had decreased by £1.107 million attributable to the 2016 formal valuation.</p>
Doubtful debt allowances	The Council has made allowances for doubtful debts of £2.734 million in 2016/17 (£2.847 million in 2015/16) 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 £137k (£142k in 2015/16).
Provisions	A provision of £2.006 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 2016/17 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 £201k.

Notes to the Accounts

5. 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). Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 14 and 16.</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.

6. 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.

7. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Group Head of Corporate Support on 28 September 2017. 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 2017, 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

8. 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.

2016/17	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	1,727	2,640				(4,367)
Charges for depreciation and impairment of non-current assets leased	44					(44)
Revaluation losses/(gains) on Property, Plant & Equipment	584	(16,144)				15,560
Other movements in cost or valuation on Property, Plant & Equipment						-
Movements in the fair value of Investment Properties	(77)					77
Amortisation of intangible assets	46	18				(64)
Capital grants and contributions applied	(599)					599
Revenue expenditure funded from capital under statute	599					(599)
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	158	1,747				(1,905)
Reversal of Notional Lease Adjustment	(42)					42
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Capital expenditure charged against the General Fund and HRA balances						-
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(60)				60	-
Application of grants to capital financing transferred to the Capital Adjustment Account					(60)	60
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	(152)	(2,911)	3,063			-
Use of the Capital Receipts Reserve to finance new capital expenditure			(1,298)			1,298
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	343		(343)			-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash						-
Transfer from Housing Revenue Account re income from unattached capital receipts						-
Repayment of capital advances						-

Notes to the Accounts

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

2016/17	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		(6,579)		6,579		-
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				(2,555)		2,555
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	2,420	381				(2,801)
Employer's pension contributions and direct payments to pensioners payable in year	(3,009)	(497)				3,506
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						
	(2,444)					2,444
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						
						-
Total Adjustments	(462)	(21,345)	1,422	480	-	19,905

Notes to the Accounts

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

2015/16 Comparative Figures	Usable Reserves					Movement in Unusable Reserves £,000
	General Fund Balance £,000	Housing Revenue Account £,000	Capital Receipts Reserve £,000	Major Repairs Reserve £,000	Capital Grants Unapplied £,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)
Charges for depreciation and impairment of non-current assets leased						
Revaluation losses 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)
Reversal of Notional Lease Adjustment						
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 Grants 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

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

2015/16 Comparative Figures	Usable Reserves					Movement in Unusable Reserves £,000
	General Fund Balance £,000	Housing Revenue Account £,000	Capital Receipts Reserve £,000	Major Repairs Reserve £,000	Capital Grants Unapplied £,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 income credited to the Comprehensive Income and Expenditure Statement is different from council tax 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

9. 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 2016/17.

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</i>	<i>Transfers</i>		<i>Balance</i>	<i>Transfers</i>		<i>Balance</i>
	<i>1 Apr</i>	<i>Out</i>	<i>In</i>	<i>31 Mar</i>	<i>Out</i>	<i>In</i>	<i>31 Mar</i>
	<i>2015</i>	<i>2015/16</i>	<i>2015/16</i>	<i>2016</i>	<i>2016/17</i>	<i>2016/17</i>	<i>2017</i>
	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>
Delayed capital & special projects	2,101	(2,101)	2,557	2,557	(2,557)	4,289	4,289
Pension deficit financing	3,868	(967)	1,203	4,104	(951)	-	3,153
Community Services	366	(149)	52	269	(71)	204	402
Corporate Governance	2,081	(511)	174	1,744	(1,507)	585	822
Council Strategy	442	(117)	1,314	1,639	(1,416)	267	490
Environmental Services	202	(64)	19	157	(47)	235	345
Housing	418	(54)	40	404	(47)	774	1,131
Leisure & Amenities	551	(314)	897	1,134	(112)	1,685	2,707
Planning and Infrastructure	1,429	(560)	300	1,169	(488)	761	1,442
Total	11,458	(4,837)	6,556	13,177	(7,196)	8,800	14,781

Notes to the Accounts

10. Other Operating Expenditure

<i>2015/16</i>		<i>2016/17</i>
<i>£,000</i>		<i>£,000</i>
3,877	Parish council precepts and grants	3,928
253	Levies	210
399	Payments to the Government Housing Capital Receipts Pool	343
(788)	(Gains) / losses on the disposal of non-current assets	(1,159)
(186)	Income from unattached capital receipts	-
3,555	Total	3,322

11. Financing and Investment Income and Expenditure

<i>2015/16</i>		<i>2016/17</i>
<i>£,000</i>		<i>£,000</i>
1,706	Interest payable and similar charges	1,710
1,312	Net interest on the net defined benefits liability	946
(663)	Interest receivable and similar income	(757)
(14)	Income and expenditure in relation to investment properties and changes in their fair value	(97)
2,341	Total	1,802

12. Taxation and Non-Specific Grant Income

<i>2015/16</i>		<i>2016/17</i>
<i>£,000</i>		<i>£,000</i>
(12,911)	Council tax income	(13,544)
(3,109)	Non domestic rates	(4,478)
(8,428)	Non-ringfenced government grants	(7,768)
(962)	Capital grants and contributions	(61)
(25,410)	Total	(25,851)

Notes to the Accounts

13. Property, Plant and Equipment

Movements on Balances

Movements in 2016/17

	Council Dwellings £,000	Other Land and Buildings £,000	Vehicles, Plant & Equipment £,000	Vehicles, Plant & Equipment Leased £,000	Infrastructure Assets £,000	Community Assets £,000	Assets Under Construction £,000	Surplus Assets £,000	Total £,000
Cost or Valuation									
at 1 April 2016	181,296	53,468	2,624		14,330	2,789		194	254,701
additions	2,543		510	1,251	55		1,888		6,247
donations									-
revaluation increases/(decreases) recognised in the Revaluation Reserve		(6,077)						(56)	(6,133)
revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	13,370	(558)							12,812
derecognition - disposals		(60)							(60)
derecognition - other	(97)	(107)	(22)						(226)
assets reclassified (to)/from Held for Sale	(1,650)								(1,650)
assets reclassified other									-
other movements in cost or valuation									-
at 31 March 2017	195,462	46,666	3,112	1,251	14,385	2,789	1,888	138	265,691
Accumulated Depreciation and Impairment									
at April 2016		(1,185)	(445)		(8,528)				(10,158)
depreciation charge	(2,544)	(981)	(200)	(44)	(642)				(4,411)
depreciation written out to the Revaluation Reserve		1,510							1,510
depreciation written out to the Surplus/Deficit on the Provision of Services	2,544	205							2,749
impairment losses/(reversals) recognised in the Revaluation Reserve									-
impairment losses/(reversals) recognised in the Surplus/Deficit on Provision of services									-
derecognition - disposals									-
derecognition - other		9	22						31
other movements in depreciation and impairment									-
at 31 March 2017	-	(442)	(623)	(44)	(9,170)	-	-	-	(10,279)
Net Book Value									
at 31 March 2017	195,462	46,224	2,489	1,207	5,215	2,789	1,888	138	255,412
at 31 March 2016	181,296	52,283	2,179	-	5,802	2,789	-	194	244,543

Notes to the Accounts

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

Movements on Balances (*continued*)

Comparative Movements in 2015/16

	Council Dwellings £,000	Other Land and Buildings £,000	Vehicles, Plant & Equipment £,000	Vehicles, Plant & Equipment Leased £,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 2016	-	(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

13. 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 2017, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 budgeted to cost £4.856m. Similar commitments at 31 March 2016 were £334k.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. All valuations were carried out by 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</i>	<i>Other land & Buildings</i>	<i>Vehicles, Plant and Equipment</i>	<i>Vehicles, Plant and Equipment Leased</i>	<i>Infrastructure Assets</i>	<i>Community Assets</i>	<i>Assets under construction</i>	<i>Surplus Assets</i>	Total
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
<i>Carried at historical cost</i>			2,489	1,207	5,215	2,789	1,888		13,588
<i>Valued at current value as at:</i>									
<i>31 March 2017</i>	195,462	31,957						138	227,557
<i>31 March 2016</i>		6,133							6,133
<i>31 March 2015</i>		5,191							5,191
<i>31 March 2014</i>		2,943							2,943
Total Cost or Valuation	195,462	46,224	2,489	1,207	5,215	2,789	1,888	138	255,412

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

The authority does not have material surplus Assets.

Notes to the Accounts

14. 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:

	2015/16 £,000	2016/17 £,000
Rental income from investment property	66	66
Direct operating expenses arising from investment property	(52)	(46)
Change in fair value of investment property	-	77
Net gain / (loss)	14	97

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:

	2015/16 £,000	2016/17 £,000
Balance at start of the year	540	540
Net gains/(losses) from fair value adjustments	-	77
Other changes	-	-
Balance at end of the year	540	617

Fair Value Hierarchy

Details of the Council's Investment Property and information about the fair value hierarchy as at 31 March 2017 is as follows:

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2017
	£,000	£,000	£,000	£,000
Commercial unit	-	-	617	617
Total	-	-	617	617

Transfers between Levels of Fair Value Hierarchy

There were no transfers between levels during the year.

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

Significant Unobservable Inputs - Level 3

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

Notes to the Accounts

14. Investment Properties (*continued*)

Valuation Techniques used to determine Level 3 Fair Values for Investment Properties (*continued*)

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.

15. 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 £64k charged to revenue in 2016/17 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>2015/16</i> <i>£,000</i>	<i>2016/17</i> <i>£,000</i>
Balance at the start of the year		
Gross carrying amounts	411	407
Accumulated amortisation	(199)	(183)
Net carrying amount at the start of the year	212	224
Additions	85	-
Other disposals	(89)	(52)
Amortisation for the period	(57)	(64)
Other changes	73	52
Balance at the end of the year	224	160
Comprising:		
Gross carrying amounts	407	355
Accumulated amomortisation	(183)	(195)
	224	160

Notes to the Accounts

16. 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.

<i>Recurring Fair Value Measurements</i>	<i>Input Level In Fair Value Hierarchy</i>	<i>Valuation technique used to measure Fair Value</i>	<i>31 March 2016 Fair Value £'000</i>	<i>31 March 2017 Fair Value £'000</i>
Available for Sale - CCLA	Level 1	Unadjusted quoted prices in active markets for identical shares	2,025	3,889
Total:			2,025	3,889

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:

	<i>31 March 2016</i>		<i>31 March 2017</i>	
	<i>Carrying amount</i>	<i>Fair value</i>	<i>Carrying amount</i>	<i>Fair value</i>
	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>
Financial liabilities (PWLB loans)	62,059	74,070	53,197	69,845
Long-term creditors	-	-	-	-
Other liabilities	-	-	1,210	1,210
Loans and receivables	54,525	55,719	56,973	57,090
Available for sale financial assets	2,025	2,025	3,889	3,889
Long-term debtors	17	17	17	17

- ◆ The fair value of the PWLB loans (£70 million) is calculated using the premature repayment method which is published by the PWLB on 31 March 2017. (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.
- ◆ Other liabilities the fair value is taken to be the carrying 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

16. 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 £60.6 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 2017 that this was likely to materialise. The following analysis summarises the risk categories of the Council's financial assets at 31 March 2017.

	<i>Amount at 31/03/2017 £,000</i>
Deposits with financial institutions:	
AAA rated counterparties	2,600
AA rated counterparties	10,041
A rated counterparties	33,000
Part Nationalised Banks	7,000
Building Societies with assets greater than £10 Billion	4,000
Unrated pooled Funds	4,000
Total	60,641

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 £436k of the £2.591 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>31/03/2016 £,000</i>	<i>31/03/2017 £,000</i>
Less than three months	30	34
Three to nine months	28	221
Nine months to one year	8	37
More than one year	192	144
Total	258	436

Notes to the Accounts

16. 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.

	31/03/2016	31/03/2017
	£,000	£,000
Less than one year	8,860	-
Between one and two years	-	-
Between two and five years	8,860	17,720
Between six and ten years	8,860	-
Between eleven and twenty years	17,740	17,740
More than twenty years	17,720	17,720
Total	62,040	53,180

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 2017, 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 £82k.

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

17. Short-term Debtors

	31/03/16 £,000	31/03/17 £,000
Central government bodies	464	247
Other local authorities	187	-
NHS bodies	-	-
Housing rents:		
Arrears	405	424
Provision for doubtful debts	(60)	(60)
Council taxpayers (Arun District Council share only):		
Arrears	908	959
Provision for doubtful debts	(581)	(634)
Business ratepayers (Arun District Council share only):		
Arrears	295	337
Provision for doubtful debts	(107)	(124)
Housing Benefit overpayments:		
Arrears	2,426	2,070
Provision for doubtful debts	(1,965)	(1,766)
Customers and clients:		
Arrears	1,017	2,158
Provision for doubtful debts	(134)	(150)
Payments in advance	419	437
Total	3,274	3,898

18. Cash and Cash Equivalents

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

	31/03/16 £,000	31/03/17 £,000
Cash held by the Council and its agents	401	440
Bank current accounts	54	393
Short-term deposits with banks and building societies	2,116	2,642
Total	2,571	3,475

19. Assets Held for Sale

	2015/16 £,000	2016/17 £,000
Balance outstanding at start of year	-	-
Asset newly classified as held for sale, formerly Property, Plant & Equipment	1,192	1,650
Assets declassified	-	-
Assets sold	(1,192)	(1,650)
Loss on valuation	-	-
Balance outstanding at year-end	-	-

ARUN DISTRICT COUNCIL STATEMENT OF ACCOUNTS 2016/17

Notes to the Accounts

20. Creditors

	31/03/16 £,000	31/03/17 £,000
Short Term Creditors		
Central government bodies	1,072	3,981
Other local authorities	1,820	3,787
NHS bodies	-	-
Interest accrued on long-term loans	19	17
Housing rents	89	143
Council taxpayers (Arun District Council share only)	121	144
Business Rates (Arun District Council share only)	242	138
Employees	161	213
Contractors and suppliers	2,644	4,498
Other deposits and receipts in advance	625	598
Total	6,793	13,519
Long Term Creditors		
s.106 Town & Country Planning Act 1990 contributions	1,982	2,641
Finance Lease Liabilities	-	997
Total	1,982	3,638
Total Creditors	8,775	17,157

21. Provisions

	<i>Total</i> £,000
Balance at 1 April 2016	2,101
Additional provisions made in 2016/17	148
Amounts used in 2016/17	(243)
Balance at 31 March 2017	2,006

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 £2.006 million represents the Council's share of the estimated amounts which will be refunded in respect of business rate liability for 2016/17 and earlier years following successful appeals.

22. Usable Reserves

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

23. Unusable Reserves

<i>31 March 2016</i> £,000		<i>31 March 2017</i> £,000
25,950	Revaluation Reserve	20,848
-	Available for Sale Financial Instruments Reserve	(154)
165,267	Capital Adjustment Account	182,503
(28,266)	Pensions Reserve	(27,159)
(1,443)	Collection Fund Adjustment Account	1,001
(133)	Accumulated Absences Account	(133)
161,375	Total Unusable Reserves	176,906

Notes to the Accounts

23. 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>2015/16</i> <i>£,000</i>		<i>2016/17</i> <i>£,000</i>
22,273	Balance at 1 April	25,950
4,360	Upward revaluation of assets	1,827
(170)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(6,451)
4,190	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of services	(4,624)
(513)	Difference between fair value depreciation and historical cost depreciation	(370)
-	Accumulated gains on assets sold or scrapped	(108)
(513)	Amount written off to the Capital Adjustment Account	(478)
25,950	Balance at 31 March	20,848

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>2015/16</i> <i>£,000</i>		<i>2016/17</i> <i>£,000</i>
(41)	Balance at 1 April	-
41	Upward revaluation of investments	-
-	Downward revaluation of investments not charged to the surplus/deficit on the provision of services	(154)
-	Accumulated gains/losses on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of other investment income	-
-	Balance at 31 March	(154)

Notes to the Accounts

23. 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. It 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 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2015/16 £,000		2016/17 £,000
148,762	Balance at 1 April	165,267
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(4,024)	Charges for depreciation and impairment of non-current assets	(4,367)
-	Charges for depreciation leased assets	(44)
14,106	Revaluation gains/(losses) on Property, Plant and Equipment	15,560
235	Other movements in cost or valuation on Property, Plant & Equipment	-
(57)	Amortisation of intangible assets	(64)
(559)	Revenue expenditure funded from capital under statute	(599)
(1,299)	Amounts of non-current assets written off on disposal of sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,905)
-	Reversal of notional lease	42
<u>8,402</u>		<u>8,623</u>
513	Adjusting amounts written out of the Revaluation Reserve	479
<u>8,915</u>	Net written out amount of the cost of non-current assets consumed in the year	<u>9,102</u>
	Capital financing applied in the year:	
170	Use of the Capital Receipts Reserve to finance new capital expenditure	1,299
2,096	Use of the Major Repairs Reserve to finance new capital expenditure	2,555
559	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	599
962	Application of grants to capital financing from the Capital Grants Unapplied Account	60
259	Capital expenditure charged against the General Fund and HRA balances	-
<u>4,046</u>		<u>4,513</u>
-	Movements in the fair value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	77
3,544	Provision for loan repayment	3,544
-	Repayment of capital advances	-
<u>165,267</u>	Balance at 31 March	<u>182,503</u>

Notes to the Accounts

23. 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.

2015/16 £,000		2016/17 £,000
(41,131)	Balance at 1 April	(28,266)
13,933	Actuarial gains or (losses) on pensions assets and liabilities	402
(4,605)	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	(2,801)
<u>3,537</u>	Employer's pension contributions & direct payments to pensioners payable in the year	<u>3,506</u>
<u>(28,266)</u>	Balance at 31 March	<u>(27,159)</u>

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.

2015/16 £,000		2016/17 £,000
(1,770)	Balance at 1 April	(1,443)
327	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	2,444
<u>(1,443)</u>	Balance at 31 March	<u>1,001</u>

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. There were no changes to the account in 2016/17.

2015/16 £,000		2016/17 £,000
(127)	Balance at 1 April	(133)
127	Cancellation of accrual made at the end of the preceding year	133
<u>(133)</u>	Amounts accrued at the end of the current year	<u>(133)</u>
(6)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-
<u>(133)</u>	Balance at 31 March	<u>(133)</u>

Notes to the Accounts

24. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2015/16 £,000		2016/17 £,000
599	Interest received	596
(1,706)	Interest paid	(1,691)

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

2015/16 £,000		2016/17 £,000
4,025	Depreciation	4,411
(14,106)	Impairment and downward valuations	(15,560)
57	Amortisation	63
(871)	Increase / decrease in creditors	3,486
59	Increase / decrease in debtors	(609)
5	Increase / decrease in inventories	7
1,068	Movement in pension liability	(704)
1,300	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	1,905
572	Other non-cash items charged to the net surplus or deficit on the provision of services	(171)
(7,891)		(7,172)

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

2015/16 £,000		2016/17 £,000
(2,275)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,063)
(962)	Any other items for which the cash effects are investing or financing cash flows	-
(3,237)		(3,063)

25. Cash Flow Statement - Investing Activities

2015/16 £,000		2016/17 £,000
(3,651)	Purchase of property, plant and equipment and intangible assets	(4,815)
(19,000)	Purchase of short-term and long-term investments	(13,000)
2,274	Proceeds from the sale of property, plant and equipment, investment property and	3,063
11,000	Proceeds from short-term and long-term investments	9,000
962	Other receipts from investing activities	666
(8,415)	Net cash flows from investing activities	(5,086)

26. Cash Flow Statement - Financing Activities

2015/16 £,000		2016/17 £,000
-	Cash payments for the reduction of the outstanding liabilities relating to finance	(42)
-	Repayments of short and long-term borrowing	(8,860)
956	Other payments for financing activities	3,549
956	Net cash flows from financing activities	(5,353)

Notes to the Accounts

27. Agency Services

The Council provided the following agency services in 2016/17:

- ◆ Collection of car park income for West Sussex County Council (£842k) and other third parties (£102k).
- ◆ Provision of a payroll service for a number of voluntary organisations and parish councils (no charge is made for this service).

28. Members' Allowances

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

	2015/16 £,000	2016/17 £,000
Allowances	434	421
Expenses	15	15
Total	449	436

29. 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	2016/17	113,773	520		38,549	152,842
	2015/16	107,896	485	-	21,471	129,852
Resources Director & Deputy Chief Executive	2016/17	73,967	52	103,695	22,643	200,357
	2015/16	95,460	107	-	18,996	114,563
Director of Place	2016/17	80,252	55	-	24,940	105,247
Asst Director Planning & Econ Regeneration	2015/16	75,051	10	-	14,935	89,996
Director of Transformation	2016/17	81,233	107	-	25,166	106,506
Asst Director Customer Services	2015/16	75,051	17	-	14,935	90,003
Director of Services	2016/17	80,695	180	-	24,940	105,814
Asst Director Environmental Services	2015/16	75,051	225	-	14,935	90,211
Head of Finance & Property & s151 Officer	2016/17	67,529	1,247	-	21,427	90,203
	2015/16	66,712	1,243	-	13,276	81,231
Head of Housing	2016/17	65,723	1,650	-	20,104	87,477
	2015/16	64,627	1,638	-	12,861	79,126
Head of Human Resources & Customer Services	2016/17	65,273	1,239	-	20,104	86,616
	2015/16	62,043	1,239	-	12,347	75,629
Head of Legal & Administration	2016/17	67,044	1,256	-	20,104	88,404
	2015/16	63,743	1,254	-	12,685	77,682
Head of Neighbourhoods	2016/17	64,876	1,735	76,188	19,347	162,146
	2015/16	63,335	1,824	-	12,604	77,763

Two Senior Officers were in receipt of compensation for loss of office for 2016/17, and accruals were made in the Accounts for two Senior Officers that will be in receipt of compensation for loss of office in 2017/18 (not included in this table). No Senior Officers were in receipt of bonus payments or benefits in kind for 2016/17.

In November 2016, the three Assistant Directors became Directors during the Organisation's restructure. The total remuneration for 17/18 for these posts is shown above.

Notes to the Accounts

29. 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 (excluding accruals made for redundancies due in 2017/18):

Remuneration Band	Number of employees		
	2015/16	2016/17	
£50,000 - £54,999	7	5	
£55,000 - £59,999	3	3	**
£60,000 - £64,999	2	0	
£65,000 - £69,999	3	4	
£70,000 - £74,999	0	0	
£75,000 - £79,999	3	0	
£80,000 - £84,999	0	3	
£85,000 - £89,999	0	0	
£90,000 - £94,999	0	0	
£95,000 - £99,999	1	0	
£100,000 - £104,999	0	0	
£105,000 - £109,999	1	0	
£110,000 - £114,999	0	1	
£115,000 - £119,999	0	1	*
£120,000 - £124,999	0	0	
£125,000 - £129,999	0	0	
£130,000 - £134,999	0	0	
£135,000 - £139,999	0	0	
£140,000 - £144,999	0	1	*
£145,000 - £149,999	0	0	
£150,000 - £154,999	0	0	
£155,000 - £159,999	0	0	
£160,000 - £164,999	0	0	
£165,000 - £169,999	0	0	
£170,000 - £174,999	0	0	
£175,000 - £179,999	0	1	*

2016/17

* 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 (including accruals made for redundancies due in 2017/18):

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	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£0 - £20,000	3	1	-	-	3	1	34,190	17,021
£20,001 - £40,000	2	-	-	-	2	-	48,755	-
£40,001 - £60,000	-	1	-	-	-	1	-	53,703
£60,001 - £80,000	-	2	-	-	-	2	-	137,835
£80,001 - £100,000	-	1	-	-	-	1	-	82,542
£100,001 - £150,000	-	1	-	-	-	1	-	103,695
Total cost included in bandings							£ 82,945	£ 394,796

The total cost of £394,796 in the table above includes exit packages that have been charged to the authority's Comprehensive Income & Expenditure Statement in the current year.

Notes to the Accounts

30. 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:

	2015/16 £,000	2016/17 £,000
<i>Fees payable to Ernst & Young LLP:</i>		
external audit services carried out by the appointed auditor	57	57
statutory inspections	-	-
certification of grant claims and returns	8	9
other services	-	-
Total	65	66

31. 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.

	2015/16 £,000	2016/17 £,000
Credited to Taxation and Non-Specific Grant Income		
Benefits Administration Grant	633	524
Localised Council Tax Support Administration	175	198
Business Rate collection allowance	174	177
Council Tax freeze	104	-
New Homes Bonus Grant	3,088	4,014
Revenue Support Grant	2,716	1,666
S.31 grants paid to compensate for the loss of business	1,158	849
Individual Electoral Register (IER)	87	79
Other non-ringfenced grants	293	261
Capital grants and contributions	962	61
Total	9,390	7,829
Credited to Services		
Community wellbeing	448	405
Coast Protection	1	110
Land Drainage	-	39
Housing Strategy	-	706
Crime Reduction	59	119
Leisure	-	122
Disabled Facilities Grants	559	599
Economic Regeneration	703	128
Family Intervention project	194	234
Fuel poverty	-	1
Housing Benefit Subsidy	51,758	49,739
Neighbourhood Plan	45	-
Other	550	417
Total	54,317	52,619
Total Grants, Contributions & Donations	63,707	60,448

Notes to the Accounts

31. Grant Income (continued)

Current Liabilities

Capital Grants Received in Advance

Disabled Facility Grant	-	665 *
Total	-	665

* This relates to the part of the Disabled Facilities Grant where the relevant conditions have not yet been met and repayment may be required.

32. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allow readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits). Grants received from Government Departments are set out in Note 12. Grant receipts outstanding at 31 March 2017 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 2016/17 is shown in Note 28. No members declared any transactions for 2016/17 that fall within the related party definition.

Officers

The Council's Chief Executive has £6k outstanding in respect of a car loan. Repayments amounting to £2k were made during 2016/17. No other transactions with senior officers fall within the related party definition.

Other public bodies

Precepts and levies totalling £4.138 million were paid as disclosed in Note 10.

Entities Controlled or Significantly Influenced by the Council

There are no entities meeting the definition of related parties.

Notes to the Accounts

33. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. The table also shows the amount set aside from revenue, resulting in a reduction in the Capital Financing Requirement during 2016/17.

	2015/16 £,000	2016/17 £,000
<i>Opening Capital Financing Requirement</i>	57,634	54,090
<i>Capital investment</i>		
Property, Plant and Equipment	3,402	6,247
Intangible Assets	85	-
Revenue Expenditure Funded from Capital under Statute	559	599
<i>Sources of finance</i>		
Capital receipts	(170)	(1,299)
Government grants and other contributions	(1,521)	(659)
Direct revenue contributions - general	(259)	-
Direct revenue contributions - housing	-	-
Housing Major Repairs Reserve	(2,096)	(2,555)
<i>Amount set aside from revenue</i>	(3,544)	(3,586)
<i>Closing Capital Financing Requirement</i>	54,090	52,837
<i>Explanation of movements in the year:</i>		
Increase in underlying need to borrow	-	1,082
Amount set aside from revenue	(3,544)	(3,586)
Assets acquired under leasing arrangements	-	1,251
<i>Increase / (decrease) in Capital Financing Requirement</i>	(3,544)	(1,253)

34. Leases

Council as Lessee

Finance Leases

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

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

	31 Mar 2016 £,000	31 Mar 2017 £,000
Vehicles, Plant & Equipment	-	1,207
	-	1,207

Notes to the Accounts

34. Leases (continued)

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

	31 Mar 2016 £,000	31 Mar 2017 £,000
Finance lease liabilities (net present value of minimum lease payments):		
current	-	213
non-current	-	997
Finance costs payable in future years	-	105
Minimum lease payments	-	1,315

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 Mar 2016 £,000	31 Mar 2017 £,000	31 Mar 2016 £,000	31 Mar 2017 £,000
Not later than one year	-	235	-	213
Later than one year and not later than five years	-	634	-	577
Later than five years	-	446	-	419
	-	1,315	-	1,209

Operating Leases

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

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

	31 Mar 2016 £,000	31 Mar 2017 £,000
Not later than one year	111	87
Later than one year and not later than five years	317	257
Later than five years	30	28
	458	372

The expenditure charged to the Comprehensive Income and Expenditure Statement in relation to these leases in 2016/17 was £117k (2015/16 £161k) 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:

	31 Mar 2016 £,000	31 Mar 2017 £,000
Not later than one year	476	429
Later than one year and not later than five years	1,357	1,290
Later than five years	8,645	8,462
	10,478	10,181

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

35. Impairment Losses

There were no material impairment losses during 2016/17.

36. Termination Benefits

The Authority terminated the contracts of six employees in 2016/17 as part of the process of achieving required budget savings, incurring a liability of £395k. There were no provisions made in prior years. See Note 29 for the number of exit packages and the total cost per band. Of this total, £103k is payable to the Director of Resources in the form of compensation for loss of office as disclosed in note 29.

37. 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 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

37. 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:

	Local Government Pension Scheme		Discretionary Benefits arrangements	
	2015/16 £,000	2016/17 £,000	2015/16 £,000	2016/17 £,000
Comprehensive Income and Expenditure Statement -				
Cost of services:				
<i>Service cost comprising:</i>				
◆ current service cost	3,173	2,687	-	-
◆ past service costs (including curtailments)	120	-	-	-
◆ (gain)/loss from settlements	-	(832)	-	-
<i>Financing and Investment Income and Expenditure:</i>				
◆ Net interest expense	1,312	946	-	-
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	4,605	2,801	-	-
<i>Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</i>				
◆ Return on plan assets (excluding the amount included in the net interest expense)	1,296	(31,386)	-	-
Actuarial gains and losses arising on changes in demographic assumptions	-	(4,588)	-	-
◆ Actuarial gains and losses arising on changes in financial assumptions	(12,991)	25,771	-	-
◆ Other experience	(1,743)	9,891	(455)	(94)
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	(8,833)	2,489	(455)	(94)
Movement in Reserves Statement				
◆ reversal of net charges made to the Surplus or deficit on the Provision of Services for post employment benefits in accordance with the Code	4,605	2,801	-	-
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>				
◆ employer's contributions payable to scheme	3,260	3,234	-	-
◆ retirement benefits payable to pensioners	-	-	277	272

Notes to the Accounts

37. 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>2015/16</i>	<i>2016/17</i>	<i>2015/16</i>	<i>2016/17</i>
	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>
Present value of the defined benefit obligation	(143,055)	(172,923)	(4,682)	(4,588)
Fair value of plan assets	119,471	150,352	-	-
Net liability arising from defined benefit obligation	(23,584)	(22,571)	(4,682)	(4,588)

Reconciliation of the movements in the fair value of scheme assets

	<i>Local Government Pension Scheme</i>		<i>Discretionary Benefits</i>	
	<i>2015/16</i>	<i>2016/17</i>	<i>2015/16</i>	<i>2016/17</i>
	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>
Opening fair value of scheme assets	118,005	119,471	-	-
Interest income	3,760	4,044	-	-
Remeasurement gain/(loss):				
Return on plan assets excluding the amount included in the net interest expense	(1,296)	31,386	-	-
Other	2	-	-	-
Contributions from employer	3,260	3,230	277	272
Contributions from employees into the scheme	694	691	-	-
Benefits paid	(4,954)	(5,311)	(277)	(272)
Other	-	(3,159)	-	-
Closing fair value of scheme assets	119,471	150,352	-	-

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

	<i>Funded liabilities</i>		<i>Unfunded liabilities</i>	
	<i>Local Government Pension Scheme</i>		<i>Discretionary Benefits</i>	
	<i>2015/16</i>	<i>2016/17</i>	<i>2015/16</i>	<i>2016/17</i>
	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>
Opening balance at 1 April	153,999	143,055	5,137	4,682
Current service cost	3,293	2,687	-	-
Interest cost	5,072	4,990	-	-
Contributions by scheme participants	694	691	-	-
Remeasurement (gains) and losses:				
Actuarial gains/losses arising from changes in demographic assumptions	-	(4,588)	-	-
Actuarial gains/losses arising from changes in financial assumptions	(12,991)	25,771	-	-
Other	(2,058)	9,619	(178)	178
Past service cost	-	-	-	-
Benefits paid	(4,954)	(5,311)	(277)	(272)
Other	-	(3,991)	-	-
Closing balance at 31 March	143,055	172,923	4,682	4,588

Notes to the Accounts

37. Defined Benefit Pension Scheme (continued)

Local Government Pension Scheme assets comprised:

	2015/16 £,000	2016/17 £,000
Cash and cash equivalents	2,463	3,870
Equity securities by industry type:		
Consumer	19,516	21,389
Manufacturing	4,084	13,742
Energy and utilities	4,132	7,261
Financial institutions	19,353	24,489
Health and care	7,712	10,418
Information technology	15,434	20,546
Other	10,458	6,927
Debt securities:		
UK Government	2,080	2,788
Private Equity - All categories	5,742	6,463
Real estate:		
UK property	10,780	11,857
Overseas property	13	-
Investment funds and unit trusts:		
Equities	-	-
Bonds	16,788	18,840
Other	916	1,762
Totals	119,471	150,352

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

Notes to the Accounts

37. 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 2016. The principal assumptions used in their calculations have been:

	<i>Local Government Pension Scheme</i>		<i>Discretionary Benefits</i>	
	<i>2015/16</i>	<i>2016/17</i>	<i>2015/16</i>	<i>2016/17</i>
<i>Long-term expected rate of return on assets in the scheme:</i>				
Equity investments	-0.9%	19.6%	-	-
Bonds	-0.9%	19.6%	-	-
Property	-0.9%	19.6%	-	-
Cash	-0.9%	19.6%	-	-
<i>Mortality assumptions:</i>				
Longevity at 65 for current pensioners:				
◆ Men	24.4 years	23.6 years	24.4 years	23.6 years
◆ Women	25.8 years	25.0 years	25.8 years	25.0 years
Longevity at 65 for future pensioners:				
◆ Men	26.9 years	26.0 years	26.9 years	26.9 years
◆ Women	28.5 years	27.8 years	28.5 years	27.8 years
Rate of inflation	3.2%	3.4%	3.2%	3.4%
Rate of increase in salaries	3.7%	3.1%	3.7%	3.1%
Rate of increase in pensions (CPI)	2.2%	2.4%	2.2%	2.4%
Rate for discounting scheme liabilities	3.5%	2.6%	3.5%	2.6%

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 2017	<i>Approx. % increase to employer liability</i>	<i>Approx. monetary amount (£,000)</i>
0.5% decrease in Real Discount Rate	9.0%	15,304
0.5% increase in the Salary Increase Rate	1.0%	2,368
0.5% increase in the Pension Increase Rate	7.0%	12,706

Notes to the Accounts

37. 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 2019.

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 £3.347 million for employer contributions to the scheme in 2017/18.

The weighted average duration of the defined benefit obligation for scheme members is 17.4 years for 2016/17.

38. Contingent Liabilities

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

The Council has entered into an agreement with the Government to retain the additional receipts generated by the relaxation of the Right to Buy discount rules. Under the terms of this agreement these "1 for 1 replacement" receipts can only be used for the provision of new social housing, and 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 31st.March 2017 Arun held £2.846m of unused "1 for 1 replacement" receipts. However, the Council's current housing acquisition/ new build programme, together with plans for additional housing development currently being formulated in the new HRA Business plan, should ensure that the "1 for 1 replacement" receipts are spent within the required timescale.

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.

<i>2015/16</i> <i>£,000</i>		<i>2016/17</i> <i>£,000</i>
	Expenditure	
3,827	Repairs and maintenance	4,228
4,265	Supervision and management	4,292
147	Rents, rates, taxes and other charges	155
(11,782)	Depreciation, amortisation and impairment of non-current assets	(13,486)
55	Movement in the allowance for bad debts	98
(3,488)	Total Expenditure	(4,713)
	Income	
(16,024)	Dwelling rents	(15,756)
(393)	Non-dwelling rents	(399)
(729)	Charges for services and facilities	(819)
(38)	Contributions towards expenditure	(176)
(17,184)	Total Income	(17,150)
(20,672)	Net expenditure or income on HRA Services as included in the whole authority Income and Expenditure Statement	(21,863)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement	
(732)	Gain or loss on sale of HRA non-current assets	(1,164)
(186)	Other income - unattached capital receipts	-
1,706	Interest payable and similar charges	1,705
(74)	Interest and investment income	(108)
(19,958)	(Surplus) or deficit for the year on HRA services	(21,430)

Movement on the HRA Statement

<i>2015/16</i> <i>£,000</i>		<i>2016/17</i> <i>£,000</i>
(5,786)	Balance on the HRA at the end of the previous year	(6,903)
(19,958)	Surplus or deficit for the year on the HRA Income and Expenditure Statement	(21,430)
18,841	Adjustments between accounting basis and funding basis under statute	21,345
(1,117)	Net increase or decrease before transfers to or from reserves	(85)
-	Transfers to or from reserves	-
(1,117)	Increase or decrease in year on the HRA	(85)
(6,903)	Balance on the HRA at the end of the current year	(6,988)

Notes to the HRA Statement

1. Adjustments between accounting basis and funding basis under regulations

<i>2015/16</i> <i>£,000</i>		<i>2016/17</i> <i>£,000</i>
918	Gain or loss on sale of HRA non-current assets	1,164
56	HRA share of contributions to or from the Pensions Reserve	116
-	Capital expenditure funded by the HRA	-
6,085	Transfer to/from the Major repairs Reserve	6,579
-	Transfer to/from Accumulated Absences Account	-
11,782	Transfer to/from the Capital Adjustment Account	13,486
18,841	Total adjustments	21,345

2. Housing Stock Analysis

Dwelling type	<i>31 Mar 2016</i> <i>No.</i>	<i>31 Mar 2017</i> <i>No.</i>
Bedsits	179	179
Flats	1,570	1,563
Houses / bungalows	1,629	1,609
Hostels	2	2
Total	3,380	3,353
Balance sheet value of assets	£,000	£,000
Dwellings	181,296	195,462
Garages	2,685	2,926
Other land and buildings	645	636
Held for sale	-	-
Plant & equipment	1,000	1,383
Computer software	73	54
Total	185,699	200,461

3. Vacant Possession value of HRA Dwellings

The vacant possession value of dwellings within the Council's Housing Revenue Account as at 1 April 2016 was £569 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

	<i>2015/16</i> <i>£,000</i>	<i>2016/17</i> <i>£,000</i>
Balance at 1 April	592	1,037
Transfers from Housing Revenue Account	6,085	6,579
Transfer to Capital Adjustment Account re financing of HRA capital expenditure	(2,096)	(2,555)
Provision for loan repayment	(3,544)	(3,544)
Balance at 31 March	1,037	1,517

Notes to the HRA Statement

5. Capital Expenditure on Land and Property within the HRA

	<i>2015/16</i> <i>£,000</i>	<i>2016/17</i> <i>£,000</i>
Expenditure		
Housing improvements and repairs	1,842	2,175
Development programme	-	1,666
Disabled facilities	254	380
Total expenditure	2,096	4,221
Financed by:		
Revenue contributions	-	-
Major Repairs Reserve	2,096	2,555
Usable Capital Receipts	-	585
Internal borrowing	-	1,081
Total financing	2,096	4,221

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

	<i>2015/16</i> <i>£,000</i>	<i>2016/17</i> <i>£,000</i>
Dwellings	2,090	2,881
Other assets	20	30
Total capital receipts	2,110	2,911

7. Depreciation charged to the Housing Revenue Account

	<i>2015/16</i> <i>£,000</i>	<i>2016/17</i> <i>£,000</i>
Operational Assets		
Council Dwellings	2,378	2,544
Garages separate from curtilage of dwellings	39	39
Other tangible fixed assets	37	57
Intangible fixed assets	29	18
Total	2,483	2,658

8. Rent Arrears

Tenants' arrears at 31 March 2017 were £423k (previous year £405k). 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 £381k 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 £497k for the year. The Group Head of Corporate Support 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 2016/17

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.

2015/16 £,000		2016/17 £,000
	Income	
	<i>Local Taxes:</i>	
88,222	Net Council Tax	93,163
34,981	Net business rates	38,230
63	Government Grants	-
123,266	Total income	131,393
	Expenditure	
	<i>Demands and Precepts:</i>	
65,957	West Sussex County Council	69,820
8,169	Sussex Police and Crime Commissioner	8,607
12,749	Arun District Council	13,398
	<i>Interest</i>	
	<i>Share of business rate income</i>	
3,393	West Sussex County Council	3,479
16,967	Central Government	17,397
13,573	Arun District Council	13,918
-	<i>Payments to Central Government re transitional protection</i>	93
174	<i>Transfer to General Fund re cost of Business Rate collection</i>	177
	<i>Shares of Fund surplus or (deficit) - Council Tax:</i>	
312	West Sussex County Council	726
38	Sussex Police and Crime Commissioner	90
60	Arun District Council	140
	<i>Shares of Fund surplus or (deficit) - Business rates:</i>	
(283)	West Sussex County Council	(361)
(1,417)	Sussex Police and Crime Commissioner	(1,806)
(1,134)	Arun District Council	(1,445)
	<i>Bad and doubtful debts - Council Tax:</i>	
203	Written off	146
46	Provision adjustments	189
	<i>Bad and doubtful debts - Business rates:</i>	
180	Written off	273
(115)	Provision adjustments	42
	<i>Appeals - Business rates:</i>	
1,111	Use of provision	608
2,019	Provision adjustments	(237)
122,002	Total Expenditure	125,254
(1,264)	(Surplus) / deficit for year	(6,139)
4,243	Balance at 1 April brought forward	2,979
2,979	Balance at 31 March carried forward	(3,160)

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".

1,986	Government	(1,060)
(357)	West Sussex County Council	(1,002)
(93)	Sussex Police and Crime Commissioner	(97)
1,443	Arun District Council	(1,001)
2,979	Total	(3,160)

Analysis of movement on Collection Fund balance

	2015/16 £,000	2016/17 £,000
<i>(Surplus) / deficit for year:</i>		
Council Tax	(701)	(47)
Business rates	(563)	(6,092)
Total	(1,264)	(6,139)
<i>Balance at 1 April brought forward</i>		
Council Tax	(291)	(992)
Business rates	4,534	3,971
Total	4,243	2,979
<i>Balance at 31 March carried forward</i>		
Council Tax	(992)	(1,039)
Business rates	3,971	(2,121)
Total	2,979	(3,160)

Notes to the Collection Fund Statement

1. Council Tax Base

	2015/16	2016/17
<i>Equivalent Valuation Band D properties in:</i>		
Valuation Band A	2,854	2,929
Valuation Band B	6,307	6,509
Valuation Band C	12,956	13,289
Valuation Band D	12,390	12,575
Valuation Band E	10,717	10,863
Valuation Band F	7,334	7,425
Valuation Band G	4,096	4,114
Valuation Band H	450	447
Total Band D Equivalentents	57,104	58,151
Allowance for non-collection 0.6%	(342)	(348)
Tax Base for year	56,762	57,803

2. Council Tax (total including parish average)

	2015/16	2016/17
Valuation Band A	£1,020.33	£1,059.05
Valuation Band B	£1,190.39	£1,235.56
Valuation Band C	£1,360.44	£1,412.07
Valuation Band D	£1,530.50	£1,588.58
Valuation Band E	£1,870.61	£1,941.60
Valuation Band F	£2,210.72	£2,294.62
Valuation Band G	£2,550.83	£2,647.63
Valuation Band H	£3,061.00	£3,177.16

3. General Statistics

	2015/16	2016/17
Rateable value of non-domestic properties at 31 March	£89.8m	£91.0m
Number of non-domestic properties at 31 March	4,521	4,807
Non-domestic rating multiplier: small businesses	0.480	0.484
Non-domestic rating multiplier: other	0.493	0.497
Average Council Tax for a Band D property	£1,531	£1,589

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.

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.

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.

Glossary of Terms (*continued*)

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 User - 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.

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*.

Glossary of Terms (*continued*)

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.

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*.

Glossary of Terms (*continued*)

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

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.