



CHICHESTER DISTRICT COUNCIL

DRAFT STATEMENT OF ACCOUNTS 2017-18

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General Information

Council Offices

Headquarters

East Pallant House, 1 East Pallant, Chichester, West Sussex. PO19 1TY

Telephone (01243) 785166

Fax (01243) 776766

Email: Helpline@chichester.gov.uk

Email: finance@chichester.gov.uk

Website www.chichester.gov.uk

Facebook www.facebook.com/ChichesterDistrictCouncil

Twitter www.twitter.com/ChichesterDC

Council Officials

Chairman

Mrs E Hamilton

Leader

Mr T Dignum

Deputy Leader

Mrs E Lintill

Senior Leadership Team

Mrs D Shepherd, Chief Executive (Head of Paid Service)

Mr P Over, Executive Director of Support Services and the Economy

Mr S Carvell, Executive Director of Environment

Mr J Ward, Director of Corporate Services (Previously Head of Finance and Governance Services)
and Section 151 Officer

Introduction by the Director of Corporate Services

The Council has strong financial management processes in place to ensure that its financial position remains sustainable and that it holds adequate levels of reserves.

I have structured this narrative statement to help enable readers to understand the Council, its operating environment, and to assist in the understanding and interpretation of the Statement of Accounts.

This Narrative report contains the following sections:

1. Introduction to Chichester
2. Key Facts about the Council
3. Council performance
4. Current Financial Performance
5. Risks and Uncertainties

1. Introduction to Chichester

As the largest district in West Sussex, Chichester District is a unique area, boasting a historic city, glorious countryside and the beautiful south coast. It has a population of 118,000 and covers over 300 square miles, stretching from Selsey in the south to Lynchmere in the north. A large part of the district falls within the area of the South Downs National Park.

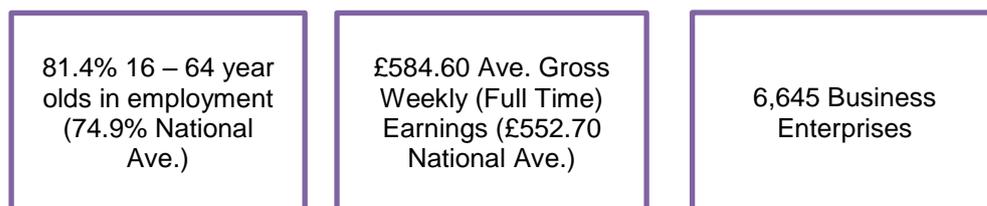
Chichester District Council is involved with the majority of day to day services and activities that residents come into contact with – from emptying the bins, to dealing with planning applications.

There are 67 parishes in the District and 48 elected members of the Council representing 29 wards. A Boundary Commission review recently completed concluded that from the next scheduled election in 2019, the number of Chichester District councillors would reduce to 36 representing 21 newly formed wards.

Key Statistics

Population 118,000	Chichester District covers 300 sq. miles	Mean average salary is £36,144
57,215 households	48 members representing 29 wards	Ave. House Price £373,448

Key Statistics (continued)



Source: Office for National Statistics UK House Price Index England & NOMIS – Official Labour Market Statistics

2. **Key Facts about the Council**

How we make decisions

Council

All councillors from across the District normally meet six times a year to decide the Council's overall policies and to set the budget. These meetings are normally open to the public and additional meetings can be held if needed.

Cabinet

The Cabinet generally meets on a monthly basis, except in August, and involves seven of our councillors making key decisions on the plans, strategies and budget which are then approved by the Council.

Overview and Scrutiny

The Overview and Scrutiny Committee holds the decision-makers to account. This can involve questioning councillors, council employees and representatives of other organisations in relation to key decisions, reports or policies. The committee then makes recommendations to Cabinet based on their findings. The committee also has an important role in looking at the wider delivery of all public services in the District.

Corporate Governance and Audit Committee

The Corporate Governance and Audit Committee review the progress/effectiveness and probity of the corporate governance arrangements of the Council, including the external audit and internal audit arrangements and the implementation of their recommendations. The committee also considers the internal arrangements in place to identify, monitor and control corporate risks which could impact on the Council's performance. The committee considers and approves the Council's statutory annual statement of accounts.

Other Non- Executive Committees

There is also a number of non-executive committees which carry out a number of regulatory functions and makes decisions on matters that may not be decided by Cabinet. These regulatory committees include the Planning Committee; the Alcohol and Entertainment Licensing Committee and the General Licensing Committee; plus a Standards Committee, which promotes and maintains high standards of conduct.

Officer Support

During 2017-18 Diane Shepherd, our Chief Executive, led the Senior Leadership Team which included two Executive Directors, Steve Carvell and Paul Over, and the Head of Finance and Governance Services, John Ward. The wider management team also consisted of six other Heads of Service.

A new management structure came into effect from 1 April 2018, with the new Strategic Leadership Team led by the Chief Executive, with one Executive Director and the Deputy to the Chief Executive Paul Over and five Directors. The details of the new structure can be found here <http://www.chichester.gov.uk/article/24164/Council-structure>

The Strategic Leadership Team, along with the new Divisional Managers, support councillors whilst also overseeing the delivery of the Council's services. The council employs just over 600 staff that are mostly based at the Council's main offices in East Pallant House, at the Depot in Westhampnett as well as at the Chichester Careline offices on Florence Road, Chichester.

3. Council Performance

Corporate Plan

Our Corporate Plan sets out our vision, key priorities and objectives for the council, and the key projects to be achieved are set out in our detailed Service Plans, both the Corporate Plan and the Service Plans are reviewed annually. The full Corporate Plan is available at <http://www.chichester.gov.uk/corporateplan>

Key Achievements

In order to achieve quality services whilst offering value for money we closely monitor our progress throughout the year to make sure that we deliver what we have said we will. Senior officers and Cabinet members regularly monitor key performance indicators and the progress of major projects. There are also three Programme Boards that ensure that our delivery of projects and development of services are kept on track in three key areas of the council's business, these are:

- The Commercial Programme Board
- The Infrastructure Programme Board
- The Business Improvement Programme Board.

A detailed outline of the council's key achievements each year are published annually in the Annual Report which can be found <http://www.chichester.gov.uk/corporateplan>

4. Current Financial performance

The Council set a balanced budget for 2017-18 on 7 March 2017, again without using its reserves or New Homes Bonus (NHB) Government funding. The government settlement for 2017-18 represented the seventh consecutive year of government funding cuts and as reflected in the Medium Term Financial Strategy as the revenue support grant disappears after 2017-18.

The Council having accepted the government's offer of the four year settlement in 2016 meant the main funding was already known. However, there are still some challenges, including the volatility of both the localisation of business rates and the council tax support

scheme impacting on budget setting and performance during the year, and considering business rates appeals alongside the new 2017 business rates valuation list.

The following sections describe the actual performance against this budget and the financial strategies that were agreed at the same Council meeting.

The Council incurs both revenue and capital expenditure. The revenue account (also known as the General Fund) shows the net operational costs relating to day to day delivery of services. Capital expenditure generates an asset that has a useful life of more than one year e.g. buying and selling land, property and other assets, building new property, improvements and providing grants and loans to other bodies in support of these activities.

The main cash flow elements of both capital and revenue are shown in the Council's cash flow statement on page 26.

Capital Expenditure 2017-18 - Movements in the Council's asset base

TOTAL ASSETS BROUGHT FORWARD £192m			
Purchases and Sales of assets £7m	Depreciation (£3m)	Other changes in value £8m	Change in Current Assets (£1m)
Total Assets Carried Forward £203m			
Property, Plant & Equipment £116m	Investment Property £12m	Other Long Term Assets £30m	Current Assets £45m

Capital Expenditure Outlook

The Council has an approved capital and asset replacement programme of £47.8m in the period 2017-18 to 2022-23. The major schemes currently planned for this period include:

Capital Expenditure (Planned)	2018-19 £000	2019-20 £000	Later £000
Plot 21 Terminus Road Development	1,100	-	-
Community Led Housing	511	370	310
Disabled Facilities grants	665	665	1,330
Affordable housing, including grants	710	575	1,000
Vehicle Replacement Programme	104	356	1,268
Community Infrastructure Levy (CIL) Projects			

Capital Expenditure (Planned)	2018-19 £000	2019-20 £000	Later £000
- School Places	850	980	800
- Beach Management Plan- Selsey	212	212	212
- Sustainable Transport	-	50	1,050
- Medical Centre West Chichester	-	1,300	-

The capital programme is an estimate of the scheme’s likely cost, and is always subject to amendment if, for example, a scheme cost is higher than anticipated. Due to its nature the capital programme is constantly changing, so the resource position is regularly updated and monitored to ensure that the programme remains affordable.

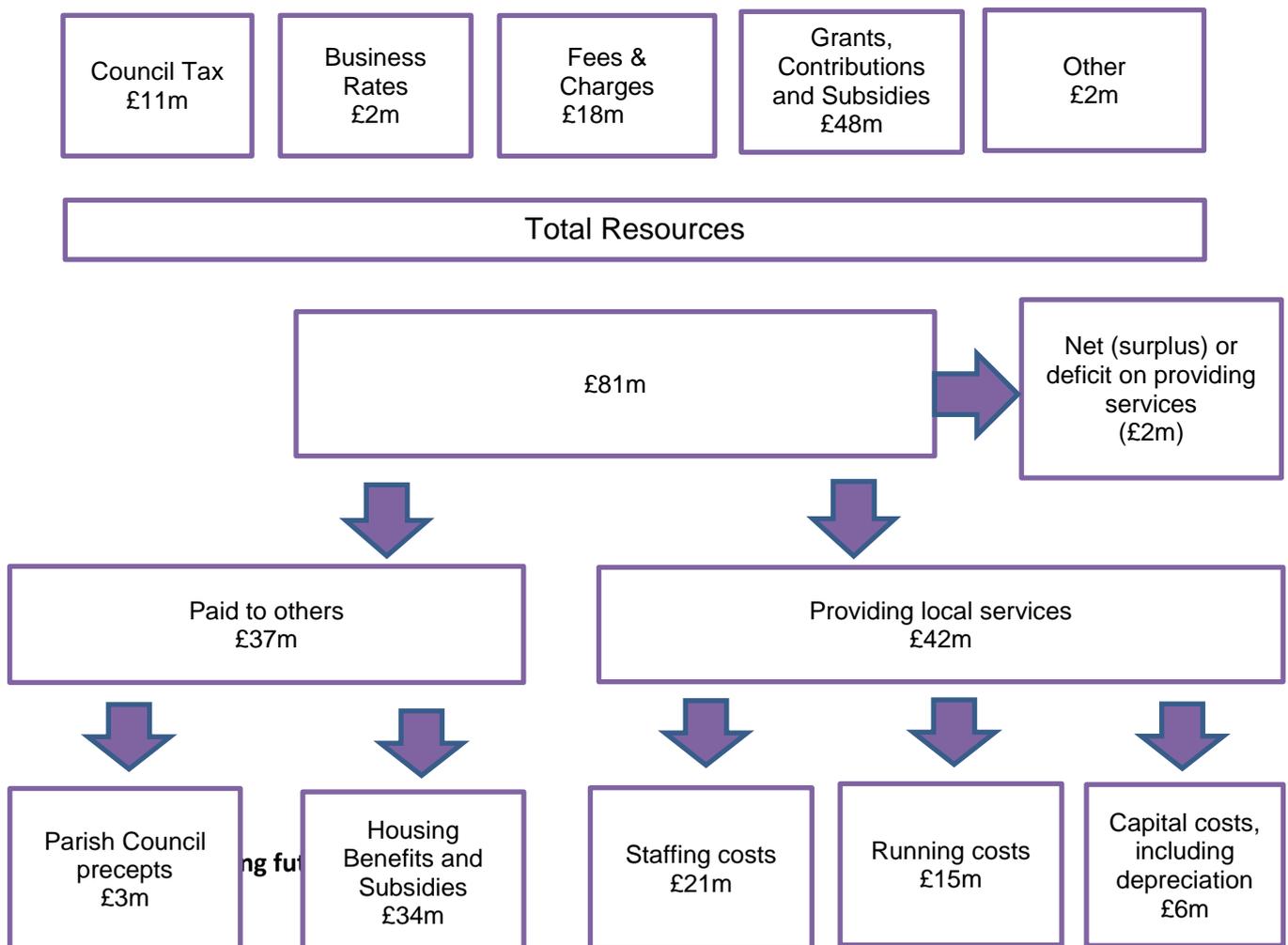
The Council is currently debt free and fully funds its capital programme and asset replacement programme from its own resources i.e. capital receipts and revenue reserves, plus grants and contributions from third parties. In the medium term this position is not expected to change.

Planned support for the Council’s future capital programme includes £5m from Coast to Capital (<http://www.coast2capital.org.uk/>). This funding will be used to help the Council regenerate the Southern Gateway area of Chichester. More about this project can be found on the Council’s website at <http://www.chichester.gov.uk/article/29385/About-the-Southern-Gateway>.

Revenue Expenditure 2017-18

Revenue Inflows and Outflows

The Council’s main elements of cash flow for revenue activities are set out below:



- Council Tax – Legislative restrictions on annual Council Tax increases and the requirement for local referendums.
- Business Rates – Impact of expected localisation of the Business Rates by 2020 creates uncertainty due to the resetting of the base level for the new scheme, and how often future resets will take place and the additional services local authorities will take on as part of this change. The potential impact of appeal refunds for this new regime and also arising from the April 2017 new valuation list. In the interim, the council have continued to pool business rates with other authorities in West Sussex to maximise the amount of funding that can be retained.
- Specific Government Grants – Reserve Support Grant ceased after 2017-18. New Homes Bonus grant is paid to the Council to encourage the building of new homes. The Council does not use this source of funding to balance the revenue budget but to fund capital investment or one off projects. The NHB scheme has been subject to change in recent years and may be the subject of a future government review.
- Fees and charges made to service users – This is influenced by policy and service demand. The council raises over £17.7m income from discretionary spend service areas or those that are linked to consumer confidence and the state of the economy.
- Service Expenditure – As a service organisation, this is principally employee related. Public sector pay restraint may increase pressure where private sector pay outstrips the public sector impacting on recruitment and retention of skilled staff. The Council's five year financial strategy reflects the assumption that pay increases in future years will be 2%.
- Capital Expenditure – This is determined by policy and the Council's approved capital programme and asset replacement programme.

Cash Resources

On 31 March 2018, the Council held £11m as cash and cash equivalents as shown in note 16. The approved minimum level of general fund reserves to be held is £6.3m (up from £5m) to cover unexpected expenditure or delays in income from the sale of council assets.

Revenue Expenditure Outlook

The Council's Medium Term Financial Strategy Model reflects the Council's best estimate of what may occur in 2018-19 and beyond.

The Council has used its five year financial model to help set out the action required to reduce the impact of any government funding gap on service delivery, building on savings and increased income already achieved to date of over £12.2m since 2010. As savings are realised against the approved 2016 deficit reduction programme amounting to £3.8m, these are built in the Council's base budget and the 5 year financial model reflects the targets yet to be achieved as part of its plans.

It has been via this medium term modelling that the Council has been able to plan ahead, and implement sensible and considered efficiencies in a timely fashion. This planning has helped to avoid making severe service cuts, yet thus far enabled us to balance our budgets, and invest in new priorities. Additionally it has enabled us to preserve the NHB funding for community benefit.

The key achievements against the approved 2017-2022 Deficit Reduction Plan focused on achieving efficiencies by:

- Modernising services;
- Restructuring senior management levels; and
- Sharing with other agencies and, where appropriate, working with partners, the third sector and the private sector to provide services.

The modernising of certain services and the restructuring of senior management levels has largely been achieved in the past year and impacting the budget for 2018-19 by £581,000, with further savings anticipated in future years.

Although further work is still required, and as with any plan, there are still risks which could affect the Council's financial position, which include:

- **Increased localisation of Business Rates:** At least 75% localisation is still expected by 2020, and as the current retained business rates is above the Council's baseline funding position, any reset of the baseline to take account of growth achieved to date, may impact on the Council's finances.
- **Fair Funding Review:** Government funding is only known up to 2019-20, after which the outcome of the Government's recent consultation on the funding formulae and the methodologies are likely to be used for future allocations to individual authorities is currently unknown. This creates potential uncertainty for all both in terms of the allocation of funding, but also any new functions which may transfer to local authorities under the new regime, once the agreed four year settlement period ends.
- **Reliance on income from fees and charges:** The Council currently relies on over £17.7m of income from fees and charges to help support the cost of delivering its services. Many of these income streams either represent discretionary spend or are linked to the state of the economy. The Council is, therefore, at risk that a downturn in the economy would result in a reduction in income from service users.
- **Amended waste regulations and increased recycling targets:** Local authorities are under an obligation to increase recycling to 50%. It is unclear at present what the expected costs associated with these obligations will be. £800k has been allowed for in the plan and this figure will be firmed up when the Recycling Action Plan is approved.
- **Changes to New Homes Bonus:** This source of funding may be subject to further review the Government's stated objective of reducing the overall cost by one third. The Council received £3.080m in 2017-18, with £2.314m awarded for 2018-19. This Council has, however, followed the discipline of not relying on this source of funding, which was always perceived to be at risk, to fund core services.
- **Changes in Fair Values of the Council's investments:** From 1 April 2018 changes in the fair value of the Council's external pooled investments, shown in note 14, are expected to affect the Council's General Fund. To reduce the risk that changes in fair value will impact on Council Tax levels, the Council has reserved £1.3m of revenue balances to act as a buffer against any future reductions in value.

The Council's priority remains to maintain value for money front line services where possible, to enable it to continue providing important services to communities and others in Chichester District.

5. Risks & Uncertainties

The Council has a risk management policy and strategy which sets out the process for managing strategic, programme board and organisational risks in relation to the achievement of its objectives and performance targets. The risk registers are the subject of bi-annual review by both the Strategic Risk Group and the Corporate Governance and Audit Committee, and are reviewed regularly by the Corporate Management Team throughout the year.

Each risk is scored in terms of the likelihood or occurrence and the potential impact. The assessment of impact reflects consideration of a number of concerns such as; service disruption, financial loss, reputation, data security, personal safety and legal obligations. The scores are based on a range of "Major through to Minor". The assessment of likelihood, or probability, is based on a range of scores from "Certain to Unlikely".

The key risks identified during the year and reported to the Corporate Governance and Audit Committee are:

Strategic Risk Description	Likelihood	Impact
Financial Resilience <ul style="list-style-type: none"> - Failure to maintain a robust and deliverable budget. - Failure to maximise efficient use of resources and so unsuccessful redirection of resources and not achieving objectives and outcomes of the council including deficit reduction plans. - Failure to maximise income streams. - Unpredictable Government policy (e.g. Brexit and localisation of business rates.) 	Possible	Significant
Skills / Capability / Capacity <ul style="list-style-type: none"> - Failure to have resilience in the staff structure, which could lead to service failure, reputational damage and potential litigation. 	Probable	Minor
Business Continuity <ul style="list-style-type: none"> - Failure to react to an incident that would adversely affect the delivery of services, including leading to a breach of the council's statutory duties under the Civil Contingencies Act and result in both inability to service the community and suffer reputational damage. 	Possible	Serious
Health & Safety <ul style="list-style-type: none"> - Failure to adhere to H&S policies and procedures leading to death or injury of an employee or third party resulting in prosecution under H&S legislation, adverse publicity, fines and possible prison sentences. Such failures may also lead to civil claims for compensation 	Unlikely	Major
Non Achievement of Recycling Target of 50% by 2020 <ul style="list-style-type: none"> - The current recycling target set for 2020 is 50%. The failure to achieve this target could mean the Council may incur significant fines, taxes or extra landfill taxes or reputational damage. 	Unlikely	Serious
Cyber Risk Attack Across ICT Estate <ul style="list-style-type: none"> - Failure to adhere to the basis of the CIA triad (Confidentiality, Integrity and Availability) for data security. 	Possible	Serious

Strategic Risk Description	Likelihood	Impact
Data Protection Act Breach – Loss of Data <ul style="list-style-type: none"> - Failures to keep all personal data secure leading to a breach of the General Data Protection Regulations (GDPR), resulting in fines and reputational risk. 	Possible	Significant
Southern Gateway Regeneration <ul style="list-style-type: none"> - Failure to deliver the outcomes of the project leading reputational damage and financial exposure to CDC as lead partner, and potential repayment of the Local Enterprise Partnership (LEP) (and other funding). - Lack of engagement or buy in by other key partners, leading to CDC being isolated and unable to deliver outcomes. - Masterplan becomes commercially unviable due to certain market sectors' changes including demands for community/public realm use types. 	Probable	Serious
Local Plan <ul style="list-style-type: none"> - Failure to complete Local Plan Review and achieve an adopted Local Plan by 2020 leading to a loss of control over the location and form of development with decisions being made through the application and appeal process. 	Probable	Serious
Impact of Universal Credit (UC) on working claimants across the district <ul style="list-style-type: none"> - Failure to provide appropriate support and guidance for claimants affected by the welfare reforms, including the rollout of Universal Credit (UC) on working age claimants across the district, resulting in the risk of rent arrears and the threat of homelessness. 	Probable	Significant

Further Information

Further information about the accounts may be obtained from the Financial Services Team at the Council headquarters at East Pallant House, 1 East Pallant, Chichester PO19 1TY. In addition, interested residents of the district and members of the public have a statutory right to inspect the accounts during the period advertised in the local press.

On completion of the audit, copies of the Statements of Accounts are available at the Council headquarters and will be published on the Council's website at www.chichester.gov.uk.

If you have any questions on any of the information included in the Council's Statement of Accounts please contact the Financial Services Team on 01243 785166 or email finance@chichester.gov.uk.

J. Ward CPFA
Director of Corporate Services

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council 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 Council that officer is the Director of Corporate Services;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts.

The Director of Corporate Services' Responsibilities

The Director of Corporate Services is responsible for the preparation of the Council'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 Director of Corporate Services 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 Director of Corporate Services has also:

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

I declare that the Statement of Accounts presents a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2018. 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 are therefore authorised for issue.

John Ward CPFA
Director of Corporate Services

Date 19 July 2018

Approval for the Statement of Accounts

Patricia Tull
Chairman of the Corporate Governance and Audit Committee

Date 26 July 2018

**Independent Auditor's Report to the
Members of Chichester District Council**



Opinion on the Authority's financial statements

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



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Comprehensive Income and Expenditure Statement

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

2016-17				2017-18		
Gross Expenditure (Restated)	Gross Income (Restated)	Net Expenditure (Restated)		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
4,393	(8,184)	(3,791)	Leader	8,624	(8,360)	264
9,268	(2,341)	6,927	Community Services	6,442	(2,471)	3,971
4,454	(498)	3,956	Corporate Services	5,737	(461)	5,276
3,195	(1,845)	1,350	Planning Services	4,127	(1,641)	2,486
2,153	(3,232)	(1,079)	Housing Services	2,555	(2,270)	285
3,015	(1,682)	1,333	Environment Services	3,026	(1,502)	1,524
44,686	(40,310)	4,376	Residents' Services	44,877	(39,386)	5,491
71,164	(58,092)	13,072	Cost of Services	75,388	(56,091)	19,297
			Other operating Expenditure			
2,722	0	2,722	Parish Council Precepts	2,944	0	2,944
24	0	24	Levies Payable	0	0	0
0	(890)	(890)	Gain (-)/or loss on the disposal of Non-Current Assets	0	(1,088)	(1,088)
2,746	(890)	1,856		2,944	(1,088)	1,856
			Financing and Investment Income and Expenditure			
65	0	65	Interest payable and similar charges	44	0	44
138	0	138	Net interest on the net defined Pension liability (asset)	149	0	149
0	(808)	(808)	Interest receivable and similar income	0	(981)	(981)

2016-17			2017-18		
Gross Expenditure (Restated) £000	Gross Income (Restated) £000	Net Expenditure (Restated) £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
(181)	(711)	(892)	306	(1,033)	(727)
8	0	8	5	0	5
0	(94)	(94)	0	(107)	(107)
0	(89)	(89)	0	(52)	(52)
30	(1,702)	(1,672)	504	(2,173)	(1,669)
Taxation and Non-Specific Grant Income and Expenditure (see note 24)					
0	(10,213)	(10,213)	0	(10,837)	(10,837)
0	(1,938)	(1,938)	0	(1,689)	(1,689)
0	(1,925)	(1,925)	0	(3,944)	(3,944)
0	(5,591)	(5,591)	0	(5,269)	(5,269)
0	(19,667)	(19,667)	0	(21,739)	(21,739)
73,940	(80,351)	(6,411)	78,836	(81,091)	(2,255)
(Surplus) or Deficit on Provision of Services					
Items that will not reclassified to the (surplus) or deficit on the Provision of Services					
		(9,452)			(708)
		25,192			(3,149)
		(25,347)			(7,463)

Balance Sheet

The Balance Sheet shows the value as at 31 March 2018 of the Council's assets and liabilities together with the reserves held by the Council.

31 March 2017 £000		Notes	31 March 2018 £000
	Property, Plant and Equipment	10	
101,262	▪ Land and Buildings		104,682
6,294	▪ Vehicles, plant, furniture and equipment		6,006
1,293	▪ Infrastructure		1,358
28	▪ Community Assets		28
568	▪ Assets under construction		329
5,104	▪ Surplus Assets not held for sale		4,166
8,266	Investment Property	11	11,807
	Intangible Assets	12	
533	▪ Software		465
	Heritage Assets	13	
6,757	▪ Tangible		6,757
22	▪ Intangible		22
14,277	Long Term Investments	14	20,587
0	Net Pensions Asset	28	3,291
1,258	Long Term Debtors	14	1,235
145,662	Total Long-Term Assets		160,733
	Current Assets		
26,208	Short term investments		23,316
117	Inventories		98
9,098	Short Term Debtors	15	10,606
10,965	Cash and Cash Equivalents	16	10,938
0	Assets held for sale – current <1yr		225
46,388	Total Current Assets		45,183
	Current Liabilities		
(7,642)	Short Term Creditors	17	(10,786)
(7,642)	Total Current Liabilities		(10,786)
	Long-Term Liabilities		
(5,033)	Long Term Creditors – S106 contributions		(5,478)

31 March 2017 £000		Notes	31 March 2018 £000
(68)	Credit Arrangements – Finance Lease		(13)
(1,346)	Provisions	18	(2,040)
(4,313)	Net Pensions Liability	28	0
(26)	Capital Grants Receipts in Advance	24	(43)
(10,786)	Total Long-Term Liabilities		(7,574)
173,622	Net Assets		187,556
	Usable Reserves		
(43,654)	General Fund Reserve		(39,004)
0	Capital Receipts Reserve		(85)
(3,923)	Capital Grants Unapplied Account		(7,830)
(47,577)	Total Usable Reserves		(46,919)
	Unusable Reserves	19	
(47,480)	Revaluation Reserve		(47,770)
(84,307)	Capital Adjustment Account		(89,763)
42	Financial Instruments Adjustment Account		33
725	Available for Sale Financial Instruments Reserve		367
(806)	Deferred Capital Receipts Reserve		(773)
4,313	Pension Reserve		(3,291)
1,468	Collection Fund Adjustment Account		560
0	Accumulated Absences Account		0
(126,045)	Total Unusable Reserves		(140,637)
(173,622)	Total Reserves		(187,556)

John Ward CPFA
Director of Corporate Services

Date 19 July 2018

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

2016-17 £000						2017-18 £000						
General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves		General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
(39,960)	(177)	(177)	(40,314)	(117,655)	(157,969)	Balance brought forward	(43,654)	0	(3,923)	(47,577)	(126,045)	(173,622)
(6,411)	0	0	(6,411)	(9,242)	(15,653)	Total Comprehensive Income and Expenditure	(2,255)	0	0	(2,255)	(11,679)	(13,934)
2,717	177	(3,746)	(852)	852	0	Adjustments between accounting basis & funding under regulations (Note 9)	6,905	(85)	(3,907)	2,913	(2,913)	0
(3,694)	177	(3,746)	(7,263)	(8,390)	(15,653)	(Increase) / Decrease In year	4,650	(85)	(3,907)	658	(14,592)	(13,934)
(43,654)	0	(3,923)	(47,577)	(126,045)	(173,622)	Balance carried forward	(39,004)	(85)	(7,830)	(46,919)	(140,637)	(187,556)

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.

2016-17		2017-18
£000		£000
(6,411)	Net (surplus) or deficit on the provision of services	(2,255)
6,165	Adjustments to net surplus or deficit on the provision of services for non-cash	(2,237)
884	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	1,094
638	Net Cash flows from Operating Activities	(3,398)
	Interest	
8	Interest Paid	5
(892)	Interest Received	(1,099)
(884)		(1,094)
	Investing Activities	
4,158	Purchase of property, plant and equipment, investment property and intangible assets	11,104
265,188	Purchase of short-term and long-term investments	219,285
69	Other payments for investing activities	132
(974)	Proceeds from the sale of property, plant and equipment, non-current assets held for sale, investment property and intangible assets	(668)
(268,119)	Proceeds from short-term and long-term investments	(216,261)
(4,461)	Capital Grants	(5,399)
(711)	Other receipts from investing activities	(1,033)
(4,850)	Net Cash flows from Investing Activities	7,160
	Financing Activities	
859	Other receipts from financing activities	(2,711)
118	Other payments from financing activities	70
977	Net Cash flows from Financing Activities	(2,641)
(4,119)	Net (increase) / decrease in cash and cash equivalents	27
	Cash and cash equivalents (Note 16)	
6,846	○ at the beginning of the reporting period	10,965
10,965	○ at the end of the reporting period	10,938
(4,119)	Movement in Cash (increase)/decrease	27

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2017-18 financial year and its position at the year-end of 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 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. In accordance with the application accounting framework, these accounts are prepared on a going concern basis.

1.2 Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- 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.
- 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.

1.3 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 short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value and held by the Council for the purpose of meeting its short-term cash requirements.

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 strategy.

1.4 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

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.

1.5 Accounting for Taxation

Under the Code, taxation tax income included in the Comprehensive Income and Expenditure Account for the year is the accrued income for the year. The difference between the taxation 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 a Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

Since the collection of taxation is in substance an agency arrangement, the Council as the billing authority recognises a creditor in its Balance Sheet for cash collected from taxpayers on behalf of major preceptors but not yet paid to them, or a debtor for cash paid to major preceptors in advance of it receiving the cash from tax payers.

1.6 Employee Benefits

i. 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 for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

ii. Termination Benefits

When the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy, these costs are charged on an accruals basis to the respective Service line in the Comprehensive Income and Expenditure Statement.

iii. Post-employment Benefits

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

Scheme Liabilities are discounted to their value at current prices, using a discount rate of 2.7%. The discount rate used to value scheme liabilities is either:

- For Government bonds, yield curves provided by the Bank of England;
- For Corporate bonds, a “Hymans Robertson” corporate bond yield curve constructed based on the constituents of the iBoxx AA corporate bond index.

Separate discount rates are set for individual employers, dependent upon their own weighted average duration (or term) of their benefit obligation.

The assets of West Sussex pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- un-quoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

1.7 Financial Instruments and Investments

Financial Instruments. A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

The Council held no material derivative financial instruments at 31 March 2018.

Financial Liabilities A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council. Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument.

Financial Assets A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset.

Offsetting Financial Assets and Liabilities The Council has not offset any material financial instruments and had no other material financial assets or liabilities subject to an enforceable master netting arrangement or similar agreement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Available for sale assets are maintained in the Balance Sheet at fair value level 1, derived from quoted prices in active markets for identical assets or liabilities

- For the Council's investment in the Local Authority property fund, fund values published by CCLA have been used as these represent the prices in the principal market within which the Council would normally enter into a transaction to sell the asset.
- For Corporate Bonds, the Fair Value is taken from the Market (Bid) Price
- For the Stable Net Asset Value money market funds, shares are issued with an unchanging face value of £1. This value has been used as the Fair value as for every £1 of principal invested, the fund will return £1 of principal on withdrawal by the Council, plus interest.

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

Fair Values

Fair values are shown in note 14, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

1.8 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.

1.9 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.

1.10 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.

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 inception of the lease (or the present value of future lease rentals of the minimum lease rentals, if lower).

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal and replaced by a long-term debtor in the Balance Sheet valued on the future income due under the finance lease.

Where the Council grants an operating lease over an asset, this is retained on the Balance Sheet. Rental income is recognised in the Comprehensive Income and Expenditure statement on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a premium paid at the commencement of the lease).

1.11 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.

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

When new assets are first acquired and recognised on the balance sheet as a non-current asset, the total value of the asset must be over the £10,000 de minimis.

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair (or 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.

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 re-valued 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.

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.

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.

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 bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- infrastructure, vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset, as advised by a suitably qualified officer

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Only assets with a gross book value of £500,000 and over are considered for componentisation.

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 re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Depreciation is not charged on Assets Held for Sale.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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.

1.12 Section 106 Developer Contributions

Section 106 advances received are initially recognised as a creditor in the Council's accounts whilst the monies remain unspent to reflect the liability the Council has to the developer if the agreement is not fulfilled. Once the conditions of the agreement are met the advances are recognised as revenue income or capital contributions.

1.13 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.

2. Accounting standards that have been issued but have not yet been adopted

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued, but has not yet been adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

For 2017-18 the following accounting standard changes that need to be reported relate to:

- Introduction of IFRS 9 Financial Instruments
- Introduction of IFRS 15 Revenue from Contracts with Customers.

The Council anticipates that the introduction of IFRS 9 in 2018-19 will impact upon the classification of some of the financial instruments, and, in turn, the treatment of these instruments within the financial accounts. Further to this, there will also be an impact on the way in which the bad debt provisions are treated going forward.

The final impact of this on the Council's General fund will depend on factors outside of the Council's control, including subsequent movements in the fair value of relevant investments and whether the Government amends the accounting treatment of these investments via Statutory Instrument. The Council's best estimate of the impact of this, based on the accounting and statutory framework presently in place, is:

- A loss on initial re-categorization of investments from fair value through other comprehensive Income to fair value through profit and loss upon adoption of IFRS9 – £367k.
- A charge to revenue from the adoption of a prospective model of impairment loss in accordance with IFRS 9 – between £50k and £75k

In addition, the Council's General Fund would be subject to movements in fair value in certain investments. Whilst the Council is unable to provide a sufficiently reliable estimate of the total impact of this as at 31 March 2019, note 30 provides an illustration of the sensitivity of these investments to market forces and a guide to the potential losses or gains that may be incurred.

The impact of the introduction of IFRS 15 and its amendments is currently not known. The Council are currently assessing the implications of the introduction of this standard from 1 April 2018.

3. Critical judgements in applying accounting policies

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

- There is high degree of uncertainty about future levels of funding for local government. 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.
- As the accounting treatment and disclosures for operating and finance leases are significantly different, the Council has made judgements on whether its lease arrangements for land and buildings are operating leases or finance leases under the criteria of IAS17. These judgements are made in accordance with the Council's accounting policy on leases, and are based on a series of tests designed to assess whether the risks and rewards of ownership have been transferred from the lessor to the lessee.

4. Assumptions made about the future and other major sources of estimation uncertainty

The preparation of the Statement of Accounts requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for income and expenditure during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key judgments and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Business Rates

A provision has been recognised for the best estimate of the amount that businesses have been overcharged for Business Rates up to 31 March 2018. The estimate has been calculated using the Valuation Office ratings list of appeals and the analysis of successful appeals to date and those that might occur over the life of the rating list, when providing the estimate of total provision up to and including 31 March 2018. The Council's share of the balance of business rates appeals provisions held at this date amounted to £2.04m (see Note 18), an increase of £0.07m on the previous year.

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

Allowance for Bad Debts

The Council has provided within its financial statements an estimated allowance for bad debts to cover all major items of income and expenditure (see Note 15). This allowance is considered adequate to cover future bad debts, but is by its nature an estimate.

Asset Valuations and Impairments

Any asset valuation and impairment is based upon on an estimate and the Council draws on the expertise of its valuer to calculate valuations, useful lives and impairment reviews in accordance with professional guidance.

5. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting principles (GAAP).

2016-17				2017-18		
Net Expenditure Chargeable to the General Fund (Restated) £000	Adjustments between funding and accounting basis (Restated) £000	Net expenditure in the Comprehensive Income and Expenditure statement (Restated) £000		Net Expenditure Chargeable to the General Fund £000	Adjustments between funding and accounting basis £000	Net expenditure in the Comprehensive Income and Expenditure statement £000
(3,851)	60	(3,791)	Leader	(3,817)	4,081	264
3,292	3,635	6,927	Community Services	2,264	1,707	3,971
4,587	(631)	3,956	Corporate Services	4,503	773	5,276
1,096	254	1,350	Planning Services	1,538	948	2,486
718	(1,797)	(1,079)	Housing Services	564	(279)	285
980	353	1,333	Environment Services	1,001	523	1,524
3,640	736	4,376	Residents' Services	4,049	1,442	5,491
10,462	2,610	13,072	Net Cost of Services	10,102	9,195	19,297
(14,156)	(5,327)	(19,483)	Other Income and Expenditure	(5,452)	(16,100)	(21,552)
(3,694)	(2,717)	(6,411)	(Surplus) or Deficit	4,650	(6,905)	(2,255)
(39,960)			Opening General Fund Balance	(43,654)		
(3,694)			Less/ Plus Surplus or (Deficit) on General Fund in year	4,650		
(43,654)			Closing General Fund balance at 31 March	(39,004)		

The figures above the line for 'Net Cost of Services' have been restated for the 2016-17 comparator year to reflect the Council's revised portfolio structure.

5a. Note to the Expenditure and Funding Analysis

The following table provides further information in relation to the statutory adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts. More information about that effect of these entries on the Council's reserves in respect of these items is shown in note 18.

2016-17

Statutory adjustments for:

Capital £000	Pensions £000	Other £000	Total £000	
542	(461)	(21)	60	Leader
3,553	105	(23)	3,635	Community Services
(734)	134	(31)	(631)	Corporate Services
179	99	(23)	254	Planning Services
(1,826)	36	(8)	(1,797)	Housing Services
298	72	(17)	353	Environment Services
571	215	(50)	736	Residents' Services
2,583	200	(173)	2,610	Net Cost of Services
(6,241)	138	776	(5,327)	Other Income and Expenditure
(3,658)	338	603	(2,717)	Difference between the General Fund Surplus/ Deficit and surplus or deficit on the Provision of services

2017-18

Statutory adjustments for:

Capital £000	Pensions £000	Other £000	Total £000
3,626	455	0	4,081
1,347	360	0	1,707
297	476	0	773
604	344	0	948
(417)	138	0	(279)
264	259	0	523
615	827	0	1,442
6,336	2,859	0	9,195
(15,330)	149	(919)	(16,100)
(8,994)	3,008	(919)	(6,905)

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluations gains and losses in the services lines; and for,

Other operating expenditure this 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, and,

Taxation and non-specific grant income and expenditure, capital grants are adjusted for income and not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year 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 which conditions were satisfied in the year.

Adjustments for Pensions - this column removes pension contributions and adds IAS19 *Employee Benefits* pension related income and expenditure, 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,

Financing and investment income and expenditure the net interest on the defined benefit liability is charged to the Comprehensive income and expenditure statement.

Other adjustments – represents 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 movement in the year of the amount accrued for short term accumulating employee absences,

Financing and Investment income and expenditure the column recognises adjustments to the General Fund for the timing differences for premiums and discounts,

Taxation and non-specific grant income and expenditure this represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to the received at the start of the year and the income recognised under generally accepted accounting principles in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

5b Segmental Income Cost of Services

This note analyses the revenue income received from external customers on a segmental basis:

	2016-17	2017-18
	£000	£000
Leader	(8,097)	(7,914)
Community Services	(1,632)	(1,543)
Corporate Services	(201)	(324)
Planning Services	(2,018)	(1,757)
Housing Services	(587)	(631)
Environment Services	(934)	(1,003)
Residents' Services	(3,412)	(3,464)
Total Income analysed on a segmental basis	(16,881)	(16,636)

6. Expenditure and Income Analysed by Nature

The authority's expenditure and income is analysed as follows:

	2016-17	2017-18
	£000	£000
Expenditure		
Employee benefits expenses	18,263	21,374
Other service expenses	48,820	48,386
Depreciation, amortisation and impairment	3,900	5,934
Interest payments	211	198
Precepts and Levies	2,746	2,944
Total Expenditure	73,940	78,836
Income		
Fees, charges and other service income	(17,593)	(17,669)
Gain on the disposal of assets	(890)	(1,088)
Interest and Investment income	(995)	(1,327)
Income from taxation	(12,151)	(12,526)
Government grants and contributions	(42,584)	(40,921)
Other grants and contributions	(6,138)	(7,560)
Total Income	(80,351)	(81,091)
Surplus or Deficit on the Provision of Services	(6,411)	(2,255)

7. Events after the Reporting Period

The Statement of Accounts was authorised for issue by John Ward, the Director of Corporate Services for the Council, on 19 July 2018.

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 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The Statement of Accounts were approved by the Corporate Governance and Audit Committee on 26 July 2018.

8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet the General Fund in 2017-18.

	Balance at 1 April 2016 £000	Out 2016-17 £000	In 2016-17 £000	Balance at 31 March 2017 £000	Out 2017-18 £000	In 2017-18 £000	Balance at 31 March 2018 £000
Housing Reserve	(1,000)	0	0	(1,000)	217	0	(783)
Theatre and Gallery Reserve	(633)	394	0	(239)	239	0	0
Restructuring Reserve	(966)	0	0	(966)	441	0	(525)
Asset Reserve	(7,054)	1,808	(1,317)	(6,563)	1,412	(1,490)	(6,641)
Capital Projects Reserve	(6,255)	1,685	(657)	(5,227)	5,108	(341)	(460)
Revenue Budget Support Reserve	(1,300)	0	0	(1,300)	1,300	0	0
Grants and Contribution Reserve	(719)	15	0	(704)	183	(364)	(885)
Retained Business Rates Equalisation Reserve	(762)	762	(1,476)	(1,476)	1,476	(887)	(887)
New Homes Bonus Scheme Reserve	(6,412)	617	(3,671)	(9,466)	1,369	(3,080)	(11,177)
Investment Opportunities Reserve	(822)	0	(1,296)	(2,118)	2,589	(471)	0
Other Usable Reserves (Less than £500,000 in value)	(2,086)	429	(691)	(2,348)	511	(944)	(2,781)
Total	(28,009)	5,710	(9,108)	(31,407)	14,845	(7,577)	(24,139)

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 the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that the statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but have yet to be applied to meet expenditure. The balance is restricted by the grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Adjustments between Accounting Basis and Funding basis

2016-17			2017-18		
General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
Adjustments to 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:		
(338)	-	-	(3,008)	-	-
9	-	-	10	-	-
(785)	-	-	908	-	-
174	-	-	0	-	-
(1,014)	-	(3,746)	(2,926)	-	(3,907)
(1,954)		(3,746)	(5,016)	-	(3,907)
Adjustments between Revenue and Capital Resources					
1,451	(1,114)	-	1,454	(1,454)	-
(5)	5	-	(7)	7	-
31	-	-	27	-	-
3,194	-	-	10,447	-	-
4,671	(1,109)	0	11,921	(1,447)	0
Adjustments to Capital Resources					
-	1,298	-	-	1,396	-
-	-	0	-	-	0
-	(12)	-	-	(34)	-
0	1,286	0		1,362	0
2,717	177	(3,746)	6,905	(85)	(3,907)

10. Property, Plant and Equipment

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Property, Plant & Equipment Under Construction	Total Property, Plant and Equipment
Movements in cost or values	£000	£000	£000	£000	£000	£000	£000
1 April 2016	96,272	11,076	3,924	28	4,991	147	116,438
Additions	1,784	1,551	0	0	0	421	3,756
Revaluations increases / (decreases) recognised in the Revaluation Reserve	7,254	0	0	0	0	0	7,254
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,406)	0	0	0	0	0	(1,406)
Derecognition – disposals	(5)	(689)	0	0	(100)	0	(794)
Other reclassifications – transfers	(230)	0	0	0	230	0	0
31 March 2017	103,669	11,938	3,924	28	5,121	568	125,248
Additions	908	714	317	0	0	5,750	7,689
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(485)	(106)	0	0	(416)	0	(1,007)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,153)	0	0	0	0	0	(3,153)
Derecognition – disposals	0	(459)	0	0	(289)	0	(748)
Other reclassifications – transfers	5,879	110	0	0	(230)	(5,989)	(230)
31 March 2018	106,818	12,197	4,241	28	4,186	329	127,799
Movements in depreciation and impairment							
1 April 2016	(2,711)	(4,973)	(2,304)	0	(10)	0	(9,998)
Depreciation charge	(1,064)	(975)	(333)	0	(5)	0	(2,377)
Depreciation written out to the Revaluation Reserve	1,366	0	6	0	0	0	1,372
Derecognition – disposals	0	304	0	0	0	0	304
Reclassifications – transfers	2	0	0	0	(2)	0	0
At 31 March 2017	(2,407)	(5,644)	(2,631)	0	(17)	0	(10,699)
Depreciation charge	(1,338)	(1,043)	(252)	0	(8)	0	(2,641)
Depreciation written out to the Revaluation Reserve	1,609	107	0	0	0	0	1,716
Derecognition – disposals	0	389	0	0	0	0	389
Reclassifications – transfers	0	0	0	0	5	0	5
At 31 March 2018	(2,136)	(6,191)	(2,883)	0	(20)	0	(11,230)
Net Book Value							
At 31 March 2017	101,262	6,294	1,293	28	5,104	568	114,549
At 31 March 2018	104,682	6,006	1,358	28	4,166	329	116,569

Depreciation

Non-current assets other than land are depreciated on a straight-line basis over their useful economic lives as identified in the table below, except where the Council believes that the useful life is so long as to make the depreciation immaterial.

Capital Commitments

At 31 March 2018 the Council had entered into a contract of circa £1.5m to procure an industrial development in Chichester.

Revaluations and asset lives

Valuations of land and buildings were carried out by the Council's in-house valuer in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on depreciated historic cost.

	Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total £000
	5 to 60 years	3 to 20 years	5 to 25 years	5 to 8 years	-	-	
Carried at historic cost	0	6,106	1,358	28	0	329	7,821
Valued at fair value as at:							
2017-18	24,262	0	0	0	1,414	0	25,676
2016-17	34,958	0	0	0	0	0	34,958
2015-16	4,832	0	0	0	80	0	4,912
2014-15	29,498	0	0	0	2,256	0	31,754
2013-14	11,032	0	0	0	416	0	11,448
Total	104,582	6,106	1,358	28	4,166	329	116,569

11. Investment Properties

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

	2016-17 £000	2017-18 £000
Balance at start of the year	8,008	8,266
Additions:		
• Purchases	0	3,707
• Subsequent expenditure	8	8
Net gain / losses from fair value adjustments	250	(174)
Balance at end of the year	8,266	11,807

Valuation Techniques Used to Arrive at Level 2 Fair Values for Investment Property

The Estates team at the Council use market knowledge and experience gained through managing the Council's portfolio of Investment Properties. The Fair Value at Level 2 is determined by observable inputs and reflects the 'Highest and Best Use' of the asset. These include quoted prices paid for similar assets in an active market. Other techniques utilised include; analysis of existing rentals and lease periods, research into broader market rentals and yields and the covenant strength for existing tenants.

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

Highest & Best Use

The Fair Value of Investment Properties owned by the Council reflects the 'Highest and Best Use' of the asset. This can be further defined as the most probable use of the asset which is physically possible, appropriately justified, legally permissible, financially feasible and which results in the highest value of the property being valued. The highest and best use is their current use.

Valuers

The investment property portfolio has been valued at 31 March 2018 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors. The Fair Value is assessed as Level 2 and based on observable inputs including quoted prices paid for similar assets in an active market, analysis of existing rentals and lease periods, research into broader market rentals and yields and the covenant strength for existing tenant.

12. Intangible Assets

The carrying amount of intangible assets is £0.5m and is amortised on a straight line basis. Amortisation of £140k was charged to revenue in 2017-18.

13. Heritage Assets

The carrying value of Heritage assets is £6.8m. There were no additions or disposals during 2017-18.

14. Financial Instruments

The carrying values of the Council's Financial Instruments at the balance sheet date comprised:

<u>Financial Assets</u>	Long Term		Short Term	
	31 March	31 March	31 March	31 March
	2017	2018	2017	2018
	£000	£000	£000	£000
Loans and Receivables:				
Principal at amortised cost	5,000	3,000	24,122	21,076
Available for sale investments:				
Principal at fair value	9,277	17,587	2,086	2,240
Total Investments	14,277	20,587	26,208	23,316
Loans and Receivables:				
Cash (including bank accounts)	-	-	3	1,137
Cash equivalents at amortised cost	-	-	-	-
Available for sale investments:				
Cash equivalents at fair value	-	-	11,001	9,801
Total Cash and cash Equivalents	0		11,004	10,938
Loans and receivables				
Trade Receivables	-	-	1,261	1,419
Lease & Contract Receivables	1,258	1,242	1,338	2,068
Included in Debtors	1,258	1,242	2,599	3,487
Total Financial Assets	15,535	21,829	39,811	37,743

<u>Financial Liabilities</u>	Long-term		Current	
	31 March	31 March	31 March	31 March
	2017	2018	2017	2018
	£000	£000	£000	£000
Short term bank overdraft	-	-	39	-
Finance Leases	41	13	27	29
<u>Creditors</u>				
At amortised cost	-	-	4,244	6,294
At contract Amount	5,033	5,492	301	955
Sub-Total Creditors	5,033	5,492	4,545	7,249
Total Financial Liabilities	5,074	5,505	4,611	7,278

Income, Expense, Gains and Losses

The Council recognised income of £989k (2016-17 £895k) relating to interest and similar income during the year. The major components of this figure were Interest income of £245k from loans and receivables (£516k 2016-17) and dividend income of £722k (£363k, 2016-17). Against these figures, the Council was charged a fee of £59k (2016-17 £44k) by CCLA, the fund manager for the Local Authority Property Fund.

Interest payable by the Council was £73k which was unchanged from 2016-17. The main component of this was £55k of interest due on S106 contributions, which are disclosed as long term creditors on the Council's Balance Sheet.

The Council incurred gains on revaluation at year on of £359k (Loss of £366k 2016-17) in respect of its financial assets valued at Fair Value. A breakdown of these assets is shown in the note below. For investments that do not have fixed or determinable payments, the movement in Fair Value of is recognised in the Comprehensive Income and Expenditure Statement and only be credited to the Council's General Fund when the assets are derecognised. At the Balance Sheet date, the Council has no intention or need to sell these investments.

Financial Assets

		Balance Sheet 31 March 2017 £000 (Restated)	Fair value 31 March 2017 £000	Balance Sheet 31 March 2018 £000	Fair value 31 March 2018 £000
Financial assets held at Fair Value					
• Money Market Funds	1	11,001	11,001	9,801	9,801
• Pooled investment Funds	1	0	0	7,870	7,870
• Property Funds	1	9,277	9,277	9,717	9,717
• Corporate Bonds	2	2,086	2,086	2,240	2,240
• Finance Lease Receivables	3	806	806	773	773
Financial assets held at amortised cost					
• Long term loans to local authorities	2	5,000	5,177	3,000	3,084
Total		28,170	28,347	33,401	33,485
Assets for which a fair value is not disclosed		27,176		26,162	
Total financial assets		55,346		59,564	
Recorded on the Balance sheet as:					
Long-term debtors		1,258		1,235	
Long-term investments		14,277		20,587	
Short-term debtors *		2,599		3,487	
Short-term investments		26,208		23,316	
Cash and cash equivalents		11,004		10,938	
Total financial assets		55,346		59,564	

The debtor lines on the Balance Sheet include £7.1m short-term debtors that do not meet the definition of a financial asset.

Financial Liabilities

		Balance Sheet 31 March 2017 £000	Fair value 31 March 2017 £000	Balance Sheet 31 March 2018 £000	Fair value 31 March 2018 £000
Financial liabilities held at amortised cost	Level				
• Lease payables	2	68	64	41	41
Liabilities for which a fair value is not disclosed		9,618		12,712	
Total financial liabilities		9,686		12,753	
Recorded on the Balance sheet as:					
Short-term bank overdraft		39		-	
Short-term creditors*		4,573		7,249	
Long-term creditors*		5,033		5,491	
Other long term liabilities		41		13	
		9,686		12,753	

The creditor lines on the Balance Sheet include £3.5m short-term creditors that do not meet the definition of a financial liability.

There were no transfers between fair value levels 1 and 2 during the year and there have been no changes in valuation techniques used for financial instruments. The Council considers that the discounted future present value of lease payments under the leases provide a materially accurate estimate of fair value given the total amounts outstanding.

The assessment of fair value of lease receivables requires information on the long term creditworthiness of the lessee and for many of these organisations, there is no publically available credit data that is sufficiently reliable over periods longer than 12 months. The fair value figures used in the note above are therefore the discounted future present value of the lease receivable representing the Council's best estimate at the Balance sheet date.

Cash equivalents, debtors and creditors are carried at cost as this is a fair approximation of their value. The value shown for debtors and creditors are different to the figures reported under notes 15 and 17 due to the exclusion of debtors and creditors that are not considered to be financial instruments.

15. Short Term Debtors

31 March 2017			31 March 2018			
Gross value £000	Provision £000	Carrying Value £000		Gross value £000	Provision £000	Carrying Value £000
2,569	-	2,569	Central Government Bodies	2,249	-	2,249
754	(409)	345	Council Tax	740	(380)	360
914	(365)	549	Business Rates	802	(354)	448
494	-	494	Other local authorities and public bodies	249	-	249
430	(309)	121	Housing Rents	511	(251)	260
7,165	(2,187)	4,978	Other Sundry Debtors	9,065	(2,486)	6,579
12,326	(3,270)	9,056	Total short term debtors	13,616	(3,471)	10,145
		42	Payments in advance			461
		9,098	Total net Debtors & Payments in advance			10,606

16. Cash and cash equivalents

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

	31 March 2017 £000	31 March 2018 £000
Cash held by the Authority	3	3
Bank current accounts	(39)	1,134
Cash Equivalents	11,001	9,801
	10,965	10,938

17. Short Term Creditors (less than 12 months)

	31 March 2017 £000	31 March 2018 £000
Council Tax	316	311
Business Rates	395	662
Other local authorities and public bodies	2,416	2,493
Sundry Creditors	3,184	3,397
Central Government Bodies	399	2,296
Housing Rents	58	205
Receipts in advance	220	51
Other Creditors	654	1,371
Total	7,642	10,786

18. Provisions

The disclosed amount of £2,040 (£1,346k 2016-17) represents an amount set aside as the best estimate of the amount that businesses have been overcharged business rates up to 31 March 2018. The in-year movement is represented by a charge made against the provision of (£523k) and an addition to the provision made in year of £1,217k.

19. Unusable Reserves

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its non-current assets.

2016-17 £000		2017-18 £000
(38,321)	Balance at 1 April	(47,480)
(9,887)	Upward revaluation of assets	(3,418)
435	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	2,710
(9,452)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(708)
270	Difference between fair value depreciation and historical cost depreciation	418
23	Accumulated gains on assets sold or scrapped	0
293	Amount written off to the Capital Adjustment Account	418
(47,480)	Balance at 31 March	(47,770)

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve of £367k (£725k 2016-17) represents the unrealised gains or losses on the fair value of qualifying financial instruments as set out in Note 14.

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

2016-17 £000		2017-18 £000
(84,251)	Balance at 1 April	(84,307)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
2,377	• Charges for depreciation and impairment of non-current assets	2,641
1,406	• Revaluation losses on Property, Plant and Equipment	3,152
116	• Amortisation of intangible assets	140
1,317	• Revenue expenditure funded from capital under statute	1,840

2016-17 £000		2017-18 £000
508	<ul style="list-style-type: none"> 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 	359
5,724		8,132
(293)	Adjusting amounts written out of the Revaluation Reserve	(418)
5,431	Net written out amount of the cost of non-current assets consumed in the year	7,714
	Capital financing applied in the year:	
(1,298)	<ul style="list-style-type: none"> Use of the Capital Receipts Reserve to finance new capital expenditure 	(1,396)
(31)	<ul style="list-style-type: none"> Statutory provision for the financing of capital investment charged against the General Fund 	(26)
(763)	<ul style="list-style-type: none"> Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing 	(1,476)
(3,195)	<ul style="list-style-type: none"> Capital expenditure charged against the General Fund 	(10,447)
(5,287)		(13,345)
(250)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	175
50	Movements in the value of assets held for sale debited or credited to the Comprehensive Income and Expenditure Statement	0
(84,307)	Balance at 31 March	(89,763)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

2016-17 £000		2017-18 £000
4,130	Balance at 1 April	4,313
(155)	Remeasurements of the net defined benefit liability/(asset)	(10,612)
2,690	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	5,536
(2,352)	Employer's pensions contributions and direct payments to pensioners payable in the year	(2,528)
4,313	Balance at 31 March	(3,291)

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve records timing differences between gains recognised on the disposal of non-current assets and cash receipts.

Collection Fund Adjustment Account

The Collection Fund Adjustment Account records differences between the Council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement and the income calculated for the year in accordance with statutory requirements.

20. Agency Services

The Council provides a Planning Service on behalf of the South Downs National Park Authority (SDNPA).

	2016-17 £000	2017-18 £000
Expenditure incurred in providing a Planning Service to SDNPA	1,274	1,296
Management fee payable by SDNPA	(959)	(946)
Net (Surplus)/Deficit arising on the agency arrangement	315	350

21. Members' Allowances

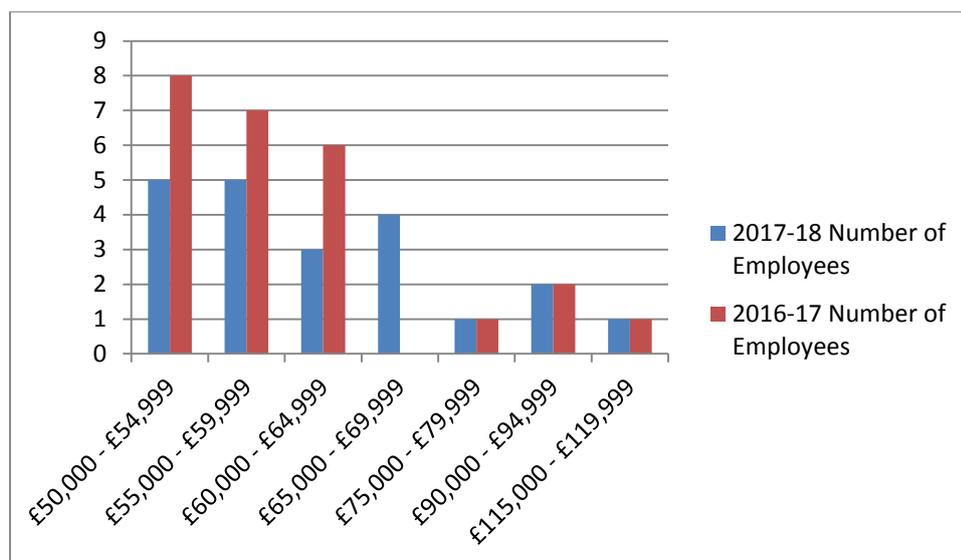
The Council paid £329k (2016-17, £332k) to members of the Council during the year. A detailed list of the allowances paid to each member can be found on the Council website.

22. Officers' Remuneration

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

Post Title		Salary, Fees and Allowances £	Compensation for Loss of Office £	Pension Contribution £	Total £
Chief Executive	2017-18	117,739	0	23,385	141,124
	2016-17	116,400	0	22,357	138,757
Executive Director of Environment	2017-18	94,533	116,876	18,744	230,153
	2016-17	93,351	0	17,908	111,259
Executive Director of Support Services and the Economy	2017-18	94,533	0	18,744	113,277
	2016-17	93,351	0	17,908	111,259
Head of Finance and Governance / S151 Officer	2017-18	76,106	0	15,058	91,164
	2016-17	75,106	0	14,387	89,494

The Council's employees, including the senior officers separately disclosed, as receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:



Salary range bandings that are zero for both financial years have been omitted.

The number 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	
	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17 £	2017-18 £
£0 - £20,000	0	1	1	2	1	3	8,770	24,687
£20,001 - £40,000	2	1	1	6	3	7	94,722	195,294
£40,001 - £60,000	0	0	2	2	2	2	90,814	104,390
£100,001 - £120,000	0	0	0	1	0	1	0	116,876
Total	2	2	4	11	6	13	194,306	441,247

In order to meet the Council's deficit reduction plan, services are reviewed and where necessary restructured. This includes the senior management of the Council that has recently been reorganised. It is Council policy that where an employee receives compensation for the loss of their position, any resulting pension costs are deducted from the payment they are entitled to receive, subject to the statutory minimum.

23. External Audit Costs

	2016-17 £000	2017-18 £000
Fees payable to Ernst & Young LLP with regard to external audit services carried out by the appointed auditor for the year	49	49
Fees payable to Ernst & Young LLP for the certification of grant claims and returns for the year	10	8
Total	59	57

24. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017-18.

	2016-17	2017-18
	Restated	
	£000	£000
<u>Credited to Taxation and Non Specific Grant Income and Expenditure</u>		
Capital grants and contributions	1,925	3,944
Revenue Support Grant	829	190
New Homes Bonus Scheme	3,671	3,080
Small Business Rate Relief Grant	714	1,407
Other Government Grants (Less than £500,000 in value)	377	592
Total	7,516	9,213
<u>Credited to Services</u>		
Community Led Housing Fund	1,386	0
Disabled Facilities Grant	1,174	1,438
Other Government Grants	829	1,192
Total	3,389	2,630

25. 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 allows the reader 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 significant influence 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 24.

Members and Officers

Members of the Council have direct control over the Council's financial and operating policies. A survey of the Council's members, its chief and statutory officers and staff was undertaken as well as a review of the Register of Members' Interests and the schedule of payments to suppliers greater than £500. This did not identify the potential for a member of the Council, or a Council officer to affect the policies of both the Council, and another entity, in their mutual dealings with each other.

26. Capital Expenditure and Capital Financing

Capital expenditure incurred in the year amounted to £13.3m of which £7.8m was on operational non-current assets (Note 10), and £3.7m on investment properties (Note 11). A further £1.8m revenue expenditure was also funded from capital under statutory provision. The expenditure total 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 financed by a credit arrangement (eg; borrowing), the expenditure results in an increase in the Capital Financing Requirement (CFR) being the value of unfinanced capital expenditure incurred historically. The CFR is ultimately financed from annual amounts set aside from revenue in accordance with the Council's policy for Minimum Revenue Provisions (MRP). The CFR is analysed as follows:

	2016-17	2017-18
	£000	£000
Opening Capital Financing Requirement	(1,383)	(1,373)
Capital investment in year	5,297	13,318
Financed by:		
Capital Receipts	(1,298)	(1,396)
Government grants and other contributions	(763)	(1,476)
Sums set aside from revenue	(3,195)	(10,447)
Minimum Revenue Provision	(31)	(26)
Closing Capital Financing Requirement	(1,373)	(1,400)

27. Leases

Council as Lessor

Finance Leases

The Council has gross investments in leases for sporting facilities and a crematorium. The sums comprise the minimum lease payments expected to be received over the remaining terms and the residual values anticipated for the properties when the leases come to an end. The minimum lease payments comprise settlement of the long-term debtors for the interest in the properties acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31 March	31 March
	2017	2018
	£000	£000
Finance lease debtor		
• Current	33	36
• Non-current	756	721
Unearned finance income	22,543	22,451
Unguaranteed residual value of property	17	17
Gross investment in the lease	23,349	23,225

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March	31 March	31 March	31 March
	2017	2018	2017	2018
	£000	£000	£000	£000
Not later than one year	143	143	126	126
Later than one year and not later than five years	503	503	503	503
Later than five years	22,703	22,579	22,705	22,579
	23,349	23,225	23,334	23,208

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Operating Leases

The Council leases out property and equipment under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses.
- from 1 March 2018, the management of the Enterprise Centre in accordance with service levels set out in a contract with an appointed company.

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

	31 March 2017	31 March 2018
	£000	£000
Not later than one year	2,433	2,512
Later than one year and not later than five years	7,728	8,456
Later than five years	85,781	97,272
	95,942	108,240

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Council as Lessee

Finance Leases

The Council has acquired 32 Multi-functional devices under a finance lease. These are carried as Property, Plant and Equipment in the balance sheet. The value of the obligation to make payments under this lease is disclosed in note 14.

Operating Leases

The Council access a number of pieces of land that are classified as operating leases. The minimum lease payments payable at the balance sheet date are £466k (2016-17 £496k) with 68% of this sum due later the five years from the balance sheet date.

28. Defined Benefit Pension Schemes

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 the employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that the employees earn their future entitlement.

The Council operates a defined benefit pension scheme that is administered by West Sussex County Council. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

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 Pension Fund Regulations.

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 the amounts required by statute as described in the accounting policies note.

The figures disclosed have been provided by Hymans Robertson, the Actuary to the West Sussex County Council Pension Fund.

Further information about the scheme and its financial position can be found in West Sussex County Council's Pension Fund's Annual Report which is available upon request from the Corporate Finance Section, County Treasurer's Department, West Sussex County Council, County Hall, Chichester, West Sussex PO19 1RG, or by visiting www.westsussex.gov.uk.

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded 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 via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Account and the General Fund Balance via the Movement in Reserves Statement during the year:

	2016-17 £000	2017-18 £000
<u>Comprehensive Income and Expenditure Statement</u>		
Cost of Services:		
Service cost comprising:		
• current service cost	3,080	5,199
• past service cost	64	188
• (gain)/loss from settlements	(592)	0
Financing and Investment Income and Expenditure:		
Net interest expense	138	149
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services (reversed in the Movement in reserves statement)	2,690	5,536

Remeasurement of the net defined benefit liability comprising:

• Return on plan assets (excluding the amount included in the net interest expense)	(25,347)	(7,463)
• Actuarial (gains) and losses arising on changes in demographic assumptions	(4,275)	0
• Actuarial (gains) and losses arising on changes in financial assumptions	26,726	(3,149)
• Other experience (gains) or losses	2,741	0
Total Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement	(155)	(10,612)

Actual amount charged against the General Fund Balance for Pensions in the Year:

Employers contributions payable to scheme	2,352	2,528
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The amount included in the Balance sheet arising from the authority's obligation in respect of its defined benefit plan is as follows:

Movements in the Fair Value of Scheme Assets

	Local Government Pension Scheme	
	2016-17 £000	2017-18 £000
Scheme Assets		
Opening fair value of scheme assets	140,215	166,670
Interest income	4,805	4,311
Remeasurement gain/(loss):		
• the return on plan assets, excluding the amount included in the net interest expense	25,347	7,463
Contributions from employer	2,352	2,528
Contributions from employees into the scheme	789	821
Benefits paid	(4,864)	(4,818)
Other	(1,974)	0
Fair value of plan assets	166,670	176,975
Less: Scheme Liabilities		
Opening balance of scheme liabilities at 1 April	144,345	170,983
Current Service Cost	3,080	5,199
Interest Cost	4,943	4,460
Contributions from scheme participants	789	821
• Actuarial (gains)/losses arising from changes in demographic assumptions	(4,275)	0
• Actuarial (gains)/losses arising from changes in financial assumptions	26,726	(3,149)
• Other experience (gains) or losses	2,741	0
Past service cost	64	188
Benefit paid	(4,864)	(4,818)
Liabilities extinguished on settlements	(2,566)	0
Present value of the defined benefit obligation	170,983	173,684
Net (liability)/asset arising from defined benefit obligation	(4,313)	3,291

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2016-17	2017-18
Long-term expected rate of return on assets in the scheme:		
Equities, Bonds, Property and Cash	2.6%	2.7%
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
Financial assumptions		
Rate of inflation	2.4%	2.4%
Rate of increase in salaries	3.1%	3.1%
Rate of increase in pensions	2.4%	2.4%
Rate for discounting scheme liabilities	2.6%	2.7%

Sensitivity Analysis

The estimation of the defined obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis 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 other assumptions remain constant.

Change in assumptions at year ended 31 March 2018	Approximate % increase to Employer Obligation	Approximate monetary Amount (£000)
0.5% decrease in Real Discount Rate	10%	17,000
0.5% increase in the Salary Increase Rate	2%	2,745
0.5% increase in the Pension Increase Rate	8%	14,009

The weighted average duration of the defined benefit obligation for scheme members is 18.4 years.

29. Contingent Liabilities

The Council has a number of potential claims relating to ongoing legal matters and business rating valuations. At this time the Council's best estimate of the contingent liability associated with these claims is £0.6m. In relation to the business rate appeals, this figure may be understated if any element of a claim is backdated.

30. Nature and extent of risks arising from Financial Instruments

The Council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local Authorities.

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. This strategy emphasises that priority is to be given to security and liquidity, rather than yield.

The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

Credit Risk: Investments

Overall the Council manages credit risk by ensuring adequate diversification across a range of counterparties with a "target" average credit rating of AA-. Counterparty limits that exist covering Countries, Sectors and Company Groups limit the Council's overall exposure to any single default or credit event. The Council continually monitored individual credit ratings and the financial standing of its counterparties throughout the year.

The Council's maximum exposure to credit risk at the balance sheet date in relation to its investments with banks and other institutions is shown in note 14, and 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 it is very rare for such entities to be unable to meet their commitments. A risk of un-recoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2018 that this was likely to crystallise.

Credit Risk: Receivables

The potential maximum exposure to credit risk, based on experience gathered over the last five financial years on the level of default on trade debtors, is £593k (£680k 2016-17). The Council's credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments and the Council has no borrowing outstanding at the balance sheet date.

Market Risks: Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments, although the effects on the Council of such movements are not considered to be material as the majority of sums invested are at fixed interest rates for short periods.

Market Risks: Price Risk

The market prices of the Council's fixed rate bond investments is governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk.

The Council's investments in pooled investment funds are subject to the risk of changes in commercial property and equity prices together with a general risk relating to interest rates. The impact of these risks is shown in the table below:

Fund	Fair value £000	1% rise in interest rates Impact £000	5% equity price fall Impact £000	5% property price fall Impact £000
CCLA Property Fund	9,717	0	0	(466)
Pooled Funds	7,870	(159)	(66)	0

Market Risks: Foreign Exchange Risk

The Council is not currently exposed to exchange risk as all investments are denominated in £ Sterling.

Collection Fund Statement

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

Collection Fund Income and Expenditure Account	Year to 31 March 2017			Year to 31 March 2018		
	Business Rates	Council Tax	Total	Business Rates	Council Tax	Total
	£000	£000	£000	£000	£000	£000
INCOME						
Council Tax Receivable		80,178	80,178		84,541	84,541
Government grants credited to the Collection Fund		0	0		0	0
Business Rates Receivable	44,889		44,889	45,678		45,678
Transitional Protection payment due	0		0	1,501		1,501
Total Income	44,889	80,178	125,067	47,179	84,541	131,720
EXPENDITURE						
Apportionment of Previous Year Estimated Surplus / (Deficit)						
Central Government	(196)		(196)	(1,747)		(1,747)
West Sussex County Council	(40)	394	354	(349)	182	(167)
Chichester District Council	(157)	64	(93)	(1,397)	30	(1,367)
The Police and Crime Commissioner for Sussex		49	49		22	22
	(393)	507	114	(3,493)	234	(3,259)
Precepts, Demands and Shares						
Central Government	23,168		23,168	23,129		23,129
West Sussex County Council	4,633	61,890	66,523	4,625	65,188	69,813
Chichester District Council	18,534	10,192	28,726	18,503	10,774	29,277
The Police and Crime Commissioner for Sussex		7,630	7,630		7,991	7,991
	46,335	79,712	126,047	46,257	83,953	130,210
Charges to the Collection Fund						
Write-offs of uncollectable amounts	83	268	351	277	267	544
Increase / (Decrease) in Bad Debts Provision	217	41	258	(27)	(176)	(203)
Increase / (Decrease) in Provision for Appeals	(188)		(188)	1,735		1,735
Cost of Collection Allowance	197		197	198		198
Disregarded amounts	140		140	179		179
Transitional Protection payments made	127		127	0		0
	576	309	885	2,362	91	2,453
Total Expenditure	46,518	80,528	127,046	45,126	84,278	129,403
Surplus / (Deficit) arising during the year	(1,629)	(350)	(1,979)	2,053	263	2,316
Surplus / (Deficit) b/fwd 1 April	(2,167)	622	(1,545)	(3,796)	272	(3,524)
Surplus / (Deficit) c/fwd 31 March	(3,796)	272	(3,524)	(1,744)	536	(1,207)

1. General

This statement reflects the statutory requirement for the Council, as the billing authority for the Chichester District, to maintain a Collection Fund that is separate from the main accounts of the Council. The Collection Fund accounts for the income relating to Council tax and non-domestic rates on behalf of those bodies for which the income has been raised. The costs of administering the collection of this income are accounted for in the General Fund.

2. Income From Business Rates

The Council collects national non-domestic rates (NNDR) for its area based upon the rateable values provided by the Valuation Office Agency (VOA), multiplied by a uniform business rate multiplier set national by the government. The total non-domestic rateable value at the 31 March 2018 was £128,015,949 (compared with £111,532,212 on 31 March 2017). The national multipliers for 2017-18 were 47.9p (49.7p in 2016-17) for the standard non-domestic rating multiplier, and 46.6p (48.4p in 2016-17) for qualifying small businesses.

NNDR receipts are shared between central government, the District Council (40%), West Sussex County Council (10%) and Central Government (50%).

The above parties are liable for refunding ratepayers who have successfully appealed against the business rates charged to their businesses in their proportionate share. The best estimate of the amount that businesses may have been overcharged up to 31 March 2018 is £5.1m.

The surplus or deficit on the Collection Fund for business rates at the end of the year is required to be distributed to or made good by contributions from the Council, West Sussex County Council and the Government in relation to business rates in a subsequent financial year.

3. Council Tax

Council Tax derives from charges raised according to the value of residential properties which have been classified into nine valuation bands (A-H). Individual charges are calculated by estimating the amount of income required to be taken by the Collection Fund for the forthcoming financial year and dividing this by the Council Tax base (i.e. the equivalent number of Band D dwellings).

For Council tax setting purposes, the number of dwellings in each valuation band, converted to Band D equivalents and allowing for a collection rate 99.0%, was estimated to be as follows:

Council Tax Band	No. of Chargeable Dwellings	Ratio to Band D	Chargeable Base
Disabled Band A	3.5	5/9	1.9
Band A	2,250	6/9	1,500.0
Band B	4,846.7	7/9	3,769.7
Band C	12,519.2	8/9	11,128.2
Band D	10,665.5	9/9	10,665.5
Band E	7,609.7	11/9	9,300.7
Band F	5,336.6	13/9	7,708.3
Band G	5,195.7	15/9	8,659.5
Band H	1,131.5	18/9	2,263.0
Total	49,558.4		54,996.8

Adjustments required as per The Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003

Classes A & B (Second homes)	1,730.2
Class C (Exempt properties)	38.7
Tax base reduction for Council tax support	(4,322.8)
Tax Base	52,442.9
Adjusted for assumed collection rate of 99%	51,914.40

The surplus or deficit on the Collection Fund for Council tax at the end of the year is required to be distributed to or made good by contributions from the Council, West Sussex County Council and The Police and Crime Commissioner for Sussex in a subsequent financial year.

Accrual

This concept recognises income and expenditure as it is earned or incurred, not as the money is received or paid.

Asset

An object tangible or intangible, that is of value to its owner. Tangible assets include land and buildings, plant and machinery, and fixtures and fittings. Intangible assets include goodwill, computer software licenses, copyright and patents.

Actuarial Gains & Losses Re-measurement of Net Defined Benefit Liability (Pension)

Actuaries assess financial and non-financial information provided by the Council to project levels of future pension fund requirements. Changes in actuarial surpluses or deficits can arise leading to a loss or a gain due to:

- events have not coincided with the actuarial assumptions made for the last valuation
- the actuarial assumptions have changed

Agency Services

These are services that are performed by or for another Authority of public body where the principal (the Authority responsible for the service) reimburses the Agent (the Authority carry out the work) for the costs of the work.

Appointed Auditors

Public Sector Audit Appointments Ltd regulates the appointment of external auditors to every local authority from one of the major firms of registered auditors. Ernst & Young LLP is the Council's appointed Auditor.

Billing Authority

The local authority responsible for administering the collection fund. In shire areas the District Council is the billing authority.

Capital Expenditure

Expenditure on the acquisition or construction of non-current assets or expenditure that adds to and not merely maintains the value of an existing non-current asset that has a long-term value to the authority e.g. land and buildings.

Capital Adjustment Account (CAA)

A book-keeping reserve which forms part of the capital accounting system and is not available for use. It represents amounts set aside from revenue resources or capital receipts to finance expenditure on non-current assets or for the repayment of external loans.

Capital Programme

The authority's plan of capital projects and spending over future years. Included in this category is the purchase of land and buildings, the construction of new buildings, design fees, and major items of equipment.

Capital Receipts

Income from the sale of land or buildings which can be (partially) used to finance new capital expenditure, or to repay outstanding debt on assets originally financed from loan.

Carrying Amount

The cost or value less depreciation.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Community Assets

Assets that the Council intend to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal.

Contingent Liability

A liability that, at the balance sheet date, can be anticipated to arise if a particular event occurs. A typical example is a court case pending against the Council, the outcome of which is uncertain, but if the judgement were to be awarded against the Council the contingent liability would be required.

Creditors

A creditor is an organisation, body or individual from whom the Council has purchased goods or services but the payment for which has not been made.

Current Service Cost

The increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Curtailement

Curtailements show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

Debtors

Organisations, bodies or individuals who have received goods or services from the Council for which the payment has not been received.

Deferred Credit

This is income that has been received before the period or periods to which it relates. The income is shown in the Balance Sheet.

Deficit

A deficit will arise where expenditure exceeds income. A deficit can be financed by reserves.

Depreciation

An annual charge made in the Council's revenue account to reduce the value of an asset held on the balance sheet over a period of years.

Existing Use Value

This is a method of valuing property that achieves a valuation based on the current use of the asset.

Fair Value

Fair Value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms-length transaction. For land and buildings it is the amount that would be paid for an asset in its existing use.

Finance Lease

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

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. In a simple terms it covers both financial assets and financial liabilities such as trade debtors and trade creditors, to the more complex of derivatives e.g. swaps, and embedded derivatives e.g. debt instruments with embedded swaps.

General Fund

The main revenue fund of the Council that contains the net cost of all services provided by the District Council financed by local taxpayers and government grants.

Gross Book Value (GBV)

The GBV of a non-current asset is the purchase or re-valued value before depreciation has been deducted.

Heritage Asset

An asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Historic Cost

The carrying amount of an asset as at 1 April 2007 (the date the revaluation reserve was created) or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment (if applicable).

IFRS

International Financial Reporting Standards. These are defined accounting standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of other entities.

Impairment Loss

A significant decline in the value of an asset that is specific to that asset.

Infrastructure Assets

Assets that form the fabric of the land and provide a valuable service such as land drainage channels, footpaths and roads.

Intangible Asset

These assets lack physical substance and represent purchased software and software licences.

Investment Property

An asset that is solely used to earn rentals, for capital appreciation, or both.

Irrecoverable Surplus (Pension)

The employer may not control or be able to benefit from the whole of a surplus – it may be so large that the employer cannot absorb it all through reduced contributions. The amount recoverable through reduced contributions reflects the maximum possible to be recovered without assuming an increase in the number of employees covered by the scheme.

Liability

An obligation to transfer economic benefits (usually money) as a result of a past transactions, for example the purchase of services will generate a liability to pay that supplier for the services received.

Market Value

This term is generally applied to the valuation of non-current assets. The market Value is the

value that could be achieved if the asset were offered for sale with no restrictions that could affect its value.

Materiality

An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.

National Non-Domestic Rates (NNDR) or Business Rates

This is a levy (or tax) charged on the rateable value of non-domestic properties (business properties) based upon a national rate in the pound set by the Government applicable to all local authorities. The proceeds are collected by the Council and then redistributed to preceptors in accordance to the proportions (shares) prescribed in the Business Rate Retention Scheme.

Net

This term is used where income for a service has been taken into account (i.e. offset against expenditure) thus reducing the total cost of that service.

Net Book Value

The purchase value or revalue of an asset less depreciation that has been applied to the asset since its purchase or revaluation.

Net Current Replacement Cost

Gross current replacement cost reduced to reflect obsolescence and environmental factors.

Net defined benefit liability (*asset*) (Pension)

The present value during the period in the net defined benefit liability obligation less the fair value of the plan assets (adjusted for the asset ceiling).

Net interest income (*expense*) (Pension)

The change during the period in the net defined benefit liability (asset) that arises from the passage of time. This includes allowance for interest on the current service cost.

Net Realisable Value

The existing use value of the (non-current) asset less any additional costs likely to be incurred in getting the assets into the ownership of the customer.

Non-Current Assets

Tangible and Intangible assets that yield benefits to the authority for a period of more than one year e.g. land and buildings.

Non-distributed Costs

This mainly relates to retirement benefits and charges in relation to non-operational assets.

Outturn

Total income and expenditure in the financial year.

Past Service Cost (Pension)

The change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by the plan).

Precept

The levy (demand) made by the County Council, Parish and Town Councils, on the District

Council's Collection Fund for their net expenditure requirements.

Present value of defined benefit obligation (Pension)

The present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Property, Plant and Equipment

Assets held, occupied, or used or consumed by the Council in the direct delivery of the services for which it has either a statutory or a discretionary responsibility.

Provisions

Amounts set aside to meet liabilities or losses which are likely to occur, or certain to occur in the future, but where the exact amounts and/or dates are uncertain.

Reserves

Amounts set aside to meet capital or revenue expenditure which do not fall under the definition of Provisions.

Revenue Expenditure

Day to day expenditure on the running of services. Includes staff costs, utility charges, rent and business rates.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred in the year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the Comprehensive Income and Expenditure Statement.

Revaluation Reserve (RR)

A reserve that over time will be built up by the upward revaluations of individual assets of the Council.

Revenue Support Grant (RSG)

A general government grant in support of local authority expenditure, fixed each year in relation to Standing Spending Assessment.

Settlement (Pension)

Settlement occurs when the Council enters into a transaction that eliminates all further legal or constructive obligation for part or all of the benefits provided under a defined benefit plan, for example, when a lump-sum cash payment is made to, or on behalf of, plan participants in exchange for their rights to receive specified post-employment benefits.

Surplus

A surplus will be generated where income exceeds expenditure. In some cases, a surplus will be transferred to an appropriate reserve.

Treasury Management

This is the process by which the Council controls its cash flow and its borrowing and lending activities.

Weighted average duration

The weighted average time until payment of all expected future discounted cashflows, determined based on membership and the financial and demographic assumptions as at the most recent actuarial valuation. The shorter the duration, the most 'mature' the employer.