



# **Arun District Council**

## **Annual Statement of Accounts for the year 2020/21**

Arun District Council  
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## Narrative Report

### Introduction to the Arun district

Arun District is the largest district in West Sussex in terms of population (161,123 mid-year 2020) and the third largest in terms of Council Tax Base (62,244 equivalent Band D properties). It includes the towns of Arundel, Bognor Regis and Littlehampton together with 27 surrounding parishes.

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

Arun has one of the UK's highest populations of elderly people, with 29% of residents aged 65 and over, compared to 18% nationally. Particularly high proportions of elderly people are living along the coast, in the Pagham and Aldwick area west of Bognor Regis, and from Rustington to Ferring, where in some wards over 50% of residents are aged 65 and over. By contrast, parts of Bognor Regis and Littlehampton have a significantly younger population, with above average proportions of families and young people. Both national and local forecasts indicate that the largest growth in the future will be in people aged 85 and over.

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

Arun was ranked 149th on the Index of Multiple Deprivation in 2019 (the last published figures) out of 317 local authorities. The rankings for the Multiple Deprivation Measures are:

Measure	Rank
Income	156
Employment	134
Education	89
Health	110
Crime	192
Barriers to Housing and Services	66
Living Environment	239
Income Deprivation affecting Children	159
Income Deprivation affecting Older People	188

### Key Information about the Council

#### Decision Making

#### The Council

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

## **The Cabinet**

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

## **Overview Select Committee**

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

## **Audit and Governance Committee**

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

## **Change to Governance Arrangements from May 2021**

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

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

## **The Annual Governance Statement**

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

## **The Covid-19 pandemic and the Council**

The Corona virus pandemic is the first peacetime national emergency that the Council has had to face since its inception. The outbreak of the Corona virus was identified in Wuhan, China in December 2019 and recognised as a pandemic by the World Health Organisation on 11 March 2020. The speed of the pandemic led to unprecedented socioeconomic disruption globally. The UK went into its first lock down on 23 March 2020.

Officers had to take a number of urgent decisions to incur expenditure or take urgent action. These were reported to cabinet retrospectively as appropriate. The financial effect of the pandemic and lock down started to be felt in March 2020 and this continued during 2020/21. The financial effects are covered more fully in the relevant sections below and in Note 40 – Going Concern.

The main actions taken by the Council during 2020/21 in combating the pandemic were:

- An Emergency Management Team was formed which met weekly to consider all issues in relation to the Council's response to the pandemic. One particular review area was capacity as a result of work pressures and staff absences. Staff were under increased pressure as existing workloads had to be dealt with alongside responding to the pandemic;
- In line with government guidance, staff were instructed to work from home, except those who were required to be in the office to perform their duties. If staff were in office premises they were encouraged to take lateral flow tests to improve their own safety and that of colleagues. No Elected Members or staff were permitted to enter buildings unless authorised by Management or Group Service Heads;
- Arun District Council worked with East Hampshire District Council providing COVID Marshalls patrolling known hot spot areas. Arun's Environmental Health team patrolled supermarkets, garden centres, click and collect premises and sites where complaints were received or positive cases confirmed. The two Councils have liaised closely so appropriate actions were promptly taken;
- The Council implemented government guidance on all matters including grants and enforcement;
- The Council worked closely with West Sussex County Council providing support to vulnerable members of the community. It also worked with other partners to protect rough sleepers and other homeless individuals in its area;
- Officers ensured any elections, particularly those due in May 2021 were conducted in a safe and COVID secure way;
- All Member meetings have been held virtually during 2020/21, ensuring the safety of Members, Officers and any public wishing to attend;
- The Council has continued to offer its services throughout 2020/21. Some notable achievements were:

391 households were offered accommodation and services maintained
12,912 households were paid £823k from the Hardship Fund
Small Business Grant Funding of £39.7m was paid to 3,702 businesses in the District
Discretionary Grant Funding of £3.073m was awarded to 479 businesses in the District
70 virtual meetings and briefings were held
2,255 postings were placed on social media
Collection of 28,499 tonnes of refuse, 345 tonnes of litter and 13,177 tonnes of recycling
149,554 telephone calls and 2,349 webchat interactions handled

## Workforce

The Council employs approximately 375 staff in full-time and part-time positions. Arun's workforce has undergone a planned reduction to make it smaller and more effective as part of its 2020: Vision Programme. The Council employed 406 posts at the start of the Vision programme in 2014/15.

## **The Strategic Direction of the Council**

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

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

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

- Leisure Management
- Waste Management
- Grounds maintenance

## **The Council's Performance**

The Council's strategic performance indicators are set in the Corporate Plan. The Council's three priority areas are:

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

Cabinet was updated on performance twice a year. The full outturn report of the Council's performance was considered at Corporate Policy and Performance Committee under the revised reporting arrangements on 17 June 2021.

The Council takes performance very seriously and has formulated a number of stretch targets which are monitored closely. It is accepted that comprehensive performance indicators form the basis of a management system and we have consulted widely to ensure that our indicators encompass the fundamental services of the Council.

- Council Tax Collection was 97.1% (97.5% previous year) compared to the target of 98%. The team have worked hard to minimise the impact of Covid. The collection rate was affected by court action being suspended, other than in November, as a result of the courts being closed as a result of Covid. This, along with cases not being escalated to Enforcement Agents has impacted our ability to collect outstanding debt due for 2020/21.
- Housing Benefit/ Council Tax Support – the time taken to process new claims was 2.6 days (2.3 days previous year) compared to a target of 8 days.
- Household waste sent for reuse, recycling and composting was 44.77% (43.04% previous year) compared to the target of 50%.

## The Local Plan

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

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

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

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

## Financial Performance

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

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

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

The council has set up a Funding Resilience Reserve to enable a planned transition when funding sources mentioned above result in a significant loss of income. With the favourable outturn for 2020/21, which included a review of unrequired earmarked reserves, an additional contribution of £0.833m was made to the reserve (closing balance 31 March 2021 £6.659m).

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

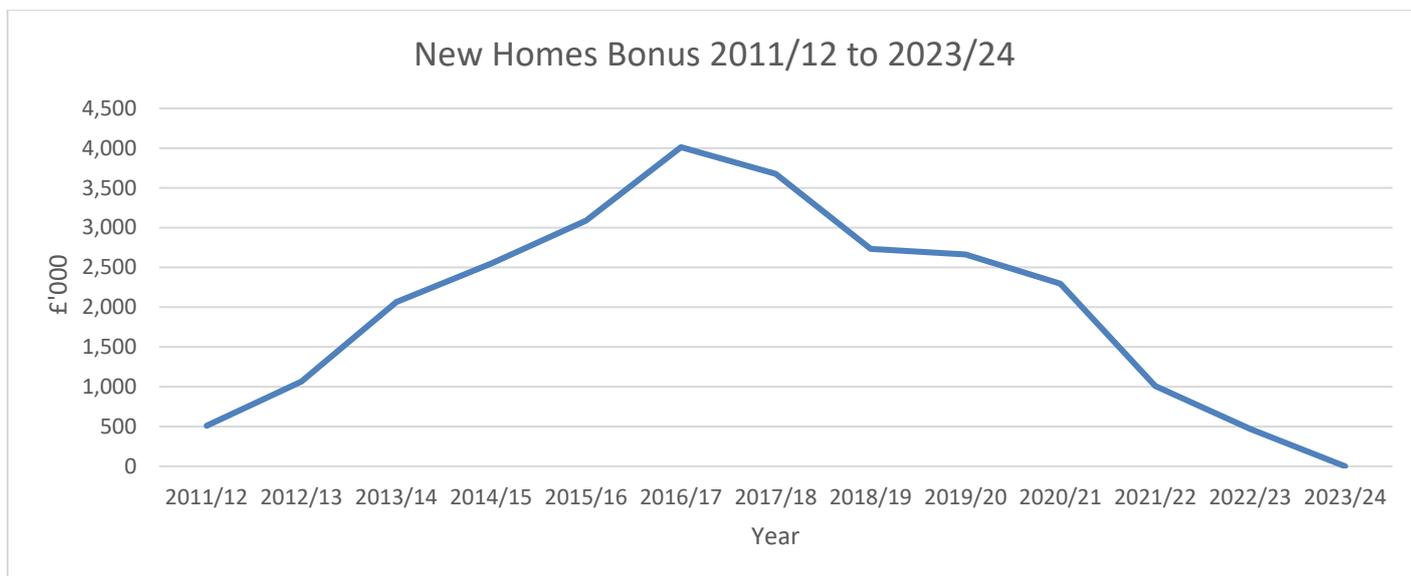
The Council's General Fund expenditure is supported by Government through the Business Rate Retention scheme, non-ringfenced grants and the New Homes Bonus (NHB). There has been a continual sharp decline in the level of general Central Government support and the Council is no longer in receipt of Revenue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

The Council received no RSG, which is a general government support and not linked to the local economy, in 2019/20 and 2020/21. The Council received £194k RSG in 2018/19 (£750k in 2017/18). The Council was in receipt of £3.870m RSG in 2014/15, the year preceding the previous Spending Review (SR15). Future funding allocations will be determined by the Fair Funding Review.

The Council received £2.295m in New Homes Bonus in 2020/21 (£2.664m previous year) and this will further decrease to £1.040m for 2021/22. There was a stepped reduction in the grant from 6 years to 4 years from 2018/19. The level of NHB is summarised in the table below:

NHB Payment relating to:	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
2011/12	509	509	509	509	509	509	0	0	0	0	0
2012/13		556	556	556	556	556	0	0	0	0	0
2013/14			1,000	1,000	1,000	1,000	1,000	0	0	0	0
2014/15				484	484	484	484	0	0	0	0
2015/16					539	539	539	539	0	0	0
2016/17						926	926	926	926	0	0
2017/18							728	728	728	728	0
2018/19								540	540	540	540
2019/20									470	470	470
2020/21										557	0
2021/22											30
<b>Total</b>	<b>509</b>	<b>1,065</b>	<b>2,065</b>	<b>2,549</b>	<b>3,088</b>	<b>4,014</b>	<b>3,677</b>	<b>2,733</b>	<b>2,664</b>	<b>2,295</b>	<b>1,040</b>

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



## Council Tax Income

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

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

The Council Tax for 2020/21 is based on an Arun Band D of £186.57, which represents an increase of £4.95 or 2.725% (£181.62 for 2019/20). This has started to redress the reduction, in real terms, of the Council Tax Income Base which was frozen for 5 years. Arun's tax base increased significantly in 2019/20 from 60,402 to 61,281 (879), with a further increase of 963 for 2020/21 to 62,244. The increase is mainly due to the completion of new dwellings in the District.

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

The income from fees and charges (principally from Property and Estates, Planning and car parking) has increased to around £5m (£4.6m previous year). The increase is welcome given the Government restrictions imposed on the public for most of 2020/21.

As referred to above the low interest environment has persisted. However, proactive investment of cash balances has generated £0.627m in interest in 2020/21 (£0.850m previous year).

The Council has a General Fund revenue balance of £7.076m (£7.076m previous year), which is adequate to withstand immediate financial pressures but is inevitably a finite resource and will be monitored carefully. There are several major risks and uncertainties associated with the covid-19 pandemic and the volatility in the council's funding mean that the maintenance of a reasonably high level of balances is essential. As noted earlier, a Funding Resilience Reserve has been set aside to offset future volatility of funding.

### **West Sussex Business Rate Retention Pilot**

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

The bid for a new business rate retention pool reverting back to the original 50% retention scheme consisting of West Sussex County Council, Adur District Council, Arun District Council and Horsham District Council was successful for 2020/21. The additional funding generated, as agreed by all the West Sussex Leaders, will be invested in superfast broadband, which is to the benefit of the whole of West Sussex.

## Net Assets

The Council maintains a strong balance sheet despite financial challenges, net assets were £307.193m at 31 March 2021 (£285.049m at 31 March 2020).

Non-Current Assets (Property & Investments) £322.655m	➔	Net Assets 31 March 2021 £307.193m
Net Current Assets (Debtors, Creditors & Cash) £30.392m	➔	
Long Term Liabilities (Pensions, Borrowing & Provisions) £45.854m	➔	
Funded by: Usable Reserves £47.222m	➔	
Funded by: Unusable Reserves £259.971m	➔	

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

## Financial Management

The 2020/21 budget was considered by the Overview Select Committee on 28 January 2020 and cabinet on 10 February 2020 before being formally approved by Full Council on 19 February 2020. The budget aligned with the Council's Medium Term Financial Strategy and Housing Revenue Account business plan. The provisional Local Government Finance settlement issued by the MHCLG in December 2019 was also a major consideration.

The statutory ringfence of the Housing Revenue Account (HRA) requires that the Council sets separate budgets for the HRA and GF. The Code requires that these are aggregated in the Primary performance statements (pages 21 to 26) and the Expenditure and Funding Analysis (page 20). 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 2020/21 for the GF and HRA (please see page 16 for further details on HRA).

**Reconciliation of the outturn position to the Financial Statements 2020-21**

	GF	Earmarked	HRA	Combined
	£'000	£'000	£'000	£'000
<b>Cost of Service as per Comprehensive Income &amp; Expenditure Statement</b>	<b>21,126</b>	-	<b>(13,931)</b>	<b>7,196</b>
<b>Adjustments between accounting basis &amp; funding under regulations</b>				
Adjustment for Capital Purposes	716	-	12,945	13,660
Net Change for Pensions Adjustments	(1,284)	-	(91)	(1,375)
Other Changes	(265)	-	(15)	(280)
<b>Total Adjustments (See Note 7)</b>	<b>(834)</b>	-	<b>12,839</b>	<b>12,005</b>
<b>Net Cost of Services in the Expenditure and Funding Analysis</b>	<b>20,292</b>	-	<b>(1,091)</b>	<b>19,201</b>
<b>Other Income and Expenditure (see Expenditure and Funding Analysis)</b>	<b>(33,686)</b>	-	<b>1,842</b>	<b>(31,844)</b>
Transfer to / (from) Earmarked Reserve (See Note 10 - Net Transfers)	13,394	(13,394)	-	(0)
<b>(Surplus) / Deficit for the year</b>	-	<b>(13,394)</b>	<b>751</b>	<b>(12,643)</b>

The original budget for 2020/21 anticipated a reduction of £617k in the level of General Fund Reserve. The Council's governance arrangements required significant additional expenditure (that was not included in the original budget) to be approved by Full Council. During the year seven additional supplementary estimates totalling £1,053k were approved: Three to provide Covid-19 assistance for the Leisure Contract, £406k (15/07/2020), £192k (26/11/2020) and £178k (13/01/2021); Two for Planning Appeals £40k (16/09/2020) and £33k (17/03/2021); One for HMO Licensing work £20k (25/01/2021); and one for Sunken Gardens £184k (13/01/2021). These changes resulted in a total approved budgeted draw down from reserves of £1.670m. Regular strategic monitoring that was carried out during the year indicated an estimated General Fund outturn position of around £7m (actual £7.076m). Section 25 (1) of the Local Government Act 2003 requires the Chief Financial Officer to report on the "adequacy of the reserves and balances" when the Council sets its budget for the coming year. The report considered by Full Council on 19 February 2020 included the following statement:

Members are asked to note that as Group Head of Head of Corporate Support I am satisfied that the estimates as presented in this Budget are sufficiently robust and that the reserve balances proposed for 2020/21 are adequate. However, there is significant risk from 2022/23 for the General Fund when the Council's Funding Resilience reserve is expected to be depleted. In addition, the HRA Business Plan and future years budgets will need to be closely monitored to ensure that the stock acquisition programme and enhanced repairs and improvements programme remain affordable.

The outturn for 2020/21 of no change in the General Fund Reserve is a variation against original budget of £617k.

It is important to note that the outturn position is comprised of a significant number of smaller over and underspends income and some more significant items (over £200k) which are analysed below. A detailed analysis will be reported to Corporate Performance and Policy Committee on 1 September 2021:

Variation Analysis original budget to outturn 2020/21

	<b>£'000</b>
<b>Expected Use of Reserves 2020/21</b>	<b>617</b>
<b>Favourable Variations</b>	
Homelessness funding (Nightly paid accommodation)	(850)
Establishment	(494)
Over-achieved Income (fees and charges)	(206)
COVID-19 Support Grants	(2,944)
Use of Reserves not required in 2020/21	(617)
Other Variations Net	(267)
<b>Total Favourable Variations</b>	<b><u>(5,378)</u></b>
<b>Adverse Variations</b>	
Leisure Centres (management fees)	236
Council Tax Collection	204
Rent Rebates and Rent Allowance	352
Homelessness Expenditure (Nightly paid accommodation)	1,004
Under-achieved Income (fees and charges)	373
Business rate losses reserve	260
Transfer to Covid Contingency Reserve	538
Transfer to Funding Resilience Reserve	833
Transfer to Business Rates Reserves	961
<b>Total Adverse Variations</b>	<b><u>4,761</u></b>
<b>Change in General Fund Balance 2020/21</b>	<b>0</b>

When lockdown measures were introduced, Councils were instructed to minimise the number of people without accommodation. The gross extra spending incurred of £1.004m is shown above, which was partly offset by central government funding of £850k.

The Establishment favourable variation is largely due to an underspend in salaries during 2020/21, partly offset by the Corporate Vacancy allowance.

The Council experienced both over and under achievement of expected income from fees and charges during 2020/21. As these were in some cases, significant amounts, they are shown

in total in the above analysis. Over-achieved income in 2020/21 was largely from Development Control (£175k); the remainder was derived from Building Control fees.

The £2.944m of COVID 19 support shown as a favourable variance represents that part of central government support not used to offset additional spending/lost income in 2020/21. The Council recognises that the effects of the pandemic will continue in 2021/22, and transferred £2.332m to earmarked reserves, shown in the adverse variations. This will allow the Council to reduce any financial issues arising from the pandemic in 2021/22.

The Council's leisure provider was severely affected by the pandemic with the centres forced to close by the government on three separate occasions. The Council was awarded £332k from the National Leisure Recovery Fund (£310k bid plus an additional £22k). The grant covers additional expenditure incurred for the period December 2020 to March 2021 and therefore, reduces the financial burden on the Council. The variation against budget relates to the management fee where we have only been able to recoup £572k through the government's income compensation scheme.

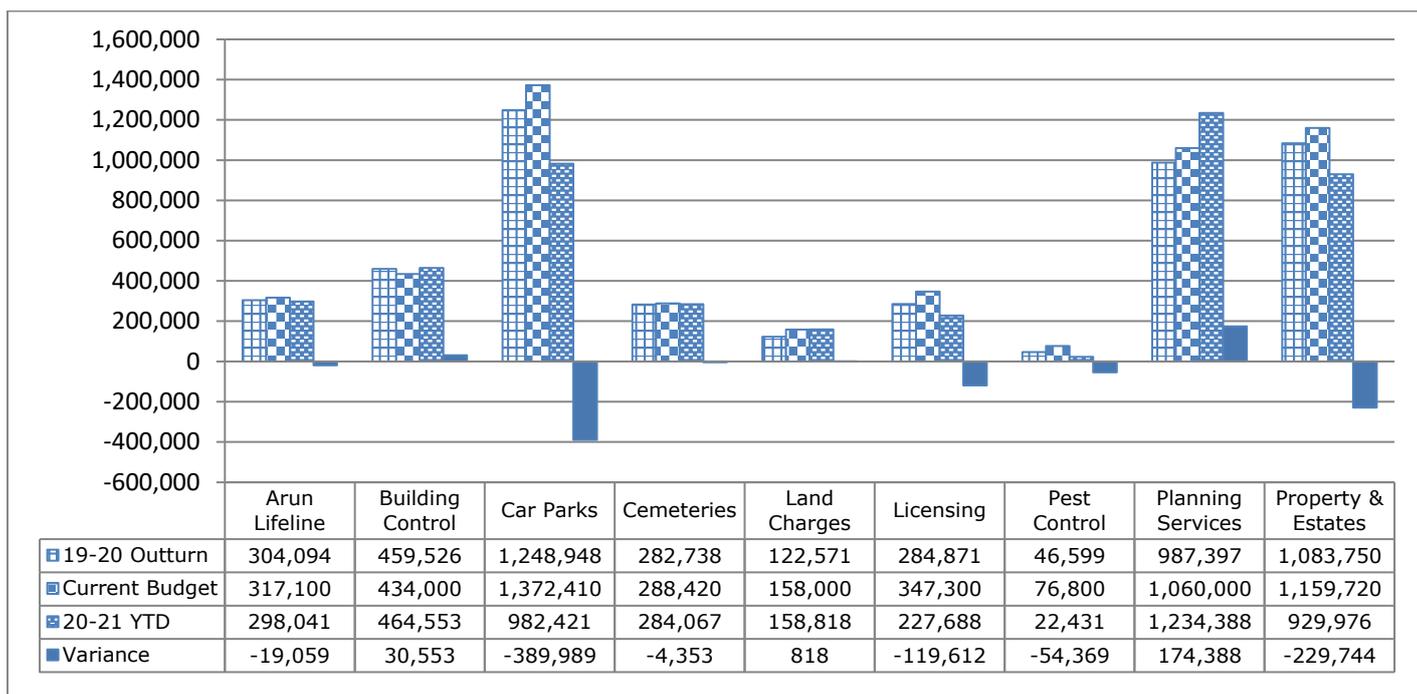
No recovery proceedings in court were undertaken during 2020/21 resulting in a loss of income of £204k. The adverse variation in Rent Rebates and Housing Benefit has arisen for a similar reason as no court proceedings were undertaken in respect of overpayments' recovery.

Areas of income under-achievement in 2020/21 are sundry property rentals (£230k), car parking income (£390k), licensing (£119k), pest control (£55k) and others (£23k). £444k of government support was used to reduce the loss to £373k.

As a result of ratepayer relief granted, £9.086m of income due to the Council was lost during 2020/21. Government grant of £8.826m was received which reduced the shortfall in the year to £260k.

The £23k remaining adverse variation is the sum of other favourable and adverse variations in the year which were less than £200k.

## Income Variation Outturn 2020/21



## The Covid-19 pandemic

The impact of Coronavirus has had a significantly detrimental effect across the Council including businesses, taxpayers and other organisations. The Government has provided a range of support in the form of grants and relief. For the financial year 2020/21, the Council received a number of grants which included £56m support for businesses, £945k Council tax Hardship fund, £2.37m C-19 support grant, £931k service related and £1m Sales, fees and service support grant among others.

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

The adverse effect on income and expenditure relates mainly to areas including car parks, leisure provision, property rentals and licensing. Car parking charges were suspended from 1 April 2020 and enforcement action was only applied to double yellow lines and loading bays. This was to help residents to park safely, support key workers and avoid road congestion during the Covid-19 situation. In addition, the Council paid its leisure management contractor for lost income and costs incurred to maintain premises during lock downs. Tenants were granted rent reductions and debt recovery was suspended. Where possible, these matters were partly offset by the government support received. The outturn for expenditure and income against budget is covered in more detail in the section Income Variation Outturn 2020/21 above.

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

The Council has acted as the government's agent paying More than £35m in various grants to 7,800 claimants during the year.

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

### Capital Spending and Finance

A budget of £17.6m for capital and special revenue projects was approved by the Council for 2020/21. In addition, £16.2m was carried forward from 2019/20 to complete approved projects. Actual expenditure for 2020/21 amounted to £9.4m (£7.7m in 2019/20) on capital schemes and £1.3m (£2.1m in 2019/20) on special revenue projects. Details of the capital financing is contained in Note 34 to the Accounts (Capital Expenditure and Financing)

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

A number of play areas were replaced in 2020/21 at a total capital cost of £154k, Worthing Road Littlehampton, Canada Road Arundel (£7.5k contribution from Arundel Town Council), Larksfield Middleton and Rose Green Aldwick (£5k contribution from Aldwick Parish Council).



Pictured top left is Worthing Road and top right Canada Road.

In 2018/19 Arun was awarded £50k from the coastal revival fund towards the revival of the seafront bandstand at Bognor Regis. In 2020/21 this work was completed at a total capital cost of £112k.



In 2019/20 the Council was awarded two grants, £2.49m from the Coastal Communities Fund and £564k from Coast to Capital LEP (Local Growth Fund) to deliver improvements to Littlehampton town centre public realm, along with £200k from Arun and £200k from Littlehampton Town Council. Due to increases in construction costs and therefore the need to reengineer the project to fit within budget and the impact of the Covid 19 pandemic this project has been delayed. Therefore, in order to secure the funding from the Local Growth

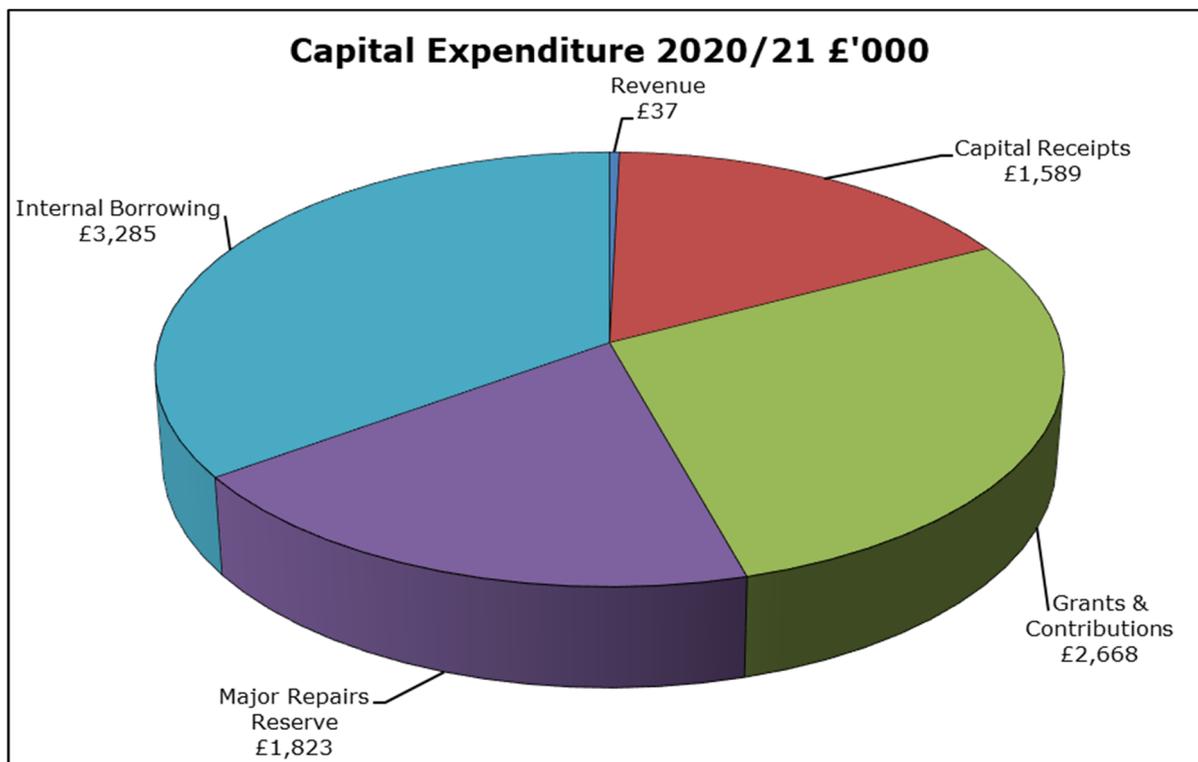
Fund the Council had to apply for flexibility funding. This is where Arun applies the balance of the grant funding (£488k) to its own funded capital schemes, thus freeing up its own funding to carry forward to apply to the public realm scheme in the following year.

The Council’s housing stock development programme continued in 2020/21. There were 32 additions to the Council’s housing stock in 2020/21 at a cost of £3.6m (£1.8m relating to one of these schemes was in the prior year), Windroos in Littlehampton consisting of 2 houses and 12 flats, Starling House also in Littlehampton a block of 10 flats and Quiet Waters in Angmering 8 flats. A further £1.03m was also spent on schemes at Pagham and Bognor Regis which are still under development.



Pictured on the left is Starling House, Littlehampton and top right an example of the properties at Quiet Waters, Angmering.

The total financing of Capital Expenditure for 2020/21 is summarised below:



## **Housing Revenue Account (HRA)**

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

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

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

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

With regard to 2020/21 the HRA, including the Major Repairs Reserve, showed a deficit of £0.113m compared with the budgeted deficit of £1.725m. The HRA reserve balance at 31 March 2021 was £6.489m. This balance is expected to significantly reduce over the first few years of the new Business Plan as a result of the programme of new dwellings and additional expenditure on the housing stock. The budget for 2021/22 is a £1.967m deficit.

The relationship between the HRA and the CIES and EFA is analysed on page 20. The deficit of £0.113m referred to above comprises £0.751m deficit on the HRA and £0.638m surplus on the Major Repairs Reserve.

## **Pensions Asset/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 asset/liability is matched by a reserve, the figures do not have any effect on the level of Council Tax in respect of the General Fund or Rent in respect of Housing Revenue Account.

As At 31 March 2021 there was an asset of £3.070m compared with a liability of £414k for the previous year. This means the Council currently has a surplus of around 1 years' service cost, which is within the allowed IAS 19 threshold. However, it should be noted that if there was a 0.5% decrease in Real Discount Rate, then the increase in liability could be as much as £18.6m

Following the revised triennial adjustment on 31 March 2020 where there was a substantial reduction in liability, the Council's Pension liability has been further reduced largely due to further remeasurements, especially the Return on Assets resulting in the net surplus at 31 March 2021.

The present funded liabilities comprise of approximately £77.219m, £37.842m and £85.95m in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2021.

Further information in relation to Pensions can be found under Note 38 - Defined Benefit Pension Scheme.

## **Treasury Management**

The Council has significant cash surpluses, which are mainly invested with the highest quality banks and building societies. In addition, £5m is invested in a local authority property fund and £2m in a diversified fund with the same organisation. All investments are made in strict compliance with the CIPFA Treasury Management Code of Practice. Total investments amounted to £62.17m at 31 March 2021 (£62.34m including accrued interest), managed entirely internally. The total interest earned in 2020/21 was £0.627m, representing an average interest rate of 0.86% (2019/20 1.31%).

Rates reduced considerably in 2020/21 due to the pandemic (C19) although balances were healthy due to government grant support.

## **Balances and Reserves**

The Council's total usable reserves at 31 March 2021 amounted to £47.222m, an increase of £12.616m compared with the previous year (£34.606m). They were comprised of: earmarked reserves £29.161m; Housing Revenue Account balance £6.489m; General Fund Revenue balance £7.076m; usable capital receipts £1.933m (some of which must be spent within agreed timeframes); Housing Major Repairs Reserve £2.346m; and Capital Grants Unapplied £0.217m.

## **Explanation of the Accounting Statements**

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

The Comprehensive Income and Expenditure Statement shows income and expenditure on all Council services (including Council Housing), transactions of a corporate nature including financing transactions (general government grants, non domestic rates and Council tax), revaluation gains and losses on fixed assets, and actuarial gains and losses on the Defined Benefit Pension Scheme. This primary performance statement shows a surplus on provision of services for the year of £18.676m. Other charges relating to fixed assets and pensions, are notional charges against the General Fund or HRA balances and are required to be reversed out of the statements. When this is allowed for, the General Fund including Earmarked Reserves increased by £13.394m and HRA balances (including Major Repairs Reserve), decreased by £0.113m.

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 2020 and March 2021 is largely made up of £7.1m increase in the valuation of Council housing stock and £6.3m in HRA stock development additions.

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 pages i and ii. Their nature and purpose are as follows:

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

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

Further information on the accounts is available from the Interim Group Head of Corporate Support, Arun Civic Centre, Maltravers Road, Littlehampton West Sussex, BN17 5LF.

It is important to note that the deadlines for the preparation of the Accounts have been changed for 2020/21 due to the continuing impact of the Covid-19 pandemic. The draft Accounts must now be submitted for audit by 31 July 2021 and the timeline for conclusion of the Audit is 30 September 2021.

## 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 2021. 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.

Carolin Martlew C.P.F.A., Interim Group Head of Corporate Support

Dated 22 February 2022

#### **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 22 February 2022.

Councillor Mike Clayden, Chairman, Audit & Governance Committee

Dated 22 February 2022

## Expenditure and Funding Analysis

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

Net Expenditure Chargeable to the General Fund and HRA Balance	2019/20	Net Expenditure in the Comprehensive Income and Expenditure Statement		2020/21	Net Expenditure in the Comprehensive Income and Expenditure Statement	
	Adjustments			Adjustments		
£000	£000	£000		£000	£000	
618	1,617	2,235	Community Wellbeing	598	(1,280)	(682)
399	15	414	Corporate Support Group	295	9	304
258	126	384	Economy	169	115	284
(1,907)	(6,755)	(8,662)	Local Authority Housing (HRA)	(1,091)	(12,839)	(13,930)
4,909	862	5,771	Neighbourhood Services	6,526	544	7,070
971	298	1,268	Planning	546	154	700
3,906	402	4,307	Residential Services	4,704	(105)	4,599
732	1,818	2,550	Technical Services	466	435	901
6,767	1,566	8,333	Management & Support Services	6,988	903	7,891
0	138	138	Non distributed costs / gains	0	59	59
<b>16,653</b>	<b>88</b>	<b>16,741</b>	<b>Net Cost of Services</b>	<b>16,367</b>	<b>(12,005)</b>	<b>4,362</b>
(17,037)	761	(16,275)	Other Income and Expenditure	(31,844)	5,972	(25,872)
<b>(384)</b>	<b>849</b>	<b>465</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>(12,643)</b>	<b>(6,033)</b>	<b>(18,676)</b>
(29,700)			Opening Combined General Fund and HRA Balance	(30,084)		
(384)			Plus / less Surplus or Deficit on the General Fund and HRA Balance for the Year (Statutory basis)	(12,643)		
<b>(30,084)</b>			<b>Closing Combined General Fund and HRA Balance</b>	<b>(42,727)</b>		

## Comprehensive Income and Expenditure Statement

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

2019/20				2020/21		
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000	Notes	£000	£000	£000
4,229	(1,993)	2,236	Community Wellbeing	1,164	(1,846)	(682)
517	(103)	414	Corporate Support Group	307	(2)	305
624	(240)	384	Economy	4,685	(4,401)	284
8,574	(17,236)	(8,662)	Local Authority Housing (HRA)	2,946	(16,876)	(13,930)
11,903	(6,131)	5,772	Neighbourhood Services	11,859	(4,790)	7,069
2,260	(992)	1,268	Planning	2,145	(1,445)	700
44,210	(39,903)	4,307	Residential Services	42,454	(37,855)	4,599
6,585	(4,035)	2,550	Technical Services	4,763	(3,862)	901
9,267	(934)	8,333	Management & Support Services	8,381	(490)	7,891
138	0	138	Non distributed costs / gains	59	0	59
<b>88,308</b>	<b>(71,568)</b>	<b>16,740</b>	<b>Cost of Services</b>	<b>78,763</b>	<b>(71,567)</b>	<b>7,196</b>
7,689	0	7,689	Other Operating Expenditure	5,253	(660)	4,593
6,386	(5,034)	1,352	Financing and Investment Income and Expenditure	5,339	(4,501)	838
0	(25,316)	(25,316)	Taxation and Non Specific Grant Income	0	(31,303)	(31,303)
<b>102,383</b>	<b>(101,918)</b>	<b>465</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>89,355</b>	<b>(108,031)</b>	<b>(18,676)</b>
		(397)	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(113)
		181	(Surplus) or deficit on revaluation of available for sale financial assets and financial instruments at fair value through other comprehensive income and expenditure			50
		(28,853)	Remeasurement of the net defined benefit liability / asset			(3,405)
		<b>(29,068)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(3,469)</b>
		<b>(28,603)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(22,145)</b>

## Movement in Reserves Statement

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

	<b>Total General Fund Balance</b>	<b>Total HRA Balance</b>	<b>Capital Receipts Reserve</b>	<b>Major Repairs Reserve</b>	<b>Capital Grants Un- applied Account</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 31 March 2020</b>	(22,844)	(7,240)	(2,815)	(1,708)	0	<b>(34,606)</b>	(250,443)	<b>(285,049)</b>
<b>Movement in reserves during 2020/21</b>								
Surplus or deficit on the provision of services	(5,695)	(12,981)				<b>(18,676)</b>		<b>(18,676)</b>
Other Comprehensive Income / Expenditure							(3,469)	<b>(3,469)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(5,695)</b>	<b>(12,981)</b>				<b>(18,676)</b>	<b>(3,468)</b>	<b>(22,145)</b>
Adjustments between accounting basis and funding basis under regulations	(7,699)	13,732	881	(638)	(217)	<b>6,060</b>	(6,060)	<b>0</b>
<b>Increase or Decrease in 2020/21</b>	<b>(13,394)</b>	<b>751</b>	<b>881</b>	<b>(638)</b>	<b>(217)</b>	<b>(12,617)</b>	<b>(9,527)</b>	<b>(22,144)</b>
<b>Balance at 31 March 2021</b>	<b>(36,238)</b>	<b>(6,489)</b>	<b>(1,933)</b>	<b>(2,346)</b>	<b>(217)</b>	<b>(47,222)</b>	<b>(259,971)</b>	<b>(307,193)</b>

### General Fund Analysed over

Amounts uncommitted	(7,076)
Amounts earmarked	(29,162)
<b>Total balance</b>	<b>(36,238)</b>

	<b>Total General Fund Balance</b>	<b>Total HRA Balance</b>	<b>Capital Receipts Reserve</b>	<b>Major Repairs Reserve</b>	<b>Capital Grants Un- applied Account</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 31 March 2019</b>	(22,470)	(7,229)	(2,791)	(1,165)	0	<b>(33,656)</b>	(222,789)	<b>(256,446)</b>
<b>Movement in reserves during 2019/20</b>								
Surplus or deficit on the provision of services	7,642	(7,176)				<b>465</b>		<b>465</b>
Other Comprehensive Income / Expenditure							(29,068)	<b>(29,068)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>7,642</b>	<b>(7,176)</b>				<b>465</b>	<b>(29,068)</b>	<b>(28,603)</b>
Adjustments between accounting basis and funding basis under regulations	(8,016)	7,166	(23)	(542)	0	<b>(1,415)</b>	1,415	<b>0</b>
<b>Increase or Decrease in 2019/20</b>	<b>(374)</b>	<b>(10)</b>	<b>(23)</b>	<b>(542)</b>	<b>0</b>	<b>(950)</b>	<b>(27,653)</b>	<b>(28,603)</b>
<b>Balance at 31 March 2020</b>	<b>(22,844)</b>	<b>(7,240)</b>	<b>(2,815)</b>	<b>(1,708)</b>	<b>0</b>	<b>(34,606)</b>	<b>(250,443)</b>	<b>(285,049)</b>

**General Fund Analysed over**

Amounts uncommitted	(7,076)
Amounts earmarked	(15,768)
<b>Total balance</b>	<b>(22,844)</b>

## Balance Sheet

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

31 March 2020			31 March 2021
£000	Notes		£000
298,840	14	Property, Plant and Equipment	314,566
827	15	Investment Property	829
89	16	Intangible Assets	82
5,891	17	Long-Term Investments	6,841
0	38	Long-Term Investments – Pension Asset	3,070
23	17	Long-Term Debtors	337
<b>305,670</b>		<b>Long Term Assets</b>	<b>325,725</b>
43,289	17	Short-Term Investments	37,168
0	20	Assets Held for Sale	0
7,265	18	Short-Term Debtors	22,886
9,937	17/19	Cash and Cash Equivalents	18,766
<b>60,491</b>		<b>Current Assets</b>	<b>78,821</b>
0	17	Short-Term Borrowing	(8,860)
(19,776)	21	Short-Term Creditors	(33,016)
(1,679)	22	Provisions	(3,000)
(2,741)	32	Grants Receipts in Advance - Capital	(3,553)
<b>(24,195)</b>		<b>Current Liabilities</b>	<b>(48,429)</b>
(8,254)	17/21A	Long-Term Creditors	(9,110)
(44,320)	17	Long-Term Borrowing	(35,460)
(414)	38	Pension Liability	0
(754)	35/38	Other Long-Term Liabilities	(1,320)
(3,176)	32	Grants Receipts in Advance - Capital	(3,034)
<b>(56,918)</b>		<b>Long Term Liabilities</b>	<b>(48,924)</b>
<b>285,049</b>		<b>Net Assets</b>	<b>307,193</b>

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(34,606)	23	Usable Reserves	(47,222)
(250,443)	24	Unusable Reserves	(259,971)
<b>(285,049)</b>		<b>Total Reserves</b>	<b>(307,193)</b>

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Carolin Martlew C.P.F.A., Interim Group Head of Corporate Support

22 February 2022

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2019/20			2020/21
£000	Notes		£000
465		Net (surplus) or deficit on the provision of services	(18,676)
(17,118)	25	Adjustment to surplus or deficit on the provision of services for noncash movements	(8,779)
3,677	25	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	(3,331)
<b>(12,976)</b>		<b>Net cash flows from operating activities</b>	<b>(30,786)</b>
4,760	26	Net cash flows from investing activities	4,692
7,214	27	Net cash flows from financing activities	17,264
<b>(1,001)</b>		<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>(8,829)</b>
8,936		Cash and cash equivalents at the beginning of the reporting period	9,937
<b>9,937</b>		<b>Cash and cash equivalents at the end of the reporting period</b>	<b>18,766</b>

## Note 1 - Accounting Policies

### i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, 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 2020/21, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### ii. Accruals of Expenditure and Income

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet, subject to considerations of materiality.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made, subject to considerations of materiality.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in one month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

#### **iv. Exceptional Items**

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

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

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

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

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

#### **vi. Charges to Revenue for Non-Current Assets**

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance for MRP, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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

#### **vii. Council Tax and Non-Domestic Rates**

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including Government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a

separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionally the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

#### *Accounting for Council Tax and NDR:*

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

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

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

### **viii. Employee Benefits**

#### *Benefits Payable during Employment:*

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

#### *Termination Benefits:*

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

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

#### *Post-employment Benefits:*

Employees of the Council are members of The Local Government Pensions Scheme, administered by Hampshire County Council on behalf of West Sussex County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

#### *The Local Government Pension Scheme:*

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the West Sussex County Council Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices using an appropriate discount rate.
- The assets of the West Sussex County Council Pension Fund attributable to the council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.

The change in the net pension's liability is analysed into the following components:

- Service cost comprising:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
  - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement;
  - net interest on the defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure

Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the West Sussex County Council Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

#### *Discretionary Benefits:*

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

### **ix. Events After the Balance Sheet Date**

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

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

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

## **x. Financial Instruments**

### *Financial Liabilities:*

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

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

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

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

### *Financial Assets:*

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The main classes of financial asset measured at:

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

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

### *Financial Assets Measured at Amortised Cost:*

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the

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

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

#### *Expected Credit Loss Model:*

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increase significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

#### *Financial Assets Measure at Fair Value through Profit and Loss:*

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes party to the contractual provision of the financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with three levels (see xxi Fair Value).

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

## **xi. Government Grants and Contributions**

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

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

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

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

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

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

### *Business Improvement Districts*

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

### *Community Infrastructure Levy*

The Council has elected to charge a community infrastructure levy (CIL). The levy is charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the developments of the area.

The CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure, however, a proportion of the charges may be used to fund revenue expenditure.

## **xii. Intangible Assets**

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the

Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

### **xiii. Investment Property**

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

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

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

### **xiv. Leases**

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

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

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

*The Council as Lessee:*

*Finance Leases:*

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

down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

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

#### *Operating Leases:*

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

#### *The Council as Lessor:*

#### *Finance Leases:*

The Council has no leases currently determined as finance leases.

#### *Operating Leases:*

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

### **xv. Support Services**

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

## **xvi. Property, Plant and Equipment**

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

### *Recognition:*

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accrual basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. Expenditure on individual items of less than £25k is regarded as de minimis and charged to revenue.

### *Measurement:*

Assets are initially measured at cost, comprising:

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

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

The cost of assets acquired other than by purchase is deemed to be their fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- surplus assets – the current value measurement base is fair value, the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date

- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

#### *Impairment:*

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

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

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

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

### *Depreciation:*

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

Depreciation is calculated on the following basis:

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

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

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

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### *Disposals and Non-current Assets Held for Sale:*

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10k are categorised as capital receipts. A proportion of receipts relating to housing disposals are payable to the Government in accordance with statutory requirements. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). A further constraint applies to the use of the additional receipts resulting from the Government's policies for reinvigorating the Right to Buy. In accordance with the terms of an agreement between the Council and the Government these receipts can only be used to fund 30% of the cost of new social housing, the remaining 70% being met from other resources. Failure to meet these conditions will result in the receipts being paid to the Government. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

## **xvii. Provisions, Contingent Liabilities and Contingent Assets**

### *Provisions:*

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

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

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

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

### *Contingent Liabilities:*

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

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

### *Contingent Assets:*

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

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

## **xviii. Reserves**

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

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

## **xix. Revenue Expenditure Funded from Capital under Statute**

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

## **xx. Value Added Tax (VAT)**

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

## **xxi. Fair Value**

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

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

The Council's external valuers measure the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming the market participants act in their economic best interest. When measuring the fair value of a non-financial asset, a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use is taken into account.

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

## **Note 2 - Accounting Standards Issued, Not Adopted**

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

### **IFRS 16 Leases**

This has now been postponed until 2022/23 and will require Councils that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities.

### **IFRS 3 Business Combinations Changes**

IFRS 3 outlines the accounting when an acquirer obtains control of a business, for example an acquisition or merger.

The updated changes in *Reference to the Conceptual Framework* (Amendments to IFRS 3) are as follows:

- update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;
- add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and
- add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

This change is unlikely to have any impact on the Council.

### **IFRS 9 / IAS 39 / IFRS 7 Interest Rate Benchmark Reform - Phase 1 & Phase 2**

Benchmark interest rates are a core component of global financial markets. Retail and commercial loans, corporate debt, derivatives markets and many other financial markets and bilateral contracts all rely on these benchmark interest rates for pricing contracts and for hedging interest rate and other risks.

The London Interbank Offered Rate ('LIBOR') is one of the most common series of benchmark interest rates referenced by contracts measured in trillions of dollars across global currencies. Following the financial crisis, calls grew to reform the process used to generate LIBOR, other IBORs such as Euribor and other benchmark interest rates.

The resulting reforms aim to achieve a shift away from individual trader quotes to observed transaction rates and to increase the population on which those rates are based.

The overall reform changes are unlikely to have any impact on the Council.

### **Note 3 - Critical Judgements in Applying Accounting Policies**

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

- There is a high degree of uncertainty about future levels of funding for local government, particularly with regard to Business Rate Retention and the New Homes Bonus. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- Transactions related to leases form a fairly insignificant part of the Council's total income and expenditure. However, there is a requirement to assess whether leases are finance or operating leases. In making this assessment, officers have had regard to CIPFA guidance and the advice received from consultants. The conclusion of these deliberations is that all current leases are operating leases.
- The Council is required to determine whether any of its contractual arrangements has the substance of a lease. Officers have considered and obtained advice upon the vehicles used in the new Housing Responsive Repairs & Voids Contract and it has been determined that the contractual arrangements do have the substance of a lease (similar to the Council's combined cleansing and grounds maintenance contracts). The accounts have therefore been prepared on this basis.

- In the course of providing its services, the Council has dealings with many entities. However, after due consideration by officers, it has been determined that none of these entities are controlled by the Council and that publication of group accounts is therefore unnecessary. Particular attention has been paid to the Littlehampton Harbour Board and Age Concern West Sussex. The Council is considering the setting up of a wholly owned Local Property Company and has registered the name of the Company - "Trisanto Development Corporation" - at Companies House. However, the company is dormant and there are no implications for the 2020/21 accounts.
- The Council has made judgements on a prudent level of allowances for an increase/decrease in impairment for bad debts. These are based on historical experience of debtor defaults and the current economic climate. By far the largest allowance relates to Housing Benefit overpayments, where due to the nature of these debts, 100% provision is made for debts over one year old and 50% provision for debts less than one year old.
- The Council has made judgements about the likelihood of potential liabilities and whether provision should be made. The judgements are based on the degree of certainty and an assessment of the likely impact. Provisions resulting from these judgements are disclosed in Note 22 and contingent liabilities in Note 39.
- Retirement Benefit Obligations - The Council recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirements of IAS 19 "Employee Benefits". The estimation of the net pension liability depends on a number of complex judgements and estimates relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. West Sussex County Council, as the Pension Administering Authority, engages a firm of actuaries to provide expert advice about the assumptions to be applied. Changes in these assumptions made are set out in Note 1 and transactions disclosed in Note 38.

#### **Note 4 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if actual results differ from assumptions</b>
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 £327k for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the Real Discount Rate assumption would result in an increase in the pension liability of £18.617 million.</p> <p>However, the assumptions interact in complex ways. During 2020/21, the Council's actuaries advised that the net pension liability had decreased by £3.484 million attributable to changes in favourable financial assumptions.</p>
Bad Debt Impairment	The Council has made allowances for bad debt impairment of £1.711 million in 2020/21 (£3.078 million in 2019/20) 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 £86k (£154k in 2019/20).
Provisions	A provision of £3m 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 2020/21 and earlier years, following successful challenges and appeals. The provision is based on advice received from the Council's business rating consultants.	Business rates are an extremely volatile source of income and successful challenges and appeals can lead to a significant reduction in the amount receivable. If the amounts refunded following successful challenges and appeals were greater or less than anticipated, a 10% change in the provision would equate to £300k.

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

## **Note 5 - Material Items of Income and Expense**

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

## **Note 6 - Events After the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Group Head of Corporate Support on 22 February 2022. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## Note 7 - Note to the Expenditure and Funding Analysis

	<b>Net Capital Statutory Adjustments</b>	<b>Net Pensions Statutory Adjustments</b>	<b>2020/21 Other Statutory Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Community Wellbeing	(1,361)	71	11	0	(1,280)
Corporate Support Group	0	8	1	0	9
Economy	89	18	8	0	115
Local Authority Housing (HRA)	(12,945)	91	15	0	(12,839)
Neighbourhood Services	408	113	22	0	544
Planning	0	131	23	0	154
Residential Services	(290)	159	27	0	(105)
Technical Services	253	154	28	0	435
Management & Support Services	185	571	147	0	903
Non distributed costs / gains	0	59	0	0	59
<b>Net Cost of Services</b>	<b>(13,660)</b>	<b>1,375</b>	<b>280</b>	<b>0</b>	<b>(12,005)</b>
Other Income and Expenditure	(1,526)	(1,454)	8,951	0	5,972
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>(15,186)</b>	<b>(79)</b>	<b>9,231</b>	<b>0</b>	<b>(6,033)</b>

	<b>Net Capital Statutory Adjustments</b>	<b>Net Pensions Statutory Adjustments</b>	<b>2019/20 Other Statutory Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Community Wellbeing	1,439	178	0	0	1,617
Corporate Support Group	0	15	0	0	15
Economy	89	37	0	0	126
Local Authority Housing (HRA)	(6,970)	215	0	0	(6,755)
Neighbourhood Services	604	259	0	0	862
Planning	0	298	0	0	298
Residential Services	13	388	0	0	402
Technical Services	1,333	342	143	0	1,818
Management & Support Services	280	1,286	0	0	1,566
Non distributed costs / gains	0	138	0	0	138
<b>Net Cost of Services</b>	<b>(3,211)</b>	<b>3,156</b>	<b>143</b>	<b>0</b>	<b>88</b>
Other Income and Expenditure	2,423	(1,345)	(316)	0	761
	<b>(788)</b>	<b>1,811</b>	<b>(173)</b>	<b>0</b>	<b>849</b>
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>					

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

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

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

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

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

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

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

## Note 8 - Expenditure and Income Analysed by Nature

	<b>2019/20</b> <b>£'000</b>	<b>2020/21</b> <b>£'000</b>
<b>Expenditure / Income</b>		
<b>Expenditure</b>		
Employee benefits expenses	4,817	3,552
Other services expenses	80,745	82,920
Depreciation, amortisation, impairment	2,667	(7,654)
Interest payments	6,382	5,285
Precepts and levies	4,741	5,039
Payments to Housing Capital Receipts Pool	342	213
Loss on the disposal of assets	2,689	0
<b>Total expenditure</b>	<b>102,383</b>	<b>89,355</b>
<b>Income</b>		
Fees, charges and other service income	28,496	26,181
Interest and investment income	4,968	4,426
Income from council tax, non-domestic rates, district rate income	20,256	10,316
Government grants and contributions	48,197	66,845
Gain on the disposal of assets	1	263
<b>Total income</b>	<b>101,918</b>	<b>108,031</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>465</b>	<b>(18,676)</b>

## Note 9 - Adjustments between Accounting Basis and Funding Basis under Regulations

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

<b>2020/2021</b>	<b>General Fund Balance</b>	<b>Housing Revenue Account</b>	<b>Capital Receipts Reserve</b>	<b>Major Repairs Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Movement in Unusable Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Adjustments to the Revenue Resources</b>						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension cost (transferred to (or from) the Pensions Reserve)	(92)	171				(79)
Council tax and NDR (transfers to or from the Collection Fund)	(8,951)					8,951
Holiday pay (transferred to the Accumulated Absences reserve)	(265)	(15)				280
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	1,465	6,757			(748)	(7,474)
<b>Total Adjustments to Revenue Resources</b>	<b>(7,844)</b>	<b>6,913</b>	<b>0</b>	<b>0</b>	<b>(748)</b>	<b>1,679</b>
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	144	777	(921)			
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(213)		213			
Posting of Housing Revenue Account resource from revenue to the Major Repairs Reserve		6,005		(6,005)		
Borrowing or liabilities met from the Major Repairs Reserve				3,544		(3,544)
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	214					(214)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	0	37				(37)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>145</b>	<b>6,819</b>	<b>(708)</b>	<b>(2,461)</b>	<b>0</b>	<b>(3,795)</b>

Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			1,589			(1,589)
Use of the Major Repairs Reserve to finance new capital expenditure				1,823		(1,823)
Application of capital grants to finance capital expenditure					531	(531)
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>1,589</b>	<b>1,823</b>	<b>531</b>	<b>(3,944)</b>
Other adjustments	0	0	0	0	0	0
<b>Total Adjustments</b>	<b>(7,699)</b>	<b>13,732</b>	<b>881</b>	<b>(638)</b>	<b>(217)</b>	<b>(6,060)</b>

<b>2019/2020</b>	<b>General Fund Balance</b>	<b>Housing Revenue Account</b>	<b>Capital Receipts Reserve</b>	<b>Major Repairs Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Movement in Unusable Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension cost (transferred to (or from) the Pensions Reserve)	(1,924)	114				1,811
Council tax and NDR (transfers to or from the Collection Fund)	316					(316)
Holiday pay (transferred to the Accumulated Absences reserve)	0	0				0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(9,388)	693			(127)	8,822
<b>Total Adjustments to Revenue Resources</b>	<b>(10,996)</b>	<b>807</b>	<b>0</b>	<b>0</b>	<b>(127)</b>	<b>10,317</b>
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2,925	624	(3,549)			
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(342)		342			
Posting of Housing Revenue Account resource from revenue to the Major Repairs Reserve		5,735		(5,735)		
Borrowing or liabilities met from the Major Repairs Reserve				3,544		(3,544)
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	210					(210)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	188	0				(188)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>2,981</b>	<b>6,359</b>	<b>(3,207)</b>	<b>(2,191)</b>	<b>0</b>	<b>(3,942)</b>

Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			3,184			(3,184)
Use of the Major Repairs Reserve to finance new capital expenditure				1,649		(1,649)
Application of capital grants to finance capital expenditure					127	(127)
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>3,184</b>	<b>1,649</b>	<b>127</b>	<b>(4,960)</b>
Other adjustments	0	0	0	0	0	0
<b>Total Adjustments</b>	<b>(8,016)</b>	<b>7,166</b>	<b>(23)</b>	<b>(542)</b>	<b>0</b>	<b>1,415</b>

## Note 10 - Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2020/21.

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

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

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

	Balance at 1 April 2019	Transfers In 2019/20	Transfers Out 2019/20	Balance at 31 March 2020	Transfers In 2020/21	Transfers Out 2020/21	Balance at 31 March 2021
	£000	£000	£000	£000	£000	£000	£000
<b>General Fund Reserves:</b>							
Delayed capital & special projects	(2,180)	(4,434)	2,180	<b>(4,434)</b>	(4,923)	4,384	<b>(4,973)</b>
Pension deficit financing	(885)	0	885	<b>0</b>	0	0	<b>0</b>
Community Wellbeing	(1,380)	(133)	883	<b>(630)</b>	(383)	158	<b>(855)</b>
Corporate Governance	(4,321)	(2,368)	204	<b>(6,484)</b>	(11,546)	252	<b>(17,778)</b>
Economy	(2,529)	(179)	2,529	<b>(179)</b>	(485)	138	<b>(526)</b>
Neighbourhood Services	(735)	(421)	252	<b>(904)</b>	(440)	159	<b>(1,185)</b>
Planning	(796)	(346)	614	<b>(528)</b>	(290)	348	<b>(470)</b>
Residential Services	(1,502)	(126)	531	<b>(1,097)</b>	(259)	67	<b>(1,289)</b>
Technical Services	(1,068)	(637)	192	<b>(1,512)</b>	(727)	153	<b>(2,086)</b>
<b>Total General Fund</b>	<b>(15,394)</b>	<b>(8,644)</b>	<b>8,270</b>	<b>(15,768)</b>	<b>(19,053)</b>	<b>5,659</b>	<b>(29,162)</b>

## Note 11 - Other Operating Expenditure

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
4,534	Precepts	4,832
206	Levies	207
342	Payments to the Government Housing Capital Receipts Pool	213
2,606	Gains/losses on the Disposal of Non-Current Assets	(660)
<b>7,689</b>	<b>Total Other Operating Expenditure</b>	<b>4,593</b>

## Note 12 - Financing and Investment Income and Expenditure

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
1,620	Interest payable and similar charges	1,479
673	Net interest on the net defined benefit liability (asset)	9
(852)	Interest receivable and similar income	(629)
(63)	Income and expenditure in relation to investment properties and changes in their fair value	(21)
(27)	Changes in impairment loss allowance of financial instruments	1
<b>1,352</b>	<b>Total</b>	<b>838</b>

## Note 13 - Taxation and Non-Specific Grant Income

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
(15,571)	Council tax income	(16,228)
(4,684)	Non-domestic rates income and expenditure	5,912
(4,933)	Non-ringfenced government grants	(20,239)
(127)	Capital grants and contributions	(748)
<b>(25,316)</b>	<b>Total</b>	<b>(31,303)</b>

## Note 14 - Property, Plant and Equipment

### Movements to 31 March 2021

	Council Dwellings	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
<b>at 1 April 2020</b>	217,692	66,590	6,444	14,232	2,822	104	3,231	<b>311,115</b>
Additions	4,955	171	1,453	28	0	0	1,569	<b>8,175</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	(483)	0	0	0	0	0	<b>(483)</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	7,158	2,106	0	0	0	0	0	<b>9,264</b>
Reclassifications and transfer	2,215	178	0	0	0	0	(2,393)	<b>0</b>
Assets reclassified (to)/from Held for Sale	(261)	0	0	0	0	0	0	<b>(261)</b>
<b>at 31 March 2021</b>	<b>231,758</b>	<b>68,562</b>	<b>7,897</b>	<b>14,260</b>	<b>2,822</b>	<b>104</b>	<b>2,407</b>	<b>327,810</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>at 1 April 2020</b>	0	(125)	(1,924)	(10,226)	0	0	0	<b>(12,274)</b>
Depreciation charge	(5,705)	(912)	(691)	(254)	0	0	0	<b>(7,561)</b>
Depreciation written out to the Revaluation Reserve	0	596	0	0	0	0	0	<b>596</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	5,705	291	0	0	0	0	0	<b>5,996</b>
<b>at 31 March 2021</b>	<b>0</b>	<b>(149)</b>	<b>(2,615)</b>	<b>(10,479)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(13,244)</b>
<b>Net Book Value</b>								
<b>at 31 March 2021</b>	<b>231,758</b>	<b>68,412</b>	<b>5,282</b>	<b>3,780</b>	<b>2,822</b>	<b>104</b>	<b>2,407</b>	<b>314,567</b>
<b>at 31 March 2020</b>	<b>217,692</b>	<b>66,465</b>	<b>4,521</b>	<b>4,006</b>	<b>2,822</b>	<b>104</b>	<b>3,231</b>	<b>298,840</b>

## Movements to 31 March 2020

	<b>Council Dwellings</b>	<b>Land and Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant and Equipment</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or Valuation</b>								
<b>at 1 April 2019</b>	215,808	67,989	6,079	14,232	2,784	104	44	<b>307,040</b>
Additions	1,655	193	504	0	0	0	3,187	<b>5,540</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	(203)	0	0	0	0	0	<b>(203)</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	667	(1,834)	0	0	0	0	0	<b>(1,167)</b>
Derecognition – disposals	0	(4)	(138)	0	0	0	0	<b>(142)</b>
Derecognition – other	(120)	(3,063)	0	0	0	0	0	<b>(3,183)</b>
Reclassifications and transfer	0	3,511	0	0	39	0	0	<b>3,549</b>
Assets reclassified (to)/from Held for Sale	(319)	0	0	0	0	0	0	<b>(319)</b>
<b>at 31 March 2020</b>	<b>217,692</b>	<b>66,590</b>	<b>6,444</b>	<b>14,232</b>	<b>2,822</b>	<b>104</b>	<b>3,231</b>	<b>311,115</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>at 1 April 2019</b>	0	(81)	(1,405)	(9,972)	0	0	0	<b>(11,458)</b>
Depreciation charge	(5,547)	(939)	(554)	(254)	0	0	0	<b>(7,294)</b>
Depreciation written out to the Revaluation Reserve	0	600	0	0	0	0	0	<b>600</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	5,547	295	0	0	0	0	0	<b>5,843</b>
Derecognition – disposals	0	0	35	0	0	0	0	<b>35</b>
<b>at 31 March 2020</b>	<b>0</b>	<b>(125)</b>	<b>(1,924)</b>	<b>(10,226)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(12,274)</b>
<b>Net Book Value</b>								
<b>at 31 March 2020</b>	<b>217,692</b>	<b>66,465</b>	<b>4,521</b>	<b>4,006</b>	<b>2,822</b>	<b>104</b>	<b>3,231</b>	<b>298,840</b>
<b>at 31 March 2019</b>	<b>215,808</b>	<b>67,909</b>	<b>4,673</b>	<b>4,259</b>	<b>2,784</b>	<b>104</b>	<b>44</b>	<b>295,581</b>

## **Depreciation**

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

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

## **Capital Commitments**

At 31 March 2021, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2020/21 budgeted to cost £494k. Similar commitments at 31 March 2020 were £347k.

## **Revaluations**

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

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

Significant assumptions applied in estimating current value are:

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

## Property, Plant and Equipment Revaluations

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Carried at historical cost</b>	0	0	5,282	3,780	2,822	0	2,407	14,292
<b>Valued at current value as at:</b>								
<b>31/03/2021</b>	231,758	57,631	0	0	0	0	0	289,389
<b>31/03/2020</b>	0	2,641	0	0	0	8	0	2,649
<b>31/03/2019</b>	0	5,779	0	0	0	96	0	5,875
<b>31/03/2018</b>	0	2,361	0	0	0	0	0	2,361
<b>Total Cost or Valuation</b>	<b>231,758</b>	<b>68,412</b>	<b>5,282</b>	<b>3,780</b>	<b>2,822</b>	<b>104</b>	<b>2,407</b>	<b>314,567</b>

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

The Council does not have material surplus Assets.

## Note 15 - Investment Properties

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

<b>31 March 2020 £000</b>	<b>Investment Property Income and Expenditure</b>	<b>31 March 2021 £000</b>
(66)	Rental income from investment property	(71)
4	Direct operating expenses from investment property	53
0	Other income and expenditure	(2)
<b>(62)</b>	<b>Net (gain)/loss</b>	<b>(20)</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

<b>31 March 2020 Non-Current £000</b>	<b>Investment Properties Movements in Year</b>	<b>31 March 2021 Non-Current £000</b>
4,376	Opening Balance	827
1	Net gains/losses from fair value adjustments	1
(3,549)	Transfers: to/from Property Plant and Equipment	0
<b>827</b>	<b>Balance at the end of the year</b>	<b>829</b>

The fair value of the Council's investment property is measured annually at each reporting date. All valuations are carried out by the Council's external valuers, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

## Fair Value Hierarchy

Details of the Council's Investment Property and information about the fair value hierarchy as at 31 March 2021 and 2020 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 2021
	£000	£000	£000	£000
Commercial unit			829	829
<b>Total</b>	-	-	<b>829</b>	<b>829</b>

## Comparative Figures

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

## Transfers between Levels of Fair Value Hierarchy

There were no transfers between levels during the year.

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

Significant Unobservable Inputs - Level 3:

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

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

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

## Highest and Best Use of Investment Properties

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

## Note 16 - Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets relate solely to purchased software licences.

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

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

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>Total</b>		<b>Total</b>
<b>£000</b>		<b>£000</b>
	Balance at start of year:	
425	Gross carrying amounts	425
(287)	Accumulated amortisation	(336)
<b>138</b>	<b>Net carrying amount at start of year</b>	<b>89</b>
	Additions:	
0	Purchases	37
(49)	Amortisation for the period	(44)
<b>89</b>	<b>Net carrying amount at end of year</b>	<b>82</b>
	Comprising:	
425	Gross carrying amounts	462
(336)	Accumulated amortisation	(380)
<b>89</b>	<b>Total</b>	<b>82</b>

## Note 17 - Financial Instruments

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

### Financial Asset

	Non Current				Current				Total	Total
	Investments		Debtors		Investments		Debtors			
	31 Mar	31 Mar	31 Mar	31 Mar	31 Mar	31 Mar	31 Mar	31 Mar	31 Mar	31 Mar
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>IFRS Categories</b>										
Fair value through Profit or loss	4,891	6,841	-	-	-	-	-	-	4,891	6,841
Amortised cost	1,000	-	-	-	52,937	55,766	-	-	53,937	55,766
<b>Total financial assets</b>	<b>5,891</b>	<b>6,841</b>	<b>-</b>	<b>-</b>	<b>52,937</b>	<b>55,766</b>	<b>-</b>	<b>-</b>	<b>58,828</b>	<b>62,608</b>
Non-financial assets	-	-	-	-	-	-	-	-	-	-
Accrued interest	-	-	-	-	288	169	-	-	288	169
Debtors	-	-	23	337	-	-	4,285	5,877	4,308	6,214
<b>Total</b>	<b>5,891</b>	<b>6,841</b>	<b>23</b>	<b>337</b>	<b>53,225</b>	<b>55,935</b>	<b>4,285</b>	<b>5,877</b>	<b>63,425</b>	<b>68,990</b>

### Financial Liabilities

	Non Current				Current				Total	Total
	Borrowings		Creditors		Borrowings		Creditors			
	31 Mar	31 Mar	31 Mar	31 Mar	31 Mar	31 Mar	31 Mar	31 Mar	31 Mar	31 Mar
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Amortised cost</b>										
PWLB borrowings	44,320	35,460	-	-	-	8,860	-	-	44,320	44,320
<b>Total financial assets</b>	<b>44,320</b>	<b>35,460</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,860</b>	<b>-</b>	<b>-</b>	<b>44,320</b>	<b>44,320</b>
Non-financial liability (creditors)	-	-	8,254	9,110	-	-	5,450	29,013	13,705	38,122
<b>Total</b>	<b>44,320</b>	<b>35,460</b>	<b>8,254</b>	<b>9,110</b>	<b>-</b>	<b>8,860</b>	<b>5,450</b>	<b>29,013</b>	<b>58,025</b>	<b>82,442</b>

## Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	31 Mar 2020		31 Mar 2021		Total	Total
	Surplus or Deficit on the Provision of Service	Other Comprehensive Income and Expenditure	Surplus or Deficit on the Provision of Service	Other Comprehensive Income and Expenditure	2020	2021
	£000	£000	£000	£000	£000	£000
<b>Net gains/losses on:</b>						
Financial assets measured at fair value through Profit or loss	-	(109)	-	(159)	(109)	(159)
<b>Total net gains/losses</b>	<b>-</b>	<b>(109)</b>	<b>-</b>	<b>(159)</b>	<b>(109)</b>	<b>(159)</b>
Interest revenue	852	-	629	-	852	629
Interest expense	(1,620)	-	(1,479)	-	(1,620)	(1,479)
<b>Total</b>	<b>(768)</b>	<b>(109)</b>	<b>(849)</b>	<b>(159)</b>	<b>(877)</b>	<b>(1,008)</b>

Breakdown of financial assets and liabilities:

	Long-term		Current	
	31 Mar 2020	31 Mar 2021	31 Mar 2020	31 Mar 2021
	£000	£000	£000	£000
<b>Financial assets</b>				
Investments:				
<b>Amortised Cost</b>				
Lloyds Banking Group	1,000	-	9,000	1,000
Santander UK	-	-	1,000	-
Barclays	-	-	-	3,000
Development Bank of Singapore	-	-	7,000	10,000
Qatar National Bank	-	-	9,000	10,000
Close Brothers Limited	-	-	3,000	6,000
Goldman Sachs International	-	-	5,000	3,000
Skipton Building Society	-	-	2,000	-
Yorkshire Building Society	-	-	-	2,000

Blackpool BC	-		1,000	-
Fife Council	-		2,000	-
Liverpool CC	-		2,000	-
Slough BC			-	2,000
Swindon BC	-		2,000	-
Cash & cash equivalents	-	-	9,937	18,766

#### Fair Value through Profit and Loss

CCLA property Fund	4,891	4,856	-	-
CCLA diversified Fund		1,985	-	-
Accrued interest	-	-	288	169
<b>Total investments</b>	<b>5,891</b>	<b>6,841</b>	<b>53,225</b>	<b>55,935</b>
Debtors	23	337	4,285	5,877

#### Financial liabilities at amortised cost

Borrowings (all PWLB)	44,320	35,460	-	8,860
Creditors	8,254	9,110	5,450	29,013

### Fair value of assets and liabilities

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

Recurring Fair Value Measurements	Input Level In Value Hierarchy	Fair Valuation technique used to measure Fair Value	31 Mar 2020 Fair Value £000	31 Mar 2021 Fair Value £000
Financial Instrument Revaluation Reserve: CCLA	Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly	4,945	6,902
		<b>Total:</b>	<b>4,945</b>	<b>6,902</b>

## Fair value of assets and liabilities

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

	31 March 2020		31 March 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial liabilities (PWLB loans)	44,320	67,891	44,320	60,958
Long-term creditors	-	-	-	-
Other Liabilities	968	968	1,621	1,621
Financial assets at Amortised cost	53,937	53,943	55,283	55,322
Investments at FVPL	4,945	4,945	6,902	6,902
Long-term debtors	23	23	337	337

The fair values calculated are as follows:

- The fair value of the PWLB loans £61million is calculated using the premature repayment method as at 31 March 2021 inclusive. (Level 2)
- The fair value of the Financial assets at Amortised cost is calculated by reference to prevailing benchmark market rates. (Level 2)
- The fair value of the Financial assets at FVPL is calculated using quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date, (Level 1). COVID -19 impacted the CCLA property fund in 2019/20 and no withdrawals were allowed from the fund and therefore the fair value level was changed from Level 1 to Level 2 but the suspension was lifted in September 2020. The fund moved to 90-day notice of redemption co-incidentally at the same time. The fair value level will remain unchanged from 2019/20 (Level 2). As per IFRS9 and the statutory override of 5 years (until 31/3/2023) Available for sale has now been re classified as Fair Value through Profit & Loss, (CCLA property fund and diversified fund).
- For a trade or other receivable, the fair value is taken to be the carrying amount or the billed amount.

## Nature and extent of risks arising from financial instruments

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

- **Credit risk** – the possibility that other parties might fail to pay amounts due to the Council
- **Liquidity risk** – the possibility that the Council might not have funds available to meet its commitments to make payments

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

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

### **Credit Risk**

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

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

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

The Council's maximum exposure to credit risk in relation to its investments in banks and financial institutions of £62 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 2021 that this was likely to materialise. The following analysis summarises the risk categories of the Council's financial assets at 31 March 2021.

**Amount at 31 March 2021**

	<b>£000</b>
Deposits with financial institutions:	
AAA rated counterparties	4,000
AA rated counterparties	10,000
A rated counterparties	37,175
Local Authorities	2,000
Part Nationalised Banks	-
Building Societies with assets greater than £10 Billion	2,000
Unrated pooled Funds	7,000
<b>Total</b>	<b>62,175</b>

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

The Council does not generally allow credit for customers, such that £445k of the £6.2 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:

	<b>31 March 2020</b>	<b>31 March 2021</b>
	<b>£000</b>	<b>£000</b>
Less than three months	47	65
Three to nine months	75	62
Nine months to one year	50	45
More than one year	187	273
<b>Total</b>	<b>359</b>	<b>445</b>

## **Liquidity Risk**

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

	<b>31 March 2020</b>	<b>31 March 2021</b>
	<b>£000</b>	<b>£000</b>
Less than one year	-	8,860
Between one and two years	8,860	-
Between two and five years	-	-
Between five and ten years	8,870	8,870
Between ten and twenty years	8,870	8,870
More than twenty years	17,720	17,720
<b>Total</b>	<b>44,320</b>	<b>44,320</b>

## **Market Risk**

### *Interest Rates Risk.*

The Council's borrowings are 100% fixed rate and are therefore not subject to fluctuations in interest rates. Generally, investments are at a fixed rate, but to ensure stability and liquidity, Money Market Funds, call accounts, structured products where there is an interest rate floor and cap or annual rate change, and notice accounts for notice periods of 35 and 95 days are also used. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in interest rates would have the following effects:

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements which feeds into the annual budget.

Estimates for interest receivable are updated during the year as an integral part of the budget monitoring and planning process. This allows adverse changes to be identified at various times and accommodated within the budget. According to this assessment strategy, at 31 March 2021, 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 £136k.

### *Price Risk.*

The Council does not generally invest in equity shares so is not exposed to losses arising from movements in the prices of shares, however the Council does have £5m invested in the CCLA Property Fund and £2m invested in the CCLA Diversified Fund where there is exposure to losses arising from movements in the value of the fund. Due to the 5 year statutory override, any gains or losses are not charged to the General Fund currently.

### *Foreign Exchange Risk.*

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

## Note 18 - Debtors

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
2,963	Trade Receivables	3,262
878	Prepayments	752
3,425	Other Receivable Amounts	18,872
<b>7,265</b>	<b>Total</b>	<b>22,886</b>

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

## Note 19 - Cash and Cash Equivalents

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
235	Cash and Bank balances	591
9,702	Short Term Deposits / Cash Equivalents	18,175
<b>9,937</b>	<b>Total Cash and Cash Equivalents</b>	<b>18,766</b>

## Note 20 - Assets Held for Sale

<b>Current</b>		<b>Current</b>
<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
2,548	Balance outstanding at start of year	0
	Assets newly classified as held for sale:	
319	- Property Plant and Equipment	261
(2,867)	Assets sold	(261)
<b>0</b>	<b>Balance Outstanding year end</b>	<b>0</b>

## Note 21 - Creditors

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
(4,676)	Trade payables	(3,854)
(15,100)	Other payables	(29,161)
<b>(19,776)</b>	<b>Total Creditors</b>	<b>(33,016)</b>

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

## Note 21A - Long Term Creditors

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
(8,254)	s.106 1990 Town & Country Planning Act	(10,430)
<b>(8,254)</b>	<b>Total Long Term Creditors</b>	<b>(10,430)</b>

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

## Note 22 - Provisions

### Long Term Provisions

<b>2019/20</b>	<b>Total Provisions</b>	<b>2020/21</b>
<b>£000</b>		<b>£000</b>
(2,874)	Opening Balance	(1,679)
(301)	Increase in provision during year	(535)
59	Utilised during year	891
1,437	Other movements	(1,679)
<b>(1,679)</b>	<b>Closing Balance</b>	<b>(3,000)</b>

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 or the amount of rate relief (if any) they have been granted. The provision of £3m represents the Council's share of the estimated amounts which will be funded in respect of all business rate liability for 2020/21 and earlier years resulting from successful appeals.

The other movements of (£1.679m) relates to a change in percentage share from 2019/20 to 2020/21. The overall increase in Arun's share was a result of a change in Business Rates Retention Scheme. This meant that Arun's share changed from 20% (2019/20) to 40% (2020/21).

## Note 23 - Usable Reserves

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

## Note 24 - Unusable Reserves

<b>31 March 2020 £000</b>		<b>31 March 2021 £000</b>
(27,040)	Revaluation Reserve	(26,742)
109	Financial Instruments Revaluation Reserve	159
(224,361)	Capital Adjustment Account	(239,985)
414	Pension Reserve	(3,070)
332	Collection Fund Adjustment Account	9,283
104	Accumulated Absences Account	384
<b>(250,443)</b>	<b>Total</b>	<b>(259,971)</b>

### Revaluation Reserve

<b>31 March 2020 £000</b>		<b>31 March 2021 £000</b>
(28,355)	<b>Balance 1 April</b>	(27,040)
(1,852)	Upward revaluation of assets	(1,210)
1,455	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	1,097
<b>(397)</b>	<b>Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services</b>	<b>(113)</b>
418	Difference between fair value depreciation and historical cost depreciation	412
1,294	Accumulated gains on assets sold or scrapped	0
0	Other amounts written off to the Capital Adjustment Account	0
<b>1,712</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>412</b>
<b>(27,040)</b>	<b>Balance 31 March</b>	<b>(26,742)</b>

## Financial Instruments Revaluation Reserve

31 March 2020 £000		31 March 2021 £000
(72)	<b>Balance 1 April</b>	109
0	Upward revaluation of investments	0
181	Downward revaluation of investments	50
0	Change in impairment loss allowances	0
<b>181</b>	<b>Total Changes in revaluation and impairment</b>	<b>50</b>
<b>109</b>	<b>Balance 31 March</b>	<b>159</b>

## Capital Adjustment Account

31 March 2020 £000		31 March 2021 £000
(222,570)	<b>Balance 1 April</b>	(224,361)
7,294	Charges for depreciation and impairment of non-current assets	7,561
(4,675)	Revaluation losses on non-current assets	(15,260)
49	Amortisation of intangible assets	44
2,181	Revenue expenditure funded from capital under statute	2,137
6,156	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	261
11,004	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	(5,257)
(1,712)	Adjusting Amounts written out of the Revaluation Reserve	(412)
9,293	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	(5,669)
(3,184)	Use of Capital Receipts Reserve to finance new capital expenditure	(1,589)
(1,649)	Use of Major Repairs Reserve to finance new capital expenditure	(1,823)
(2,308)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,668)

(210)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(293)
(188)	Capital expenditure charged against the General Fund and HRA balances	(37)
(7,539)	<b>Capital financing applied in year:</b>	(6,410)
(3,544)	Borrowing or liabilities met from the Major Repairs Reserve	(3,544)
(1)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(1)
0	Other movements	0
<b>(224,361)</b>	<b>Balance 31 March</b>	<b>(239,985)</b>

### Pension Reserve

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
27,456	Balance 1 April	414
(28,853)	Remeasurements of the net defined benefit (liability)/asset	(3,405)
5,646	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	3,561
(3,835)	Employer's pensions contributions and direct payments to pensioners payable in the year	(3,640)
<b>414</b>	<b>Balance 31 March</b>	<b>(3,070)</b>

### Collection Fund Adjustment Account

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
648	Balance 1 April	332
(316)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	8,951
0	Other movements	0
<b>332</b>	<b>Balance 31 March</b>	<b>9,283</b>

## Accumulated Absences Account

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
104	<b>Balance 1 April</b>	104
(104)	Settlement or cancellation of accrual made at the end of the preceding year	(104)
104	Amounts accrued at the end of the current year	384
0	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	280
<b>104</b>	<b>Balance 31 March</b>	<b>384</b>

## Note 25 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
(797)	Interest received	(749)
1,620	Interest paid	1,479
<b>823</b>	<b>Total</b>	<b>729</b>

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

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
(7,294)	Depreciation	(7,561)
4,675	Impairment and downward valuations	15,260
(49)	Amortisation	(44)
(7,495)	(Increase)/decrease in creditors	(17,755)
(185)	Increase/(decrease) in debtors	2,824
(1,811)	Movement in pension liability	79
(6,156)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(262)
1,196	Other non-cash movements charged to the surplus or deficit on provision of services	(1,320)
<b>(17,118)</b>	<b>Total</b>	<b>(8,779)</b>

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

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
0	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	(5,000)
3,549	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	921
127	Any other items for which the cash effects are investing or financing cash flows	748
<b>3,677</b>	<b>Total</b>	<b>(3,331)</b>

## Note 26 - Cash Flow from Investing Activities

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
5,973	Purchase of property, plant and equipment, investment property and intangible assets	6,919
4,000	Purchase of short-term and long-term investments	0
(3,549)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(921)
0	Proceeds from short-term and long-term investments	0
(1,664)	Other receipts from investing activities	(1,306)
<b>4,760</b>	<b>Net cash flows from investing activities</b>	<b>4,692</b>

## Note 27 - Cash Flow from Financing Activities

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
210	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	293
8,860	Repayments of short-term and long-term borrowing	0
(1,855)	Other payments for financing activities	16,971
<b>7,214</b>	<b>Net cash flows from financing activities</b>	<b>17,264</b>

## Note 28 - Agency Services

The Council provided the following agency services in 2020/21

- Collection of Penalty Notices for West Sussex County Council created a surplus in the General Fund Accounts of £90k.
- Collection of car park income for other third parties (£2k).
- Provision of a payroll service for a number of voluntary organisations and four Parish Councils (no charge is made for this service).

## Note 29 - Members' Allowances

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

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
420	Salaries	429
5	Allowances	0
2	Expenses	0
427	<b>Total Members' Allowances</b>	430

## Note 30 - Officers' Remuneration

### Senior Officer Remuneration

2020/21		Salary, Fees and Allowances £'000	Expenses Allowances £'000	Compensation for Loss of Office £'000	Pension Contribution £'000	Total £'000
Chief Executive	2020/21	126	-	-	27	153
	2019/20	124	-	-	22	146
Director of Place	2020/21	101	-	-	22	123
	2019/20	94	-	-	17	111
Director of Services	2020/21	101	-	-	22	123
	2019/20	94	-	-	17	111
Group Head - Policy	2020/21	74	-	-	16	90
	2019/20	72	-	-	13	85
Group Head - Council Advice & Monitoring Officer	2020/21	38	-	-	7	45
	2019/20	71	-	-	13	84
Group Head - Corporate Support & S151 Officer	2020/21	64	-	-	14	78
	2019/20	64	-	-	11	75
Group Head - Planning	2020/21	73	-	-	16	89
	2019/20	66	-	-	12	78
Group Head - Technical Services	2020/21	74	-	-	16	90
	2019/20	72	-	-	13	85
Group Head - Economy	2020/21	68	-	-	15	83
	2019/20	66	-	-	12	78
Group Head - Community Wellbeing	2020/21	74	-	-	16	90
	2019/20	72	-	-	13	85
Group Head - Residential Services	2020/21	74	-	-	16	90
	2019/20	72	-	-	13	85

<b>Group Head - Neighbourhood Services</b>	<b>2020/21</b>	76	-	-	16	<b>92</b>
	<b>2019/20</b>	74	-	-	13	<b>87</b>
<b>Total</b>	<b>2020/21</b>	<b>943</b>	-	-	<b>203</b>	<b>1,146</b>
	<b>2019/20</b>	<b>941</b>	-	-	<b>169</b>	<b>1,110</b>

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

The reduced total for the 'Group Head - Council Advice & Monitoring Officer' is due to the post being vacant for seven months.

The reduced total for the 'Group Head - Corporate Support & S151 Officer' is due to flexible retirement, ongoing from 2019/20.

No Senior Officers were in receipt of bonus payments or benefits in kind for 2020/21.

### Officer Remuneration (continued)

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

	<b>2019/20</b>	<b>2020/21</b>
£50,001 to £55,000	9	13 *
£55,001 to £60,000	5	7 **
£60,001 to £65,000	0	4 ***
£65,001 to £70,000	0	0
£70,001 to £75,000	0	0
£75,001 to £80,000	0	0
£80,001 to £85,000	0	0
£85,001 to £90,000	0	0
£90,001 to £95,000	0	0
£95,001 to £100,000	0	0
£100,001 to £105,000	0	0
£105,001 to £110,000	0	0
£110,001 to £115,000	0	0
£115,001 to £120,000	0	0
<b>Total</b>	<b>14</b>	<b>24</b>

#### 2020/21

\* One person included by virtue of redundancy & one person included by virtue of annualised salary

\*\* Two people included by virtue of annualised salary

\*\*\* One person included by virtue of redundancy

#### 2019/20

\* One employee included by virtue of annualised salary

## Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band £'000	
	19/20	20/21	19/20	20/21	19/20	20/21	19/20	20/21
£0-£20,000	2	3	0	0	2	3	£8	£45
£20,001-£40,000	0	5	0	0	0	5	£0	£151
£40,000-£60,000	0	4	0	0	0	4	£0	£193
£60,001-£80,000	1	0	0	0	1	0	£75	£0
£80,001-£100,000	0	0	0	0	0	0	£0	£0
£100,001-£150,000	0	0	0	0	0	0	£0	£0
£150,001-£200,000	0	0	0	0	0	0	£0	£0
<b>Total</b>	<b>3</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>12</b>	<b>£83</b>	<b>£389</b>

The total cost of £389,000 in the table above includes exit packages that have been charged to the Council's Comprehensive Income & Expenditure Statement in 2020/21 excluding accruals made for redundancies & disclosed in 2019/20.

## Note 31 - External Audit Costs

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

2019/20		2020/21
£000		£000
45	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	55
13	Fees payable to external auditors for the certification of grant claims and returns for the year	14
<b>58</b>	<b>Total</b>	<b>69</b>

## Note 32 - Grant Income

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

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

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
(396)	Benefits Administration Grant	(420)
(168)	Localised Council Tax Support Administration	(153)
(182)	Business Rate Collection Allowance	(182)
(2,664)	New Homes Bonus Grant	(2,295)
(1,128)	S.31 grants paid to compensate for the loss of business rate income	(12,172)
(38)	Individual Electoral Register (IER)	(13)
(255)	Other Non-Ringfenced Grants	(128)
(69)	Homeless Reduction	0
(35)	Leaving EU	(8)
0	Covid-19 Hardship Relief	(945)
0	Covid-19 Rough Sleeping	(21)
0	Covid-19 New Burdens Support Grant	(270)
0	Covid-19 Support Grant	(2,373)
0	Covid-19 Self Isolation Payments	(240)
0	Sales, Fees & Charges Support Grant	(1,018)
(127)	Capital Grants and Contributions	(748)
<b>(5,060)</b>	<b>Total</b>	<b>(20,987)</b>

## Credited to Services

31 March 2020		31 March 2021
£000		£000
(403)	Community wellbeing	(437)
(35)	Coast Protection	(51)
(323)	Housing	(315)
(92)	Crime Reduction	(181)
(855)	Leisure	(704)
(1,999)	Disabled Facilities Grants	(2,012)
(219)	Economic Regeneration	(4,394)
(97)	Family Intervention project	-
(58)	Fuel poverty	(5)
(38,015)	Housing Benefit Subsidy	(35,599)
-	Neighbourhood Plan	(30)
(507)	Homelessness	(1,336)
(416)	Elections	-
(488)	Other	(518)
<b>(43,507)</b>	<b>Total</b>	<b>(45,582)</b>

## Grants Receipts in Advance (Capital Grants) - Current Liabilities

31 March 2020		31 March 2021
£000		£000
(1,497)	Disabled Facility Grant	(1,323)
0	Developers' Contributions	0
(44)	Coastal Revival Fund	0
(1,200)	Coastal Communities Fund	(2,230)
<b>(2,741)</b>	<b>Total</b>	<b>(3,553)</b>

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

31 March 2020		31 March 2021
£000		£000
(3,176)	Developers' Contributions	(3,034)
<b>(3,176)</b>	<b>Total</b>	<b>(3,034)</b>

As expenditure from Developers' contributions relating to the provision of affordable housing by registered social landlords is capital by nature and should be treated as revenue

expenditure funded from capital under statue (REFCUS), they are classified as a capital grant. The classification of the liability between current and long term is based upon the repayment terms contained within the planning agreement with the developer.

### **Note 33 - Related Parties**

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

#### **Central Government**

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits). Grants received from Government Departments are set out in Note 13. Grant receipts outstanding at 31 March 2021 are shown in Note 18 (Other Receivable Amounts).

#### **Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2020/21 is shown in Note 29. No members declared any transactions for 2020/21 that fall within the related party definition.

#### **Officers**

The Council's Chief Executive currently has £3k outstanding on their car loan. Repayments amounting to £4k were made during 2020/21. No other transactions with senior officers fall within the related party definition.

#### **Other Public Bodies**

Precepts and levies totalling £5.04 million were paid as disclosed in Note 11.

#### **Entities Controlled or Significantly Influenced by the Council**

There are no entities meeting the definition of related parties.

## Note 34 - Capital Expenditure and Capital Financing

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

### Capital Expenditure and Capital Financing

31 March 2020 £000		31 March 2021 £000
51,717	Opening Capital Financing Requirement	48,355
	Capital Investment:	
5,540	Property Plant and Equipment	8,175
0	Intangible Assets	37
2,181	Revenue Expenditure Funded from Capital Under Statute	2,137
<b>7,721</b>	<b>Total Capital Spending</b>	<b>10,349</b>
	Sources of Finance:	
(3,184)	Capital receipts	(1,589)
(2,308)	Government Grants and other contributions	(2,668)
(1,649)	Major repairs reserve	(1,823)
	Sums set aside from revenue:	
(188)	- Direct revenue contributions	(37)
(3,544)	- Borrowing or liabilities met from the Major Repairs Reserve	(3,544)
(210)	- Minimum revenue provision	(293)
<b>(11,083)</b>	<b>Total Sources of Finance</b>	<b>(9,954)</b>
<b>48,355</b>	<b>Closing Capital Financing Requirement</b>	<b>48,750</b>

### Explanation of movements in year

31 March 2020 £000		31 March 2021 £000
2,315	Increase in underlying need to borrow (unsupported by government financial assistance)	3,285
0	Assets acquired under finance leases	947
(5,677)	Other movements	(3,837)
<b>(3,362)</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>394</b>

## Note 35 - Leases

### Council as Lessee

#### Finance Leases

In 2020/21 a new Housing Responsive Repairs & Voids Contract was entered into. Under IFRIC 4 'Determining Whether an Arrangement Contains a Lease' it has been deemed that the contract contained a finance lease 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 2020		31 Mar 2021
£000		£000
936	Vehicles, Plant & Equipment	1,574
<b>936</b>	<b>Total</b>	<b>1,574</b>

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 2020		31 Mar 2021
£000		£000
	Finance lease liabilities (net present value of minimum lease payments):	
214	current	301
754	non-current	1,321
66	Finance costs payable in future years	227
<b>1,034</b>	<b>Minimum lease payments</b>	<b>1,849</b>

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

<b>Minimum Lease Payments</b>			<b>Finance Lease Liabilities</b>	
<b>31 Mar 2020</b>	<b>31 Mar 2021</b>		<b>31 Mar 2020</b>	<b>31 Mar 2021</b>
<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
235	352	Not later than one year	214	301
634	960	Later than one year and not later than five years	594	828
164	537	Later than five years	159	492
<b>1,033</b>	<b>1,849</b>	<b>Total</b>	<b>967</b>	<b>1,621</b>

## 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:

<b>31 Mar 2020</b>		<b>31 Mar 2021</b>
<b>£000</b>		<b>£000</b>
93	Not later than one year	42
62	Later than one year and not later than five years	23
27	Later than five years	31
<b>182</b>	<b>Total</b>	<b>96</b>

The expenditure charged to the Comprehensive Income and Expenditure Statement in relation to these leases in 2021/22 was £93k (2019/20 £88k) representing the value of the minimum lease payments.

## Council as Lessor

### Finance Leases

The Council has no currently determined finance leases as lessor.

### Operating Leases

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

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

<b>31 Mar 2020</b>		<b>31 Mar 2021</b>
<b>£000</b>		<b>£000</b>
876	Not later than one year	974
2,964	Later than one year and not later than five years	3,164
10,545	Later than five years	10,082
<b>14,385</b>	<b>Total</b>	<b>14,220</b>

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.

### **Note 36 - Impairment Losses**

There were no material impairment losses during 2020/21

### **Note 37 - Termination Benefits**

The Council terminated the contract of 12 employees in 2020/21 as part of the process of achieving required budget savings, incurring redundancy liabilities of £389,000. Payments were made and a liability amounting to £389,000 was incurred in 2020/21, total liabilities include additional pension strain of £99,000.

See Officers' Remuneration note for the number of exit packages and the total cost per band.

## **Note 38 - Defined Benefit Pension Scheme**

### **Participation in Pension Schemes**

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

The Council participates in two post-employment schemes:

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

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

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

### **Discretionary Post-retirement Benefits**

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

### **Transactions Relating to Post-employment Benefits**

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

Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government		Discretionary	
	Pension Scheme		Benefits arrangements	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement -</b>				
<b>Cost of services:</b>				
Service cost comprising:				
* current service cost	4,835	3,493	-	-
* past service costs (including curtailments)	138	59	-	-
* (gain)/loss from settlements	-	-	-	-
Financing and Investment Income and Expenditure:				
* Net interest expense	673	9	-	-
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	<b>5,646</b>	<b>3,561</b>	-	-
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
* Return on plan assets (excluding the amount included the net interest expense)	7,886	(39,995)	-	-
* Actuarial gains and losses arising on changes in demographic assumptions	-	-	-	-
* Actuarial gains and losses arising on changes in financial assumptions	(24,150)	39,596	-	-
* Other experience	(13,443)	(1,885)	894	(1,120)
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	<b>(24,061)</b>	<b>1,277</b>	<b>894</b>	<b>(1,120)</b>
<b>Movement in Reserves Statement</b>				
reversal of net charges made to the Surplus or deficit on * the Provision of Services for post employment benefits in accordance with the Code	5,646	3,561	-	-
Actual amount charged against the General Fund Balance for pensions in the year:				
* employer's contributions payable to scheme	3,589	3,379	-	-
* retirement benefits payable to pensioners	-	-	286	259

## Pensions Assets and liabilities recognised in the Balance Sheet

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

	Local Government		Discretionary	
	Pension Scheme		Benefits	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
Present value of the defined benefit obligation	(160,970)	(201,011)	(5,348)	(4,207)
Fair value of plan assets	165,904	208,288	-	-
<b>Net liability arising from defined benefit obligation</b>	<b>4,934</b>	<b>7,277</b>	<b>(5,348)</b>	<b>(4,207)</b>

### Reconciliation of the movements in the fair value of scheme assets

	Local Government		Discretionary	
	Pension Scheme		Benefits	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
Opening fair value of scheme assets	170,342	165,904	-	-
Interest income	4,089	3,797	-	-
Remeasurement gain/(loss):				
Return on plan assets excluding the amount included in the net interest expense	(7,886)	39,995	-	-
Other	-	-	-	-
Contributions from employer	3,589	3,379	286	259
Contributions from employees into the scheme	706	701	-	-
Benefits paid	(4,936)	(5,488)	(286)	(259)
Other	-	-	-	-
<b>Closing fair value of scheme assets</b>	<b>165,904</b>	<b>208,288</b>	<b>-</b>	<b>-</b>

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

	<b>Funded liabilities</b>		<b>Unfunded liabilities</b>	
	<b>Local Government Pension Scheme</b>		<b>Discretionary Benefits</b>	
	<b>2019/20</b>	<b>2020/21</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Opening balance at 1 April	193,344	160,970	4,433	5,348
Current service cost	4,835	3,493	-	-
Interest cost	4,762	3,806	-	-
Contributions by scheme participants	706	701	-	-
Remeasurement (gains) and losses:				
Actuarial gains/losses arising from changes in demographic assumptions	-	-	-	-
Actuarial gains/losses arising from changes in financial assumptions	(24,150)	39,596	-	-
Other	(13,729)	(2,126)	1,201	(882)
Past service cost	138	59	-	-
Benefits paid	(4,936)	(5,488)	(286)	(259)
Other	-	-	-	-
<b>Closing balance at 31 March</b>	<b>160,970</b>	<b>201,011</b>	<b>5,348</b>	<b>4,207</b>

## Local Government Pension Scheme assets comprised:

	Fair value of scheme assets	Fair value of scheme assets
	2019/20	2020/21
	£000	£000
<b>Cash and cash equivalents</b>	6,578	9,235
<b>Equity securities by industry type:</b>		
Consumer	14,738	21,638
Manufacturing	11,381	12,159
Energy and utilities	4,033	3,190
Financial institutions	18,458	18,871
Health and care	11,133	13,929
Information technology	17,698	28,906
Other	4,585	6,903
<b>Debt securities:</b>		
UK Government	3,766	2,645
<b>Private Equity - All categories</b>	3,797	3,319
<b>Real estate:</b>		
UK property	12,824	14,134
Overseas property	-	-
<b>Investment funds and unit trusts:</b>		
Equities	-	-
Bonds	54,931	70,092
Other	1,982	3,267
<b>Totals</b>	<b>165,904</b>	<b>208,288</b>

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

## Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The West Sussex County Council Fund liabilities have been assessed by 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 2020. The principal assumptions used in their calculations have been:

	Local Government		Discretionary	
	Pension Scheme		Benefits	
	2019/20	2020/21	2019/20	2020/21
<b>Long-term expected rate of return on assets in the scheme:</b>				
Equity investments	(2.1%)	26.5%	-	-
Bonds	(2.1%)	26.5%	-	-
Property	(2.1%)	26.5%	-	-
Cash	(2.1%)	26.5%	-	-
Mortality assumptions:				
Longevity at 65 for current pensioners:				
* Men		22.1 years		22.1 years
* Women		24.4 years		24.4 years
Longevity at 65 for future pensioners:				
* Men		23.1 years		23.1 years
* Women		26.1 years		26.1 years
Rate of inflation		2.8%		3.3%
Rate of increase in salaries		3.4%		3.4%
Rate of increase in pensions (CPI)		2.9%		2.9%
Rate for discounting scheme liabilities		2.0%		2.0%

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 2021

	Approx. % increase to employer liability	Approx. monetary amount (£000)
0.5% decrease in Real Discount Rate	9.0%	18,617
0.5% increase in the Salary Increase Rate	1.0%	1,737
0.5% increase in the Pension Increase Rate (CPI)	8.0%	16,495

## **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 will be concluded by 31 March 2024.

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 £3.179 million for employer contributions to the scheme in 2021/22.

The weighted average duration of the defined benefit obligation for scheme members is 17 years for 2020/21.

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

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

## **McCloud Judgement (Public service pensions age discrimination cases)**

Arun District Council opted to make an allowance for the estimated impact of the McCloud Judgement on 31 March 2019. The previous allowance within the balance sheet will simply be rolled forward and therefore, included within the closing position at the Accounting Date.

No explicit additional adjustment for McCloud has been added to the current service cost for 2020/21 (or the projected service cost for 2021/22).

## **Guaranteed Minimum Pension (GMP) Equalisation / Indexation treatment (Lloyd's ruling)**

Arun District Council allowed for the impact of full GMP indexation in the calculation of 31 March 2019 funding valuation results. The Employer's valuation results position is used as the starting point for the accounting rollforward calculations and therefore, an allowance for full GMP indexation was included within the closing balance sheet position of last year's Accounting Date.

## **Guaranteed Minimum Pension (GMP) Equalisation / Indexation – historical transfers (Further Lloyd’s ruling)**

It is our understanding that this further ruling is unlikely to be significant in terms of impact on the pension obligations of a typical Employer. Further, the historic individual member data in order to assess such an impact at Employer is not readily available. As a result, Arun District Council has not made any allowance for this within the calculations at the Accounting Date.

## **Goodwin Judgement (Teachers Pension Equality discrimination case)**

Whilst there is still uncertainty surrounding the potential remedy to the Goodwin judgement, we have carried out some approximate analysis across our LGPS clients to understand the potential impact of implementing a solution to correct the past underpayment of spouses’ benefits. The approximate impact of this is very small for a typical Fund (0.1-0.2% of obligations). We, therefore, do not believe there are sufficient grounds to apply an additional adjustment to account for this in a standard Results Schedule, given the level of additional work and fees that would be involved for the Employer (and indeed the highly approximate nature of applying an unknown remedy).

## **Other court cases**

Arun District Council are also aware of the following court cases which may also impact LGPS benefits in the future:

- Walker
- O’Brien

It is our understanding these are unlikely to be significant judgements in terms of impact on the pension obligations of a typical Employer. As a result and until further guidance is released from the relevant governing bodies in the LGPS, Arun District Council has not made any allowance for the potential remedies to these judgements or applied any changes to the existing LGPS benefits structure in our calculations at the Accounting Date.

## **Covid-19 pandemic**

The main impacts of the Covid-19 pandemic and subsequent lockdowns on these accounting figures can be summarised as follows:

- Asset returns and values have followed market movements prompted by the pandemic and lockdowns, among other factors, which will, therefore, have an impact on the asset share value.
- Bond yields and inflation expectations have also followed market movements, which will, therefore, affect the obligations value.
- Life expectancy assumptions have not been updated:
  - (a) The actuary has not updated the baseline longevity tables due to the lack of relevant mortality data and analysis from the period of the pandemic for the Fund or Employer.
  - (b) The actuary has not amended the future longevity trends assumption for Covid-19 specifically as the data is not yet available to make an evidence-based assessment on the pandemic’s impact on longer term expectations.

## Note 39 - Contingent Liabilities

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

The Council has entered into an agreement with the Government to retain the additional receipts generated by the relaxation of the Right to Buy discount rules. Under the terms of this agreement these "1 for 1 replacement" receipts can only be used for the provision of new social housing, and the Council must match every £30 of receipts used with £70 of its own funding. A further condition of the agreement is that receipts must be spent within three years, failing which they must be returned to the Government plus interest at 4% above base rate. As at 31 March 2021 the Council held £549k of unused "1 for 1 replacement" receipts. One of the approved priorities of the Council's Housing Revenue Account Business Plan is a significant new development programme and the implementation and phasing of this programme will be a key factor in determining whether or not the Council spends its unused receipts within the required time scale.

## Note 40 – Going Concern

### Section 1 – Underlying Principle

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

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

### Section 2 – Current & Historical Financial Position

The Council's financial position was uncertain in the early months of 2020/21, having reported a surplus financial period ending 31 March 2020. This was significantly due to the impact of Covid-19 and the measures that were in place during that period. The Council's position has largely been stabilised with the assistance of Central Government funding and careful financial management. At the beginning of the pandemic, it was unknown how much support the Council would receive. This is summarised in the notes to the Financial Statements and below. The Statement of Accounts demonstrates the Council's financial position at 31 March 2021 to be stable.

### Section 3 – Impact of Covid

The 2020/21 budget was set in February 2020 and set a budget that was drawing down £617k from our general fund reserves. The out turn is a balanced budget, with no withdrawal from general fund reserves.

The Council initially anticipated approximately £1.993m of net additional expenditure and an estimated loss in income of approximately £2.52m during 2020/21. There were noticeable reductions in income from planning, building control, licences and property & estates. However, a gradual return of most income streams did occur, although not to the levels previously budgeted for.

The impact of Coronavirus has had a significantly detrimental effect across the Council including businesses, taxpayers and other organisations. The Government has provided a range of support in the form of grants and relief. For the financial year 2020/21, the Council received a number of grants which included £51.095m support for businesses, £945k Council tax Hardship fund, £2.373m C-19 support grant, £6.081m service related and £1m Sales, fees and service support grant.

<b>C-19 grants</b>	<b>£'000</b>
Council tax Hardship fund	945
Business Rates grants	51,095
C-19 Support grants	2,373
Test and Trace	440
Service related grants	6,081
Sales, Fees and Charges	1,018
<b>Total</b>	<b>67,102</b>

In addition, there were a number of Business Rates grants schemes initiated by the Government to support Business throughout this pandemic. These were administered by the Council and majority of these grant schemes have now concluded. The balance unpaid of £9.3m is due to be repaid to Government and is taken into account in the cashflow forecast.

The Council is eligible for 75% Tax Income Guarantee (TIG) for the loss of income on Council Tax (£62k) and Business rates (£689k) as a compensation for the decrease in collection during 2020/21 due to C-19. This has been accounted for in 2020/21 accounts.

The Collection Fund had a deficit of £26m at 31 March 2021 – this is repaid by the precepting authorities over future financial years. Arun's share of the deficit of £9.3m is shown in the Collection Fund Adjustment Account and is due to be repaid over a period of three years commencing 2021/22 to 2023/24.

Business rates income for the year is estimated in January at the same time the budget is set. However, due to the coronavirus pandemic, the government gave a number of rate reliefs to businesses. The government compensates local authorities for the impact of any changes made due to the Business Rates Retention Scheme. This compensation (in the form of a section 31 grant) was paid to the billing authorities so that their cashflow was not negatively impacted. The Council was paid additional Section 31 grant of £19.3m for the extended retail relief scheme. The Council must repay unused funding to the government. This has already been adjusted for in the 2020/21 accounts and there is a creditor on the balance sheet for £11.6m.

During 2020/21 the Council decided not to pursue Trade Receivable bad debts during lockdowns and offered commercial customers extended payment periods. This has meant current bad debts for 2020-21 has increased to £387k from £286k the previous year but should reduce over time as the economy re-opens.

It is also worth noting that the Council has established a funding resilience reserve to mitigate any adverse financial consequences arising from the Fair Funding Review (£6.659m at 31 March 2021) and the reset of the retained business rates baseline. The Council, therefore, has additional resources to absorb any potential loss of business rate income.

#### **Section 4 – Cash Position**

The Council had a cash balance made up of Money Market Funds, Call Account and Bank Account of £12.4m and £54m invested in short term deposits at the end of May 2021. The Council also has £2m invested in the CCLA Diversified Fund and a further £5m invested in the CCLA Property Fund. It is extremely unlikely that the Council would need to redeem either the £2m invested in the CCLA Diversified Fund or the £5m invested in the CCLA Property Fund but it remains a possible option. Throughout the medium term the Council remains confident in its ability to maintain enough cash for its services but if required the £2m in the Diversified Fund could be accessed generally within two business days.

In a 'stressed' case scenario whereby income is constrained further in the event of any future waves and income recovery only very slowly, the Council has enough levels of reserves and investments that it would not run out of cash. This has been assessed up to March 2023 and in the unlikely event the Council did run in to cashflow problems, the Council is able to borrow money from its bank over the short-term.

Furthermore, the Council is likely to continue with its 2021/22 capital programme as these are long term projects over several financial years with budgets being drawn down from Earmarked Reserves. However, these reserves can be called upon if required.

#### **Section 5 – Conclusion**

These accounts have been prepared on a going concern basis, assessed up to 31 March 2023. The projection of a budget overspend in 2021/22 that is within the level of general useable reserves and as part of our Treasury Management Strategy, daily banking and forecasting is undertaken to maintain a minimum cash balance of £200k within the Council's main bank account.

## Housing Revenue Account Income and Expenditure Statement

31 March 2020 £000		31 March 2021 £000
<b>Expenditure</b>		
4,522	Repairs & Maintenance	4,525
4,734	Supervision & Management	4,765
133	Rents, Rates, Taxes and other charges	203
(1,235)	Depreciation, impairments and revaluation losses of non-current assets	(6,940)
67	Movement in the allowance for bad debts	58
<b>8,222</b>	<b>Total Expenditure</b>	<b>2,611</b>
<b>Income</b>		
(15,551)	Dwelling rents	(15,614)
(440)	Non-dwelling rents	(426)
(889)	Charges for services and facilities	(501)
(3)	Other	0
<b>(16,883)</b>	<b>Total Income</b>	<b>(16,541)</b>
<b>(8,662)</b>	<b>Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b>	<b>(13,931)</b>
(82)	(Gains)/loss on sale of HRA Fixed Assets	(515)
1,594	Interest Payable and Similar Charges	1,420
(27)	HRA Interest and Investment Income	45
<b>(7,176)</b>	<b>(Surplus) or Deficit for Year on HRA Services</b>	<b>(12,981)</b>

## Movement on the HRA Statement

31 March 2020 £000	Movement on the HRA Statement	31 March 2021 £000
(7,229)	Balance on the HRA at the end of the previous year	(7,240)
<b>(7,229)</b>	<b>Revised opening balance</b>	<b>(7,240)</b>
(7,176)	(Surplus) or Deficit on the HRA Income and Expenditure Statement	(12,981)
7,166	Adjustments between accounting basis and funding basis under statute	13,732
<b>(10)</b>	<b>Net (increase) or decrease before transfers to or from reserves</b>	<b>751</b>
(10)	(Increase) or decrease on the HRA for the year	751
<b>(7,240)</b>	<b>Balance on the HRA at the end of the current year</b>	<b>(6,489)</b>

31 March 2020 £000	Adjustment between accounting basis	31 March 2021 £000
1,235	Transfers to/(from) the Capital Adjustment Account	7,018
82	Gain or (loss) on sale of non-current assets	515
114	Contributions to or (from) the Pension Reserve	171
0	Transfers to/(from) the Accumulated Absences Account	(15)
5,735	Transfers to/(from) Major Repairs Reserve	6,005
0	Capital expenditure funded by the HRA	37
<b>7,166</b>	<b>Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year</b>	<b>13,731</b>

## HRA Property, Plant and Equipment

### Movements to 31 March 2021

	Council Dwellings	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>					
<b>at 1 April 2020</b>	217,692	4,571	2,415	3,187	<b>227,865</b>
Additions	4,955	0	1,045	1,382	<b>7,382</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	84	0	0	<b>84</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	7,158	81	0	0	<b>7,239</b>
Derecognition – disposals	0	0	0	0	<b>0</b>
Derecognition – other	0	0	0	0	<b>0</b>
Reclassifications and transfers	2,215	(53)	0	(2,162)	<b>0</b>
Assets reclassified (to)/from Held for Sale	(261)	0	0	0	<b>(261)</b>
<b>at 31 March 2021</b>	<b>231,758</b>	<b>4,683</b>	<b>3,460</b>	<b>2,407</b>	<b>242,308</b>
<b>Accumulated Depreciation and Impairment</b>					
<b>at 1 April 2020</b>	0	(10)	(384)	0	<b>(394)</b>
Depreciation charge	(5,705)	(45)	(255)	0	<b>(6,005)</b>
Depreciation written out to the Revaluation Reserve	0	19	0	0	<b>19</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	5,705	19	0	0	<b>5,724</b>
Derecognition – disposals	0	0	0	0	<b>0</b>
<b>at 31 March 2021</b>	<b>0</b>	<b>(17)</b>	<b>(639)</b>	<b>0</b>	<b>(657)</b>
<b>Net Book Value</b>					
<b>at 31 March 2021</b>	<b>231,758</b>	<b>4,666</b>	<b>2,821</b>	<b>2,407</b>	<b>241,652</b>
<b>at 31 March 2020</b>	<b>217,692</b>	<b>4,561</b>	<b>2,031</b>	<b>3,187</b>	<b>227,471</b>

## Movements to 31 March 2020

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

The vacant possession value of dwellings within the Council's Housing Revenue Account as at 31 March 2021 was £702 million. Comparing the vacant possession value and Balance Sheet value of dwellings within the HRA shows the economic cost of providing council housing at less than market rents.

## HRA Intangible Assets

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>Total</b>		<b>Total</b>
<b>£000</b>		<b>£000</b>
	Balance at start of year:	
91	· Gross carrying amounts	91
(64)	· Accumulated amortisation	(73)
27	Net carrying amount at start of year	18
	Additions:	
0	· Purchases	37
(9)	· Amortisation for the period	(18)
<b>18</b>	<b>Net carrying amount at end of year</b>	<b>37</b>
	Comprising:	
91	· Gross carrying amounts	128
(73)	· Accumulated amortisation	(91)
<b>18</b>	<b>Net carrying amount at end of year</b>	<b>37</b>

## HRA Assets Held for Sale

<b>Current</b>		<b>Current</b>
<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
0	Balance outstanding at start of year	0
	Assets newly classified as held for sale	
319	- Property Plant and Equipment	261
(319)	Assets sold	(261)
<b>0</b>	<b>Total Cash and Cash Equivalents</b>	<b>0</b>

## Notes to the HRA Account

### Housing Stock

31 March 2020		31 March 2021	
No.	Dwelling type	No.	
171	Bedsits	170	
1,570	Flats	1,600	
1,612	Houses / bungalows	1,612	
2	Hostels	2	
<b>3,355</b>	<b>Total</b>	<b>3,384</b>	

### Housing Revenue Account Capital Expenditure

31 March 2020		31 March 2021	
£000		£000	
	<b>Capital investment</b>		
1,857	Operational assets	6,388	
3,187	Non-operational assets	1,031	
<b>5,044</b>	<b>Total Capital Spending</b>	<b>7,419</b>	

	<b>Sources of funding</b>		
0	Housing Revenue	(37)	
(1,081)	Capital Receipts	(1,327)	
(1,649)	Major Repairs Reserve	(1,823)	
0	Acquired under finance lease	(947)	
(2,314)	Unfinanced	(3,285)	
<b>(5,044)</b>	<b>Total Sources of Finance</b>	<b>(7,419)</b>	

### Rent Arrears

Tenants' arrears at 31 March 2021 were £1,152k (previous year £1,150k). The provision for doubtful debts amounted to £201k (previous year £145k).

## Collection Fund

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

31 March 2020			31 March 2021			
Business Rates £000	Council Tax £000	Total £000	Collection Fund	Business Rates £000	Council Tax £000	Total £000
<b>INCOME:</b>						
	(112,920)	(112,920)	Council Tax Receivable		(117,530)	(117,530)
(38,353)		(38,353)	Business Rates Receivable	(12,700)		(12,700)
(169)	0	(169)	Transitional Protection Payments Receivable	(4)	0	(4)
	5	5	Reconciliation adjustments		(832)	(832)
<b>(38,521)</b>	<b>(112,916)</b>	<b>(151,437)</b>	<b>Total amounts to be credited</b>	<b>(12,704)</b>	<b>(118,362)</b>	<b>(131,066)</b>
<b>EXPENDITURE:</b>						
<b>Apportionment of Previous Year Surplus/Deficit:</b>						
(515)		(515)	Central Government	(156)		(156)
(103)	243	140	West Sussex County Council	513	758	1,271
(412)	46	(366)	Arun District Council	(125)	140	15
0	31	31	Sussex Police and Crime Commissioner	0	104	104

**Precepts, demands and shares:**

9,027		9,027	Central Government	17,544		17,544
19,859	84,787	104,646	West Sussex County Council	3,509	89,553	93,062
7,222	15,664	22,886	Arun District Council	14,035	16,444	30,479
0	11,638	11,638	Sussex Police and Crime Commissioner	0	12,443	12,443
<b>Charges to Collection Fund:</b>						
8	241	249	Write-offs of uncollectable amounts	45	194	239
801	1,249	2,050	Increase/(decrease) in allowance for impairment	80	1,312	1,392
1,208		1,208	Increase/(decrease) in allowance for appeals	(892)		(892)
182		182	Charge to General Fund for allowable collection costs for non-domestic rates	182		182
<b>37,277</b>	<b>113,898</b>	<b>151,176</b>	<b>Total amounts to be debited</b>	<b>34,735</b>	<b>120,949</b>	<b>155,683</b>
<b>(1,244)</b>	<b>982</b>	<b>(262)</b>	<b>(Surplus)/Deficit arising during the year</b>	<b>22,031</b>	<b>2,587</b>	<b>24,617</b>
<b>1,886</b>	<b>(743)</b>	<b>1,143</b>	<b>(Surplus)/Deficit b/f at 1 April 2020</b>	<b>642</b>	<b>239</b>	<b>881</b>
<b>642</b>	<b>239</b>	<b>881</b>	<b>(Surplus)/Deficit c/f at 31 March 2021</b>	<b>22,673</b>	<b>2,826</b>	<b>25,498</b>

## Notes to the Collection Fund

### 1. Council Tax Base

	2019/20	2020/21
Equivalent Valuation Band D properties in:		
Valuation Band A	3,290	3,256
Valuation Band B	7,051	7,119
Valuation Band C	14,334	14,718
Valuation Band D	13,267	13,580
Valuation Band E	11,287	11,418
Valuation Band F	7,777	7,888
Valuation Band G	4,161	4,161
Valuation Band H	484	495
<b>Total Band D Equivalents</b>	<b>61,650</b>	<b>62,635</b>
Allowance for non-collection 0.6%	(369)	(391)
<b>Tax Base for year</b>	<b>61,281</b>	<b>62,244</b>

### 2. Council Tax (total including parish average)

	2019/20	2020/21
Valuation Band A	£1,219.40	£1,268.56
Valuation Band B	£1,422.63	£1,479.99
Valuation Band C	£1,625.86	£1,691.42
Valuation Band D	£1,829.09	£1,902.84
Valuation Band E	£2,235.55	£2,325.69
Valuation Band F	£2,642.01	£2,748.55
Valuation Band G	£3,048.49	£3,171.40
Valuation Band H	£3,658.18	£3,805.68

### 3. General Statistics

	2019/20	2020/21
Rateable value of non-domestic properties at 31 March	£99.2m	£97.6m
Number of non-domestic properties at 31 March	4,961	4,939
Non-domestic rating multiplier: small businesses	0.491	0.499
Non-domestic rating multiplier: other	0.504	0.512
Average Council Tax for a Band D property	£1,829	£1,903

## Glossary

### **Accounting Period**

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

### **Accounting Policies**

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

### **Accruals**

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

### **Accrued Interest**

Interest accumulated but not yet received or paid.

### **Actuarial**

The appraisal of economic and demographic factors in order to estimate future pension liabilities.

### **Actuarial Gains and Losses**

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed

### **Agency Services**

Services which are performed by or for other councils or bodies, where the council/body responsible for the service reimburses the council carrying out the work for the costs incurred.

### **Amortisation**

The apportionment (charging or writing off) of the cost of an intangible asset as an operational cost over the asset's estimated useful life.

### **Amortised Cost**

The amount at which a financial asset or financial liability is measured at initial recognition, less principal repayments and plus or minus any unamortised original premium or discount.

### **Asset**

An item having value to the Council in monetary terms. Assets are categorised as either current or non-current

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash);

- A non-current asset provides benefits to the Council and to the services it provides for a period of more than one year and may be tangible e.g. the Civic Centre, or intangible, e.g. computer software licence.

### **Audit of Accounts**

An independent examination of the Council's financial affairs.

### **Authority/Local Authority**

A Local Authority is an administrative body in local government, also referred to in the Statement of Accounts as a Council.

### **Balance Sheet**

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

### **Borrowing**

Using cash provided by another party to pay for expenditure, on the basis of an agreement to repay the cash at a future point, usually incurring additional interest charges over and above the original amount.

### **Budget**

The forecast of net revenue and capital expenditure over the accounting period.

### **Business Improvement District (BID)**

A business led partnership delivering additional services to local business by charging a levy on all business rates payers in addition to business rates.

### **Capital Expenditure**

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

### **Capital Financing**

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue contributions, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

### **Capital Grants**

Grants received towards capital expenditure.

### **Capital Programme**

The capital schemes the Council intends to carry out over a specific period of time.

### **Capital Receipt**

The proceeds from the disposal of land or other fixed assets where the proceeds total over £10,000. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.

## **Collection Fund**

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates.

## **Community Assets**

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks.

## **Componentisation**

Component parts of a major asset may not have the same useful lives (i.e. they wear out or depreciate at different rates); therefore those components with a value that is significant in relation to the total value of the asset shall be depreciated separately. The purpose is to ensure that the depreciation charged in the Income & Expenditure Statement properly reflects the consumption of economic benefit.

## **Comprehensive Income and Expenditure Statement (CIES)**

The account of the Council that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

## **Consistency**

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

## **Contingent Asset**

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

## **Contingent Liability**

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

## **Council Tax**

A local tax on domestic property set by local authorities in order to meet their budget requirement.

## **Council Tax Base**

The total number of properties within the local authority area expressed in terms of band D equivalents, incorporating discounts, deductions and exemptions.

## **CIPFA**

The Chartered Institute of Public Finance and Accountancy.

### **Current Service Cost (Pensions)**

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

### **Defined Benefit Pension Scheme**

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

### **Depreciated Replacement Cost (DRC)**

A method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence. It is used for specialist assets where no market exists.

### **Depreciation**

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Council's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

### **Direct Revenue Contributions**

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

### **Discretionary Benefits (pensions)**

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

### **Doubtful Debt (also known as bad debt)**

A debt that the Council may not be able to recover. A provision is made in the accounts for doubtful debts each year based on the value and age of debts outstanding.

### **Earmarked Reserves**

Reserves which are held by a Council for specified purposes.

### **Events after the Balance Sheet date**

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

### **Exceptional Items**

Material (see materiality) items that derive from events or transactions that fall within the ordinary activities of the Council but which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

**Existing use Value (EUV)**

The amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction in its existing use; it is used for most PPE assets with a variation required for council dwellings.

**Expected Return on Pension Assets**

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

**Fair Value**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

**Finance Lease**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

**Financial Asset**

Any asset that is cash, a contractual right to receive cash or another financial asset from another party, or an equity instrument issued by another party, examples include bank deposits, bonds and stocks.

**Financial Instrument**

A financial asset that is tradable, for example, bank deposits and investments.

**Financial Liability**

An obligation to deliver cash or another financial asset.

**General Fund**

The main revenue fund from which the Cost of Services is met.

**Going Concern**

The concept that the Statement of Accounts is prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

**Government Grants**

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

**Held for Sale**

Asset held for sale are those assets where it is probable that the carrying value will be recovered principally through a sale transaction rather than through continuing use.

## **Highest & Best Use**

The highest and best use of the asset provides the maximum value to market participants through its use, taking into account the use of the asset that is physically possible, legally permissible and financially feasible.

## **Historic Cost**

The amount originally paid for a fixed asset.

## **Housing Capital Receipts Pool**

A proportion of receipts relating to housing disposal is payable to the Government in accordance with statutory requirements. This is known as housing capital receipts pooling.

## **Housing Revenue Account (HRA)**

A separate account to the General Fund, which includes the income and expenditure arising from the provision of housing accommodation by the Council.

## **IFRS**

International Financial Reporting Standards (IFRS) a global language for business affairs so that accounts are understandable and comparable across international boundaries.

## **Impairment**

A reduction in the value of a fixed asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.

## **Infrastructure Assets**

Fixed assets belonging to the Council that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are footpaths and coast protection defences.

## **Intangible Assets**

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Council's intangible assets comprise computer software licences.

## **Interest Cost (Pensions)**

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

## **Investment Property**

Interests in land and/or buildings which are held solely to earn rentals or for capital appreciation or both. Investment Properties are valued at highest and best use and must be revalued every year.

## **Investments (Pension Fund)**

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

## **Lease**

A contract for the hire of a specific asset. The lessor owns the asset but conveys the right to use the asset to the lessee for an agreed period of time in return for the payment of specified rentals. Leases may be either operating leases or finance leases.

## **Liability**

A liability is where the Council owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

## **Liquid Investment**

Current asset investments that are readily disposable by the Council without disrupting its business and are either:

- Readily convertible to known amounts of cash at or close to the carrying amount; or
- Traded in an active market.

## **Major Repairs Reserve**

All local housing authorities are required to operate this reserve which is used to fund either capital expenditure relating to HRA dwellings or the repayment of housing debt.

## **Market Participants**

Buyers and sellers in the principal (or most advantageous) market for an asset or liability. The principal market is that with the greatest volume and level of activity, whilst the most advantageous is the market that maximises the amount that would be received to sell the asset or paid to transfer the liability after taking into account transport and transaction cost.

## **Market Value**

The amount at which a property would be exchanged between knowledgeable and willing parties in an arm's-length transaction.

## **Materiality**

The concept that the Statement of Accounts should include all amounts which, if omitted, or misstated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

## **MHCLG**

Ministry of Housing, Communities and Local Government, the main Government department dealing with local government, housing and community issues.

## **Minimum Revenue Provision (MRP)**

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

## **Net Book Value**

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

## **Non-Domestic Rates (NDR)**

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by central government and multiplied by the assessed rateable value of the premises they occupy. In England it is collected by the Council on behalf of itself, central government and major preceptors.

## **Non-Operational Assets**

Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

## **Observable Inputs**

Are those that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumption that market participants would use when pricing the asset or liability.

## **Operating Lease**

A lease where the ownership of the fixed asset remains with the lessor.

## **Operational Assets**

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

## **Orderly Transaction**

A transaction that assumes exposure to the market for a period before the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction.

## **Payables (also known as Creditors)**

Financial liabilities arising from a contractual obligation to pay cash in the future for goods or services or other benefits that have been received or supplied and have been invoiced or formally agreed with the supplier. They are only recognised when the goods or services are delivered or received by the Council.

## **Past Service Cost (Pensions)**

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

## **Pension Scheme Liabilities**

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

## **Precept**

The levy made by precepting authorities by billing authorities, requiring the latter to collect income from Council Tax on their behalf.

## **Precepting Authority**

An authority that sets a precept to be collected by a billing authority (Arun) through the Council Tax bill. West Sussex County Council and Sussex Police & Crime Commissioner are known as major precepting authorities. Parish/Town Councils are known as local precepting authorities.

## **Prepayment**

An adjustment made in the financial statements for goods or services already paid which relate to the next financial year.

## **Prior Year Adjustment**

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

## **Property, Plant & Equipment (PPE)**

Tangible assets (i.e. assets with physical substance) that are held for use by the Council for the supply of services, for rental to others or for administrative purposes that are expected to be used for at least part of the succeeding financial year. These may be operational or non-operational.

## **Provision**

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

## **Public Works Loan Board (PWLB)**

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

## **Rateable Value**

The annual assumed rental of a hereditament, which is used for NNDR purposes.

## **Receivables (also known as Debtors)**

Financial assets not traded in an active market with fixed or determinable payments that are contractual rights to receive cash or cash equivalents. They are only recognised when goods or services have been transferred to the service recipient before the customer pays consideration or before payment is due.

## **Related Parties**

There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the Council's members, the Chief Executive, its Directors and their close family and household members.

## **Related Party Transactions**

The Statement of Recommended Practice requires the disclosure of any material transactions between the Council and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

## **Remuneration**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

## **Reserves**

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

## **Retirement Benefits**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

## **Revenue Expenditure**

The day-to-day expenses of providing services.

## **Revenue Expenditure Funded from Capital under Statute (REFCUS)**

Expenditure which ordinarily would be revenue, but is statutorily defined as capital. Examples of REFCUS include grants of a capital nature such as disabled facility grants.

## **Support Services Costs/Charges**

Expenditure on administrative and professional services and office accommodation, which is recharged to service users on a specified basis.

## **Tangible Fixed Asset**

Physical assets that yield benefits to the Council and the services it provides for a period of more than one year.

## **Useful Economic Life (UEL)**

The period over which the Council will derive benefits from the use of a fixed asset.

## **Unobservable Inputs**

Are inputs for which market data is not available and that are developed using the best information available to the Council about the assumptions that market participants would use when pricing the asset or liability.

## **Unusable Reserve**

Those reserves that the Council may not use to fund the services it provides. This includes the Revaluation Reserve that holds the unrealised gains and losses on Property Plant and Equipment.

## **Usable Reserve**

Those reserves that the Council may use to fund the services it provides, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use e.g. the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt.