CHICHESTER DISTRICT COUNCIL

AUDITED
STATEMENT OF ACCOUNTS
2018-19

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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 and Deputy to the Chief Executive

Mrs J Dodsworth, Director of Residents' Services (until 31 May 2019)

Mr A Frost, Director and Planning and Environmental Services

Mrs J Hotchkiss, Director of Growth and Place

Mrs L Rudziak, Director of Housing and Communities

Mr J Ward, Director of Corporate Services and Section 151 Officer

Introduction by the Director of Corporate Services

A key priority of the Council's Corporate Plan is to manage the Council's finances prudently and effectively, under which there are 3 main objectives:

- Ensure the prudent use of the Council's resources.
- Provide value for money through efficient and effective service delivery.
- Maintain a low rate of council tax while protecting 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. This approach is underpinned by the Council's strategic financial planning and key financial principles.

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 120,200 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 120,200	Chichester District covers 300 sq. miles	Mean average salary is £39,074
57,664 households	48 members representing 29 wards	Ave. House Price £385,976
82.1 % 16 – 64 year olds in employment (75.1 % National Ave.)	£725.10 Ave. Gross Weekly (Full Time) Earnings (£685.70 National Ave.)	7,600 Business Enterprises

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 2018-19 Diane Shepherd, our Chief Executive, led the Strategic Leadership Team (SLT) which included one Executive Director and Deputy to the Chief Executive, Paul Over, and five directors. Details of the Council's management structure can be found here http://www.chichester.gov.uk/article/24164/Council-structure.

The wider Corporate Management Team also consisted of 17 Divisional Managers. After the externalisation of the Council's Careline service the number of Divisional Managers reduced to 16 from 1 March 2019. A new management structure will come into effect from 1 June 2019, with the number of Directors being reduced from 5 to 4, and in 2019-20 the Executive Director and Deputy Chief Executive's role is expected to cease as previously approved by Council; the exact date for this change is currently unknown.

Both the Strategic Leadership Team, along with the Divisional Managers, support councillors whilst also overseeing the delivery of the Council's services. The council employs just over 560 staff that are mostly based at the Council's main offices in East Pallant House and at its Depot in Westhampnett, 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. At the start of 2018-19 there were three Programme Boards that ensured the delivery of our key projects and development of services were kept on track in three key areas of the council's business, these were:

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

In the latter part of 2018 the Infrastructure Programme Board ceased, as its purpose and objectives have now largely been overtaken by other groups e.g. Chichester Growth Board, DPIP and Chichester Vision Steering Group.

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 2018-19 on 7 March 2018, again without using its reserves or New Homes Bonus (NHB) Government funding. The government settlement for 2018-19 represented the eighth consecutive year of government funding cuts and as reflected in the Medium Term Financial Strategy.

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 Council remained part of the West Sussex Coastal Business Rates Pool.

The following sections describe the actual performance against this budget and the financial strategies that were agreed at the same Council meeting, further details can be found on the Council's website here: http://www.chichester.gov.uk/annualbudget.

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 27.

Capital Expenditure 2018-19 - Movements in the Council's asset base

TOTAL ASSETS BROUGHT FORWARD
£211m

Purchases and Sales of assets £3m	Depreciation (£3m)	Other changes in value £3m	Change in Current Assets £13m

Total Assets Carried Forward
£227m

Property, Plant & Equipment £125m	Investment Property £15m	Other Long Term Assets £29m	Current Assets £58m

Capital Expenditure Outlook

The Council has an approved capital and asset replacement programme of £51.1m in the period 2018-19 to 2023-24. The major schemes currently planned for this period include:

Capital Expenditure (Planned)	2019-20 £000	2021-22 £000	Later £000
Plot 21 Terminus Road Development	1,564	-	-
St. James' Industrial Estate refurbishment	18	192	5,018
Southern Gateway (LEP)	5,000	0	0
Community Led Housing	250	456	680
Disabled Facilities grants	1,350	1,350	5,400
Affordable housing, including grants	1,115	1,210	1,576
Vehicle Replacement Programme	120	923	2,817
Community Infrastructure Levy (CIL) Projects			
- School Places	1,200	-	-
- Sustainable Transport	500	-	-
- Medical Centre West Chichester	-	1,750	-

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.

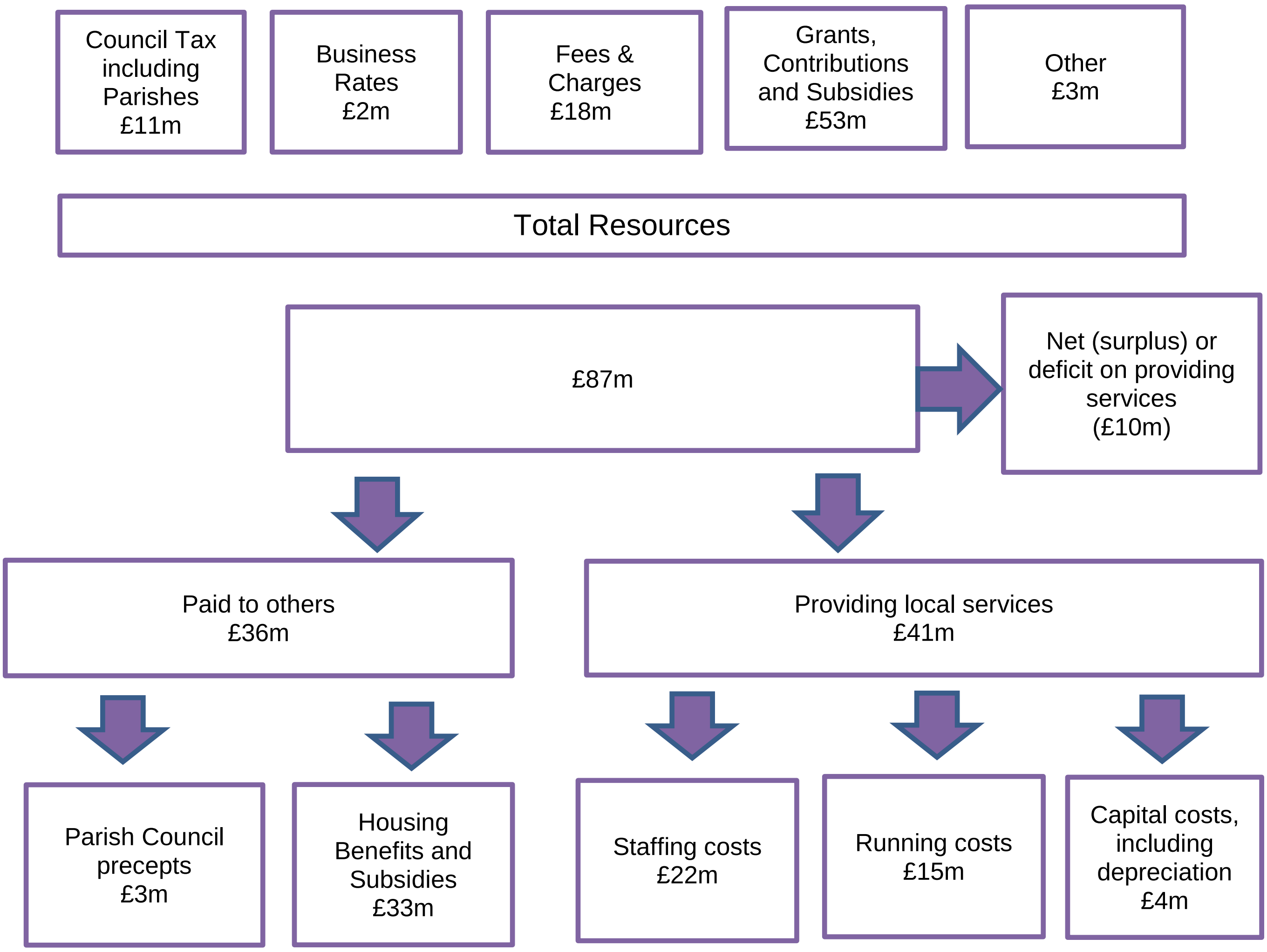
The Council is currently debt free and fully funds its capital programme and asset replacement programme from its own resources i.e. capital receipts and revenue reserves, plus grants and contributions from third parties and via Council Tax for the asset replacement programme. In the medium term this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

Planned support for the Council's future capital programme includes £4.5m from Coast to Capital (http://www.coast2capital.org.uk/). This funding is being 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 2018-19

Revenue Inflows and Outflows

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



Factors influencing future cash flows

- 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 uncertainly 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 certain other authorities in West Sussex to maximise the amount of funding that can be retained. In 2019-20 the Council is part of the 75% localisation of business rates pilot along with all other West Sussex authorities; county, district and boroughs. This new pooling arrangement is only for 1 year and will enable the pool to retain an extra £21m, which as a one off is anticipated to be used to fund IT infrastructure improvements county wide. There is no impact on the Council’s own budgets, only those of the West Sussex pool.

- Specific Government Grants – Since 2017-18 Reserve Support Grant has ceased. New Homes Bonus (NHB) 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. There is a fair degree of uncertainty in terms of local government funding not only due to Brexit, but also due to the outcome of the 2019 Fair Funding Review, the localisation of business rates, impacting Government funding from 2020-21 which it is hoped the picture will become clearer in the latter part of 2019.

- Fees and charges made to service users – This is influenced by policy and service demand. The council raises over £18.3m income from discretionary spend service areas or those that are linked to consumer confidence and the state of the economy, and the uncertainty surrounding Brexit. Income targets for certain major income streams were reduced in the 2019-20 budget to reflect this ongoing uncertainty

  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%. The outcome of the Council's pay review project will come into effect from 1 April 2019, where an additional £300k was allocated to update the pay structure; this had already been reflected in the Council's budget.

- Capital Expenditure – This is determined by policy and the Council's approved capital programme and asset replacement programme.

Cash Resources

On 31 March 2019, the Council held £4.8m as cash and cash equivalents as shown in note 17. The approved minimum level of general fund reserves to be held remained at £6.3m 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 2019-20 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 £12.4m 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 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.
- Increasing income opportunities via commercial premises or pooled investments

In relation to the Deficit Reduction Plan £3.38m has been achieved so far with a further £1.3m expected in future years. The Council will still look to modernise services, and there are further changes to the structure of the Strategic Leadership Team in 2019-20 to achieve further savings. So the continued adherence to the robust proactive financial management principles aids the Council's strategic financial planning. 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**: As a result of the pilot schemes in 2019-20 it is expected that at least 75% localisation is 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 £18.3m 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, however, across the County this target is being achieved, and the Council is currently achieving 46% recycling. In 2019-20 there are a number of Government consultations on waste collection and recycling, which could have a major impact on some income streams currently achieved from recycling credits and green waste collection.

- **Changes to New Homes Bonus**: This source of funding may be subject to further review as part of the Government's Fair Funding and Spending Reviews in 2019. The Council received £2.314m in 2018-19, with £2.178m awarded for 2019-20. 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.

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 - Failure to maintain a robust and deliverable budget will lead to a lack of resources to fund services and council priorities, leading to reactionary decision making, and reputational consequence. - 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.)	Probable	Significant
Skills / Capability / Capacity - Failure to have resilience in the staff structure, and so lack the right number of staff, with the right skills to deliver services, along with unrealistic expectations of services, which could lead to service failure, reputational damage and potential litigation.	Probable	Minor
Business Continuity - 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 - Failure to adhere to H&S policies and procedures leading to death or serious 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 - 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	Significant
Cyber Risk Attack Across ICT Estate - Failure to protect the Council against a cyber-attack across the ICT estate resulting in service disruption and reputational damage. Mitigation is focussed in three	Possible	Serious

Strategic Risk Description	Likelihood	Impact
areas; software designed to protect, user awareness to reduce complacency and continual updating of systems (patching). - The Principle of CIA; this provides the basis for the CIA triad – Confidentiality, Integrity and Availability – for data security.		
Data Protection Act Breach – Loss of Data - Failures to keep all personal data secure leading to a breach of the General Data Protection Regulations (GDPR) and Data Protection Act, resulting in fines and reputational risk.	Unlikely	Serious
Southern Gateway Regeneration - 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 - 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.	Possible	Serious
Impact of Welfare Reform including Universal Credit (UC) on working claimants across the district - 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
Changing Use of the High Street in City and Rural Towns - Risk to the city and rural towns as a result of the changing use of the high street impacting their sustainability and vitality. - Failure to adapt to the changing use of the high street by consumers and businesses, impacting the local economy, and the wider financial impact on the council as a result of reduced income streams from car parks, business rates etc.	Probable	Significant
Brexit - The risks of Brexit and in particular of a "no deal" Brexit scenario and its impact on the council, its services and communities.	Possible	Serious

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 on the Council website.

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

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 2019. I confirm that the date of this declaration is the date up to which events have been considered for inclusion within the Council's Statement of Accounts, and are therefore authorised for issue.

John Ward CPFA **Date 22 July 2019**
Director of Corporate Services

Approval for the Statement of Accounts

Kate O'Kelly **Date 25 July 2019**
Chair of the Corporate Governance and Audit Committee

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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.

2017-18 (Restated)				2018-19		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
8,055	(8,360)	(305)	Leader	8,721	(8,515)	(206)
5,254	(1,387)	3,867	Community Services	5,571	(2,001)	3,570
5,737	(461)	5,276	Corporate Services	5,395	(166)	5,229
4,127	(1,641)	2,486	Planning Services	5,058	(2,393)	2,665
2,555	(2,270)	285	Housing Services	4,382	(3,298)	1,084
3,026	(1,502)	1,524	Environment Services	3,182	(1,620)	1,562
44,877	(39,386)	5,491	Residents' Services	43,832	(38,188)	5,644
73,631	**(55,007)**	**18,624**	**Cost of Services**	**76,141**	**(56,181)**	**19,960**
			Other operating Expenditure			
2,944	0	2,944	Parish Council Precepts	3,071	0	3,071
0	0	0	Levies Payable	0	0	0
0	(1,088)	(1,088)	Gain (-)/or loss on the disposal of Non-Current Assets	0	(1,249)	(1,249)
2,944	**(1,088)**	**1,856**		**3,071**	**(1,249)**	**1,822**
			Financing and Investment Income and Expenditure			
44	0	44	Interest payable and similar charges	58	0	58
149	0	149	Net interest on the net defined Pension liability (asset)	0	(40)	(40)
0	(981)	(981)	Interest receivable and similar income	0	(1,212)	(1,212)

2017-18 (Restated) Gross Expenditure £000	Gross Income £000	Net Expenditure £000		2018-19 Gross Expenditure £000	Gross Income £000	Net Expenditure £000
306	(1,033)	(727)	Income and Expenditure in relation to investment Properties and changes in their fair value	(3,092)	(976)	(4,068)
0	0	0	Changes in the fair value of investments	0	(20)	(20)
5	0	5	Interest Element of Finance Leases (Lessee and Lessor)	0	0	0
0	(107)	(107)	Interest Element of Finance Leases (Lessor)	0	(105)	(105)
0	(52)	(52)	Other income	0	(162)	(162)
504	**(2,173)**	**(1,669)**		**(3,034)**	**(2,515)**	**(5,549)**
1,188	**(1,084)**	**104**	**(Surplus) or deficit on discontinued operations**	**1,184**	**(1,067)**	**117**
			Taxation and Non-Specific Grant Income and Expenditure (see note 25)			
0	(10,837)	(10,837)	Council tax income	0	(11,306)	(11,306)
0	(1,689)	(1,689)	Non domestic rates (NNDR)	0	(1,754)	(1,754)
0	(3,944)	(3,944)	Capital grants and contributions	0	(8,825)	(8,825)
0	(5,269)	(5,269)	Non ringfenced government grants	0	(4,508)	(4,508)
0	**(21,739)**	**(21,739)**		**0**	**(26,393)**	**(26,393)**
78,267	**(81,091)**	**(2,824)**	**(Surplus) or Deficit on Provision of Services**	**77,362**	**(87,405)**	**(10,043)**
			Items that will not reclassified to the (surplus) or deficit on the Provision of Services			
		(5,365)	(Surplus) or deficit on revaluation of non-current assets			(5,497)
			Re-measurement (gains) and losses on Pension Fund assets and liabilities:			
		(3,149)	- Actuarial (gains)/losses on pension assets/liabilities			14,109

2017-18 (Restated)				2018-19		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
		(7,463)	- Return on Assets excluding amounts included in net interest			(7,667)
			Items that may be reclassified to the (surplus) or deficit on the Provision of Services			
		(359)	(Surplus) or deficit on revaluation of available for sale financial assets			0
		(16,336)	**Other Comprehensive Income and Expenditure**			**945**
		(19,160)	**Total Comprehensive Income and Expenditure**			**(9,098)**

In March 2019, the Council discontinued providing a Careline Service. The financial information for this service is now shown under the heading '(Surplus) or deficit on discontinued services'. Previously this service was included under the heading of 'Community Services' within the Cost of Services. The comparator for 2017-18 has been updated to reflect this change. This change is also reflected for the comparator figures in Notes 6 and 6a.

The Balance Sheet shows the value as at 31 March 2019 of the Council's assets and liabilities together with the reserves held by the Council.

31 March 2018 £000		Notes	31 March 2019 £000
	Property, Plant and Equipment	11	
109,908	▪ Land and Buildings		114,787
6,006	▪ Vehicles, plant, furniture and equipment		5,855
1,358	▪ Infrastructured		1,398
28	▪ Community Assets		28
329	▪ Assets under construction		0
4,166	▪ Surplus Assets not held for sale		3,143
11,807	**Investment Property**	12	15,033
	Intangible Assets	13	
465	▪ Software		367
	Heritage Assets	14	
6,757	▪ Tangible		6,757
22	▪ Intangible		22
20,587	**Long Term Investments**	15	20,607
3,291	**Net Pensions Asset**	29	0
1,235	**Long Term Debtors**	15	1,137
165,959	**Total Long-Term Assets**		**169,134**
	Current Assets		
23,316	Short term investments		39,145
98	Inventories		89
10,606	Short Term Debtors	16	13,364
10,938	Cash and Cash Equivalents	17	4,862
225	Assets held for sale – current <1yr		442
45,183	**Total Current Assets**		**57,902**
	Current Liabilities		
(10,786)	Short Term Creditors	18	(10,501)
(10,786)	**Total Current Liabilities**		**(10,501)**
	Long-Term Liabilities		
(5,478)	Long Term Creditors – S106 contributions		(5,478)

31 March 2018 £000		Notes	31 March 2019 £000
(13)	Credit Arrangements – Finance Lease		(12)
(2,040)	Provisions	19	(2,497)
0	Net Pensions Liability	29	(6,559)
(43)	Capital Grants Receipts in Advance		(105)
(7,574)	**Total Long-Term Liabilities**		**(14,651)**
192,782	**Net Assets**		**201,884**
	Usable Reserves		
(39,004)	General Fund Reserve		(44,266)
(85)	Capital Receipts Reserve		(1,652)
(7,830)	Capital Grants Unapplied Account		(12,434)
(46,919)	**Total Usable Reserves**		**(58,352)**
	Unusable Reserves	20	
(52,427)	Revaluation Reserve		(57,117)
(90,332)	Capital Adjustment Account		(92,405)
33	Financial Instruments Adjustment Account		22
367	Pooled Investment Fund Adjustment Account		343
(773)	Deferred Capital Receipts Reserve		(737)
(3,291)	Pension Reserve		6,559
560	Collection Fund Adjustment Account		(197)
0	Accumulated Absences Account		0
(145,863)	**Total Unusable Reserves**		**(143,532)**
(192,782)	**Total Reserves**		**(201,884)**

John Ward CPFA **Date 22 July 2019**
Director of Corporate Services

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.

2017-18 £000							2018-19 £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**
(43,654)	0	(3,923)	(47,577)	(126,045)	(173,622)	Balance brought forward	(39,004)	(85)	(7,830)	(46,919)	(145,863)	(192,782)
0	0	0	0	0	0	Adjustments for the restatement of financial instruments	0	0	0	0	(4)	(4)
(2,824)	0	0	(2,824)	(16,336)	(19,160)	Total Comprehensive Income and Expenditure	(10,043)	0	0	(10,043)	945	(9,098)
7,474	(85)	(3,907)	3,482	(3,482)	0	Adjustments between accounting basis & funding under regulations (Note 10)	4,781	(1,567)	(4,604)	(1,390)	1,390	0
4,650	(85)	(3,907)	658	(19,818)	(19,160)	(Increase) / Decrease In year	(5,262)	(1,567)	(4,604)	(11,433)	2,331	(9,102)
(39,004)	(85)	(7,830)	(46,919)	(145,863)	(192,782)	Balance carried forward	(44,266)	(1,652)	(12,434)	(58,352)	(143,532)	(201,884)

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.

2017-18 £000		2018-19 £000
(2,824)	Net (surplus) or deficit on the provision of services	(10,043)
(1,669)	Adjustments to net surplus or deficit on the provision of services for non-cash	7,503
1,094	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	1,549
(3,399)	**Net Cash flows from Operating Activities**	**(991)**
	Interest	
5	Interest Paid	0
(1,099)	Interest Received	(1,636)
(1,094)		**(1,636)**
	Investing Activities	
11,105	Purchase of property, plant and equipment, investment property and intangible assets	2,713
219,285	Purchase of short-term and long-term investments	240,471
132	Other payments for investing activities	128
(668)	Proceeds from the sale of property, plant and equipment, non-current assets held for sale, investment property and intangible assets	(2,330)
(216,261)	Proceeds from short-term and long-term investments	(224,642)
(5,399)	Capital Grants	(6,202)
(1,033)	Other receipts from investing activities	(976)
7,161	**Net Cash flows from Investing Activities**	**9,162**
	Financing Activities	
(2,711)	Other receipts from financing activities	(442)
70	Other payments from financing activities	(18)
(2,641)	**Net Cash flows from Financing Activities**	**(460)**
27	**Net (increase) / decrease in cash and cash equivalents**	**6,075**
	Cash and cash equivalents (Note 17)	
10,965	○ at the beginning of the reporting period	10,938
10,938	○ at the end of the reporting period	4,863
27	**Movement in Cash (increase)/decrease**	**6,075**

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2018-19 financial year and its position at the year-end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. In accordance with the application accounting framework, these accounts are prepared on a going concern basis.

1.2 Recognition of Income and Expenditure

In recognising revenue from contracts with service recipients, the Council differentiates between:

- Exchange Transactions, in which the Council directly receives consideration of approximately equal value for the provision of assets or services, or has liabilities extinguished in return for these goods or services; and,

- Non-exchange Transactions where the Council receives value from another entity without directly giving approximately equal value in exchange; or where the Council gives value to another entity without receiving approximately equal value in exchange.

For non-exchange transactions, the Council recognise revenue when it is probable that the economic benefits associated with the transaction will flow to the authority, and the amount of the revenue can be reliably measured.

For revenues from exchange transactions arising from contracts, revenue is recognised in a way that reflects the pattern in which goods or services are transferred to service recipients and performance obligations are fulfilled, subject to the following paragraph.

For services where the recipient consumes continuing services as they are provided (generally these are the routine and recurring activities undertaken by the Council on a regular basis) the Council recognises revenue when it has a right to invoice for services or goods provided. This largest area of income that this expedient covers relates to the Council's commercial and domestic waste collection services.

Where the Council makes charges in advance for individual services carried out in fulfilment of a statutory or contractual responsibility these charges will be recognised when the Council's performance obligation is discharged.

- Revenue from the sale of goods not covered by the above principles 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.

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 Discontinued Operations

Operations may be discontinued as a result of an asset or disposal group being put up for sale, and not simply transferred to another part of the public sector. Transactions relating to operations that are discontinued are presented separately on the face of the Comprehensive Income and Expenditure Statement and the Balance Sheet (including prior period comparatives).

1.4 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.

1.5 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. For 2018/19, in accordance with the Accounting Code of Practice, the accounting implications of the adoption of IFRS9 are also accounted for prospectively.

The Council has reassessed the nature of liabilities associated with s.106 planning obligations. Our assessment is that these liabilities do not meet the definition of a financial instrument and should therefore be excluded from financial instrument disclosures as they do not meet the definition of a contractual financial liability.

The 2017-18 comparatives disclosed as financial liabilities (note 15) have been adjusted as follows:

Financial liabilities recorded on the balance sheet (£000)	Original	Revised
• Short term	7,249	6,294
• Long term	5,491	0

These adjustments do no not amend any figure in the principal statements or disclosed in other notes.

1.6 Accounting for Taxation

Under the Code, taxation 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.

1.7 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 2.4%. 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.

1.8 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, benefits and government grants, do not give rise to financial instruments.

The Council held no material derivative financial instruments at 31 March 2019.

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, equity instruments or a contractual right to receive cash or another financial asset or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council.

Offsetting Financial Assets and Liabilities Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and it intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Classification and Measurement of Financial Assets: Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

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

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

<u>Expected Credit Loss Model:</u> Expected credit losses for all of financial assets held at amortised cost are recognised either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables, and contract assets and trade receivables with a significant financing component.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses.

Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

For trade and contract receivables without a significant financing component the Council has applied a simplified approach consistently to calculate expected credit losses, under which impairment losses are automatically based on lifetime expected credit losses, removing the need to consider changes in credit risk since initial recognition

In accordance with the Code of Accounting Practice, no impairment loss allowance is recognised for monies owed by Central and Local Government bodies.

<u>Fair Values</u>

Fair values are shown in note 15, 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
    - For the Council's investments in externally managed pooled funds, fund values published by the fund manager 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 the Stable or Low Volatility Net Asset Value money market funds, the valuation used assumes that, for each £1 for every of principal invested, the fund will return £1 of principal on withdrawal by the Council, plus interest.
- 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

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2019, using the following methods and assumptions:

- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.

- The fair values of finance lease assets and liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate corporate bond yield, except where it is judged that this is not appropriate.

- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

The Council has not to date designated any Financial Assets as FVOCI.

1.9 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.

1.10 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.

1.11 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).

1.12 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.

1.13 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.

1.14 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.

1.15 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. Impact of accounting standards adopted in 2018-19

The Council has assessed that the adoption of revised income recognition principles based on IFRS15 does not materially affect the presentation and recognition of income recorded in the Council's principal financial statements and accompanying notes. The Council discloses the total income received from fees, charges and other service income in note 7.

For IFRS9, the Council has reclassified a number of financial assets to comply with the new recognition principles outlined above in light of the adoption of IFRS9 into the Local Government Code of Accounting Practice. The effect of this is shown on note 15.

The Council has also considered the impact on the carrying amounts of its financial assets following the changes to impairment requirements explained above. For financial assets other than trade and contractual debtors, the Council's view is that the application of the expected credit loss model does not result in a material impact to the carrying amount of relevant financial assets held at amortised cost.

3. 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 2018-19.

For 2018-19 the following accounting standard changes that need to be reported relate to:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle

The Council does not presently expect these standards to have a material effect on the presentation of future financial information or transactions.

4. Critical judgements in applying accounting policies

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

- There is 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.

5. 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 2019. 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 2019. The Council's share of the balance of business rates appeals provisions held at this date amounted to £2.497m (see Note 19), an increase of £0.457m 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.

Impairment loss allowance

The Council has provided within its financial statements an estimated impairment allowance for relevant financial assets to reflect the risk that future cash flows will not be received. This allowance 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.

For financial assets other than for level 1 valuations, the Council has chosen a valuation technique that it judges is reasonable and is likely to produce a materially accurate estimation of the actual fair value of the asset. Information about the valuation techniques adopted is described above (1.8)

6. 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).

2017-18 (Restated)				2018-19		
Net Expenditure Chargeable to the General Fund	Adjustments between funding and accounting basis	Net expenditure in the Comprehensive Income and Expenditure statement		Net Expenditure Chargeable to the General Fund	Adjustments between funding and accounting basis	Net expenditure in the Comprehensive Income and Expenditure statement
£000	**£000**	**£000**		**£000**	**£000**	**£000**
(3,817)	3,512	(305)	Leader	(3,265)	3,471	(206)
2,296	1,571	3,867	Community Services	2,127	1,443	3,570
4,503	773	5,276	Corporate Services	4,631	598	5,229
1,538	948	2,486	Planning Services	1,496	1,169	2,665
564	(279)	285	Housing Services	649	435	1,084
1,001	523	1,524	Environment Services	1,075	487	1,562
4,049	1,442	5,491	Residents' Services	4,016	1,628	5,644
10,134	**8,490**	**18,624**	**Net Cost of Services**	**10,729**	**9,231**	**19,960**
(5,484)	(15,964)	(21,448)	Other Income and Expenditure	(15,991)	(14,012)	(30,003)
4,650	**(7,474)**	**(2,824)**	**(Surplus) or Deficit**	**(5,262)**	**(4,781)**	**(10,043)**
(43,654)			Opening General Fund Balance	(39,004)		
4,650			Less/ Plus Surplus or (Deficit) on General Fund in year	(5,262)		
(39,004)			Closing General Fund balance at 31 March	**(44,266)**		

6a. 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 20.

2017-18 (Restated) Statutory adjustments for:					**2018-19** Statutory adjustments for:			
Capital	Pensions	Other	Total		Capital	Pensions	Other	Total
£000	**£000**	**£000**	**£000**		**£000**	**£000**	**£000**	**£000**
3,057	455	0	3,512	Leader	2,459	1,012	0	3,471
1,333	238	0	1,571	Community Services	1,162	281	0	1,443
297	476	0	773	Corporate Services	144	454	0	598
604	344	0	948	Planning Services	817	352	0	1,169
(417)	138	0	(279)	Housing Services	280	155	0	435
264	259	0	523	Environment Services	242	245	0	487
615	827	0	1,442	Residents' Services	793	835	0	1,628
5,757	**2,737**	**0**	**8,490**	**Net Cost of Services**	**5,897**	**3,334**	**0**	**9,231**
(15,316)	271	(919)	(15,964)	Other Income and Expenditure	(13,299)	74	(787)	(14,012)
(9,563)	**3,008**	**(919)**	**(7,474)**	**Difference between the General Fund Surplus/ Deficit and surplus or deficit on the Provision of services**	**(7,402)**	**3,408**	**(787)**	**(4,781)**

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.

6b Segmental Income Cost of Services

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

	2017-18	2018-19
	£000	£000
Leader	(7,914)	(7,986)
Community Services	(459)	(860)
Corporate Services	(324)	(95)
Planning Services	(1,757)	(1,899)
Housing Services	(631)	(755)
Environment Services	(1,003)	(1,040)
Residents' Services	(3,464)	(3,599)
Total Income analysed on a segmental basis	(15,552)	(16,234)

7. Expenditure and Income Analysed by Nature

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

	2017-18	2018-19
Expenditure	£000	£000
Employee benefits expenses	21,374	22,572
Other service expenses	48,386	47,359
Depreciation, amortisation and impairment	5,365	4,302
Interest payments	198	58
Precepts and Levies	2,944	3,071
Total Expenditure	78,267	77,362
Income		
Fees, charges and other service income	(17,669)	(18,278)
Gain on the disposal of assets	(1,088)	(1,249)
Changes in the fair value of investments	0	(20)
Interest and Investment income	(1,327)	(1,770)
Income from taxation	(12,526)	(13,060)
Government grants and contributions	(40,921)	(39,152)
Other grants and contributions	(7,560)	(13,876)
Total Income	(81,091)	(87,405)
Surplus or Deficit on the Provision of Services	(2,824)	(10,043)

8. 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 22 July 2019.

Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The Statement of Accounts were approved by the Corporate Governance and Audit Committee on 25 July 2019.

9. 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 2018-19.

	Balance at 1 April 2017 £000	Out 2017-18 £000	In 2017-18 £000	**Balance at 31 March 2018 £000**	Out 2018-19 £000	In 2018-19 £000	**Balance at 31 March 2019 £000**
Housing Reserve	**(1,000)**	217	0	**(783)**	3	0	**(780)**
Theatre and Gallery Reserve	**(239)**	239	0	**0**	0	0	**0**
Restructuring Reserve	**(966)**	441	0	**(525)**	314	0	**(211)**
Asset Reserve	**(6,563)**	1,412	(1,490)	**(6,641)**	763	(1,359)	**(7,237)**
Capital Projects Reserve	**(5,227)**	5,108	(341)	**(460)**	536	(482)	**(406)**
Revenue Budget Support Reserve	**(1,300)**	1,300	0	**0**	0	0	**0**
Grants and Contribution Reserve	**(704)**	183	(364)	**(885)**	166	(279)	**(998)**
Retained Business Rates Equalisation Reserve	**(1,476)**	1,476	(887)	**(887)**	731	0	**(156)**
New Homes Bonus Scheme Reserve	**(9,466)**	1,369	(3,080)	**(11,177)**	250	(2,314)	**(13,241)**
Investment Opportunities Reserve	**(2,118)**	2,589	(471)	**0**	0	(861)	**(861)**
Community Led Housing Grant Reserve	**0**	0	0	**0**	82	(1,386)	**(1,304)**
Investment Risk Reserve	**0**	0	0	**0**	0	(565)	**(565)**
Other Usable Reserves (Less than £500,000 in value)	**(2,348)**	511	(944)	**(2,781)**	543	(950)	**(3,188)**
Total	**(31,407)**	14,845	(7,577)	**(24,139)**	3,388	(8,196)	**(28,947)**

10. 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 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

2017-18 General Fund Balance £000	2017-18 Capital Receipts Reserve £000	2017-18 Capital Grants Unapplied £000		2018-19 General Fund Balance £000	2018-19 Capital Receipts Reserve £000	2018-19 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:			
(3,008)	-	-	• Pensions costs (transferred to/ from the Pensions reserve)	(3,408)	-	-
10	-	-	• Financial instruments (transferred to the Financial Instruments adjustments account)	10	-	-
908	-	-	• Council Tax and NDR (transfers to/ from the Collection Fund adjustment account)	756	-	-
0	-	-	• Holiday pay (transferred to the Accumulated Absences Reserve)	0	-	-
(2,357)	-	(3,907)	• Reversal of entries included in the Surplus of Deficit on the Provision of Services in relation to capital expenditure (transferred to Capital Adjustment account)	4,326	-	(4,604)
0	-	-	• Reversal of changes in fair value measurement of relevant financial assets	20	-	-
(4,447)	-	(3,907)	Total Adjustments to Revenue Resources	1,704	-	(4,604)
Adjustments between Revenue and Capital Resources						
1,454	(1,454)	-	Transfer of non-current asset sale proceeds from revenue to the Capital Receipts reserve	1,656	(1,656)	-
(7)	7	-	Administrative costs of non-current asset disposals (funded from a contribution from the Capital Receipts reserve)	(4)	4	-
27	-	-	Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	29	-	-
10,447	-	-	Capital Expenditure financed from revenue (transfer to the Capital Adjustment Account)	1,396	-	-
11,921	(1,447)	0	Total adjustments between Revenue and Capital Resources	3,077	(1,652)	0
Adjustments to Capital Resources						
-	1,396	-	Use of the Capital Receipts Reserve to finance capital expenditure	-	147	-
-	-	0	Application of capital grants to finance capital expenditure	-	-	-
-	0	-	Cash payments in relation to Debtors	-	(27)	-
-	(34)	-	Cash payments in relation to deferred capital receipts	-	(35)	-
0	1,362	0	Total adjustments to Capital Resources	0	85	0
7,474	**(85)**	**(3,907)**	**Total Adjustments**	**4,781**	**(1,567)**	**(4,604)**

11. Property, Plant and Equipment

Movements in cost or values	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Property, Plant & Equipment Under Construction	**Total Property, Plant and Equipment**
	£000	£000	£000	£000	£000	£000	£000
1 April 2017	**103,669**	**11,938**	**3,924**	**28**	**5,121**	**568**	**125,248**
Additions	908	714	317	0	0	5,750	**7,689**
Revaluations increases / (decreases) recognised in the Revaluation Reserve	4,171	(106)	0	0	(416)	0	**3,649**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,583)	0	0	0	0	0	**(2,583)**
Derecognition – disposals	0	(459)	0	0	(289)	0	**(748)**
Other reclassifications – transfers	5,879	110	0	0	(230)	(5,989)	**(230)**
31 March 2018	**112,044**	**12,197**	**4,241**	**28**	**4,186**	**329**	**133,025**
Additions	440	553	262	0	0	1,467	**2,722**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	3,518	0	(3)	0	0	0	**3,515**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(799)	0	0	0	0	(254)	**(1,053)**
Derecognition – disposals	(193)	(57)	0	0	0	0	**(250)**
Other reclassifications – transfers	1,732	377	0	0	(1,018)	(1,542)	**(451)**
31 March 2019	**116,742**	**13,070**	**4,500**	**28**	**3,168**	**0**	**137,508**
Movements in depreciation and impairment							
1 April 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)**
Depreciation charge	(1,261)	(1,072)	(239)	0	(5)	0	**(2,577)**
Depreciation written out to the Revaluation Reserve	1,418	0	20	0	0	0	**1,438**
Derecognition – disposals	24	48	0	0	0	0	**72**
Reclassifications – transfers	0	0	0	0	0	0	**0**
At 31 March 2019	**(1,955)**	**(7,215)**	**(3,102)**	**0**	**(25)**	**0**	**(12,297)**
Net Book Value							
At 31 March 2018	**109,908**	**6,006**	**1,358**	**28**	**4,166**	**329**	**121,795**
At 31 March 2019	**114,787**	**5,855**	**1,398**	**28**	**3,143**	**0**	**125,211**

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 2019 the Council had entered into a contract of circa £2.2m for the purchase of land 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. Assets revalued during the year were valued with an effective date of 28 February 2019.

	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
	5 to 60 years	**3 to 20 years**	**5 to 25 years**	**5 to 8 years**	**-**	**-**	
Carried at historic cost	0	5,855	1,398	28	0	0	**7,281**
Valued at fair value as at:							
2018-19	83,586				0		**83,586**
2017-18	13,159	0	0	0	838	0	**13,997**
2016-17	6,543	0	0	0	0	0	**6,543**
2015-16	10,094	0	0	0	75	0	**10,169**
2014-15	1,405	0	0	0	2,230	0	**3,635**
		0	0	0		0	
Total	**114,787**	**5,855**	**1,398**	**28**	**3,143**	**0**	**125,211**

12. Investment Properties

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

	2017-18 £000	2018-19 £000
Balance at start of the year	8,266	11,807
Additions:		
• Purchases	3,707	0
• Subsequent expenditure	8	0
• Transfer from PPE	0	6
Net gain/(losses) from fair value adjustments	(174)	3,220
Balance at end of the year	11,807	15,033

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 2019 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.

13. Intangible Assets

The carrying amount of intangible assets is £0.367m and is amortised on a straight line basis. Amortisation of £127k was charged to revenue in 2018-19.

14. Heritage Assets

The carrying value of Heritage assets is £6.8m. There were no additions or disposals during 2018-19.

15. Financial Instruments

The carrying value and classification of the Council's Financial Instruments has been updated following the adoption of IFRS9.

Effect of the transition between IAS39 and IFRS9

	IAS39 31 March 2018 £000	Reclassification £000	Remeasurement £000	IFRS9 1 April 2018 £000
Financial Assets				
Investments				
Loans and Receivables/ Amortised cost	24,078	2,240	4	26,322
Available for Sale/ FVOCI	19,827	(19,827)	-	-
Fair Value through Profit and Loss	-	17,587	-	17,587
Total investments	43,905	-	4	43,909
Cash and cash equivalents				
Available for Sale/ FVOCI	9,801	(9,801)	-	-
Fair Value through Profit and Loss	0	9,801	-	9,801
Total Cash and cash equivalents	9,801	-	-	9,801
Financial assets not re-categorised as a result of IFRS9	5,866	-	-	5,866
Total Financial Assets	59,572	-	4	59,576

Remeasuring the value of the above financial assets at 1 April 2018 did not produce a materially different figure than that measured under IAS39.

Financial Assets	Non-current			Current		
	31 March 2018 £000	1 April 2018 £000	31 March 2019 £000	31 March 2018 £000	1 April 2018 £000	31 March 2019 £000
Investments						
Amortised cost	3,000	3,000	3,000	21,078	23,322	39,145
Fair value through profit and loss	17,587	17,587	17,607	2,240	-	-
Total Investments	20,587	20,587	20,607	23,318	23,322	39,145
Cash and cash equivalents:						
Amortised cost	-		-	1,137	1,137	512
Fair value through profit and loss	-		-	9,801	9,801	4,350
Total Cash and cash Equivalents	-	-	-	10,938	10,938	4,862
Debtors – at amortised cost						
Trade receivables	-	-	-	1,419	1,419	764
Contract receivables	469	469	400	2,068	2,068	5,578
Lease receivables	773	773	737	-	-	-
Included in Debtors	1,242	1,242	1,137	3,487	3,487	6,342

Financial Assets	31 March 2018 £000	1 April 2018 £000	31 March 2019 £000	31 March 2018 £000	1 April 2018 £000	31 March 2019 £000
Total Financial Assets	21,829	21,829	21,744	37,743	37,747	50,349

	Non-current			Current		
Financial Liabilities	31 March 2018 £000	1 April 2018 £000	31 March 2019 £000	31 March 2018 £000	1 April 2018 £000	31 March 2019 £000
Short term bank overdraft	-		-	-		-
Finance Leases	13	13	12	29	29	-
Creditors at amortised cost				6,294	6,294	3,904
Total Financial Liabilities	13	13	12	6,323	6,323	3,904

Income, Expense, Gains and Losses

The Council recognised income of £1,010k (2017-18 £989k) relating to interest and similar income during the year. The major components of this figure were Interest income of £343k from loans and receivables valued at amortised cost (£245k 2017-18) and dividend and distribution income of £859k from assets valued at Fair value through the Profit and loss account (£722k, 2017-18). Against these figures, the Council was charged a fee of £51k (2017-18 £59k) by CCLA, the fund manager for the Local Authority Property Fund.

Interest payable by the Council was £58k (2017-18 £73k), the main component of this being £50k of interest due on S106 contributions, which are disclosed as long term creditors on the Council's Balance Sheet.

The Council incurred a net gain on revaluation at year on of £19k (£359k 2017-18) in respect of its financial assets valued at Fair Value. This change in fair value was eliminated from the Council's general fund reserve in accordance with statutory guidance. A breakdown of these assets is shown in the note below.

Financial Assets

	Level	Balance Sheet 31 March 2018 £000	Fair value 31 March 2018 £000	Balance Sheet 31 March 2019 £000	Fair value 31 March 2019 £000
Financial assets held at Fair Value					
• Money Market Funds	1	9,801	9,801	4,350	4,350
• Pooled investment Funds	1	17,587	17,587	17,607	17,607
• Corporate Bonds	2	2,240	2,240	-	-
Financial assets held at amortised cost					
• Long term loans to local authorities	2	3,000	3,084	3,000	3,069
• Lease receivables	3	773	2,141	737	2,230
Total		33,401	34,853	25,694	27,256

Assets for which a fair value is not disclosed	26,163	46,372
Total financial assets	59,564	72,066
Recorded on the Balance sheet as:		
Long-term debtors	1,235	1,137
Long-term investments	20,587	20,607
Short-term debtors	3,487	6,342
Short-term investments	23,316	39,145
Cash and cash equivalents	10,938	4,862
Total financial assets	59,564	72,093

Financial Liabilities

	Level	Balance Sheet 31 March 2018 £000 (Restated)	Fair value 31 March 2018 £000	Balance Sheet 31 March 2019 £000	Fair value 31 March 2019 £000
Financial liabilities held at amortised cost					
• Lease payables	2	41	41	12	12
Liabilities for which a fair value is not disclosed		6,266		3,904	
Total financial liabilities		12,753		3,916	
Recorded on the Balance sheet as:					
Short-term creditors		6,294		3,904	
Long-term creditors		-		-	
Other long term liabilities		13		12	
		6,307		3,916	

There were no transfers between fair value levels 1 and 2 during the year.

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 16 and 18 due to the exclusion of amounts not considered to be financial instruments.

16. Short Term Debtors

31 March 2018				31 March 2019		
Gross value £000	Provision £000	Carrying Value £000		Gross value £000	Provision £000	Carrying Value £000
2,249	-	2,249	Central Government Bodies	847	-	847
740	(380)	360	Council Tax	810	(372)	438
802	(354)	448	Business Rates	719	(212)	507
249	-	249	Other local authorities and public bodies	4,815	-	4,815
511	(251)	260	Housing Rents	435	(271)	164
9,065	(2,486)	6,579	Other Sundry Debtors	8,565	(2,586)	5,979
13,616	**(3,471)**	**10,145**	**Total short term debtors**	**16,191**	**(3,441)**	**12,750**
		461	Payments in advance			587
		10,606	**Total net Debtors & Payments in advance**			**13,364**

17. Cash and cash equivalents

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

	31 March 2018 £000	31 March 2019 £000
Cash held by the Authority	3	3
Bank current accounts	1,134	509
Cash Equivalents	9,801	4,350
	10,938	4,862

18. Short Term Creditors (less than 12 months)

	31 March 2018 £000	31 March 2019 £000
Council Tax	311	315
Business Rates	662	251
Other local authorities and public bodies	2,493	2,295
Sundry Creditors	3,397	3,400
Central Government Bodies	2,296	3,308
Housing Rents	205	12
Receipts in advance	51	118
Other Creditors	1,371	802
Total	10,786	10,501

19. Provisions

The disclosed amount of £2,497k (£2,040k 2017-18) represents an amount set aside as the best estimate of the amount that businesses have been overcharged business rates up to 31 March 2019. The in-year movement is represented by a charge made against the provision of (£263k) and an additional contribution to the provision of £720k.

20. 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.

2017-18 £000		2018-19 £000
(47,480)	**Balance at 1 April**	**(52,427)**
(8,075)	Upward revaluation of assets	(15,333)
2,710	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	9,836
(5,365)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(5,497)
418	Difference between fair value depreciation and historical cost depreciation	807
0	Accumulated gains on assets sold or scrapped	0
418	Amount written off to the Capital Adjustment Account	807
(52,427)	**Balance at 31 March**	**(57,117)**

Pooled Investment Funds Adjustment Reserve

The Pooled investment funds adjustment reserve (£343k) comprises the transferred unrealised fair value loss of (£367k) from the available for sale reserve as at 31 March 2018, the unrealised net gain in the year on pooled investment funds of £19k and an adjustment of £4k to eliminate the carried fair value loss on Bonds now reclassified as amortised cost..

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.

2017-18 £000		2018-19 £000
(84,307)	**Balance at 1 April**	**(90,332)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
2,641	• Charges for depreciation and impairment of non-current assets	3,122
2,583	• Revaluation losses on Property, Plant and Equipment	1,054
140	• Amortisation of intangible assets	127
1,840	• Revenue expenditure funded from capital under statute	4,283

2017-18 £000		2018-19 £000
359	• 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	205
7,563		8,791
(418)	Adjusting amounts written out of the Revaluation Reserve	(807)
7,145	Net written out amount of the cost of non-current assets consumed in the year	7,984
	Capital financing applied in the year:	
(1,396)	• Use of the Capital Receipts Reserve to finance new capital expenditure	(147)
(26)	• Statutory provision for the financing of capital investment charged against the General Fund	(29)
(1,476)	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(5,490)
(10,447)	• Capital expenditure charged against the General Fund	(1,396)
(13,345)		(7,062)
175	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(3,220)
0	Movements in the value of assets held for sale debited or credited to the Comprehensive Income and Expenditure Statement	225
(90,332)	**Balance at 31 March**	**(92,405)**

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.

2017-18 £000		2018-19 £000
4,313	**Balance at 1 April**	**(3,291)**
(10,612)	Remeasurements of the net defined benefit liability/(asset)	6,442
5,536	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	6,178
(2,528)	Employer's pensions contributions and direct payments to pensioners payable in the year	(2,770)
(3,291)	**Balance at 31 March**	**6,559**

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.

21. Agency Services

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

	2017-18 £000	2018-19 £000
Expenditure incurred in providing a Planning Service to SDNPA	1,296	939
Management fee payable by SDNPA	(946)	(951)
Net (Surplus)/Deficit arising on the agency arrangement	350	(12)

22. Members' Allowances

The Council paid £325k (2017-18, £329k) 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.

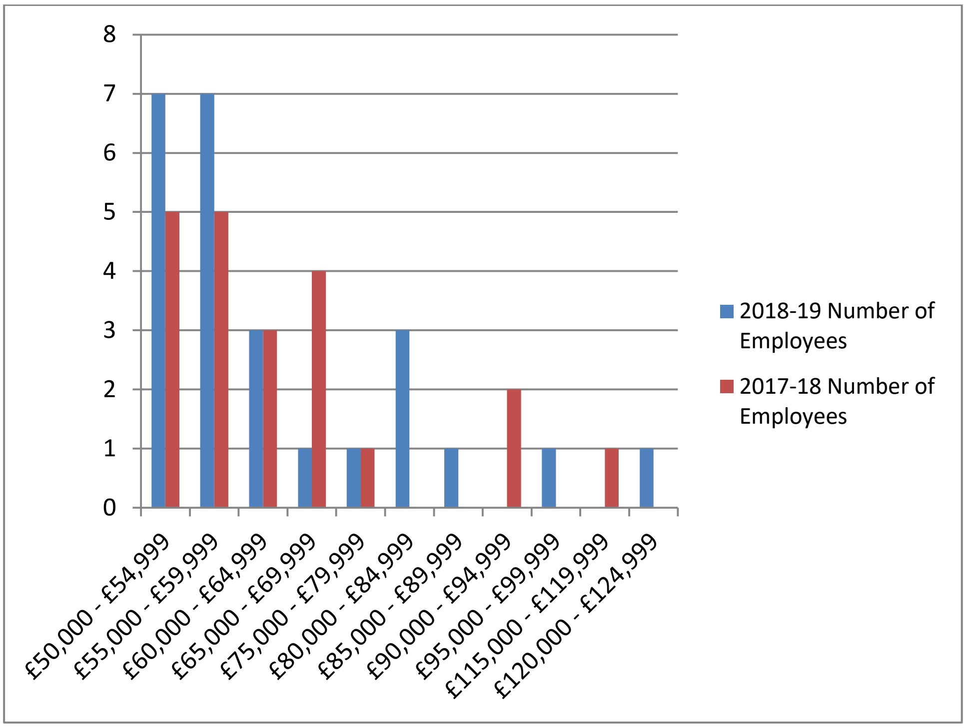
23. Officers' Remuneration

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

	Salary, Fees and Allowances £		Compensation for Loss of Office £		Pension Contribution £		Total £	
Post Title	**18-19**	**17-18**	**18-19**	**17-18**	**18-19**	**17-18**	**18-19**	**17-18**
Chief Executive	120,119	117,739			24,688	23,385	144,807	141,124
Exec Director & Deputy Chief Executive	96,418	94,533	121,599		19,788	18,744	237,805	113,277
Service Director - Corporate Services / S151 Officer	87,742	76,106			17,992	15,058	105,734	91,164
Service Director - Growth & Place	82,499				16,907		99,406	
Service Director - Housing & Communities Services	82,499				16,907		99,406	
Service Director - Planning & the Environment	82,425				16,891		99,316	
Service Director - Residents' Services	79,191		192,369		16,222		287,782	
Exec Director of Environment		94,533		116,876		18,744		230,153
	630,893	**382,911**	**313,968**	**116,876**	**129,395**	**75,931**	**1,074,256**	**575,718**

A restructure of the senior officers took place during 2018 and as a consequence there are now six senior officers who report directly to the Chief Executive instead of three in the previous year.

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	
	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
	£	£	£	£	£	£	£	£
£0 - £20,000	1	1	2	0	3	1	24,687	14,668
£20,001 -£40,000	1	1	6	1	7	2	195,294	62,612
£40,001 - £60,000	0	0	2	0	2	0	104,390	0
£100,001 - £120,000	0	0	1	0	1	0	116,876	0
£120,001 - £140,000	0	0	0	1	0	1	0	121,599
£180,001 - £200,000	0	0	0	1	0	1	0	192,369
Total	**2**	**2**	**11**	**3**	**13**	**5**	**441,247**	**391,248**

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.

24. External Audit Costs

	2017-18 £000	2018-19 £000
Fees payable to Ernst & Young LLP with regard to external audit services carried out by the appointed auditor for the year	49	38
Fees payable to Ernst & Young LLP for the certification of grant claims and returns for the year	8	11
Total	57	49

25. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018-19.

	2017-18 £000	2018-19 £000
Credited to Taxation and Non Specific Grant Income and Expenditure		
Capital grants and contributions	3,944	8,825
Revenue Support Grant	190	-
New Homes Bonus Scheme	3,080	2,314
Small Business Rate Relief Grant	1,407	1,791
Other Government Grants	592	410
Total	9,213	13,340
Credited to Services		
Disabled Facilities Grant	1,438	1,523
Other Grants & Contributions	1,192	2,963
Total	2,630	4,486

26. 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 25.

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.

27. Capital Expenditure and Capital Financing

Capital expenditure incurred in the year amounted to £7.034m of which £2.7m was spent on operational non-current assets (Note 11) and £4.3m was revenue expenditure funded from capital under statutory provision. The expenditure total is shown in the table below 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:

	2017-18 £000	2018-19 £000
Opening Capital Financing Requirement	(1,373)	(1,400)
Capital investment in year	13,318	7,034
Financed by:		
Capital Receipts	(1,396)	(147)
Government grants and other contributions	(1,476)	(5,490)
Sums set aside from revenue	(10,447)	(1,396)
Minimum Revenue Provision	(26)	(29)
Closing Capital Financing Requirement	(1,400)	(1,428)

28. 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 2018 £000	31 March 2019 £000
Finance lease debtor		
• Current	36	38
• Non-current	721	683
Unearned finance income	22,451	22,361
Unguaranteed residual value of property	17	17
Gross investment in the lease	23,225	23,099

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 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £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	22,579	22,453	22,579	22,453
	23,225	23,099	23,208	23,082

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 2018 £000	31 March 2019 £000
Not later than one year	2,512	2,935
Later than one year and not later than five years	8,456	9,601
Later than five years	97,272	98,897
	108,240	111,433

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 15.

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 £436k (2017-18 £466k) with 66% of this sum due later the five years from the balance sheet date.

29. 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:

	2017-18 £000	2018-19 £000
<u>**Comprehensive Income and Expenditure Statement**</u>		
Cost of Services:		
Service cost comprising**:**		
• current service cost	5,199	5,277
• past service cost	188	1,198
• (gain)/loss from settlements	0	(257)
Financing and Investment Income and Expenditure:		
Net interest expense	149	(40)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services (reversed in the Movement in reserves statement)	**5,536**	**6,178**
Remeasurement of the net defined benefit liability comprising:		
• Return on plan assets (excluding the amount included in the net interest expense)	(7,463)	(7,667)
• Actuarial (gains) and losses arising on changes in demographic assumptions	0	0
• Actuarial (gains) and losses arising on changes in financial assumptions	(3,149)	14,109
• Other experience (gains) or losses	0	0
Total Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement	**(10,612)**	**6,442**
Actual amount charged against the General Fund Balance for Pensions in the Year:		
Employers contributions payable to scheme	2,528	2,770

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	
	2017-18 £000	**2018-19 £000**
Scheme Assets		
Opening fair value of scheme assets	166,670	176,975
Interest income	4,311	4,755
Remeasurement gain/(loss):		
• the return on plan assets, excluding the amount included in the net interest expense	7,463	7,667
Contributions from employer	2,528	2,770
Contributions from employees into the scheme	821	870
Benefits paid	(4,818)	(4,890)
Other	0	(1,635)
Fair value of plan assets	**176,975**	**186,512**
Less: Scheme Liabilities		
Opening balance of scheme liabilities at 1 April	170,983	173,684
Current Service Cost	5,199	5,277
Interest Cost	4,460	4,715
Contributions from scheme participants	821	870
• Actuarial (gains)/losses arising from changes in demographic assumptions	0	0
• Actuarial (gains)/losses arising from changes in financial assumptions	(3,149)	14,109
• Other experience (gains) or losses	0	
Past service cost	188	1,198
Benefit paid	(4,818)	(4,890)
Liabilities extinguished on settlements	0	(1,892)
Present value of the defined benefit obligation	**173,684**	**193,071**
Net (liability)/asset arising from defined benefit obligation	**3,291**	**(6,559)**

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 next full valuation of the scheme is due to take place as at 31 March 2019.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2017-18	**2018-19**
Long-term expected rate of return on assets in the scheme:		
Equities, Bonds, Property and Cash	2.7%	2.4%
Mortality assumptions		
Longevity at 65 for current pensioners:		
Men	23.6 years	23.6
Women	25.0 years	26.0
Longevity at 65 for future pensioners:		
Men	26.0 years	26.0
Women	27.8 years	27.8
Financial assumptions		
Rate of inflation	2.4%	2.5%
Rate of increase in salaries	3.1%	3.2%
Rate of increase in pensions	2.4%	2.5%
Rate for discounting scheme liabilities	2.7%	2.4%

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 2019	Approximate % increase to Employer Obligation	Approximate monetary Amount (£000)
0.5% decrease in Real Discount Rate	10%	19,560
0.5% increase in the Salary Increase Rate	2%	2,984
0.5% increase in the Pension Increase Rate	8%	16,227

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

McCloud

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an ‘underpin’ which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme.

In December 2018 the Court of Appeal upheld a ruling (“McCloud/Sargeant”) that similar transitional protections in the Judges’ and Firefighters’ Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the

Supreme Court but this was denied at the end of June 2019. Therefore, LGPS benefits accrued from 2014 may need to be enhanced so that all eligible members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections.

Quantifying the impact of the judgement at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

The West Sussex County Council Pension Fund's actuary has adjusted GAD's estimate to better reflect the Fund's local assumptions, particularly those for salary increases and withdrawal rates. The revised estimate results in around a 1% increase in active member liabilities as at 31 March 2019 which results in an increase of approximately £0.9m.

GMP

Guaranteed minimum pension (GMP) was accrued by members of the Local Government Pension Scheme (LGPS) between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number or reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However, overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men's and women's benefits.

As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility leads to increased costs for schemes (including the LGPS) and hence scheme employers.

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

The estimated impact of GMP indexation is to increase the total liabilities by approximately £0.06m.

30. 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 by understated if any element of a claim is backdated.

31. 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 set minimum credit ratings. 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 below. The potential expected loss over the next 12 months relating to credit events, based on the investments as 31 March 2019 and calculating using published global credit default rates is £6k. No credit loss is expected from investments with the Government or Local Authorities. As this figure is immaterial to the value of funds invested, the assets values shown on the Council's balance sheet are not adjusted downwards by this amount.

Credit Rating	31/03/2018	31/03/2019
	£000	£000
AA		500
AA-	1,500	1,000
A	5,000	7,000
A-	2,213	
Local Authorities	17,500	31,000
Unrated building societies		2,500
Unrated pooled funds	17,950	17,950
Total Investments	44,163	59,950
Cash and cash equivalents	10,938	4,862
TOTAL	**55,101**	**64,812**

Recent experience has shown it is very rare for these entities to be unable to meet their commitments.

Investments are determined to have suffered a significant increase in credit risk where they have

Credit Risk: Receivables

The Council's approach to impairment of receivables is disclosed in note 1.8, above. 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.

In calculating expected credit losses, the Council makes an assessment for specific instruments or class of instruments, or applies a loss matrix approach to calculating the expected credit loss where appropriate. The loss factors used in 2018-19 for this loss matrix approach are as follows:

Age of debt	Loss assumed
0-34 days	4.2%
35-72 days	7.3%
73-102 days	23%
>102 days	54%

Loss allowances calculated using these factors are then multiplied by a factor to reflect the current and forecast economic conditions and overall collection performance. For 2018-19 this factor was 1.33.

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.

The effect on the fair value of the Council's investments of a change in interest rates is shown below.

Interest rate risk (effect of 1% increase in interest rates)	31/03/2018 £000	31/03/2019 £000
Decrease in the fair value of assets held at fair value	5	147
Decrease in the fair value of loans and receivables	66	37
Decrease in the fair value of lease receivables	277	280

A fall in interest rates would have an equal and opposite effect.

Market Risks: Price 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	9,868	-	-	(493)
Pooled Funds	7,739	(141)	(49)	(7)
Money Market Funds	4,350	(6)	-	-

Market Risks: Foreign Exchange Risk

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

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.

	Year to 31 March 2018			Year to 31 March 2019		
Collection Fund Income and Expenditure Account	**Business Rates £000**	**Council Tax £000**	**Total £000**	**Business Rates £000**	**Council Tax £000**	**Total £000**
INCOME						
Council Tax Receivable		84,541	84,541		89,977	89,977
Reliefs charged to the Council's General Fund		-	-		6	6
Business Rates Receivable	45,678		45,678	48,813		48,813
Transitional Protection payment due	1,501		1,501	912		912
Total Income	47,179	84,541	131,720	49,725	89,983	139,708
EXPENDITURE						
Apportionment of Previous Year Estimated Surplus / (Deficit)						
Central Government	(1,747)		(1,747)	(1,132)		(1,132)
West Sussex County Council	(349)	182	(167)	(226)	189	(37)
Chichester District Council	(1,397)	30	(1,367)	(906)	32	(874)
The Police and Crime Commissioner for Sussex		22	22		23	23
	(3,493)	234	(3,259)	(2,264)	244	(2,020)
Precepts, Demands and Shares						
Central Government	23,129		23,129	23,964		23,964
West Sussex County Council	4,625	65,188	69,813	4,793	69,584	74,377
Chichester District Council	18,503	10,774	29,277	19,171	11,299	30,470
The Police and Crime Commissioner for Sussex		7,991	7,991		8,760	8,760
	46,257	83,953	130,210	47,928	89,643	137,571
Charges to the Collection Fund						
Write-offs of uncollectable amounts	277	267	544	838	307	1,145
Increase / (Decrease) in Bad Debts Provision	(27)	(176)	(203)	(349)	(47)	(396)
Increase / (Decrease) in Provision for Appeals	1,735		1,735	1,142		1,142
Cost of Collection Allowance	198		198	198		198
Disregarded amounts	179		179	139		139
	2,362	91	2,453	1,968	260	2,228
Total Expenditure	45,126	84,278	129,404	47,632	90,147	137,779
Surplus / (Deficit) arising during the year	2,053	263	2,316	2,093	(164)	1,929
Surplus / (Deficit) b/fwd 1 April	(3,796)	272	(3,524)	(1,743)	535	(1,208)
Surplus / (Deficit) c/fwd 31 March	(1,743)	535	(1,208)	350	371	721

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 2019 was £127,957,127 (compared with £128,015,949 on 31 March 2018). The national multipliers for 2018-19 were 49.3p (47.9p in 2017-18) for the standard non-domestic rating multiplier, and 48.0p (46.6p in 2017-18) 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 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. Provision for RV and list amendment appeals

The participants in the NDR collection fund 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 £6.2m. During 2018-19 £0.7m was charged against the existing provision for appeals and a charge against the collection fund of £1.8m was made for future potential liabilities, resulting in a net movement on the provision in year of £1.1m.

4. 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	2.5	5/9	1.4
Band A	2,269.3	6/9	1,512.9
Band B	4,939.2	7/9	3,841.6
Band C	12,714.0	8/9	11,301.3
Band D	10,837.5	9/9	10,837.5
Band E	7,709.5	11/9	9,422.7
Band F	5,376.7	13/9	7,766.3
Band G	5,247.5	15/9	8,745.8
Band H	1,129.5	18/9	2,259.0
Total	**50,225.7**		**55,688.6**

Adjustments required as per Regulations

Classes A & B (Second homes)	**1,838.7**
Class C (Exempt properties)	**36.5**
Tax base reduction for Council tax support	**(4,226.1)**
Tax Base	**53,337,7**
Adjusted for assumed collection rate of 99%	**52,804.3**

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 is 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.

Curtailment
Curtailments 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 of 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 suppler 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 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 is has a 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.

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.