Arun District Council

Annual Statement of Accounts for the year 2018/19

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Narrative Report

Introduction to the Arun district

Arun District is the largest district in West Sussex in terms of population (158,657 mid-year 2017) and the second largest in terms of Council Tax Base (60,402 equivalent Band D properties). It includes the towns of Arundel, Bognor Regis and Littlehampton together with 28 surrounding parishes.

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

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

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

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

Key Information about the Council

Decision Making

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

The Cabinet
The Cabinet comprises of seven Councillors, all representing the majority party of the council. 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.

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

Workforce
The Council employs approximately 380 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 programme in 2014/15. Planned staff numbers increased slightly from 376 in 2018/19 to 381 for 2019/20 (392 previous year). The increase is mainly due to additional responsibilities in the areas of Licensing and Planning delivery.

The Strategic Direction of the Council

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

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

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

- Leisure Management
- Waste Management
- Grounds maintenance

The Council's Performance

The Council's strategic performance indicators are set in the Corporate Plan. The Council's three priority areas (2017/2021) are:
- Your Council Services;
- Supporting you if you need help; and
- Your future.

Cabinet is updated on performance twice a year. The full outturn report of the Council's performance will be considered at the Overview Select Committee meeting on 25 June 2019.

The Council takes performance very seriously and has formulated a number of stretch targets for 2019/20 and the new Council will be monitoring those closely. It is accepted that

comprehensive performance indicators form the basis of a management system and we have consulted widely to ensure that our indicators encompass the fundamental services of the Council.

- Council Tax Collection was 97.8% (98.01% previous year) compared to the target of 98%. The total collected increased by £5.9m to £103.4m (£97.5m previous year).
- Housing Benefit/ Council Tax Support – the time taken to process new claims was 3.3 days (6.4 days previous year) compared to a target of 8 days.
- Household waste sent for reuse, recycling and composting was 42.01% (40.90% previous year) comparted to the target of 40%.

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

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

> "Plan and Deliver a range of housing mix types in locations with good access to employment, services and facilities to meet the District's housing requirements and the needs of Arun's residents and communities both urban and rural, ensuring that issues of affordability and the provision of appropriate levels of affordable housing are addressed while supporting the creation of integrated communities"
>
> "Promote strong, well integrated and cohesive communities, through the promotion of healthy lifestyles, provision of good quality accessible community facilities and a safe environment, which delivers an enhanced quality of life to all. This includes the needs of a growing elderly population."

Financial Performance

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

The future of the Council's government funding is extremely uncertain. The Fair Funding Review went out to consultation during 2018/19. It focused on the cost drivers, which are mainly population based for District councils like Arun and is designed, in theory, to redistribute funding to those areas of highest need. It is widely anticipated that the new system will be detrimental to District Councils, with a shift between the tiers of local government in two tier areas like West Sussex. There is also the potential of transferring extra responsibility (and cost) to Local Government. The outcome of the Government Spending Review SR19 covering the period 2020/21 to 2022/23 is due to be announced in the autumn of 2019.

The Business Rates Retention scheme (BRRS) has transferred a considerable risk to the council by linking government support directly to the local economy. This is a strong incentive for the Council to ensure that the business ratings list is fully inclusive and to encourage a buoyant local economy. It is also important to note any significant negative changes in the value of the ratings list will directly reduce the level of funding received in future, such as valuation appeals which can be backdated.

The 2015 Spending Review announced a number of significant changes in the way Local Government will be funded in the future. One of the most significant proposals was the 100% business rate retention by 2020. This had been reduced to a local share of 75%, with no agreement of how the split will be determined between District and County council in two tier areas. The reset of the retained business rates baseline is proposed in 2020/21. 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 set up a Funding Resilience Reserve (previously Business Rate Reserve) and transferred £2.845m into it during 2018/19 to help mitigate the risk and uncertainty associated with the anticipated reduction in Government funding from 2020/21 mentioned above. The reserve is also required to help mitigate the effect of the loss of significant funding from West Sussex County Council in relation to Recycling Credits and the on street parking contract, as well as the consequence of significant cuts in relation to the voluntary sector (like Stonepillow) providing housing related support to enable people to get back on track, which is likely to place further strain on the Council's resources .

In addition to the current uncertainty and volatility in the economy as a result of the prolonged Brexit negotiations, the longer term financial impact of Brexit is creating uncertainty over interest rates, the rate of inflation, the labour market, property and rental values. There is also the risk of a delay in the Government Spending Review (SR19) as mentioned above.

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

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

The Council received £2.733m in New Homes Bonus in 2018/19 (£3.677m previous year) and this will further decrease to £2.644m for 2019/20. 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**
2011/12	509	509	509	509	509	509	0	0	**0**
2012/13		556	556	556	556	556	0	0	**0**
2013/14			1,000	1,000	1,000	1,000	1,000	0	**0**
2014/15				484	484	484	484	0	**0**
2015/16					539	539	539	539	**0**
2016/17						926	926	926	**926**
2017/18							728	728	**728**
2018/19								540	**540**
2019/20									**470**
Total	**509**	**1,065**	**2,065**	**2,549**	**3,088**	**4,014**	**3,677**	**2,733**	**2,664**

The Council has had significant benefits from the New Homes Bonus, however, the review of the scheme has resulted in a significant overall reduction in funding and is dependent on the level of growth continuing. NHB awarded should be considered in light of significant reductions in other sources of external funding, notably RSG. The future of the New Homes Bonus continues to be uncertain. It is anticipated that the Government will consult on options for the NHB after the Spending Review. The scheme is unlikely to continue in its present form.

Council Tax Income

Arun excluding Parish Councils is summarised in the table below:

Actual 2017/18	Arun excluding Parish Councils	Actual 2018/19	Budget 2019/20
59,456	Tax base	60,402	61,281
£171.27	Band D Tax	£176.40	£181.62
£10,183,000	Council Tax Income (excluding parishes)	£10,655,000	£11,130,000

The Council Tax for 2018/19 is based on an Arun Band D of £176.40, which represents an increase of £5.13 or 2.995% (£171.27 for 2017/18). This has started to redress the reduction, in real terms, of the Council Tax Income Base which was frozen for 5 years. Arun's tax base has increased significantly in 2018/19 from 59,546 to 60,402, with a further increase of 879 for 2019/20 (61,281). 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 based on a 3% increase in band D Council Tax. The Councils Medium Term Financial Plan assumes 3% annual increases in the Council tax over the next 5 years in order to become more financially resilient whilst still 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 (£4.2m previous year).

As referred to above the low interest environment has persisted. However, proactive investment of cash balances has generated £0.754m in interest in 2018/19 (£0.69m previous year).
The Council has a General Fund revenue balance of £7.076m (£9.344m previous year) a decrease of £2.268m, which is adequate to withstand immediate financial pressures but is inevitably a finite resource and will be monitored carefully. There are several major risks and uncertainties associated with the volatility in the council's funding, which means that the maintenance of a reasonably high level of balances is essential.

West Sussex Business Rate Retention Pilot

West Sussex has been successful in the application to become a 75% Business Rate Retention Pilot for 2019/20. The West Sussex Business Rate Retention Pilot will be led by WSCC with all Districts and the County as members. The pilot will allow 75% of Business Rates to be retained locally with 20% retained by the Districts and 55% by the County (previously, half of the rates revenue was retained locally with the local share being split between Arun (80%) and West Sussex County Council (20%)). Although the percentage

shares have changed the new pilot has been set up with the condition of no detriment to any of its members. This means the pool will be reimbursing the District Council for loss of grant. It should be noted that the overall no detriment clause has been removed by the Ministry of Housing, Communities and Local Government (MHCLG), the pool has in excess of £2m set aside to mitigate this possibility.

The 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. The Council was previously a member of the West Sussex Business Pool with Adur District Council; Worthing Borough Council; Chichester District Council; and West Sussex County Council (lead authority) which was disbanded on 31 March 2019 (commenced 2015/16).

Net Assets

The Council maintains a strong balance sheet despite financial challenges, net assets are £256.445m (£259.977m at 31 March 2018)

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

Non-Current Assets (Property & Investments) £298.089m	Net Assets 31 March 2018 £259.977m
Net Current Assets (Debtors, Creditors & Cash) £43.029m	
Long Term Liabilities (Pensions, Borrowing & Provisions) £81.141m	
Funded by: Usable Reserves £40.725m	
Funded by: Unusable Reserves £219.253m	

Financial Management

The 2018/19 budget was considered by the Overview Select Committee on 31 January 2018 and cabinet on 12 February 2018 before being formally approved by Full Council on 21 February 2018. The budget took account of the Council's Medium Term Financial Strategy and Housing Revenue Account business plan. The provisional Local Government Finance settlement issued by the MHCLG in December 2017 was also taken into consideration.

The statutory ringfence of the Housing Revenue Account (HRA) requires that the Council sets separate budgets for the HRA and GF. The Code requires that these are aggregated in the Primary performance statements (pages 18 to 23) and the Expenditure and Funding Analysis (page 17). 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 2018/19 for the GF and HRA (please see page 13 for further details on HRA).

Reconciliation of the outturn position to the Financial Statements 2018-19

	GF	Earmarked	HRA	Combined
	£'000	£'000	£'000	£'000
Cost of Service as per Comprehensive Income & Expenditure Statement	**26,898**	**-**	**(8,984)**	**17,915**
Adjustments between accounting basis & funding under regulations				
Adjustment for Capital Purposes	(6,575)	-	6,768	192
Net Change for Pensions Adjustments	(2,154)	-	(189)	(2,343)
Other Changes	26	-	3	29
Total Adjustments (See Note 7)	**(8,704)**	**-**	**6,582**	**(2,121)**
Net Cost of Services in the Expenditure and Funding Analysis	**18,195**	**-**	**(2,401)**	**15,793**
Other Income and Expenditure (see Expenditure and Funding Analysis)	**(12,861)**	**-**	**1,797**	**(17,178)**
Transfer to / (from) Earmarked Reserve (See Note 10 - Net Transfers)	(3,066)	3,066	-	0
(Surplus) / Deficit for the year	**2,268**	**3,066**	**(604)**	**(1,384)**

The original budget for 2018/19 was balanced anticipating no change in the level of General Fund Reserve. The Council's governance arrangements require significant additional expenditure (that was not included in the original budget) to be approved by Full Council. During the year two additional supplementary estimates totalling £755k were approved (Comprised of £650k for nightly paid accommodation and £105k for costs associated with the Judicial Review of the planning application related to "Land south of summer land and west of Pagham Road, Pagham"). Cabinet approved a £2m transfer to the Funding Resilience Reserve, set up to help mitigate against the anticipated significant further reduction in Government funding from 2020/21 (including the risk of the Business Rate reset) when the Medium Term Financial Strategy was considered in September 2018. These changes resulted in a total approved budgeted draw down from reserves of £2.755m. Regular strategic monitoring that was carried out during the year indicated an estimated General Fund outturn position of around £7m (actual £7.078m). Section 25 (1) of the Local Government Act 2003 requires the Chief Financial Officer to report on the "adequacy of the reserves and balances". The reserve balances at the 31 March 2019 are adequate and continue to be in line with the Council's Medium Term Financial Strategy.

Reconciliation of Original to Current Budget Reserve Movement to March 2019		
	£'000	**£'000**
Original Budget		0
Nightly paid accommodation	650	
Judicial Review Planning - Pagham	105	
Transfer to Budiness Rate Reserve	2,000	
Total approved General Fund Reserve movement 2019/20		2,755
Total Approved Budget 2018/19		**2,755**

The outturn for 2018/19 of £2.268m draw down from the General Fund Reserve is an adverse variation against original budget due to the supplementary estimates and virement shown in the table above. The outturn is (£487k) favourable against the final approved budget of £2.755m.

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

Variation Analysis original budget to outturn 2018/19	
	£'000
Establishment savings (above £450k vacancy management target)	(177)
Additional Leisure contract income inflation	(119)
Additional Council Tax court cost recovered	(107)
Rent Rebates - additional income	(112)
Homelessness - nightly paid accommodation*	567
Planning appeal supplementary estimate*	105
Income (fees and charges)	(93)
Other portfolio underspends (excluding income and establishment) < £100k	(264)
Additional non-ringfenced grants s31 New Burdens net (£437k gross)	(251)
Balance of contingency budget	(113)
Business Rates - additional income	(845)
Changes in capital Financing and earmarked reserve adjustments	(533)
Additions to Pavilion Park Reserve	2,076
Addition to Funding Resilience Reserve	2,845
Interest and investment income	(168)
s106 developer contributions 2018/19	(543)
Reduction in General Fund 2018/19	**2,268**

* Supplementary Estimates approved by Full Council

The Homelessness Reduction Act, which came into force on 1 April 2018 placed a renewed focus on homelessness prevention and introduced a range of new duties on councils. Its implementation has seen an increase in the number of homelessness presentations and these continue to rise. This in turn has seen an increase in the use of temporary accommodation

and the length of time households are accommodated. Based on current trends it is projected that usage and spend will continue at the same level into 2019/2020.

The favourable variation of (£112k) on Rent Rebates is mainly due to recoveries from ongoing benefit exceeding budget. The actual Non HRA Rent Rebates (£486k) was significantly higher than budget (£180k) due the new homeless accommodation owned by the Council in Wick. However, this increase was matched by housing subsidy.

The Council received significant s106 sums for maintenance in perpetuity in respect of a number of sites. It should be noted that the receipt of these sums will also lead to the requirement for additional revenue expenditure in respect of maintaining the relevant sites. These sums were not included in the budget for 2018/19 as the timing of the receipts was not certain. The £332k of s106 sums received in 2018/19 were applied to the financing of the Littlehampton Wave as planned during the year. In addition, £211k of s106 developer contributions for Leisure facilities was also applied to the scheme (total £545k).

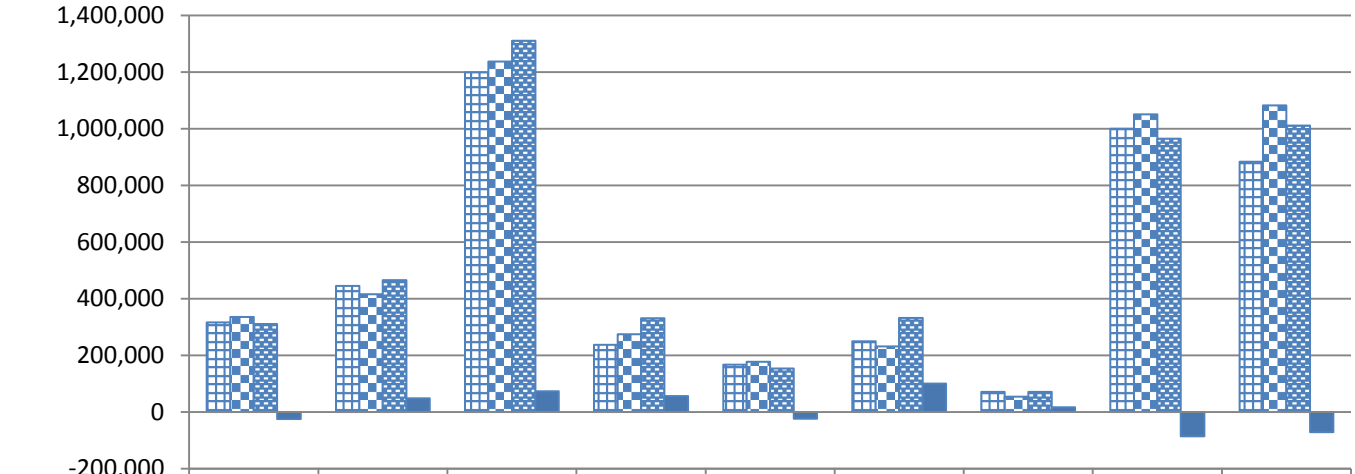
During the year £2.076m of unrequired budgets and earmarked reserve were identified to help fund the Council's Pavilion Park regeneration scheme in Bognor Regis. The total capital budget for the project of £3.090 has £858k left to be financed. Please see capital spending and finance for further information.

The £845k additional net income on retained business rates has a number of components. The most significant factors are the recalculation by the MHCLG of the basis of compensating local authorities for the loss of income due to small business relief and the increase in the appeals provision resulting in a reduction in the growth Levy. The adverse effect of the higher level of appeals will not be felt until 2019/20 and future years.

The additional net income for retained business rates enabled a £845k transfer to the Funding Resilience Reserve. The Council earmarked £1m of funding in 2017/18 to be able to effectively plan a reduction in expenditure and not to be forced into short term solutions and to become more resilient to the funding cuts forecast but uncertain from 2020/21 onwards. This was increased by a further £2m during 2018/19 when the MTFS was considered in September 2018 (Financial Prospects 2018/19 to 2023/24 report Cabinet 17 September 2018) when it became apparent that the Council's financial prospects would be worse than predicted. The balance of the Strategic Funding Resilience Reserve was £3.845m on 31 March 2019.

Service related income from fees, charges and rents are included within net cost of service. In total this amounts to an overall financing of £4.955m in 2018/19 (£4.574m previous year). Income is a key risk area to the budget as it is predominantly externally influenced, without direct link to service cost and each source is unique.

The graph below analyses (£93k) favourable outturn income variation by source and value.



	Arun Lifeline	Building Control	Car Parks	Cemeteries	Land Charges	Licensing	Pest Control	Planning Services	Property & Estates
17-18 Outturn	317,209	445,807	1,198,982	237,476	168,007	250,249	71,533	1,000,889	883,854
Current Budget	335,330	416,500	1,237,630	274,660	177,500	232,000	55,000	1,051,100	1,082,660
18-19 YTD	310,995	465,838	1,311,377	330,993	154,449	332,884	71,630	965,390	1,011,792
Variance	-24,335	49,338	73,747	56,333	-23,051	100,884	16,630	-85,710	-70,868

Capital Spending and Finance

A budget of £20.4m for capital and special revenue projects was approved by the Council for 2018/19. In addition, £18.7m was carried forward from 2017/18 due to project slippage. Actual expenditure for the year amounted to £17.9m (£16.8m previous year) on capital schemes and £2.3m (£2.2m previous year) on special revenue projects. Details of the capital financing is contained in Note 34 to the Accounts (Capital Expenditure and Financing).

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

The General Fund capital programme was dominated this year by the completion of the new leisure centre, the Littlehampton Wave financed from a combination of capital receipts, capital grants and revenue finance. This opened towards the end of March 2019. The final financing of the Wave includes £1.923m from a capital receipt (from the sale of Daisyfields). Negotiation for the site commenced in August 2018, with contracts exchanged in October 2018. The sale was subject to Planning permission which was granted in April 2019 but this is subject to detailed negotiations in relation to s106 developer contributions towards infrastructure on the site. The capital receipt is expected in the first quarter of 2019/20. The implications of this for the Council's capital financing are expended on in Note 34 – Capital Expenditure and Capital Financing (pages 82 to 83).

Littlehampton Wave (£11.395m (£5.987m 2017/18))

Public Conveniences in Hotham Park Bognor Regis, St. Martins Car park Littlehampton, Norfolk Gardens Littlehampton and Blakes Road Felpham all received major refurbishments (£374k).

Play areas at West Park, Hotham Park, Hampshire Avenue, Southfield's Recreation Ground were completely refurbished (£221k) and a brand new play area on Bognor Regis seafront (pictured) was built (£106k).

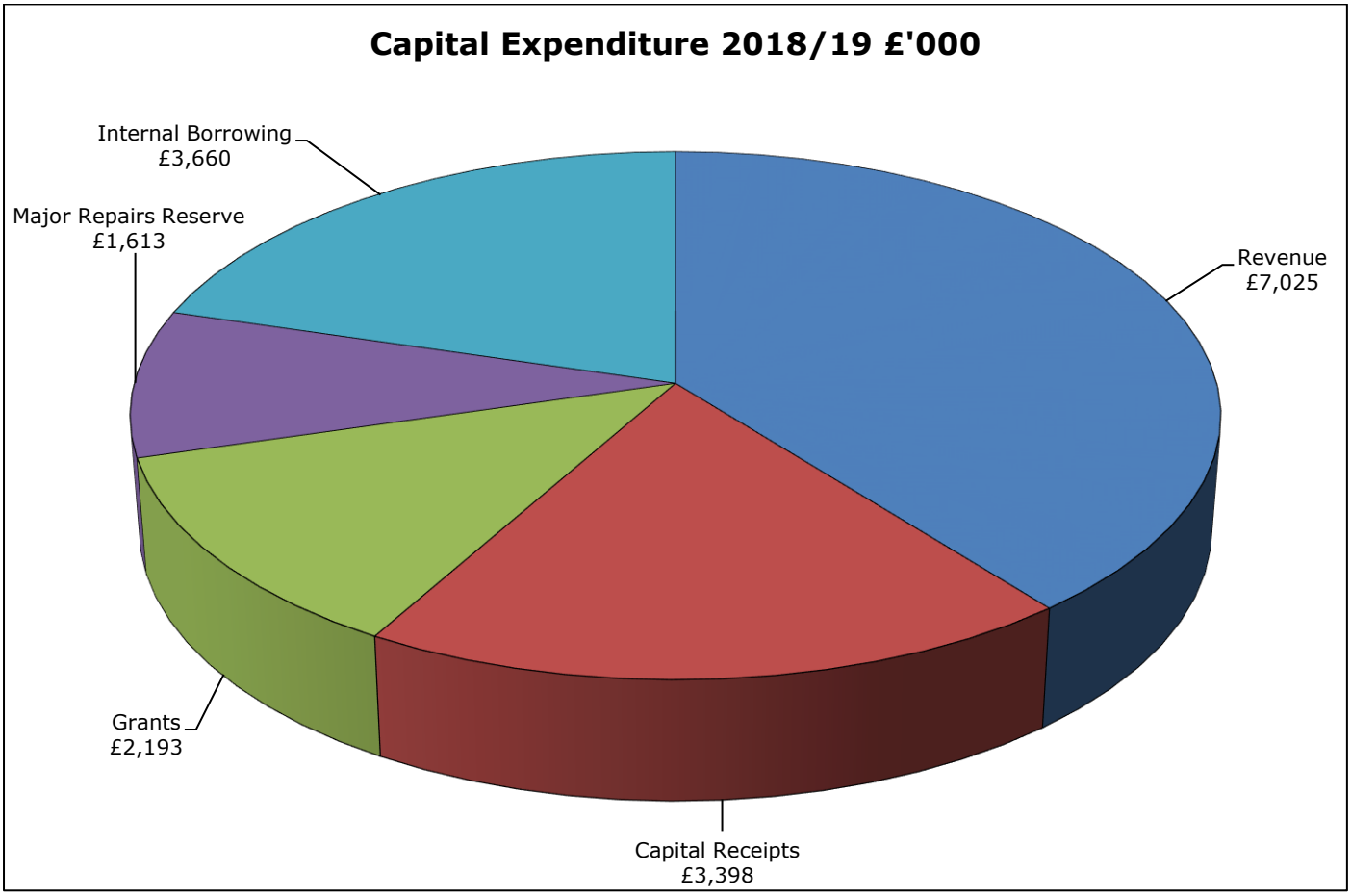
The new cricket pavilion built in Felpham (£140k), it had its grand opening in April 2019, it replaced the old one previously destroyed by fire.

The Housing Revenue Account's acquisition/new build programme saw the acquisition of 9 properties (£1.496m) and completion of the remaining 22 new build properties in Wick £1.016m (£2.671m 2017/18).

With the completion of the Wave in 2018/19, the next significant capital scheme for the General Fund is Pavilion Park, a Regeneration scheme on the Hothamton/sunken garden site in central Bognor Regis. The budget for 2019/20 includes £3.090m for the project which includes a significant piece of new public realm, incorporating replacement car parking spaces, some retail and other outdoor uses, with a residential development on the western side of the site with some retail on the ground floor. It is anticipated that the new park will raise the value of the residential development site. The final scheme design, following significant stakeholder consultation, will be worked on leading to planning permission in 2019/20 and construction commencing in 2020/21. The capital scheme was included in the budget for 2019/20 but is unfinanced. It is planned to fund the scheme from a variety of sources including Capital Receipts, Capital Grants, Revenue Finance and Prudential Borrowing. The actual financing of the scheme will depend on the nature of the expenditure (capital or revenue) and the availability of the various funding sources. The Council committed itself to closing the funding gap through the use of one-off income/savings with the remainder financed through prudential borrowing. It is Council policy to minimise borrowing as it impacts on the revenue account and would require additional savings in future year. The favourable outturn (please see details in revenue variations above) has resulted in the earmarking of £2.076m towards the scheme with a balance of £858k remaining to be financed.

The Council is also investing approximately £0.5m on a new Revenues and Benefits system which is designed to improve customer experience through more online capability like paperless billing.

The total financing of Capital Expenditure for 2018/19 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 2019. 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 2018/19 the HRA, including the Major Repairs Reserve, showed a surplus of £0.431m compared with the budgeted deficit of £1.248m. The HRA balance at 31 March 2019

was £7.229m. 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 2019/20 is a £3.117m deficit.

The relationship between the HRA and the CIES and EFA is analysed on page 17. The surplus of £0.431m referred to above comprises £0.604m surplus on the HRA and £0.173 deficit on the Major Repairs Reserve.

Pensions Liability

Under the requirements of IAS 19 the Council shows the total future costs of pension liabilities for the Local Government Pension Scheme. It is important to note that as the liability is matched by a reserve, the figures do not have any effect on the level of Council Tax. At 31 March 2019 the liability was £27.456m compared with £19.2m for the previous year. The increase is largely attributable to this year's net discount rate decreasing by 0.4%pa in comparison to last year, hence causing a significant increase in the value of the liabilities. The relevant details are shown in Note 38 Defined Benefit.

Treasury Management

The Council has significant cash surpluses, and these are mainly invested with the highest quality banks and building societies and £5m is invested in a local authority property fund. All investments are made in strict compliance with the CIPFA Treasury Management Code of Practice. Total investments amounted to £54.0m (£54.2m including accrued interest), managed entirely internally. The total interest earned in 2018/19 was £0.754m, representing an average interest rate of 1.25% (2017/18 1.05%).

Balances and Reserves

The Council's total usable reserves at 31 March 2019 amounted to £33.656m, a decrease of £7.069m compared with the previous year (£40.725m). They were comprised of: earmarked reserves £15.394m; Housing Revenue Account balance £7.229m; General Fund Revenue balance £7.076m; usable capital receipts £2.791m (to be spent within agreed timeframes); and Housing Major Repairs Reserve £1.165m.

Explanation of the Accounting Statements

The accounting statements and their location in this document are listed on page 2. Their nature and purpose are described in the introductory paragraph on the relevant page. Key features for this year of account are as follows:

The Comprehensive Income and Expenditure Statement shows income and expenditure on all Council services (including Council Housing), transactions of a corporate nature including financing transactions (general government grants, non domestic rates and Council tax), revaluation gains and losses on fixed assets, and actuarial gains and losses on the Defined Benefit Pension Scheme. This primary performance statement shows a surplus on provision of services for the year of £1.317m. Other charges relating to fixed assets and pensions, are not proper charges against the General Fund or HRA balances and are required to be reversed out of the statements. When this is allowed for, the General Fund decreased by £2.268m and HRA balances (including Major Repairs Reserve), increased by £0.431m.

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 2018 and

March 2019 is largely made up of £7.6m increase in the valuation of Council housing stock and £2.3m in other property, plant and equipment assets.

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

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

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

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

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

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

Statement of Responsibilities

The Authority's Responsibilities

The authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Group Head of Corporate Support.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Responsibilities of the Group Head of Corporate Support

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

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

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the local authority Code.

The Group Head of Corporate Support has also:

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

Certificate of Group Head of Corporate Support and Section 151 Officer

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 30 July 2019. I confirm that the date of this declaration is the date up to which events have been considered for inclusion within the Council's Statement of Accounts and that events after the Balance Sheet date have been considered to this date and the accounts amended accordingly for such events and adjustments arising from audit. The accounts are therefore authorised for issue.

Alan Peach C.P.F.A., Group Head of Corporate Support — Dated 30 July 2019

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 30 July 2019.

Councillor Inna Erskine, Chairman, Audit & Governance Committee — Dated 30 July 2019

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.

Restated 2017/18				2018/19		
Net Expenditure Chargeable to the General Fund and HRA Balance	**Adjustments**	**Net Expenditure in the Compre-hensive Income and Expenditure Statement**		**Net Expenditure Chargeable to the General Fund and HRA Balance**	**Adjustments**	**Net Expenditure in the Compre-hensive Income and Expenditure Statement**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
1,245	689	1,934	Community Wellbeing	556	6,357	6,913
224	13	237	Corporate Support Group	268	12	280
366	131	497	Economy	384	123	507
(1,468)	(16,282)	(17,751)	Local Authority Housing (HRA)	(2,401)	(6,582)	(8,984)
2,616	687	3,303	Neighbourhood Services	4,352	797	5,149
669	209	878	Planning	914	214	1,128
2,232	1,416	3,649	Residential Services	4,320	425	4,745
876	931	1,806	Technical Services	709	(401)	308
7,130	1,223	8,353	Management & Support Services	6,691	1,158	7,849
0	550	550	Non distributed costs / gains	0	955	955
13,891	**(10,434)**	**3,457**	**Net Cost of Services**	**15,793**	**3,057**	**18,851**
(18,309)	(3,307)	(21,617)	Other Income and Expenditure	(11,063)	(9,104)	(20,167)
(4,419)	**(13,741)**	**(18,160)**	**Surplus or Deficit on Provision of Services**	**4,730**	**(6,047)**	**(1,317)**
(30,011)			Opening Combined General Fund and HRA Balance	(34,430)		
(4,419)			Plus / less Surplus or Deficit on the General Fund and HRA Balance for the Year (Statutory basis)	4,730		
(34,430)			**Closing Combined General Fund and HRA Balance**	**(29,700)**		

The figures above the line for 'Net Cost of Services' have been restated for the 2017-18 comparator year to reflect the Council's revised portfolio structure between Corporate Support Group and Residential Services.

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.

Restated 2017/18					2018/19		
Expenditure £000	**Income £000**	**Net £000**	**Notes**		**Expenditure £000**	**Income £000**	**Net £000**
3,830	(1,896)	1,934		Community Wellbeing	8,972	(2,059)	6,913
296	(59)	237		Corporate Support Group	283	(3)	280
1,356	(859)	497		Economy	752	(245)	507
(1,170)	(16,581)	(17,751)		Local Authority Housing (HRA)	7,556	(16,540)	(8,984)
10,993	(7,690)	3,303		Neighbourhood Services	13,644	(8,495)	5,149
2,050	(1,172)	878		Planning	2,141	(1,013)	1,128
53,443	(49,795)	3,648		Residential Services	50,997	(46,252)	4,745
4,095	(2,289)	1,806		Technical Services	3,757	(3,449)	308
8,793	(440)	8,353		Management & Support Services	8,354	(506)	7,848
550	0	550		Non distributed costs / gains	955	0	955
84,237	**(80,780)**	**3,457**		**Cost of Services**	**97,412**	**(78,561)**	**18,851**
4,663	(731)	3,932	11	Other Operating Expenditure	4,889	(759)	4,131
6,313	(6,435)	(121)	12	Financing and Investment Income and Expenditure	6,772	(5,454)	1,318
0	(25,428)	(25,428)	13	Taxation and Non Specific Grant Income	0	(25,616)	(25,616)
95,214	**(113,374)**	**(18,160)**		**Surplus or Deficit on Provision of Services**	**109,074**	**(110,391)**	**(1,317)**
		(5,400)	24	Surplus or deficit on revaluation of Property, Plant and Equipment			(1,406)
		(148)	24	Surplus or deficit on revaluation of available for sale financial assets and financial instruments at fair value through other comprehensive income and expenditure			(78)
		(9,635)	24	Remeasurement of the net defined benefit liability / asset			6,333
		(15,184)		**Other Comprehensive Income and Expenditure**			**4,849**
		(33,343)		**Total Comprehensive Income and Expenditure**			**3,532**

The figures above the line for 'Cost of Services' have been restated for the 2017-18 comparator year to reflect the Council's revised portfolio structure between Corporate Support Group and Residential Services.

Movement in Reserves Statement

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.

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

General Fund Analysed over	
Amounts uncommitted	(7,076)
Amounts earmarked	(15,394)
Total balance	**(22,470)**

	Total General Fund Balance	Total HRA Balance	Capital Receipts Reserve	Major Repairs Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2017	(23,023)	(6,988)	(13,197)	(1,517)	**(44,725)**	(181,909)	**(226,634)**
Movement in reserves during 2017/18							
Surplus or deficit on the provision of services	(1,194)	(16,966)			**(18,160)**		**(18,160)**
Other Comprehensive Income / Expenditure						(15,184)	**(15,184)**
Total Comprehensive Income and Expenditure	**(1,194)**	**(16,966)**			**(18,160)**	**(15,184)**	**(33,343)**
Adjustments between accounting basis and funding basis under regulations	(3,587)	17,328	8,240	179	**22,161**	(22,161)	**0**
Increase or Decrease in 2017/18	**(4,781)**	**363**	**8,240**	**179**	**4,001**	**(37,344)**	**(33,343)**
Balance at 31 March 2018	**(27,804)**	**(6,625)**	**(4,957)**	**(1,338)**	**(40,725)**	**(219,253)**	**(259,977)**

General Fund Analysed over	
Amounts uncommitted	(9,344)
Amounts earmarked	(18,460)
Total balance	**(27,804)**

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 2018			31 March 2019
£000	**Notes**		**£000**
285,650	14	Property, Plant and Equipment	295,581
4,236	15	Investment Property	4,376
187	16	Intangible Assets	138
7,995	17	Long-Term Investments	5,072
23	17	Long-Term Debtors	33
298,089		**Long Term Assets**	**305,200**
47,316	17	Short-Term Investments	40,234
0	20	Assets Held for Sale	2,548
5,263	18	Short-Term Debtors	6,747
6,513	19	Cash and Cash Equivalents	8,936
59,093		**Current Assets**	**58,464**
0	17	Short-Term Borrowing	(8,860)
(12,870)	21	Short-Term Creditors	(11,495)
(1,710)	22	Provisions	(2,874)
(1,484)	32	Grants Receipts in Advance - Capital	(1,907)
(16,064)		**Current Liabilities**	**(25,136)**
(7,600)	17/21A	Long-Term Creditors	(6,866)
(53,180)	17	Long-Term Borrowing	(44,320)
(20,361)	35/38	Other Long-Term Liabilities	(28,424)
0	32	Grants Receipts in Advance - Capital	(2,473)
(81,141)		**Long Term Liabilities**	**(82,084)**
259,977		**Net Assets**	**256,445**

(40,725)	23	Usable Reserves	(33,656)
(219,253)	24	Unusable Reserves	(222,789)
(259,977)		**Total Reserves**	**(256,445)**

These financial statements replaced the unaudited financial statements certified by Alan Peach C.P.F.A., Group head of Corporate Support on 30 May 2019.

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

30 July 2019

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.

2017/18			2018/19
£000	**Notes**		**£000**
(18,160)		Net (surplus) or deficit on the provision of services	(1,317)
1,065	25	Adjustment to surplus or deficit on the provision of services for noncash movements	(4,300)
2,643	25	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	2,639
(14,453)		**Net cash flows from operating activities**	**(2,978)**
8,439	26	Net cash flows from investing activities	1,674
2,976	27	Net cash flows from financing activities	(1,119)
(3,038)		**Net (increase) or decrease in cash and cash equivalents**	**(2,423)**
3,475		Cash and cash equivalents at the beginning of the reporting period	6,513
6,513		**Cash and cash equivalents at the end of the reporting period**	**8,936**

Note 1 - Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. 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 2018/19, 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 statue to maintain a

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

Accounting for Council Tax and NDR:

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

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

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

viii. Employee Benefits

Benefits Payable during Employment:

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

Termination Benefits:

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

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

Post-employment Benefits:

Employees of the Council are members of The Local Government Pensions Scheme, administered by 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 a principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

xii. Intangible Assets

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

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

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

xiii. Investment Property

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

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

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

xiv. Leases

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.
Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee:

Finance Leases:

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant, or equipment – applied to write down the lease liability, and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards deemed capital investment in accordance with statutory

requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases:

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

The Council as Lessor:

Finance Leases:

The Council has no leases currently determined as finance leases.

Operating Leases:

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

xv. Support Services

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

xvi. Property, Plant and Equipment

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

Recognition:

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

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

Measurement:

Assets are initially measured at cost, comprising:

- purchase price

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

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

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

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost

- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)

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

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

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

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

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

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

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

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

Impairment:

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

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

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

Depreciation:

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

Depreciation is calculated on the following basis:

- buildings (other than HRA dwellings) – straight-line allocation over the useful life of the property as estimated by the valuer

- vehicles, plant and equipment – straight-line allocation generally over 5 - 20 years

- infrastructure – straight-line allocation generally over 20 - 40 years

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

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

- Assets other than HRA dwellings: Componentisation will only apply to an asset whose depreciable capital value is greater than or equal to £500k.

- HRA dwellings: The basis of depreciation for HRA dwellings serves as a proxy for componentisation as the relevant useful lives are calculated by reference to the weighted average of the useful lives of the key components.

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

Disposals and Non-current Assets Held for Sale:

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

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

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

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

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

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

xvii. Provisions, Contingent Liabilities and Contingent Assets

Provisions:

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

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

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from insurance claim), this is only recognised as income for the relevant service area if it 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 participates 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.

Amendments to IAS 40 Investment Property
Transfers of Investment Property has been amended to state that an entity shall transfer a property to, or from investment property when, and only when, there is evidence of a change in use. This may have an impact on Arun District Council.

IFRS 12 Disclosure of Interests in Other Entities
This a consolidated disclosure standard requiring a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. Disclosures are presented as a series of objectives, with detailed guidance on satisfying those objectives. This is unlikely to have any impact on Arun District Council.

IAS 28 Investments in Associates and Joint Ventures
Measuring an Associate or Joint Venture at Fair Value. This is unlikely to have any impact on Arun District Council.

IFRIC 22 Foreign Currency Transactions and Advance Consideration
The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. This is unlikely to have any impact on Arun District Council.

IFRIC 23 Uncertainty over Income Tax Treatments
The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. This is unlikely to have any impact on Arun District Council.

Amendments to IFRS 9 Financial Instruments
Prepayment Features with Negative Compensation. These amendments enable entities to measure at amortised cost some pre-payable financial assets with so-called negative compensation. This may have an impact on Arun District Council.

IFRS 16 Leases
This has been postponed until at least the 2020/21 CIPFA Accounting Code of Practice and will require Council's that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities.

Note 3 - Critical Judgements in Applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government, particularly with regard to Business Rate Retention and the New Homes Bonus. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

- Transactions related to leases form a fairly insignificant part of the Council's total income and expenditure. However, there is a requirement to assess whether leases are finance or operating leases. In making this assessment, officers have had regard to CIPFA guidance and the advice received from consultants. The conclusion of these deliberations is that all current leases are operating leases.

- The Council is required to determine whether any of its contractual arrangements has the substance of a lease. Officers have considered and obtained advice upon the vehicles and plant equipment used in the combined cleansing contract, the grounds maintenance contract, the housing repairs and maintenance contracts. In the cases of the combined cleansing and grounds maintenance contracts the advice received has been that the contractual arrangements do have the substance of a lease. The accounts have therefore been prepared on this basis.

- In the course of providing its services, the Council has dealings with many entities. However, after due consideration by officers, it has been determined that none of these entities are controlled by the Council and that publication of group accounts is therefore unnecessary. Particular attention has been paid to the Littlehampton Harbour Board and Age Concern West Sussex. The Council is considering the setting up of a wholly owned Local Property Company and has registered the name of the Company - "Trisanto Development Corporation" - at Companies House. However, the company is dormant and there are no implications for the 2018/19 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 which includes the McCloud and GMP outcome.

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 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of assets falls. It is estimated that the annual depreciation charge would increase by £215k for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the Real Discount Rate assumption would result in an increase in the pension liability of £18.097 million. However the assumptions interact in complex ways. During 2018/19, the Council's actuaries advised that the net pension liability had increased by £8.273 million attributable to changes in financial assumptions and return on assets.
Bad Debt Impairment	The Council has made allowances for bad debt impairment of £2.942 million in 2018/19 (£2.827 million in 2017/18) 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 £147k (£141k in 2017/18).
Provisions	A provision of £2.874 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 2018/19 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 £287k.

Item	Uncertainties	Effect if actual results differ from assumptions
Fair Value Measurements	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. 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.	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 30 July 2019. 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 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Following the appeals decision Note 38, Defined Benefit Pension Scheme, has been adjusted by £805k for McCloud and £131k for GMP.

Note 7 - Note to the Expenditure and Funding Analysis

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

	Restated 2017/18				
	Net Capital Statutory Adjustments	**Net Pensions Statutory Adjustments**	**Other Statutory Adjustments**	**Other Differences**	**Total Adjustments**
	£000	**£000**	**£000**	**£000**	**£000**
Community Wellbeing	510	180	0	0	689
Corporate Support Group	0	13	0	0	13
Economy	89	42	0	0	131
Local Authority Housing (HRA)	(16,518)	236	0	0	(16,282)
Neighbourhood Services	477	209	0	0	687
Planning	0	209	0	0	209
Residential Services	1,098	318	0	0	1,416
Technical Services	670	261	0	0	931
Management & Support Services	205	1,018	0	0	1,223
Non distributed costs / gains	0	550	0	0	550
Net Cost of Services	**(13,469)**	**3,035**	**0**	**0**	**(10,434)**
Other Income and Expenditure	(2,623)	(1,376)	691	0	(3,307)
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	**(16,092)**	**1,659**	**691**	**0**	**(13,741)**

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

	2017/18 £'000	2018/19 £'000
Expenditure / Income		
Expenditure		
Employee benefits expenses	4,269	4,071
Other services expenses	87,275	88,861
Support service recharges	0	0
Depreciation, amortisation, impairment	(7,243)	4,781
Interest payments	6,250	6,470
Precepts and levies	4,206	4,483
Payments to Housing Capital Receipts Pool	457	407
Loss on the disposal of assets	0	0
Total expenditure	**95,214**	**109,073**
Income		
Fees, charges and other service income	31,017	30,699
Interest and investment income	4,595	5,064
Income from council tax, non-domestic rates, district rate income	17,981	18,572
Government grants and contributions	59,807	56,617
Gain on the disposal of assets	(26)	(562)
Total income	**113,374**	**110,390**
(Surplus) or Deficit on the Provision of Services	**(18,160)**	**(1,317)**

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.

2018/2019	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension cost (transferred to (or from) the Pensions Reserve)	(2,007)	67				1,940
Council tax and NDR (transfers to or from the Collection Fund)	(957)					957
Holiday pay (transferred to the Accumulated Absences reserve)	26	3				(29)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(5,596)	1,078			(1,000)	5,518
Total Adjustments to Revenue Resources	(8,535)	1,148	0	0	(1,000)	8,386
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	178	1,461	(1,639)			
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(407)		407			
Posting of Housing Revenue Account resource from revenue to the Major Repairs Reserve		4,984		(4,984)		
Borrowing or liabilities met from the Major Repairs Reserve				3,544		(3,544)
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	205					(205)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	7,026	0				(7,026)
Total Adjustments between Revenue and Capital Resources	7,002	6,446	(1,232)	(1,440)	0	(10,775)
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			3,398			(3,398)
Use of the Major Repairs Reserve to finance new capital expenditure				1,613		(1,613)
Application of capital grants to finance capital expenditure					1,000	(1,000)
Total Adjustments to Capital Resources	0	0	3,398	1,613	1,000	(6,011)
Other adjustments	(15)					15
Total Adjustments	**(1,547)**	**7,594**	**2,166**	**173**	**0**	**(8,385)**

2017/2018	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension cost (transferred to (or from) the Pensions Reserve)	(1,708)	49				1,659
Council tax and NDR (transfers to or from the Collection Fund)	(691)					691
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)	(1,565)	8,597			0	(7,032)
Total Adjustments to Revenue Resources	(3,964)	8,646	0	0	0	(4,681)
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	185	2,457	(2,643)			
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(457)		457			
Posting of Housing Revenue Account resource from revenue to the Major Repairs Reserve		6,226		(6,226)		
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)	199					(199)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	450	0				(450)
Total Adjustments between Revenue and Capital Resources	377	8,683	(2,185)	(2,682)	0	(4,193)
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			10,425			(10,425)
Use of the Major Repairs Reserve to finance new capital expenditure				2,861		(2,861)
Application of capital grants to finance capital expenditure					0	0
Total Adjustments to Capital Resources	0	0	10,425	2,861	0	(13,286)
Total Adjustments	**(3,587)**	**17,328**	**8,240**	**179**	**0**	**(22,161)**

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 2018/19.

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 2017	**Transfers In 2017/18**	**Transfers Out 2017/18**	**Balance at 31 March 2018**	**Transfers In 2018/19**	**Transfers Out 2018/19**	**Balance at 31 March 2019**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
General Fund Reserves:							
Delayed capital & special projects	(4,289)	(3,612)	4,289	**(3,612)**	(2,180)	3,612	**(2,180)**
Pension deficit financing	(3,153)	0	951	**(2,202)**	0	1,317	**(885)**
Community Wellbeing	(2,754)	(4,252)	534	**(6,473)**	(2,199)	7,292	**(1,380)**
Corporate Governance	(582)	(1,384)	626	**(1,341)**	(3,209)	228	**(4,321)**
Economy	(447)	(189)	375	**(260)**	(2,521)	252	**(2,529)**
Neighbourhood Services	(406)	(188)	29	**(565)**	(299)	130	**(735)**
Planning	(646)	(619)	322	**(943)**	(176)	323	**(796)**
Residential Services	(1,663)	(605)	129	**(2,140)**	(754)	1,392	**(1,502)**
Technical Services	(841)	(261)	177	**(925)**	(294)	150	**(1,068)**
Total General Fund	**(14,781)**	**(11,111)**	**7,432**	**(18,460)**	**(11,631)**	**14,696**	**(15,394)**

Note 11 - Other Operating Expenditure

2017/18 £000		2018/19 £000
4,061	Precepts	4,271
145	Levies	212
457	Payments to the Government Housing Capital Receipts Pool	407
(731)	Gains/losses on the Disposal of Non-Current Assets	(759)
3,932	**Total Other Operating Expenditure**	**4,131**

Note 12 - Financing and Investment Income and Expenditure

2017/18 £000		2018/19 £000
1,632	Interest payable and similar charges	1,626
720	Net interest on the net defined benefit liability (asset)	536
(697)	Interest receivable and similar income	(756)
(1,777)	Income and expenditure in relation to investment properties and changes in their fair value	(158)
0	Changes in impairment loss allowance of financial instruments	70
(121)	**Total**	**1,318**

Note 13 - Taxation and Non-Specific Grant Income

2017/18 £000		2018/19 £000
(14,309)	Council tax income	(15,064)
(3,673)	Non-domestic rates income and expenditure	(3,508)
(7,446)	Non-ringfenced government grants	(6,044)
0	Capital grants and contributions	(1,000)
(25,428)	**Total**	**(25,616)**

Note 14 - Property, Plant and Equipment

Movements to 31 March 2019

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

Accumulated Depreciation and Impairment								
at 1 April 2018	0	0	(1,052)	(9,774)	0	0	0	**(10,826)**
Depreciation charge	(4,845)	(817)	(444)	(254)	0	0	0	**(6,359)**
Depreciation written out to the Revaluation Reserve	0	696	0	0	0	0	0	**696**
Depreciation written out to the Surplus/Deficit on the Provision of Services	4,845	40	0	0	0	0	0	**4,885**
Derecognition – disposals	0	0	91	0	0	0	0	**91**
Derecognition – other	0	0	0	55	0	0	0	**55**
Other movements in depreciation and impairment	0	0	0	0	0	0	0	**0**
at 31 March 2019	**0**	**(81)**	**(1,405)**	**(9,972)**	**0**	**0**	**0**	**(11,458)**
Net Book Value								
at 31 March 2019	**215,808**	**67,909**	**4,673**	**4,259**	**2,784**	**104**	**44**	**295,581**
at 31 March 2018	**208,182**	**56,406**	**4,281**	**4,569**	**2,783**	**116**	**9,313**	**285,650**

Movements to 31 March 2018

	Council Dwellings	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
at 1 April 2017	195,462	51,669	4,364	14,386	2,789	137	1,888	**270,694**
Additions	2,684	1,760	1,036	0	0	0	8,980	**14,460**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	4,347	0	0	0	(21)	0	**4,326**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	10,177	(1,175)	0	0	0	0	0	**9,002**
Derecognition – disposals	0	0	(49)	0	(6)	0	0	**(55)**
Derecognition – other	(376)	(195)	(18)	(42)	0	0	0	**(630)**
Reclassifications and transfer	1,555	0	0	0	0	0	(1,555)	**0**
Assets reclassified (to)/from Held for Sale	(1,320)	0	0	0	0	0	0	**(1,320)**
Other movements in cost or valuation	0	0	0	0	0	0	0	**0**
at 31 March 2018	**208,182**	**56,406**	**5,333**	**14,343**	**2,783**	**116**	**9,313**	**296,476**

Accumulated Depreciation and Impairment								
at 1 April 2017	0	(442)	(667)	(9,171)	0	0	0	**(10,280)**
Depreciation charge	(3,613)	(772)	(437)	(646)	0	0	0	**(5,467)**
Depreciation written out to the Revaluation Reserve	0	1,075	0	0	0	0	0	**1,075**
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,613	139	0	0	0	0	0	**3,752**
Derecognition – disposals	0	0	34	0	0	0	0	**34**
Derecognition – other	0	0	18	42	0	0	0	**60**
Other movements in depreciation and impairment	0	0	0	0	0	0	0	**0**
at 31 March 2018	**0**	**0**	**(1,052)**	**(9,774)**	**0**	**0**	**0**	**(10,826)**
Net Book Value								
at 31 March 2018	**208,182**	**56,406**	**4,281**	**4,569**	**2,783**	**116**	**9,313**	**285,650**
at 31 March 2017	**195,462**	**51,227**	**3,697**	**5,215**	**2,789**	**137**	**1,888**	**260,414**

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 2019, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2018/19 budgeted to cost £334k. Similar commitments at 31 March 2018 were £13.071m.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. All valuations were carried out by external valuers. Valuations of land and buildings were carried out

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

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

Significant assumptions applied in estimating current value are:

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

Property, Plant and Equipment Revaluations

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	0	0	4,673	4,259	2,784	0	44	11,760
Valued at current value as at:								
31/03/2019	215,808	53,245	0	0	0	96	0	269,149
31/03/2018	0	14,664	0	0	0	8	0	14,672
Total Cost or Valuation	**215,808**	**67,909**	**4,673**	**4,259**	**2,784**	**104**	**44**	**295,581**

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

The Council does not have material surplus Assets.

Note 15 - Investment Properties

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

31 March 2018 £000	Investment Property Income and Expenditure	31 March 2019 £000
(139)	Rental income from investment property	(250)
64	Direct operating expenses from investment property	231
(2)	Other income and expenditure	2
(77)	**Net (gain)/loss**	**(18)**

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

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

31 March 2018 Non-Current £000	Investment Properties Movements in Year	31 March 2019 Non-Current £000
617	Opening Balance	4,236
	Additions:	
1,919	Purchases	0
1,700	Net gains/losses from fair value adjustments	140
4,236	**Balance at the end of the year**	**4,376**

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 2019 and 2018 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 2019
	£000	£000	£000	£000
Commercial units			4,376	4,376
Total	**-**	**-**	**4,376**	**4,376**

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 2018
	£000	£000	£000	£000
Commercial units			4,236	4,236
Total	**-**	**-**	**4,236**	**4,236**

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 units located in the local authority area are 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).

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 it’s current and best use.

Valuation Techniques

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

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:

31st March 2018 Total £000		31st March 2019 Total £000
	Balance at start of year:	
355	Gross carrying amounts	425
(195)	Accumulated amortisation	(238)
160	**Net carrying amount at start of year**	**187**
	Additions:	
70	Purchases	0
(44)	Amortisation for the period	(49)
187	**Net carrying amount at end of year**	**138**
	Comprising:	
425	Gross carrying amounts	425
(238)	Accumulated amortisation	(287)
187	**Total**	**138**

Note 17 - Financial Instruments

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

Financial Asset

	Non Current				Current					
	Investments		**Debtors**		**Investments**		**Debtors**		**Total**	**Total**
	31 Mar 2019 £000	31 Mar 2018 £000	31 Mar 2019 £000	31 Mar 2018 £000	31 Mar 2019 £000	31 Mar 2018 £000	31 Mar 2019 £000	31 Mar 2018 £000	31 Mar 2019 £000	31 Mar 2018 £000
Pre IFRS 9 Categories										
Loans and receivables	-	3,000	-	-	-	53,513	-	-	-	56,513
Available-for-sale financial asset	-	4,995	-	-	-	-	-	-	-	4,995
Debtors	-	-	-	23	-	-	-	1,875	-	1,898
Accrued Interest	-	-	-	-	-	316	-	-	-	316
Total	**-**	**7,995**	**-**	**23**	**-**	**53,829**	**-**	**1,875**	**-**	**63,722**
IFRS Categories										
Fair value through Profit or loss	5,072	-	-	-	-	-	-	-	5,072	-
Amortised cost	-	-	-	-	48,936	-	-	-	48,936	-
Fair value through other comprehensive income - designated equity instruments										
Fair value through other comprehensive income - other	-	-	-	-	-	-	-	-	-	-
Total financial assets	**5,072**	**-**	**-**	**-**	**48,936**	**-**	**-**	**-**	**54,008**	**-**
Non-financial assets	-	-	-	-	-	-	-	-	-	-
Accrued interest	-	-	-	-	234	-	-	-	234	-
Debtors	-	-	33	-	-	-	3,910	-	3,943	-
Total	**5,072**	**-**	**33**	**-**	**49,170**	**-**	**3,910**	**-**	**58,185**	**-**

Financial Liabilities

	Non Current				Current					
	Borrowings		**Creditors**		**Borrowings**		**Creditors**		**Total**	**Total**
	31 Mar 2019 £000	31 Mar 2018 £000	31 Mar 2019 £000	31 Mar 2018 £000	31 Mar 2019 £000	31 Mar 2018 £000	31 Mar 2019 £000	31 Mar 2018 £000	31 Mar 2019 £000	31 Mar 2018 £000
Fair value through Profit or loss	-	-	-	-	-	-	-	-	-	-
Amortised cost										
PWLB borrowings	44,320	53,180	-	-	8,860	-	-	-	53,180	53,180
Total financial assets	44,320	53,180	-	-	8,860	-	-	-	53,180	53,180
Non-financial liability (creditors)	-	-	6,866	7,600	-	-	5,170	4,514	12,036	12,114
Total	**44,320**	**53,180**	**6,866**	**7,600**	**8,860**	**-**	**5,170**	**4,514**	**65,216**	**65,294**

Income, Expense, Gains and Losses

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

	31 Mar 2019		31 Mar 2018		Total	Total
	Surplus or Deficit on the Provision of Service	Other Comprehensive Income and Expenditure	Surplus or Deficit on the Provision of Service	Other Comprehensive Income and Expenditure	2019	2018
	£000	£000	£000	£000	£000	£000
Net gains/losses on:						
Financial assets measured at fair value through Profit or loss	-	72	-	(5)	72	(5)
Financial asset measured at amortised cost	-	-	-	-	-	-
Investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
Financial liabilities measured at fair value through profit or loss						
Financial liabilities measured at amortised cost						
Total net gains/losses	**-**	**72**	**-**	**(5)**	**72**	**(5)**
Interest revenue	756	-	696	-	756	696
Financial assets measured at amortised cost	-	-	-	-	-	-
Other financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
Total interest income	**756**	**-**	**696**	**-**	**756**	**696**
Interest expense	(1,626)	-	(1,632)	-	(1,626)	(1,632)
Fee Income						
Financial assets or financial liabilities that are not at fair value through profit or loss	-	-	-	-	-	-
Total fee income	**-**	**-**	**-**	**-**	**-**	**-**
Fee expense						
Financial assets or financial liabilities that are not at fair value through profit or loss	-	-	-	-	-	-
Total fee expense	-	-	-	-	-	-
Total	**(870)**	**72**	**(936)**	**(5)**	**(798)**	**(941)**

Breakdown of financial assets and liabilities:

	Long-term		Current	
	31 Mar 2018	**31 Mar 2019**	**31 Mar 2018**	**31 Mar 2019**
	£000	**£000**	**£000**	**£000**
Financial assets				
Investments:				
Amortised Cost				
NatWest / RBS	2,000	-	4,000	2,000
Lloyds Banking Group	-	-	6,000	2,000
Santander UK	-	-	5,000	2,000
Barclays	-	-	1,000	2,000
Development Bank of Singapore	-	-	-	6,000
Qatar National Bank	-	-	8,000	10,000
Close Brothers Limited	1,000		7,000	7,000
Goldman Sachs International	-	-	9,000	6,000
Skipton Building Society	-	-	4,000	-
Leeds Building Society	-	-	-	2,000
Coventry Building Society	-	-	1,000	-
Yorkshire Building Society			-	1,000
Buckinghamshire CC	-	-	2,000	-
Cash & cash equivalents	-	-	6,513	8,936
FVP&L				
CCLA property Fund	4,995	5,072	-	-
Accrued interest	-	-	316	234
Total investments	**7,995**	**5,072**	**53,829**	**49,170**
Debtors	23	33	1,875	3,910
Financial liabilities at amortised cost				
Borrowings (all PWLB)	53,180	44,320	-	8,860
Creditors	-	-	4,514	5,170

Fair value of assets and liabilities

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

Recurring Fair Value Measurements	Input Level In Fair Value Hierarchy	Valuation technique used to measure Fair Value	31 Mar 2018 Fair Value £000	31 Mar 2019 Fair Value £000
Financial Instrument Revaluation Reserve: CCLA	Level 1	Unadjusted quoted prices in active markets for identical shares	5,047	5,127
		Total:	**5,047**	**5,127**

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 2018		31 March 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial liabilities (PWLB loans)	53,197	68,598	53,197	69,548
Long-term creditors	-	-	-	-
Other Liabilities	1,382	1,382	1,178	1,178
Financial assets at Amortised cost	55,995	56,023	48,147	48,148
Investments at FVOCI	5,047	5,047	5,127	5,127
Long-term debtors	23	23	33	33

The fair values calculated are as follows:

- The fair value of the PWLB loans (£70 million) is calculated using the premature repayment method as at 31 March 2019 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 FVOCI is calculated using the unadjusted quoted prices in active markets for identical shares. (Level 1). As per IFRS9 Available for sale has now been re classified as Fair Value through Profit & Loss. As a result of the statutory override for 5 years this is amended to FVOCI (CCLA property 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 which have been rated "AAA", mmf 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 £53 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 2019 that this was likely to materialise. The following analysis summarises the risk categories of the Council's financial assets at 31 March 2019.

	Amount at 31 March 2019
	£000
Deposits with financial institutions:	
AAA rated counterparties	8,000
AA rated counterparties	6,000
A rated counterparties	29,000
Local Authorities	2,000
Part Nationalised Banks	2,000
Building Societies with assets greater than £10 Billion	1,000
Unrated pooled Funds	5,000
Total	**53,000**

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 £611k of the £3.91 million balance is past its due date for payment. (This excludes housing rent arrears, where an aged debt analysis is not available). The past due but not impaired amount of other debts can be analysed by age as follows:

	31 March 2018	31 March 2019
	£000	£000
Less than three months	159	285
Three to nine months	84	59
Nine months to one year	100	71
More than one year	137	196
Total	**480**	**611**

Liquidity Risk

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

	31 March 2018	**31 March 2019**
	£000	**£000**
Less than one year	-	8,860
Between one and two years	8,860	-
Between two and five years	8,860	8,860
Between six and ten years	-	-
Between eleven and twenty years	17,740	17,740
More than twenty years	17,720	17,720
Total	**53,180**	**53,180**

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

Market Risk

Interest Rates Risk. The Council's borrowings are 100% fixed rate and are therefore not subject to fluctuations in interest rates. All investments are cash. Generally investments are at a fixed rate, but to ensure stability and liquidity, Money Market Funds, structured products where there is an interest rate floor and cap or annual rate change, and notice accounts for notice periods of 35 and 95 days are also used. The Treasury Management team has an active strategy for assessing interest rate exposure that feeds into the annual budget. Estimates for interest receivable are updated during the year as an integral part of the budget monitoring and planning process. This allows adverse changes to be identified at various times and accommodated within the budget. According to this assessment strategy, at 31 March 2019, 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 £33k.

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

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

Note 18 - Debtors

31 March 2018 £000		31 March 2019 £000
1,153	Trade Receivables	2,467
529	Prepayments	1,022
3,581	Other Receivable Amounts	3,258
5,263	**Total**	**6,747**

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

Note 19 - Cash and Cash Equivalents

31 March 2018 £000		31 March 2019 £000
781	Cash and Bank balances	931
5,732	Short Term Investments	8,005
6,513	**Total Cash and Cash Equivalents**	**8,936**

Note 20 - Assets Held for Sale

Current 31 March 2018 £000		Current 31 March 2019 £000
0	Balance outstanding at start of year	0
	Assets newly classified as held for sale:	
1,320	- Property Plant and Equipment	3,252
(1,320)	Assets sold	(705)
0	**Balance Outstanding year end**	**2,548**

Note 21 - Creditors

31 March 2018 £000		31 March 2019 £000
(4,245)	Trade payables	(4,182)
(8,625)	Other payables	(7,313)
(12,870)	**Total Creditors**	**(11,495)**

Other payables include NHS, Local Government, Police Authorities and Government bodies.

Note 21A - Long Term Creditors

31 March 2018 £000		31 March 2019 £000
(7,600)	s.106 1990 Town & Country Planning Act	(6,866)
(7,600)	**Total Long Term Creditors**	**(6,866)**

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.

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 have been classified as a capital grant.

Note 22 - Provisions

Current Provisions

2018/19	**Total**
	£000
Opening Balance	(1,710)
Increase in provision during year	(1,808)
Utilised during year	644
Closing Balance	**(2,874)**

2017/18	**Total**
	£000
Opening Balance	(2,006)
Increase in provision during year	(1,832)
Utilised during year	2,128
Closing Balance	**(1,710)**

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 £2.874 million represents the Council's share of the estimated amounts which will be refunded in respect of all business rate liability for 2018/19 and earlier years resulting from successful appeals.

Note 23 - Usable Reserves

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

Note 24 - Unusable Reserves

31 March 2018 £000		31 March 2019 £000
(29,972)	Revaluation Reserve	(28,355)
5	Available for Sale Financial Instruments Reserve	0
0	Financial Instruments Revaluation Reserve	(72)
(208,293)	Capital Adjustment Account	(222,570)
19,183	Pension Reserve	27,456
(309)	Collection Fund Adjustment Account	648
133	Accumulated Absences Account	104
(219,253)	**Total**	**(222,789)**

Revaluation Reserve

31 March 2018 £000		31 March 2019 £000
(25,216)	**Balance 1 April**	(29,972)
(6,631)	Upward revaluation of assets	(3,447)
1,231	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	2,041
(5,400)	**Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services**	**(1,406)**
579	Difference between fair value depreciation and historical cost depreciation	458
66	Accumulated gains on assets sold or scrapped	3
0	Other amounts written off to the Capital Adjustment Account	2,563
644	**Amount written off to the Capital Adjustment Account**	**3,023**
(29,972)	**Balance 31 March**	**(28,355)**

Available for Sale Financial Instruments Reserve

31 March 2018 £000		31 March 2019 £000
154	**Balance 1 April**	5
0	Opening balance adjustments on adoption of IFRS9	(5)
154	**Revised Opening Balance**	**0**
(148)	Upward revaluation of investments	0
5	**Balance 31 March**	**0**

Financial Instruments Revaluation Reserve

31 March 2018 £000		31 March 2019 £000
0	**Balance 1 April**	0
0	Opening balance adjustments on adoption of IFRS9	5
0	**Revised Opening Balance**	**5**
0	Upward revaluation of investments	(78)
0	Downward revaluation of investments	0
0	Change in impairment loss allowances	0
0	**Total Changes in revaluation and impairment**	**(78)**
0	Accumulated gains or losses on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	0
0	Accumulated gains or losses on assets sold and maturing assets written out to the General Fund Balances for financial assets designated to fair value through other comprehensive income	0
0	Other movements	0
0	**Balance 31 March**	**(72)**

Capital Adjustment Account

31 March 2018 £000		31 March 2019 £000
(183,138)	**Balance 1 April**	(208,293)
5,467	Charges for depreciation and impairment of non-current assets	6,359
(12,754)	Revaluation losses on non-current assets	(1,630)
44	Amortisation of intangible assets	49
734	Revenue expenditure funded from capital under statute	1,193
1,912	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	880
(4,597)	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	6,851
(644)	Adjusting Amounts written out of the Revaluation Reserve	(3,023)
(5,242)	**Net written out amount of the cost of non-current assets consumed in the year**	3,827
(10,425)	Use of Capital Receipts Reserve to finance new capital expenditure	(3,398)
(2,861)	Use of Major Repairs Reserve to finance new capital expenditure	(1,613)
(734)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,193)
(199)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(205)
(450)	Capital expenditure charged against the General Fund and HRA balances	(7,026)
(14,669)	**Capital financing applied in year:**	(14,434)
(3,544)	Borrowing or liabilities met from the Major Repairs Reserve	(3,544)
(1,700)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(140)
0	Other movements	14
(208,293)	**Balance 31 March**	**(222,570)**

Pension Reserve

31 March 2018 £000		31 March 2019 £000
27,159	Balance 1 April	19,183
(9,635)	Remeasurements of the net defined benefit (liability)/asset	6,333
5,560	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	5,584
(3,901)	Employer's pensions contributions and direct payments to pensioners payable in the year	(3,644)
19,183	**Balance 31 March**	**27,456**

Collection Fund Adjustment Account

31 March 2018 £000		31 March 2019 £000
(1,001)	Balance 1 April	(309)
691	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	957
(309)	**Balance 31 March**	**648**

Accumulated Absences Account

31 March 2018 £000		31 March 2019 £000
133	**Balance 1 April**	133
(133)	Settlement or cancellation of accrual made at the end of the preceding year	(133)
133	Amounts accrued at the end of the current year	104
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	(29)
133	**Balance 31 March**	**104**

Note 25 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

31 March 2018 £000		31 March 2019 £000
(1,290)	Interest received	(522)
1,652	Interest paid	1,626
362	**Total**	**1,104**

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

31 March 2018 £000		31 March 2019 £000
(5,467)	Depreciation	(6,359)
12,754	Impairment and downward valuations	1,630
(44)	Amortisation	(49)
(4,701)	(Increase)/decrease in creditors	2,214
96	Increase/(decrease) in debtors	2,122
(1,659)	Movement in pension liability	(1,940)
(1,912)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(880)
1,997	Other non-cash movements charged to the surplus or deficit on provision of services	(1,038)
1,065	**Total**	**(4,300)**

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

31 March 2018 £000		31 March 2019 £000
2,643	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,639
0	Any other items for which the cash effects are investing or financing cash flows	1,000
2,643	**Total**	**2,639**

Note 26 - Cash Flow from Investing Activities

31 March 2018 £000		31 March 2019 £000
14,900	Purchase of property, plant and equipment, investment property and intangible assets	17,208
10,000	Purchase of short-term and long-term investments	8,000
(2,643)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,639)
(13,000)	Proceeds from short-term and long-term investments	(18,000)
(819)	Other receipts from investing activities	(3,896)
8,439	**Net cash flows from investing activities**	**1,674**

Note 27 - Cash Flow from Financing Activities

31 March 2018 £000		31 March 2019 £000
199	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	205
2,777	Other payments for financing activities	(1,324)
2,976	**Net cash flows from financing activities**	**(1,119)**

Note 28 - Agency Services

The Council provided the following agency services in 2018/19

- Collection of Penalty Notices for West Sussex County Council created a surplus in the General Fund Accounts of £159k.

- Provision of a payroll service for a number of voluntary organisations and four Parish Councils (no charge is made for this service).

Note 29 - Members' Allowances

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

31-Mar-18 £'000		31-Mar-19 £'000
420	Allowances	427
11	Expenses	11
431	**Total Members' Allowances**	438

Note 30 - Officers' Remuneration

Senior Officer Remuneration

2018/19		Salary, Fees and Allowances	Expenses Allowances	Compensation for Loss of Office	Pension Contribution	Total
		£'000	£'000	£'000	£'000	£'000
Chief Executive	**2018/19**	121	1	-	22	**144**
	2017/18	118	-	-	24	**142**
Director of Place	**2018/19**	92	-	-	16	**108**
	2017/18	90	-	-	16	**106**
Director of Services	**2018/19**	93	-	-	16	**109**
	2017/18	90	-	-	16	**106**
Group Head - Policy	**2018/19**	70	-	-	12	**82**
	2017/18	67	-	-	12	**79**
Group Head - Council Advice & Monitoring Officer	**2018/19**	68	-	-	12	**80**
	2017/18	61	-	-	11	**72**
Group Head - Corporate Support & S151 Officer	**2018/19**	77	-	-	14	**91**
	2017/18	74	-	-	13	**87**
Group Head - Planning	**2018/19**	64	-	-	11	**75**
	2017/18	61	-	-	11	**72**
Group Head - Technical Services	**2018/19**	70	-	-	12	**82**
	2017/18	67	-	-	12	**79**
Group Head - Economy	**2018/19**	64	-	-	11	**75**
	2017/18	61	-	-	11	**72**
Group Head - Community Wellbeing	**2018/19**	70	-	-	12	**82**
	2017/18	67	-	-	12	**79**
Group Head - Residential Services	**2018/19**	72	-	-	13	**85**
	2017/18	41	-	-	7	**48**
Group Head - Neighbourhood Services	**2018/19**	72	-	-	13	**85**
	2017/18	68	-	-	12	**80**
Total	**2018/19**	**933**	**1**	**-**	**164**	**1,098**
	2017/18	**865**	**-**	**-**	**157**	**1,022**

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

The figures for the Group Head of Residential Services was pro-rata in 2017/18 due to the transition period for the new structure, 2018/19 shows a full year.

No Senior Officers were in receipt of bonus payments or benefits in kind for 2018/19.

Officer Remuneration

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

	2017/18	2018/19
£50,001 to £55,000	9	8 *
£55,001 to £60,000	5	0
£60,001 to £65,000	0	0
£65,001 to £70,000	2	0
£70,001 to £75,000	0	0
£75,001 to £80,000	4	0
£80,001 to £85,000	0	0
£85,001 to £90,000	0	0
£90,001 to £95,000	1	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	1 **
£115,001 to £120,000	0	0
Total	**21**	**9**

2018/19

* One employee included by virtue of annualised salary

** One employee included by virtue of redundancy pay

2017/18 - Includes twelve employees by virtue of redundancy pay

Exit Packages

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band £'000	
	17/18	18/19	17/18	18/19	17/18	18/19	17/18	18/19
£0-£20,000 *	6	3	0	0	6	3	£63	£15
£20,001-£40,000	8	0	0	0	8	0	£246	£0
£40,000-£60,000	3	1	0	0	3	1	£149	£43
£60,001-£80,000	2	0	0	0	2	0	£131	£0
£80,001-£100,000	2	0	0	0	2	0	£182	£0
£100,001-£150,000	0	2	0	0	0	2	£0	£229
£150,001-£200,000	1	0	0	0	1	0	£171	£0
Total	**22**	**6**	**0**	**0**	**22**	**6**	**£942**	**£287**

The total cost of £287,000 in the table above includes exit packages that have been charged to the Council's Comprehensive Income & Expenditure Statement in 2018/19 excluding accruals made for redundancies & disclosed in 2017/18. Also included is the 18/19 pension strain to be paid in 19/20.

* One Officer is included in the banding £0-£20,000 by virtue of additional redundancy payment and pension strain to the 2017/18 disclosure.

Note 31 - External Audit Costs

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

2017/18 £000		2018/19 £000
	Fees payable to Ernst & Young LLP	
57	external audit services carried out by the appointed auditor	44
8	certification of grant claims and returns	10
65	**Total**	**54**

Note 32 - Grant Income

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

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

31 March 2018 £000		31 March 2019 £000
(750)	Revenue Support Grant	(194)
(484)	Benefits Administration Grant	(439)
(192)	Localised Council Tax Support Administration	(178)
(186)	Business Rate Collection Allowance	(185)
(3,677)	New Homes Bonus Grant	(2,733)
(1,735)	S.31 grants paid to compensate for the loss of business rate income	(1,888)
(59)	Individual Electoral Register (IER)	(40)
(282)	Other Non-Ringfenced Grants	(300)
(80)	Homeless Reduction	(70)
0	Leaving EU	(17)
0	Capital Grants and Contributions	(1,000)
(7,446)	**Total**	**(7,044)**

Credited to Services

31 March 2018 £000		31 March 2019 £000
(399)	Community wellbeing	(342)
-	Coast Protection	(152)
-	Housing	(7)
(95)	Crime Reduction	(60)
(636)	Leisure	(773)
(752)	Disabled Facilities Grants	(1,298)
(803)	Economic Regeneration	(185)
(181)	Family Intervention project	(132)
(5)	Fuel poverty	-
(48,819)	Housing Benefit Subsidy	(45,661)
(40)	Neighbourhood Plan	(20)
(304)	Homelessness	(538)
(330)	Elections	-
(329)	Other	(388)
(52,693)	**Total**	**(49,556)**

Grants Receipts in Advance (Capital Grants) - Current Liabilities

31 March 2018 £000		31 March 2019 £000
(1,484)	Disabled Facilities Grant	(1,844)
0	Developers' Contributions	(19)
0	Coastal Revival Fund	(44)
(1,484)	**Total**	**(1,907)**

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

31 March 2018 £000		31 March 2019 £000
0	Developers' Contributions	(2,473)
0	**Total**	**(2,473)**

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 have been 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 2019 are shown in Note 18 (Central Government bodies).

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2018/19 is shown in Note 29. No members declared any transactions for 2018/19 that fall within the related party definition.

Officers

The Council's Chief Executive paid off his previous car loan and took a new car loan out and currently has £11k outstanding. Repayments amounting to £2k were made during 2018/19. No other transactions with senior officers fall within the related party definition.

Other Public Bodies

Precepts and levies totalling £4.483 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 2018 £000		31 March 2019 £000
52,837	Opening Capital Financing Requirement	51,807
	Capital Investment:	
14,460	Property Plant and Equipment	16,696
1,919	Investment Property	0
70	Intangible Assets	0
734	Revenue Expenditure Funded from Capital Under Statute	1,193
17,183	**Total Capital Spending**	**17,889**
	Sources of Finance:	
(10,425)	Capital receipts	(3,398)
(734)	Government Grants and other contributions	(2,193)
(2,861)	Major repairs reserve	(1,613)
	Sums set aside from revenue:	
(450)	- Direct revenue contributions	(7,026)
(3,544)	- Borrowing or liabilities met from the Major Repairs Reserve	(3,544)
(199)	- Minimum revenue provision	(205)
(18,213)	**Total Sources of Finance**	**(17,978)**
51,807	**Closing Capital Financing Requirement**	**51,717**

Explanation of movements in year

31 March 2018 £000		31 March 2019 £000
2,340	Increase in underlying need to borrow (unsupported by government financial assistance)	3,660
372	Assets acquired under finance leases	0
(3,743)	Other movements	(3,749)
(1,030)	**Increase/(decrease) in Capital Financing Requirement**	**(89)**

A significant part of the £3,660k increase in the underlying need to borrow is a result of timing differences between the funding of capital expenditure from capital receipts and the receipt itself, which is not due to be received until 2019/20. As the receipt is imminent no consideration has been given to MRP as the receipt itself will remove the liability. The remainder of the £3,660k relates to HRA expenditure where there is no MRP requirement.

Note 35 - Leases

Council as Lessee

Finance Leases

In 2016/17 a new Grounds Maintenance Contract and Combined Cleansing Contract was entered into. Under IFRIC 4' Determining Whether an Arrangement Contains a Lease' it has been deemed that both contracts contain finance leases relating to provision of vehicles. The Council therefore has to recognise these assets in it's 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 2018 £000		31 Mar 2019 £000
1,366	Vehicles, Plant & Equipment	1,151
1,366	**Total**	**1,151**

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 2018 £000		31 Mar 2019 £000
	Finance lease liabilities (net present value of minimum lease payments):	
205	current	209
1,177	non-current	968
121	Finance costs payable in future years	91
1,503	**Minimum lease payments**	**1,268**

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

Minimum Lease Payments			Finance Lease Liabilities	
31 Mar 2018 £000	**31 Mar 2019 £000**		**31 Mar 2018 £000**	**31 Mar 2019 £000**
235	235	Not later than one year	205	210
916	775	Later than one year and not later than five years	843	720
352	258	Later than five years	334	248
1,503	**1,268**	**Total**	**1,382**	**1,178**

Operating Leases

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

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

31 Mar 2018 £000		31 Mar 2019 £000
90	Not later than one year	85
241	Later than one year and not later than five years	126
28	Later than five years	26
359	**Total**	**237**

The expenditure charged to the Comprehensive Income and Expenditure Statement in relation to these leases in 2018/19 was £79k (2017/18 £100k) representing the

Council as Lessor

Finance Leases

The Council has no currently determined finance leases as lessor.

Operating Leases

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

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

31 Mar 2018 £000		31 Mar 2019 £000
835	Not later than one year	828
2,549	Later than one year and not later than five years	2,715
9,358	Later than five years	9,743
12,742	**Total**	**13,286**

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 2018/19.

Note 37 - Termination Benefits

The Council terminated the contracts of a number of employees in 2018/19 as part of the process of achieving required budget savings, incurring redundancy liabilities of £146,000. Payments were made against the 2017/18 provision of £39,000 and a further liability amounting to £107,000 was incurred in 2018/19.

Total liabilities include additional pension strain of £193,000, of which, £51,000 was disclosed in the 2017/18 Accounts. See Officers' Remuneration note for the number of exit packages and the total cost per band.

Note 38 - Defined Benefit Pension Scheme

Participation in Pension Schemes

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

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by West Sussex County Council - this is a funded defined benefits scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

- Arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities and cash has to be generated to meet actual pensions payments as they eventually fall due.

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

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

Discretionary Post-retirement Benefits

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

Transactions Relating to Post-employment Benefits

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

	Local Government Pension Scheme		Discretionary Benefits arrangements	
	2017/18	2018/19	2017/18	2018/19
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement -				
Cost of services:				
Service cost comprising:				
* current service cost	4,290	4,093	-	-
* past service costs (including curtailments)	550	955	-	-
* (gain)/loss from settlements	-	-	-	-
Financing and Investment Income and Expenditure:				
* Net interest expense	720	536	-	-
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	**5,560**	**5,584**	**-**	**-**
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
* Return on plan assets (excluding the amount included the net interest expense)	(6,745)	(6,982)	-	-
* Actuarial gains and losses arising on changes in demographic assumptions	-	-	-	-
* Actuarial gains and losses arising on changes in financial assumptions	(2,953)	13,163	-	-
* Other experience	158	83	(242)	108
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	**(3,980)**	**11,848**	**(242)**	**108**
Movement in Reserves Statement				
* reversal of net charges made to the Surplus or deficit on the Provision of Services for post employment benefits in accordance with the Code	5,560	5,584	-	-
Actual amount charged against the General Fund Balance for pensions in the year:				
* employer's contributions payable to scheme	3,500	3,418	-	-
* retirement benefits payable to pensioners	-	-	254	265

Pensions Assets and liabilities recognised in the Balance Sheet

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

	Local Government Pension Scheme		Discretionary Benefits	
	2017/18 £000	**2018/19 £000**	**2017/18 £000**	**2018/19 £000**
Present value of the defined benefit obligation	(175,099)	(193,344)	(4,346)	(4,454)
Fair value of plan assets	160,262	170,342	-	-
Net liability arising from defined benefit obligation	**(14,837)**	**(23,002)**	**(4,346)**	**(4,454)**

Reconciliation of the movements in the fair value of scheme assets

	Local Government Pension Scheme		Discretionary Benefits	
	2017/18 £000	**2018/19 £000**	**2017/18 £000**	**2018/19 £000**
Opening fair value of scheme assets	150,352	160,262	-	-
Interest income	3,897	4,308	-	-
Remeasurement gain/(loss):				
Return on plan assets excluding the amount included in the net interest expense	6,745	6,982	-	-
Other	-	-	-	-
Contributions from employer	3,500	3,418	254	265
Contributions from employees into the scheme	698	688	-	-
Benefits paid	(4,930)	(5,316)	(254)	(265)
Other	-	-	-	-
Closing fair value of scheme assets	**160,262**	**170,342**	**-**	**-**

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

	Funded liabilities Local Government Pension Scheme		Unfunded liabilities Discretionary Benefits	
	2017/18	**2018/19**	**2017/18**	**2018/19**
	£000	**£000**	**£000**	**£000**
Opening balance at 1 April	172,923	175,099	4,588	4,346
Current service cost	4,290	4,093	-	-
Interest cost	4,617	4,844	-	-
Contributions by scheme participants	698	688	-	-
Remeasurement (gains) and losses:				
Actuarial gains/losses arising from changes in demographic assumptions	-	-	-	-
Actuarial gains/losses arising from changes in financial assumptions	(2,953)	13,163	-	-
Other	(96)	(182)	12	373
Past service cost	550	955	-	-
Benefits paid	(4,930)	(5,316)	(254)	(265)
Other	-	-	-	-
Closing balance at 31 March	**175,099**	**193,344**	**4,346**	**4,454**

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets 2017/18 £000	Fair value of scheme assets 2018/19 £000
Cash and cash equivalents	6,611	4,695
Equity securities by industry type:		
Consumer	7,128	16,593
Manufacturing	9,279	9,790
Energy and utilities	4,688	5,186
Financial institutions	12,146	20,437
Health and care	7,865	8,198
Information technology	16,489	11,030
Other	20,386	9,733
Debt securities:		
UK Government	4,466	4,833
Private Equity - All categories	5,545	4,732
Real estate:		
UK property	11,919	15,860
Overseas property	-	-
Investment funds and unit trusts:		
Equities	-	-
Bonds	51,874	57,437
Other	1,866	1,818
Totals	**160,262**	**170,342**

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

Basis for Estimating Assets and Liabilities

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

	Local Government Pension Scheme		Discretionary Benefits	
	2017/18	**2018/19**	**2017/18**	**2018/19**
Long-term expected rate of return on assets in the scheme:				
Equity investments	7.1%	7.1%	-	-
Bonds	7.1%	7.1%	-	-
Property	7.1%	7.1%	-	-
Cash	7.1%	7.1%	-	-
Mortality assumptions:				
Longevity at 65 for current pensioners:				
* Men	23.6 years		23.6 years	
* Women	25.0 years		25.0 years	
Longevity at 65 for future pensioners:				
* Men	26.0 years		26.0 years	
* Women	27.8 years		27.8 years	
Rate of inflation	3.5%		3.5%	
Rate of increase in salaries	3.2%		3.2%	
Rate of increase in pensions (CPI)	2.5%		2.5%	
Rate for discounting scheme liabilities	2.4%		2.4%	

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 2019

	Approx. % increase to employer liability	Approx. monetary amount (£000)
0.5% decrease in Real Discount Rate	9.0%	18,097
0.5% increase in the Salary Increase Rate	1.0%	2,609
0.5% increase in the Pension Increase Rate	8.0%	15,176

Impact on the Council's cash flows

The objectives of the scheme are to keep employers' contributions as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

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

The Council expects to pay £3.326 million for employer contributions to the scheme in 2019/20.

The weighted average duration of the defined benefit obligation for scheme members is 17.4 years for 2018/19.

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

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme.
In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the Supreme Court but this was denied at the end of June 2019. Therefore, LGPS

benefits accrued from 2014 may need to be enhanced so that all eligible members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections.

Quantifying the impact of the judgement at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.
The West Sussex County Council Pension Fund's actuary has adjusted GAD's estimate to better reflect the Fund's local assumptions, particularly those for salary increases and withdrawal rates. The revised estimate results in around a 1% increase in active member liabilities as at 31 March 2019 which results in an increase of approximately £805k.

GMP

Guaranteed minimum pension (GMP) was accrued by members of the Local Government Pension Scheme (LGPS) between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number or reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men's and women's benefits. As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility leads to increased costs for schemes (including the LGPS) and hence scheme employers.

The Fund's actuary has carried out calculations in order to estimate the impact that the GMP indexation changes will have on the pension fund liabilities. The estimate assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards.
The estimated impact of GMP indexation is to increase the total liabilities by approximately £131k.

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 2019 the Council held £2.791m 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.

Housing Revenue Account Income and Expenditure Statement

31 March 2018 £000		31 March 2019 £000
	Expenditure	
4,485	Repairs & Maintenance	4,446
4,433	Supervision & Management	4,563
177	Rents, Rates, Taxes and other charges	156
(10,292)	Depreciation, impairments and revaluation losses of non-current assets	(1,783)
27	Movement in the allowance for bad debts	120
(1,170)	**Total Expenditure**	**7,500**
	Income	
(15,511)	Dwelling rents	(15,358)
(431)	Non-dwelling rents	(436)
(639)	Charges for services and facilities	(685)
0	Other	(6)
(16,580)	**Total Income**	**(16,484)**
(17,751)	**Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement**	**(8,984)**
(762)	(Gains)/loss on sale of HRA Fixed Assets	(756)
1,596	Interest Payable and Similar Charges	1,596
(50)	HRA Interest and Investment Income	(54)
(16,966)	**(Surplus) or Deficit for Year on HRA Services**	**(8,198)**

Movement on the HRA Statement

31 March 2018 £000	Movement on the HRA Statement	31 March 2019 £000
(6,988)	Balance on the HRA at the end of the previous year	(6,625)
(6,988)	**Revised opening balance**	**(6,625)**
(16,966)	(Surplus) or Deficit on the HRA Income and Expenditure Statement	(8,198)
17,328	Adjustments between accounting basis and funding basis under statute	7,594
363	**Net (increase) or decrease before transfers to or from reserves**	**(604)**
363	(Increase) or decrease on the HRA for the year	(604)
(6,625)	**Balance on the HRA at the end of the current year**	**(7,229)**

31 March 2018 £000	Adjustment between accounting basis	31 March 2019 £000
10,292	Transfers to/(from) the Capital Adjustment Account	1,783
762	Gain or (loss) on sale of non-current assets	756
49	Contributions to or (from) the Pension Reserve	67
6,226	Transfers to/(from) Major Repairs Reserve	4,984
17,329	**Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year**	**7,593**

HRA Property, Plant and Equipment

Movements to 31 March 2019

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

Movements to 31 March 2018

	Council Dwellings	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000
Cost or Valuation					
at 1 April 2017	195,462	3,562	1,477	1,250	**201,750**
Additions	2,684	0	550	2,993	**6,226**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	(9)	0	0	**(9)**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	10,177	213	0	0	**10,390**
Derecognition – other	(376)	0	0	0	**(376)**
Reclassifications and transfers	1,555	0	0	(1,555)	**0**
Assets reclassified (to)/from Held for Sale	(1,320)	0	0	0	**(1,320)**
at 31 March 2018	**208,182**	**3,766**	**2,027**	**2,687**	**216,662**
Accumulated Depreciation and Impairment					
at 1 April 2017	0	0	(95)	0	**(95)**
Depreciation charge	(3,613)	(39)	(74)	0	**(3,726)**
Depreciation written out to the Revaluation Reserve	0	6	0	0	**6**
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,613	33	0	0	**3,646**
Derecognition – other	0	0	0	0	**0**
at 31 March 2018	**0**	**0**	**(169)**	**0**	**(169)**
Net Book Value					
at 31 March 2018	**208,182**	**3,766**	**1,859**	**2,687**	**216,494**
at 31 March 2017	**195,462**	**3,562**	**1,383**	**1,250**	**201,656**

The vacant possession value of dwellings within the Council's Housing Revenue Account as at 01 April 2018 was £654 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

31st March 2018 Total £000		31st March 2019 Total £000
	Balance at start of year:	
91	· Gross carrying amounts	91
(36)	· Accumulated amortisation	(55)
55	Net carrying amount at start of year	36
	Additions:	
(18)	Amortisation for the period	(9)
36	**Net carrying amount at end of year**	**27**
	Comprising:	
91	· Gross carrying amounts	91
(55)	· Accumulated amortisation	(64)
36	**Net carrying amount at end of year**	**27**

HRA Assets Held for Sale

Current 31 March 2018 £000		Current 31 March 2019 £000
0	Balance outstanding at start of year	0
	Assets newly classified as held for sale	
1,320	- Property Plant and Equipment	705
(1,320)	Assets sold	(705)
0	**Total Cash and Cash Equivalents**	**0**

Notes to the HRA Account

Housing Stock

31 March 2018		31 March 2019
No.	**Dwelling type**	**No.**
171	Bedsits	171
1,560	Flats	1,570
1,604	Houses / bungalows	1,616
2	Hostels	2
3,337	**Total**	**3,359**

Housing Revenue Account Capital Expenditure

31 March 2018		31 March 2019
£000		**£000**
	Capital investment	
3,233	Operational assets	3,108
2,993	Non-operational assets	1,017
0	Other	0
6,226	**Total capital investment**	**4,125**
	Sources of funding	
(1,025)	Capital Receipts	(775)
(2,861)	Major Repairs Reserve	(1,613)
(2,340)	Unfinanced	(1,737)
(6,226)	**Total funding**	**(4,125)**

Rent Arrears

Tenants' arrears at 31 March 2019 were £689k (previous year £515k). The provision for doubtful debts amounted to £122k (previous year £60k).

Depreciation and Impairment of Non-Current Assets

31 March 2018			31 March 2019	
Depreciation £000	**Impairment £000**		**Depreciation £000**	**Impairment £000**
(3,613)	0	Council Dwellings	(4,845)	0
(39)	0	Other Land and Buildings	(38)	0
(74)	0	Vehicles, Plant, Furniture and Equipment	(101)	0
(3,726)	**0**	**Total**	**(4,984)**	**0**

Transactions relating to retirement benefits

31 March 2018 £000		31 March 2019 £000
(49)	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	(67)
(49)	**Movement on Pension Reserve**	**(67)**

Total Capital Receipts Generated during the year

31 March 2018 £000		31 March 2019 £000
0	Land	0
(2,457)	Council Houses	(1,428)
0	Other Property	(33)
(2,457)	**Total**	**(1,461)**

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.

2017/18 £000		2018/19 £000
(3,160)	**Balance at 1 April brought forward**	**(971)**
	Income	
	Local Taxes:	
98,981	Net Council Tax	105,610
36,750	Net business rates	37,352
-	Transfer for former CTB	(17)
	Transitional protection payments (NNDR)	137
135,731	**Total income**	**143,082**
	Expenditure	
	Council Tax Demands and Precepts:	
74,652	West Sussex County Council	79,596
9,151	Sussex Police and Crime Commissioner	10,021
14,244	Arun District Council	14,926
-	Interest	-
	Share of business rate income	
3,529	West Sussex County Council	3,676
17,644	Central Government	18,380
14,116	Arun District Council	14,704
308	Payments to Central Government re transitional protection	-
186	Transfer to General Fund re cost of Business Rate collection	185
	Shares of Fund surplus or (deficit) - Council Tax:	-
897	West Sussex County Council	404
111	Sussex Police and Crime Commissioner	49
172	Arun District Council	77
	Shares of Fund surplus or (deficit) - Business rates:	-
83	West Sussex County Council	(7)
414	Central Government	(36)
332	Arun District Council	(29)
	Bad and doubtful debts - Council Tax:	-
210	Written off	(19)
272	Provision adjustments	107
	Bad and doubtful debts - Business rates:	-
146	Written off	15
66	Provision adjustments	237
	Appeals - Business rates:	-
2,128	Use of provision	(644)
(741)	Provision adjustments	3,554
137,920	**Total Expenditure**	**145,196**
2,189	**(Surplus) / deficit for year**	**2,114**
(971)	**Balance at 31 March carried forward**	**1,143**

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

2017/18 £000		2018/19 £000
(330)	Government	943
(303)	West Sussex County Council	(374)
(29)	Sussex Police and Crime Commissioner	(75)
(309)	Arun District Council	649
(971)	**Total**	**1,143**

Analysis of movement on Collection Fund balance

2017/18 £000		2018/19 £000
	(Surplus) / deficit for year:	
728	Council Tax	(432)
1,461	Business rates	2,546
2,189	**Total**	**2,114**
	Balance at 1 April brought forward	
(1,039)	Council Tax	(311)
(2,121)	Business rates	(660)
(3,160)	**Total**	**(971)**
	Balance at 31 March carried forward	
(311)	Council Tax	(743)
(660)	Business rates	1,886
(971)	**Total**	**1,143**

Notes to the Collection Fund

1. Council Tax Base

	2017/18	2018/19
Equivalent Valuation Band D properties in:		
Valuation Band A	3,133	3,237
Valuation Band B	6,755	6,904
Valuation Band C	13,790	14,036
Valuation Band D	12,912	13,109
Valuation Band E	11,086	11,210
Valuation Band F	7,560	7,670
Valuation Band G	4,127	4,138
Valuation Band H	452	463
Total Band D Equivalents	**59,815**	**60,767**
Allowance for non-collection 0.6%	(359)	(365)
Tax Base for year	**59,456**	**60,402**

2. Council Tax (total including parish average)

	2017/18	2018/19
Valuation Band A	£1,099.39	£1,153.87
Valuation Band B	£1,282.62	£1,346.18
Valuation Band C	£1,465.85	£1,538.49
Valuation Band D	£1,649.08	£1,730.80
Valuation Band E	£2,015.54	£2,115.42
Valuation Band F	£2,382.00	£2,500.04
Valuation Band G	£2,748.47	£2,884.67
Valuation Band H	£3,298.16	£3,461.60

3. General Statistics

	2017/18	2018/19
Rateable value of non-domestic properties at 31 March	£98.1m	£98.2m
Number of non-domestic properties at 31 March	4,861	4,863
Non-domestic rating multiplier: small businesses	0.466	0.480
Non-domestic rating multiplier: other	0.479	0.493
Average Council Tax for a Band D property	£1,649	£1,731

Glossary

Accounting Period

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

Accounting Policies

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

Accruals

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

Accrued Interest

Interest accumulated but not yet received or paid.

Actuarial

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

Actuarial Gains and Losses

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

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

Agency Services

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

Amortisation

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

Amortised Cost

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

Asset

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

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

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

Audit of Accounts

An independent examination of the Council's financial affairs.

Authority/Local Authority

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

Balance Sheet

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

Borrowing

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

Budget

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

Business Improvement District (BID)

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

Capital Expenditure

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

Capital Financing

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

Capital Grants

Grants received towards capital expenditure.

Capital Programme

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

Capital Receipt

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

Collection Fund

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

Community Assets

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

Componentisation

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

Comprehensive Income and Expenditure Statement (CIES)

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

Consistency

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

Contingent Asset

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

Contingent Liability

A contingent liability is either:

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

Council Tax

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

Council Tax Base

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

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Current Service Cost (Pensions)

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

Defined Benefit Pension Scheme

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

Depreciated Replacement Cost (DRC)

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

Depreciation

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

Direct Revenue Contributions

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

Discretionary Benefits (pensions)

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

Doubtful Debt (also known as bad debt)

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

Earmarked Reserves

Reserves which are held by a Council for specified purposes.

Events after the Balance Sheet date

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

Exceptional Items

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

Existing use Value (EUV)

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

Expected Return on Pension Assets

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

Fair Value

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

Finance Lease

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

Financial Asset

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

Financial Instrument

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

Financial Liability

An obligation to deliver cash or another financial asset.

General Fund

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

Going Concern

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

Government Grants

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

Held for Sale

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

Highest & Best Use

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

Historic Cost

The amount originally paid for a fixed asset.

Housing Capital Receipts Pool

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

Housing Revenue Account (HRA)

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

IFRS

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

Impairment

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

Infrastructure Assets

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

Intangible Assets

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

Interest Cost (Pensions)

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

Investment Property

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

Investments (Pension Fund)

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

Lease

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

Liability

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

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

Liquid Investment

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

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

Major Repairs Reserve

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

Market Participants

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

Market Value

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

Materiality

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

MHCLG

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

Minimum Revenue Provision (MRP)

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

Net Book Value

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

Non-Domestic Rates (NDR)

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

Non-Operational Assets

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

Observable Inputs

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

Operating Lease

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

Operational Assets

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

Orderly Transaction

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

Payables (also known as Creditors)

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

Past Service Cost (Pensions)

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

Pension Scheme Liabilities

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

Precept

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

Precepting Authority

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

Prepayment

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

Prior Year Adjustment

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

Property, Plant & Equipment (PPE)

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

Provision

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

Public Works Loan Board (PWLB)

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

Rateable Value

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

Receivables (also known as Debtors)

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

Related Parties

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

Related Party Transactions

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

Remuneration

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

Reserves

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

Retirement Benefits

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

Revenue Expenditure

The day-to-day expenses of providing services.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

Revenue Support Grant (RSG)

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

Support Services Costs/Charges

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

Tangible Fixed Asset

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

Useful Economic Life (UEL)

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

Unobservable Inputs

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

Unusable Reserve

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

Usable Reserve

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