Appendix 1

CHICHESTER DISTRICT COUNCIL

DRAFT
STATEMENT OF ACCOUNTS
2011-12

This page has been left intentionally blank.

Contents

Contents	Page No.
General Information	4
Explanatory Foreword	5
Statement of Accounts	
Statement of Responsibilities for the Statement of Accounts	12
Appointed Auditor's Report and Opinion	13
Appointed Auditor's conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources	15
Financial Statements	
Comprehensive Income and Expenditure Statement (CIES)	17
Balance Sheet	19
Movement in Reserves Statement (MiRS)	21
Cash Flow Statement (CFS)	23
Notes to the Financial Statements	
Accounting Policies	24
Other Notes to the Financial Statements	40
Collection Fund	82
Glossary of Terms	85
Members' Allowances	89

Council Offices

Headquarters
East Pallant House, 1 East Pallant, Chichester, West Sussex. PO19 1TY
Telephone (01243) 785166
Fax (01243) 776766
Email:Helpline@chichester.gov.uk
Email: finance@chichester.gov.uk

Website www.chichester.gov.uk

Midhurst Area Office
North Street, Midhurst, GU29 9DW
Tel:(01730) 812251
Fax: (01730) 817716

Council Officials

Chairman
Mr P Clementson

Leader
Mrs H Caird

Deputy Leader
Mr M Cullen

Corporate Management Team

Mr J Marsland, Chief Executive (until December 2011)
Mrs D Shepherd, Director of Corporate Services (appointed Chief Executive on 6 March 2012)
Mrs A Jobling, Executive Director of Home and Communities
Mr P Over, Executive Director of Support Services and the Economy
Mr S Carvell, Executive Director of Environment

Statutory Officers

Mr J Ward, District Treasurer and Section 151 'Responsible Finance Officer'
Mrs N Golding, Monitoring Officer.

Explanatory Foreword

Introduction

The Statement of Accounts provides information on how the council has used the financial resources available to it. The report is required by law and sets out in concise form various statutory and other relevant information. The notes that follow are aimed at providing a more straightforward explanation of the, often complicated, local government finance arrangements.

District Profile

Chichester District Council serves a population of some 110,500 in an area of some 300 square miles, from Selsey and the Witterings, along the southern coastal strip to Linchmere and Loxwood, north of the Downs. There are 67 parishes in the District and 48 elected members of the council. The administrative centre is in the city of Chichester, and there is an area office at Midhurst.

Political Structure

The council holds elections for all members once every four years. At 31 March 2012 there were 34 Conservatives, 11 Liberal Democrats, 2 Independent Group and 1 Independent. The council operates with a Cabinet, a Scrutiny Committee, and a Corporate Governance and Audit Committee and two Development Control Committees (North and South).

The Cabinet is chaired by the Leader of the council. The Cabinet has executive decision making powers and generally meets monthly. Each of the cabinet members has an area of policy or portfolio for which they have responsibility.

Although a number of areas of decision making are delegated to the Cabinet or to the Corporate Management Team, the Full Council remains the ultimate decision making body of Chichester District Council.

Performance Management

1. Sustainable Community Corporate Plan

In early 2009, local partners agreed a new Sustainable Community Strategy across the Chichester District. This document sets out the priority areas for the whole district and will drive the strategic direction for all of the key partners delivering services locally.

The council agreed a new Corporate Plan in March 2010 that sets out the areas the council wants to focus on over the next five years. This was most recently reviewed in December 2011. The themes and priorities are:

- **Council**
    - Corporate Governance
    - Efficiencies and value for money
    - Council Tax collection
    - A balanced budget
    - Asset management
    - Our customers

- ❖ **Economy**
    - Regeneration
    - Tackling the recession
    - Business support
    - Economic development
    - Tourism
- ❖ **Place**
    - Streets, beaches and green space
    - Car parks
    - Cleaning and recycling
    - Neighbourhoods
    - Crime and anti-social behavior
    - Transport and Infrastructure
    - Coastal protection and climate change
    - Regulation
- ❖ **People**
    - Health issues and inequalities
    - Access to decent and affordable housing
    - Youth and elderly
    - Community engagement
    - Integration and facilities in towns and villages
    - Leisure provision
    - Cultural offer

The Corporate Plan serves a number of purposes. As well as setting out the goals and objectives of the council, it acts as a public information document and a reference manual for councillors and staff alike.

Individual services will then set out how they will contribute to achieving the high level objectives through their individual service plans and targets.

2. Performance Indicators and Continuous Improvement

As well as recording our performance against a number of nationally set performance indicators, we also have a number of local indicators that measure the key actions and targets in the Corporate Plan and service areas.

For all of our performance indicators we set targets for continuous year on year improvements that are robust and challenging yet realistic. We aim to ensure continuous improvement and better outcomes for local communities. Where it is possible and relevant we benchmark our performance with other councils.

3. External Audit Assessment

The Audit Commission's assessment of the council's performance is contained within their Annual Governance Report (AGR). The AGR for 2011-12 is reported to the Corporate Governance & Audit Committee along with the post audit Statement of Accounts. The key messages arising from the Audit Commission work contained within the AGR are:

- The Audit Commission have issued an unqualified audit opinion on the Council's Statement of Accounts;
- The Council has proper arrangements to secure value for money.

In addition, the AGR also stated that as a Council:

- We have a sound culture of financial governance with good basic systems and strong financial planning;
- The budget is balanced without using reserves and the capital programme is funded over the medium term;
- National and local financial risks are well understood and considered by both members and officers;
- We have a track record of delivering savings and consistently manage within our budget;
- We have strong leadership and the ability to deliver our corporate priorities and required reductions in spending;
- Members are actively involved in risk and performance review.

4. Efficiency

The council has an excellent track record of consistently exceeding government efficiency targets. The result of Comprehensive Spending Review in 2010 resulted in the council losing one third of its government funding in 2011-12 and further cuts in 2012-13 and beyond. Early identification of this and a programme to review priorities and achieve efficiencies has enabled the council to rebalance its budget without the need to use reserves.

Impact of the Recession

Although the council has been able to achieve a balanced position for 2011-12 and 2012-13 further government reductions in our settlement are expected and we are planning for the impact of that, as well as other budgetary pressures over the next five year period. The council's financial plan, approved by members in 2011, sets out the key principles to aid the council to achieve and maintain a balanced budget in the future.

Chichester District Council continues to track national events, quantifying local impact and taking early action to manage those impacts. It is prudent for the council to take proactive management and start preparing resilient budgets for future years. The objective is to put the council in the best possible position to deal with the financial issues it faces. It is important that the issues and the scale of the financial problem are understood and the council is committed to finding solutions and options.

A risk analysis of the major financial issues potentially impacting on the council's finances over the next 5 years and beyond has been undertaken, and is constantly being updated as news emerges. In spite of identifying £4.5million of savings to date, the council currently anticipates the need to identify a further £1.7million of savings over the next five years from 2013-14 to 2017-18 in order to balance its budgets and minimise the impact on its reserves.

The issues currently facing the council include:

Government Issues

- Level of Government Funding
- Specific Government Grants
- Localisation of Business Rates
- Localisation of Council Tax Benefit
- Council Tax Capping

Economic Issues

- Inflation
- Interest Rates

Local Issues

- Income Streams
- Use of Reserves

The Statement of Accounts

The accounts shown on the following pages have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011-12 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) supported by the International Financial Reporting Standards (IFRS) and are in respect of the financial year ended 31 March 2012. The accounts consist of the following principal statements:-

Comprehensive Income and Expenditure Statement (pages 17-18)
This provides a summary of the resources generated and consumed by the council in the year that have contributed to the changes in resources shown in the Movement in Reserves Statement (MiRS).

The Balance Sheet (pages 19-20)
This sets out all the council's assets and liabilities at the end of the financial year. The statement shows the balances and reserves at the council's disposal, its long-term indebtedness and assets employed in its operations, together with summarised information on the assets held.

The Movement in Reserves Statement (pages 21-22)
This statement shows the movement in the year on the different reserves held by the council, analysed into those reserves that can be used to fund expenditure or reduce council tax 'Usable Reserves', and 'Unusable Reserves'.

The Cash Flow Statement (page 23)
The Cash Flow Statement shows the changes in cash and cash equivalents of the council during the year and how the movements in cash resources have been reflected in cash flows.

The Collection Fund (pages 82-84)
This account reflects the council's statutory requirement as a billing authority to maintain a separate Collection Fund. The account details all monies due from Council Tax and Business Rate payers, and payments made to the County Council, Police Authority, Parish Councils and the District Council. All business rates, less a deduction for collection costs, are paid into a central government pool and redistributed to local authorities through the Local Government Finance Settlement. The Collection Fund is incorporated in the Balance Sheet and the Cash Flow Statement.

The Statement of Responsibilities for the Statement of Accounts appears on page 12 and details the respective responsibilities of the District Treasurer and the Council. A glossary is provided at the end of the Statement of Accounts to assist the reader.

Review of the Year

Revenue expenditure is generally on items that are consumed within one year, and is financed from government grants, council tax, fees and charges. The council has provided its wide and varied range of services very much in line with its original spending plans and within budget. The Council's financial position remains strong with only limited use of reserves being made to enhance services.

1. Expenditure on Services

In 2011-12 the net expenditure of the council including Parish Council precepts and the Internal Drainage Board Levy was £14,339,404 as shown in table below:-

	Estimate £ Million	**Actual £ Million**
Gross Expenditure	74.79	72.65
Less Income	(57.75)	(56.71)
Parish Precepts	2.20	2.20
Internal Drainage Board Levy	0.05	0.05
Interest and Investment Income	(0.51)	(0.75)
Appropriations	(4.57)	(2.82)
Carry forward requests	0	(0.28)
Net Expenditure	**14.21**	**14.34**
Less Funding	14.21	14.67
(Surplus) / Deficit for the year	**0**	(0.33)

Funding		
Collection Fund	9.21	9.21
Revenue Support Grant	1.14	1.14
National Non-Domestic Rates	3.68	3.68
Council Tax Freeze Grant	0.18	0.18
New Homes Bonus Scheme	0	0.46
Total	**14.21**	**14.67**

2. Analysis of 2011-12 General Fund position

The main variances between the council's original base budget and the outturn position in 2011-12 were as follows:-

	£'000
Overspend / Shortfall of Income	
Car parking income	371
Estates income	172
Provision for Municipal Mutual Insurance settlement claw-back	150
Building control income	139
Planning Inquiry costs	104
Community Careline	91
Increased provisions for bad debts	246
	1,273
Underspends / Additional Income	
Rent allowances	-313
Additional surplus on Chichester Contract Services activities	-265
Staff savings through vacancy management	-251
Recycling credits	-236
Revenues and benefits staffing	-164
Bin issues and rationalisation of mini-recycling sites	-81
Green Waste	-61
Council tax rebates	-44
Discretionary Housing Payments	-35
Legal fee income	-30
Administrative buildings utilities costs	-29
Car Parks contract payments	-28
NNDR Rate Relief	-27
	-1,564
Other minor variations (net)	-40
Total variance	-331

3. Capital Expenditure

Capital expenditure can be defined as that which generates an asset that has a useful life of more than one year. The expenditure in the year amounted to £4.89 million.

The main items of expenditure in the year were:

	£'000
Museum & Tower Street Development	2,004
Disabled Facilities Grants	966
Grange Leisure Centre Development	274
Westgate Fitness Equipment	273

The council has a five-year Capital programme that totals some £27.6 million for the years 2012-13 to 2017-18.

In terms of the financial balances held by the council, the position remains strong with some £18.1m held in reserves and a further £12.4m in capital receipts to support the capital programme, plus future capital receipts anticipated from the preserved right to buy sales under the housing stock transfer agreement.

4. Pension Costs

The council is required under IAS19 to show in its accounts the costs, assets and liabilities associated with its share of the pension fund administered by West Sussex County Council. Any deficit or surplus on the Council's Pension Fund is shown within the Balance Sheet.

In 2011-12 the estimated return on the investments within the fund was 3.4% (8.3% in 2010-11). The effect on the council's share of the Pension Fund has been assessed by the scheme's actuary as at 31 March 2012. This valuation highlighted that the council's deficit on the fund has increased to £6.620million at 31 March 2012 from a deficit of £0.320million at 31 March 2011.

The main reason for this is principally due to the fact that the financial assumptions used by the actuary at 31 March 2012 are less favourable than they were at 31 March 2011. The actuary identifies falling real bond yields and poor asset returns as the most significant changes that have taken place during the year.

The actual contributions payable by the council are based on the Actuary's own assumptions in a valuation that is undertaken on a triennial basis. This valuation was last undertaken at 31 March 2010 and shows the council's share of the pension fund is currently funded to 102%. This takes a longer-term view of the pension fund rather than the annual adjustments required by IAS19.

Further Information

Further information about the accounts may be obtained from the Accountancy 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 on dates advertised in the local press prior to the commencement of the audit.

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 Accountancy Services Team on 01243 785166 or email finance@chichester.gov.uk.

J. Ward CPFA
District Treasurer

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this council that officer is the District Treasurer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts.

The District Treasurer's Responsibilities

The District Treasurer 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 District Treasurer 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 District Treasurer 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 2012. 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** 11 September 2012
District Treasurer

Approval for the Statement of Accounts

John Cherry **Date** 20 September 2012

Chairman of the Corporate Governance and Audit Committee

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

Opinion on the financial statements

I have audited the financial statements of Chichester District Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code Practice on Local Authority Accounting in the United Kingdom 2011-12.

This report is made solely to the members of Chichester District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the District Treasurer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the District Treasurer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Chichester District Council as at 31 March 2012 and of its income and expenditure for the year then ended; and

- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011-12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under Section 8 of the Audit Commission Act 1998;
- I designate under Section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

Stephen Taylor
Appointed Auditor
Audit Commission
Collins House, Bishopstoke Road
Eastleigh, Hampshire, SO50 6AD

September 2012

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Council's Responsibilities

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

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Chichester District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.

Certificate

I certify that I have completed the audit of the accounts of Chichester District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Stephen Taylor
Appointed Auditor
Audit Commission
Collins House, Bishopstoke Road
Eastleigh, Hampshire, SO50 6AD

September 2012

Comprehensive Income and Expenditure Statement

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

2010-11 (Restated)				2011-12		
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
9,579	(8,450)	1,129	Central Services to the public	9,590	(8,376)	1,214
6,600	(781)	5,819	Cultural and Related Services	5,061	(685)	4,376
9,660	(3,546)	6,114	Environment and Regulatory Services	8,764	(3,753)	5,011
6,979	(3,671)	3,308	Planning Services	5,826	(3,192)	2,634
3,494	(4,903)	(1,409)	Highways, Roads and Transport Services	2,128	(4,347)	(2,219)
34,840	(32,913)	1,927	Housing Services	37,143	(35,142)	2,001
952	(964)	(12)	Social Services	841	(895)	(54)
2,467	(323)	2,144	Corporate and Democratic Core	3,086	(315)	2,771
(10,420)	0	(10,420)	Non Distributed Costs * - Change in inflation factor for retirement benefits	0	0	0
165	0	165	Non Distributed Costs - Other	210	(1)	209
64,316	**(55,551)**	**8,765**	**Cost of Services**	**72,649**	**(56,706)**	**15,943**
			Other operating Expenditure			
2,142	0	2,142	Parish Council Precepts	2,204	0	2,204
48	0	48	Levies Payable	47	0	47
590	0	590	Gain (-)/or loss on the disposal of Fixed Assets	0	(60)	(60)
2,780	**0**	**2,780**		**2,251**	**(60)**	**2,191**

2010-11 (Restated)				2011-12		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
			Financing and Investment Income and Expenditure			
41	0	41	Interest payable and similar charges	0	0	0
6,170	(6,330)	(160)	Pensions interest cost and expected return on pension assets	5,260	(6,560)	(1,300)
0	(640)	(640)	Interest receivable and similar income	0	(606)	(606)
2,974	(301)	2,673	Income and Expenditure in relation to investment Properties and changes in their fair value (see note 9)	105	(219)	(114)
0	(71)	(71)	Interest Element of Finance Leases (Lessor)	0	(70)	(70)
0	(78)	(78)	Other investment income	0	(72)	(72)
9,185	**(7,420)**	**1,765**		**5,365**	**(7,527)**	**(2,162)**
			Taxation and Non-Specific Grant Income			
0	(9,116)	(9,116)	Council tax income	0	(9,217)	(9,217)
0	(6,274)	(6,274)	Non domestic rates (NNDR)	0	(3,682)	(3,682)
0	(1,565)	(1,565)	Capital Grants and Contributions	0	(1,992)	(1,992)
0	(948)	(948)	Non-ring-fenced government grants	0	(1,772)	(1,772)
0	**(17,903)**	**(17,903)**		**0**	**(16,663)**	**(16,663)**
76,281	**(80,874)**	**(4,593)**	**(Surplus) or Deficit on Provision of Services**	**80,265**	**(80,956)**	**(691)**
		(4,787)	(Surplus) or Deficit on revaluation of fixed assets			(5,420)
		0	(Surplus) or Deficit on revaluation of available for sale assets			0
		(22,110)	Actuarial (gains)/losses on pension assets/liabilities			7,120
		(5)	Any other (gains)/losses **			(6)
		(26,902)	**Other Comprehensive Income and Expenditure**			**1,694**
		(31,495)	**Total Comprehensive Income and Expenditure**			**1,003**

* This represents a reduction in estimated scheme liabilities as a result of the decision by the Government to link future annual pension increases to the Consumer Price Index (CPI) instead of the Retail Price Index (RPI).

** This represents the small difference in the actual payment made to the pension fund by the council and the Actuary's estimated payment for the same period used when preparing the IAS19 report.

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

1 April 2010 Restated £000	**31 March 2011 Restated £000**		**Notes**	**31 March 2012 £000**
		Property, Plant and Equipment	8	
73,699	70,457	▪ Land and Buildings		73,232
2,055	3,352	▪ Vehicles, plant, furniture and equipment		3,485
1,895	3,219	▪ Infrastructure		2,848
333	521	▪ Community Assets		137
1,367	4,122	▪ Assets under construction		6,281
2,628	6,303	▪ Surplus Assets not held for sale		5,321
6,976	4,073	**Investment Property**	9	4,025
		Intangible Assets	10	
1,018	888	▪ Software		802
0	0	**Assets held for sale**		0
2,245	3,408	**Heritage Assets**	11	5,833
9,161	13,000	**Long Term Investments**		10,000
772	749	**Long Term Debtors**		728
102,149	**110,092**	**Total Long-Term Assets**		**112,692**
		Current Assets		
32,577	26,952	Short term investments		29,154
196	205	Inventories	13	185
5,584	4,187	Short Term Debtors	15	5,046
2,708	3,356	Cash and Cash Equivalents	16	1,828
400	230	Assets held for sale – current <1yr	17	258
41,465	**34,930**	**Total Current Assets**		**36,471**

1 April 2010 Restated £000	31 March 2011 Restated £000		Notes	31 March 2012 £000
		Current Liabilities		
(5,717)	(5,778)	Short Term Creditors	18	(5,839)
0	0	Provisions	19	(150)
(5,717)	**(5,778)**	**Total Current Liabilities**		**(5,989)**
		Long-Term Liabilities		
(2,085)	(1,620)	Long Term Creditors (over 12 months)	20	(2,004)
0	0	Provisions		0
(31,650)	(320)	Pensions Asset / (Liability)	34	(6,620)
(154)	(1,801)	Capital grants Receipts in Advance	28	(50)
(33,889)	**(3,741)**	**Total Long-Term Liabilities**		**(8,674)**
104,008	**135,503**	**Net Assets**		**134,500**
		Usable Reserves		
(5,700)	(7,120)	General Fund	21	(6,631)
(19,817)	(14,069)	Capital Receipts Reserve	21	(12,382)
0	(7)	Capital Grants Unapplied Account	21	(2)
(15,799)	(16,344)	Earmarked Reserves	21	(18,139)
(41,316)	**(37,540)**	**Total Usable Reserves**		**(37,154)**
		Unusable Reserves		
(16,085)	(20,505)	Revaluation Reserve	22	(25,509)
(78,571)	(78,091)	Capital Adjustment Account	22	(78,731)
51	89	Financial Instruments Adjustment Account	22	65
(1)	0	Deferred Capital Receipts Reserve		0
31,650	320	Pension Reserve	22	6,620
76	48	Collection Fund Adjustment Account	22	43
188	176	Accumulated Absences Account	22	166
(62,692)	**(97,963)**	**Total Unusable Reserves**		**(97,346)**
(104,008)	**(135,503)**	**Total Reserves**		**(134,500)**

John Ward CPFA
District Treasurer

Date 11 September 2012

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. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves £000**
Balance at 31 March 2010	**5,700**	**15,799**	**19,817**	**0**	**41,316**	**62,692**	**104,008**
Movement in reserves during 2010-11							
Surplus or (deficit) on the provision of services	4,593	0	0	0	**4,593**	0	**4,593**
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	26,902	**26,902**
Total Comprehensive Income and Expenditure	**4,593**	**0**	**0**	**0**	**4,593**	**26,902**	**31,495**
Adjustments between accounting basis & funding under regulations (Note 6)	(2,628)	0	(5,748)	7	**(8,369)**	8,369	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**1,965**	**0**	**(5,748)**	**7**	**(3,776)**	**35,271**	**31,495**
Transfers to/from Earmarked Reserves (Note 7)	**(545)**	**545**	**0**	**0**	**0**	**0**	**0**
Increase / (Decrease) in 2010-11	**1,420**	**545**	**(5,748)**	**7**	**(3,776)**	**35,271**	**31,495**
Balance at 31 March 2011 carried forward	**7,120**	**16,344**	**14,069**	**7**	**37,540**	**97,963**	**135,503**

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves £000**
Balance at 31 March 2011	**7,120**	**16,344**	**14,069**	**7**	**37,540**	**97,963**	**135,503**
Movement in reserves during 2011-12							
Surplus or (deficit) on the provision of services	691	0	0	0	**691**	0	**691**
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	(1,694)	**(1,694)**
Total Comprehensive Income and Expenditure	**691**	**0**	**0**	**0**	691	**(1,694)**	**(1,003)**
Adjustments between accounting basis & funding under regulations (Note 6)	615	0	(1,687)	(5)	**(1,077)**	1,077	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**1,306**	**0**	**(1,687)**	**(5)**	**(386)**	**(617)**	**(1,003)**
Transfers to/from Earmarked Reserves (Note 7)	**(1,795)**	**1,795**	**0**	**0**	**0**	**0**	**0**
Increase / (Decrease) in 2011-12	**(489)**	**1,795**	**(1,687)**	**(5)**	**(386)**	**(617)**	**(1,003)**
Balance at 31 March 2012 carried forward	**6,631**	**18,139**	**12,382**	**2**	**37,154**	**97,346**	**134,500**

Cash Flow Statement

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

2010-11 £000		2011-12 £000
(4,593)	Net (surplus) or deficit on the provision of services	(691)
1,520	Adjustments to net surplus or deficit on the provision of services for non cash	1,638
711	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	676
(2,362)	**Net Cash flows from Operating Activities**	**1,623**
(681)	Interest Received	(774)
41	Interest Paid	0
0	Finance Lease interest paid	0
0	Dividends Received	0
	Investing Activities	
8,252	Purchase of property, plant and equipment, investment property and intangible assets	3,675
200,550	Purchase of short-term and long-term investments	196,950
72	Other payments for investing activities	57
(357)	Proceeds from the sale of property, plant, equipment, investment property and intangible assets	(39)
(202,350)	Proceeds from short-term and long-term investments	(197,650)
(1,647)	Capital Grants	(241)
(1,084)	Other receipts from investing activities	(1,096)
	Financing Activities	
0	Cash receipts of short term and long term borrowing	0
(1,105)	Other receipts from financing activities	(1,015)
0	Cash payments for the reduction of outstanding liabilities relating to finance leases	0
0	Repayment of short term and long term borrowing	0
24	Other payments from financing activities	38
(647)	**Net (increase) / decrease in cash and cash equivalents**	**1,528**
2,709	**Cash and cash equivalents at the beginning of the reporting period**	**3,356**
	Cash or cash equivalents at the end of the reporting period (see Note 16)	
7	Cash held	7
599	Current bank accounts	721
2,750	Short-term deposits	1,100
3,356		**1,828**

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the council's transactions for the 2011-12 financial year and its position at the year-end of 31 March 2012. The council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2012 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011-12 and the Service Reporting Code of Practice (SeRCOP) 2011-12, 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.

1.2 Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the council.

- Revenue from the provision of services is recognised when the council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the council.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3 Cash and Cash Equivalents

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

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

1.4 Debt

The council was deemed to be debt free from 1st April 2001 under the Local Government Act 1989.

1.5 Exceptional Items

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

1.6 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. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the council's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

1.7 Charges to Revenue for Non-Current Assets

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

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

The council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations.

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

1.8 Accounting for Council Tax

Under the Code, the Council Tax income included in the Comprehensive Income and Expenditure Account for the year shall be the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Account and the amount required by regulation to be credited to the General Fund shall be taken to a the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement on the General Fund Balance.

The council as the billing authority shall recognise 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 Council Tax payers.

1.9 Accounting for Non-Domestic Rates (NNDR)

Under the Code, NNDR ratepayers' debtor and creditor balances and impairment allowance for doubtful debts are not Balance Sheet items of the council as billing authority since it acts as an agent of the Government when collecting NNDR. The balance due to or from the Government based on the actual or estimated NNDR3 return, is not an amount that under the Code should be recognised in the Balance Sheet of the council. Under the Code, the debtor/creditor position that needs to be recognised in the council's Balance Sheet is the amount of cash collected from NNDR ratepayers (less the amount retained in respect of the council's cost of collection allowance) that has not yet been paid to the Government or has been overpaid to the Government on the Balance Sheet date.

1.10 Business Improvement District (BID)

From 1 April 2012, a Business Improvement District (BID) will apply to the City Centre area of Chichester. This scheme is funded by a BID levy paid by non-domestic ratepayers. The council will be the billing authority for scheme and as such will collect and distribute the relevant levy income.

As the BID levy income is the BID body's revenue, the council as the billing authority is not required to show any transactions in its Comprehensive Income and Expenditure statement since it is collecting the BID levy income as an agent on behalf of the BID body.

1.11 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. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in year in which the benefit was earned.

The accrual is charged to Surplus or Deficit on the Provision of Services, within the Comprehensive Income and Expenditure Statement but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

ii. Termination Benefits

Termination benefits are amounts payable as a result of a decision by the council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement 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.

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

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 Authority.

<u>The Local Government Pension Scheme (LGPS)</u>

The Local Government Scheme is accounted for as a defined benefits scheme. The liabilities of the West Sussex County Council pension fund attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 4.8% based upon the single average gilt yield (which gives the same present value as the gilt curve applied to the cash flows of a typical LGPS employers with a duration of around 20 years) plus the median 'credit spread' applying to AA corporate bonds within the iBoxx Over 15 Years Index, at the IAS19 valuation date.

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.

The change in the net pensions liability is analysed into seven components:

- **current service cost** - the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

- **past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- **interest cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- **expected return on assets** – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- **gains or losses on settlements and curtailments** – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- **actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve

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

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

Discretionary Benefits

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

1.12 Events after the Balance Reporting Period

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events

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

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

1.13 Financial Instruments

Financial Liabilities

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

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

- available-for sale assets – assets that have quoted market price and/or do not fixed or determinable payments

i. Loans and Receivables

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

However, the council has made a number of loans to individuals under the housing private sector renewal scheme, and tenants of certain council owned shops for improvements, and repairs and maintenance (where the tenant has a repair obligation) at less than market rates (soft loans), i.e. these are currently interest free loans. Therefore, when soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable, if any, from the Individual or organisation given a soft loan, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset’s original effective interest rate.

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

ii. Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the council.

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

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

The council does not have any Available for Sale Assets as at 31 March 2012.

1.14 Government Grants and Contributions

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

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

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

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

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

<u>New Homes Bonus</u>

The New Homes Bonus (NHB) is a general grant allocated by central government directly to local authorities as additional revenue funding. The NHB is non-ring fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

1.15 Interest

Gross interest earned by the council is in the first instance credited in total to the Income and Expenditure Account. For 2011-12 this amounted to £599,920. In accordance with council policy the interest is subsequently transferred to the various reserves and funds of the council. The majority of interest is transferred to the Revenue Reserve Fund and used to finance the Capital Programme, or one off costs for pump priming or Performance Improvement.

1.16 Heritage Assets

Tangible and Intangible Heritage Assets

The heritage assets held by the council are a collection of assets or artefacts either exhibited or stored at a number of sites in the district including the Council's local museum, the Pallant House Gallery and Fishbourne Roman Palace. The District Museum Collections consist of geological, archaeological, social history and local history artefacts, images and associated information. The principal collections include:

- The Hussey Bequest collection including furniture, paintings and other domestic wares, which is based at the Pallant House Gallery
- Archaeological collections which are held both at the Council Museum but also at Fishbourne Roman Palace
- Guildhall, Priory Park (Listed Grade 1 & Scheduled Monument)

Heritage assets are recognised and measured (including the treatment of valuation gains and losses) in accordance with the council's accounting policies on property, plant and equipment. However, some of the measure rules are relaxed in relation to heritage assets as detailed below.

Hussey Bequest Collection

The Hussey Bequest collection is reported in the balance sheet on an insurance valuation. This collection was a donated asset. No further acquisitions will be made or any disposals unless allowed under the terms of the bequest.

Other Museum Collections

Other collections held by the Museum Service are not currently recognised in the financial statements, as no information is available on the cost of assets (the details of some assets are held by the curator of the museum including those objects which are held at other sites by third parties).

Archaeology

The council does not consider that reliable cost or valuation information can be obtained for the items held in its archaeological collection. This is because of the diverse nature of the assets held and the lack of comparable market values. Consequently, the council does not recognise these assets on the balance sheet.

The council does not (normally) make any purchases of archaeological items and the items it holds are mainly due to previous donations.

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where this is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage, damage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the council's general policies on impairment. The Museum Service will occasionally dispose of heritage assets which are unsuitable for display in accordance with its disposal policy. The proceeds of such items are accounted for in accordance with the council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

1.17 Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the council's goods or services.

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.18 Inventories and Long Term Contracts

Inventories are included in the Balance Sheet. Works in progress are shown at cost, whereas stocks held at year-end are shown at latest invoice price. Although this is a departure from normal accounting practice the overall effect on the accounts is immaterial.

1.19 Investments

Investments are shown in the Balance Sheet at cost. They consist of temporary loans to other bodies and are not subject to market value fluctuations.

1.20 Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.21 Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity.

Jointly controlled assets are items of property, plant and equipment that are jointly controlled by the council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity.

The council is not currently involved in these type of arrangements.

1.22 Leases

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

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

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

i. The council as Lessee

Finance Leases

The council has no finance leases.

Operating Leases

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).

The council has only one operating lease above the de-minimis level of £10,000.

ii. The council as Lessor

Finance Leases

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. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority’s net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts.

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

<u>Operating Leases</u>

Where the council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits 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 premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.23 Minimum Revenue Provision

Local authorities are required by statute to set aside each year some of their revenue to provide for repayment of debt in respect of capital expenditure financed by borrowing or credit arrangements, known as the Minimum Revenue Provision (MRP).

The council's policy is:

- **Asset Life Method** – MRP will be based on the estimated life of an asset on either an equal instalment method or an annuity basis. With this option payment of MRP charges may be postponed until the financial year following the one in which the asset becomes operational.

1.24 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2011-12 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the

Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

1.25 Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

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

Measurement

Assets are initially measured at cost, comprising:

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

The council would not capitalise borrowing costs incurred whilst assets are under construction.

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

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair 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 fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair 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.

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

<u>Impairment</u>

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

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

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

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

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

<u>Depreciation</u>

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.

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

Componentisation

The componentisation limits that were applied with effect from 1 April 2010 for assets revalued thereafter are; (a) assets over £500,000 and (b) where components are over £100,000.

Disposals and Non-current Assets Held for Sale

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The pooling arrangement for housing capital receipts does not apply to the authority's share of receipts from sales under the preserved rights to buy arising from the Large Scale Voluntary Transfer of the Council's housing stock that took place in 2001.

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

1.26 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

1.27 Reserves

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

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

1.28 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 Authority 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.

1.29 Section 106 Developer Contributions

Section 106 of the Town and Country Planning Act 1990 permit local planning authorities to enter into enforceable ‘planning obligations’ with landowners and/or developers which restrict the development or use of the land in any specified way, require specific operations or activities to be carried out in, on, under or over land, require the land to be used in any specified way and/or require a sum or sums to be paid to the local planning authority on a specified date or periodically.

There are two types of agreement; those for providing some form of service e.g. maintenance of bus shelters and those to assist undertaking some form of capital project.

Money received under a Section 106 agreement is not applied for any other purpose than that provided under the agreement. The agreements provide for the return of monies if works are not carried out after a specified period. 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.

1.30 VAT

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

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

The adoption of amendments to IFRS 7 Financial Instruments: Disclosures issued in October 2010 by the code will result in a change in accounting policy that requires disclosure.

The amendments are intended to allow users of the financial statements to improve their understanding of transfer transactions of financial assets, including the possible effects of any risks that may remain with the entity that transferred the assets. It also includes additional disclosure requirements where there is a disproportionate amount of transfer transactions around the end of the reporting period. The effective date of the standard was 1 July 2011 but we are not required by the Code to implement this amended disclosure requirement until 1 April 2012.

Following a review of the Authority's financial assets and liabilities at 31 March 2012, it is considered unlikely that IFRS 7 accounting standard will have a material impact in the financial statements of the Council.

3. Critical judgements in applying accounting policies

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

- There is high degree of uncertainty about future levels of funding for local government. However the council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the council might be impaired as a result of a need to close facilities and reduce levels of service provision.

- Under IFRIC4, the council is required to determine whether any contractual arrangements have the substance of a lease. Officers have obtained and considered information provided by the council's service departments relating to contractual arrangements that exist. In all cases, it has been judged that these arrangements do not constitute any form of lease.

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

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

The items in the council's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<u>Pensions Liability</u>

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. A Sensitivity Analysis provided by the Actuary highlighting the effects of changes in the principal assumptions used to measure the pension scheme liabilities is shown in Note 34 Defined Benefit Pension Schemes on page 71.

Allowance for Bad Debts

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

S106 Developer Contributions
The council has within its accounts treated of S106 developer contributions as long- term creditors and as short-term creditors. This classification of liability is based upon the council's estimated expenditure profile for the contributions received.

5. Events after the Reporting Period

The Statement of Accounts was authorised for issue by John Ward, the District Treasurer for the council, on 11 September.

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 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

6. 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.

2011-12

	Usable Reserves				
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non-current assets	1,620	0	0	**1,620**	**(1,620)**
Revaluation losses on Property Plant and Equipment	675	0	0	**675**	**(675)**
Movements in the market value of Investment Properties	48	0	0	**48**	**(48)**
Movements in the value of held for sale assets	0	0	0	**0**	**0**
Amortisation of Intangible Assets	238	0	0	**238**	**(238)**
Capital Grants and contributions applied	(2,579)	0	0	**(2,579)**	**2,579**
Movement in the Donated Assets Account	0	0	0	**0**	**0**
Revenue expenditure funded from capital under statute	1,526	0	0	**1,526**	**(1,526)**
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	539	0	0	**539**	**(539)**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	0	0	0	**0**	**0**
Capital expenditure charged against the General Fund	0	0	0	**0**	**0**
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0	0	0	**0**	**0**
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(5)	**(5)**	**5**
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(607)	607	0	**0**	**0**
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(2,292)	0	**(2,292)**	**2,292**
Contribution from the Capital Receipts Reserve towards administrative costs of non-current assets disposals	7	(7)	0	**0**	**0**

2011-12

	Usable Reserves				
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(24)	5	0	**(19)**	**19**
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 34)	1,330	0	0	**1,330**	**(1,330)**
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,144)	0	0	**(2,144)**	**2,144**
Adjustments primarily involving the Collection Fund Adjustment Account:					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from the council tax income calculated for the year in accordance with statutory requirements	(4)	0	0	**(4)**	**4**
Adjustments primarily involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(10)	0	0	**(10)**	**10**
TOTAL ADJUSTMENTS	**615**	**(1,687)**	**(5)**	**(1,077)**	**1,077**

2010-11 Comparative Figures

	Usable Reserves				
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non-current assets	1,864	0	0	**1,864**	**(1,864)**
Revaluation losses on Property Plant and Equipment	1,648	0	0	**1,648**	**(1,648)**
Movements in the market value of Investment Properties	2,903	0	0	**2,903**	**(2,903)**
Movements in the value of held for sale assets	5	0	0	**5**	**(5)**
Amortisation of Intangible Assets	304	0	0	**304**	**(304)**
Capital Grants and contributions applied	(2,180)	0	0	**(2,180)**	**2,180**
Movement in the Donated Assets Account	0	0	0	**0**	**0**
Revenue expenditure funded from capital under statute	1,569	0	0	**1,569**	**(1,569)**
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	2,092	0	0	**2,092**	**(2,092)**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	0	0	0	**0**	**0**
Capital expenditure charged against the General Fund	(108)	0	0	**(108)**	**108**
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(7)	0	7	**0**	**0**
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	**0**	**0**
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,511)	1,512	0	**1**	**(1)**
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(7,255)	0	**(7,255)**	**7,255**
Contribution from the Capital Receipts Reserve towards administrative costs of non-current assets disposals	9	(9)	0	**0**	**0**

2010-11 Comparative Figures

	Usable Reserves				
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	39	4	0	**43**	**(43)**
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 34)	(7,700)	0	0	**(7,700)**	**7,700**
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,515)	0	0	**(1,515)**	**1,515**
Adjustments primarily involving the Collection Fund Adjustment Account:					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from the council tax income calculated for the year in accordance with statutory requirements	(28)	0	0	**(28)**	**28**
Adjustments primarily involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(12)	0	0	**(12)**	**12**
TOTAL ADJUSTMENTS	(2,628)	(5,748)	7	**(8,369)**	**8,369**

7. 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 General Fund in 2011-12.

	Balance at 1 April 2010 £000	Transfers Out 2010-11 £000	Transfers In 2010-11 £000	**Balance at 31 March 2011 £000**	Transfers Out 2011-12 £000	Transfers In 2011-12 £000	**Balance at 31 March 2012 £000**
General Fund:							
Revenue Reserve	**3,855**	620	783	**4,018**	466	2,785	**6,337**
Housing Reserve	**5,000**	0	0	**5,000**	0	0	**5,000**
Theatre and Gallery Reserve	**3,000**	395	0	**2,605**	394	0	**2,211**
Restructuring Reserve	**1,000**	0	0	**1,000**	338	0	**662**
Asset Reserve	**0**	0	442	**442**	58	651	**1,035**
Insurance Funds	**1,014**	19	0	**995**	995	0	**0**
Planning Delivery Grant Reserve	**354**	275	0	**79**	39	0	**40**
LABGIS Reserve	**181**	85	0	**96**	28	0	**68**
Unfunded Pension Liability Reserve	**210**	0	0	**210**	210	0	**0**
Grants and Contribution Reserve	**0**	0	262	**262**	70	212	**404**
Carry Forwards Reserve	**75**	75	126	**126**	100	277	**303**
New Homes Bonus Scheme Reserve	**0**	0	0	**0**	0	457	**457**
Other Usable Reserves	**1,110**	166	567	**1,511**	425	536	**1,622**
Total	**15,799**	1,635	2,180	**16,344**	3,123	4,918	**18,139**

8. Property, Plant and Equipment

Movements in 2011-12:

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Property, Plant & Equipment Under Construction £000	**Total Property, Plant and Equipment £000**
Cost or Valuation							
At 1 April 2011	79,467	7,785	4,172	564	6,753	4,122	**102,863**
Additions	112	609	144	0	0	2,333	**3,198**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	3,548	0	3	0	(1,261)	0	**2,290**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(521)	0	0	0	0	0	**(521)**
Derecognition – disposals	(36)	(1,971)	(45)	(196)	0	0	**(2,248)**
Assets reclassified (to) / from Held for Sale	5	0	0	0	(258)	0	**(253)**
other reclassifications – transfers	82	(48)	(288)	(188)	616	(174)	**0**
Adjustments between cost/value & depreciation/impairment	(16)	0	0	0	0	0	**(16)**
At 31 March 2012	**82,641**	**6,375**	**3,986**	**180**	**5,850**	**6,281**	**105,313**
Accumulated Depreciation and Impairment							
At 1 April 2011	**(9,010)**	**(4,433)**	**(953)**	**(43)**	**(450)**	**0**	**(14,889)**
Depreciation charge	(862)	(422)	(316)	0	(20)	0	**(1,620)**
Depreciation written out to the Revaluation Reserve	703	0	2	0	0	0	**705**
Depreciation written out to the Surplus/Deficit on the Provision of Services	(154)	0	0	0	0	0	**(154)**
Impairment losses / (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	**0**
Impairment losses / (reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	**0**
Derecognition – disposals	1	1,922	10	0	0	0	**1,933**
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0	**0**
Reclassifications – transfers	(103)	43	119	0	(59)	0	**0**
Adjustments between cost/value & depreciation/impairment	16	0	0	0	0	0	**16**
At 31 March 2012	**(9,409)**	**(2,890)**	**(1,138)**	**(43)**	**(529)**	**0**	**(14,009)**
Net Book Value							
At 31 March 2012	73,232	3,485	2,848	137	5,321	6,281	**91,304**
At 31 March 2011	70,457	3,352	3,219	521	6,303	4,122	**87,974**

Restated Comparatives
Movements in 2010-11:

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Property, Plant & Equipment Under Construction £000	**Total Property, Plant and Equipment £000**
Restated Cost or Valuation							
At 1 April 2010	74,412	5,888	2,632	333	2,628	1,367	**87,260**
Additions	12	399	1,501	0	0	5,882	**7,794**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	3,227	0	0	0	0	0	**3,227**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,514)	0	0	0	7	0	**(1,507)**
Derecognition – disposals	(1,248)	(201)	0	0	(471)	0	**(1,920)**
Assets reclassified (to) / from Held for Sale	0	0	0	0	(230)	0	**(230)**
other reclassifications – transfers	(3,619)	1,699	39	231	4,777	(3,127)	**0**
Other reclassifications – other *	215	0	0	0	0	0	**215**
Adjustments between cost/value & depreciation/impairment **	7,982	0	0	0	42	0	**8,024**
Restated At 31 March 2011	79,467	7,785	4,172	564	6,753	4,122	**102,863**
Accumulated Depreciation and Impairment							
At 1 April 2010	(713)	(3,833)	(737)	0	0	0	**(5,283)**
Depreciation charge	(805)	(718)	(216)	0	(1)	0	**(1,740)**
Depreciation written out to the Revaluation Reserve	142	0	0	0	0	0	**142**
Depreciation written out to the Surplus/Deficit on the Provision of Services							
Impairment losses / (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	**0**
Impairment losses / (reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	**0**
Derecognition – disposals	121	118	0	0	0	0	**239**
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0	**0**
Reclassifications – transfers	450	0	0	(43)	(407)	0	**0**
Other Reclassifications – other *	(223)	0	0	0	0	0	**(223)**
Adjustments between cost/value & depreciation/impairment**	(7,982)	0	0	0	(42)	0	**(8,024)**
At 31 March 2011	(9,010)	(4,433)	(953)	(43)	(450)	0	**(14,889)**
Net Book Value							
At 31 March 2011	70,457	3,352	3,219	521	6,303	4,122	**87,974**
At 31 March 2010	73,699	2,055	1,895	333	2,628	1,367	**81,977**

* Four assets amended during 2010-11 relating to events in prior years.
** Restatement of the Gross Book Value and Impairments relating to assets written to the CIES in prior years.

Depreciation

Fixed 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.

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

- Land and Buildings - 5 to 60 years
- Vehicles, Plant, & Equipment - 3 to 20 years
- Infrastructure - 5 to 25 years
- Intangible Assets - 5 to 8 years
- Community Assets, Surplus Assets and Assets under Construction are not depreciated.

Capital Commitments

At 31 March 2012 the council has entered into a number of contracts for the purchase, construction or enhancement of Property, Plant and Equipment. The similar commitments at 31 March 2011 were £4.87million. The major commitments are:

- Replacement of vehicles - £2.04million
- Museum - £1.17million
- The Grange Centre - £0.34million

Effects of Changes in Estimates

At 31 March 2012, the council assessed the useful lives of its fleet of vehicles. The majority of useful lives have been extended and residual values reviewed in relation to their current condition. As a result, any correction of over-depreciation has been reflected in the Comprehensive Income and Expenditure Account.

Revaluations

The council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
Carried at historic cost	0	3,485	2,848	137	0	0	6,470
Valued at fair value as at:							
2011-12	13,491	0	0	0	66	6,259	19,816
2010-11	7,133	0	0	0	560	22	7,715
2009-10	50,831	0	0	0	2,865	0	53,696
2008-09	434	0	0	0	400	0	834
2007-08	1,343	0	0	0	1,430	0	2,773
Total	73,232	3,485	2,848	137	5,321	6,281	91,304

9. Investment Properties

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

	2011-12 £000	2010-11 £000
Rental income from investment property	(219)	(302)
Direct operating expenses arising from investment property	57	72
Changes in fair value	48	2,903
Net (gain) / loss	(114)	2,673

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

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

	2011-12 £000	2010-11 £000
Balance at start of the year	4,073	6,976
Additions:		
• Purchases	0	0
• Construction	0	0
• Subsequent expenditure	0	0
Disposals	0	0
Net gain / losses from fair value adjustments	(48)	(2,903)
Transfers:		
• to/from Inventories	0	0
• to/from Property, Plant and Equipment	0	0
Other changes	0	0
Balance at end of the year	4,025	4,073

10. Intangible Assets

The council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased software and the relevant software licenses.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the council. The useful live assigned to software used by the council is 6 years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £238,527 charged to revenue in 2011-12 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

	Internally Generated Assets £000	Other Assets £000	2011-12 Total £000	Internally Generated Assets £000	Other Assets £000	2010-11 Total £000
Balance at start of year:						
• Gross carrying amounts	0	2,244	2,244	0	2,070	2,070
• Accumulated amortisation	0	(1,356)	(1,356)	0	(1,052)	(1,052)
Net carrying amount at start of year	0	888	888	0	1,018	1,018
Additions:						
• Internal development	0	0	0	0	0	0
• Purchases	0	152	152	0	174	174
• Acquired through business combinations	0	0	0	0	0	0
Assets reclassified as held for sale	0	0	0	0	0	0
Other disposals	0	0		0	0	0
Revaluations increases or decreases	0	0	0	0	0	0
Impairment losses recognised or reversed directly in the Revaluation Reserve	0	0	0	0	0	0
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0
Reversals of past impairment losses written back to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0
Amortisation for the period	0	(238)	(238)	0	(304)	(304)
Other changes	0	0	0	0	0	0
Net carrying amount at end of year	0	802	802	0	888	888
Comprising:						
Gross carrying amounts	0	2,396	2,396	0	2,244	2,244
Accumulated amortisation	0	(1,594)	(1,594)	0	(1,356)	(1,356)
	0	802	802	0	888	888

There are no items of capitalised software that are individually material to the financial statements.

11. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Council

	Pallant House Gallery Collection £000	Total Assets £000
Cost of Valuation		
1 April 2010	2,245	2,245
Additions	0	0
Disposals	0	0
Revaluation Increases/(decreases) to the Revaluation Reserve	1,514	1,514
Revaluation Increases/(decreases) to the Surplus or Deficit on the Provision of Services	(351)	(351)
Depreciation	0	0
Impairment Losses	0	0
31 March 2011	3,408	3,408

	Pallant House Gallery Collection £000	Total Assets £000
Cost of Valuation		
1 April 2011	3,408	3,408
Additions	0	0
Disposals	0	0
Revaluation Increases/(decreases) to the Surplus or Deficit on the Provision of Services	2,425	2,425
Revaluation Increases/(decreases) to the Surplus or Deficit on the Provision of Services	0	0
Depreciation	0	0
Revaluation Losses	0	0
31 March 2012	5,833	5,833

Pallant House Gallery Collection

The Pallant House Gallery Collection is predominately made up of the Hussey Bequest collection £5,766m. This collection is made up of artwork, furniture and other domestic wares based at Pallant House Gallery. Pallant House Gallery has an external valuer Bonham's, to carry out valuations of these assets on a cyclical basis. During 2011-12 they revalued £0.5m of assets to £2.9m. The council are also provided with a copy of the Government Indemnity Certificate for the Hussey Bequest, who review the values supplied by Bonham's and in some cases these are changed on the advice of Government Indemnity Scheme.

Archaeological Collections

The council holds a wide diverse archaeological collection, which are held and displayed at both the District Museum and also at Fishbourne Roman Palace. The majority of the exhibits are of a low value and are not recognised on the balance sheet in accordance with the council's accounting policies. However, there are 26 specific items with an insured value of between £41 and £6,180 with a total value amounting to £30,000. These items have also not been recognised on the balance sheet due to the individual values being below the deminimus of £10,000. During 2012-13, there will be additions due to the opening of the new museum, Novium in July 2012, and these will be considered in accordance with the council's accounting policies.

City Walls

The City Walls are currently classified as Community Assets. Although they are clearly part of Chichester's heritage, they are used for various functions, including escorted city walks. Around 90% of the circuit is publicly accessible and is used by recreational walkers or as a traffic free route for people to get from A to B. Therefore the council consider these as operational and not heritage assets.

The Guildhall

The Guildhall Hall in Priory Park is a Grade 1 listed building and scheduled monument and meets the definition of a Heritage Asset. The Council does not hold this asset on the balance sheet and does not consider that a reliable historic cost or other valuation information can be obtained.

Further disclosure on Heritage Assets can be found at Notes 38 to 40.

12. Financial Instruments

	Long-term		Current	
	31 March 2012	31 March 2011 Restated	31 March 2012	31 March 2011 Restated
	£000	£000	£000	£000
Investments				
Loans and receivables	10,000	13,000	30,982	30,308
Available-for-sale financial assets	0	0	0	0
Unquoted equity investment at cost	0	0	0	0
Financial assets at fair value through profit and loss	0	0	0	0
Total investments	10,000	13,000	30,982	30,308
Debtors				
Loans and receivables	226	242	2,289	1,977
Financial assets carried at contract amounts	502	507	221	704
Total Debtors	728	749	2,510	2,681

	Long-term		Current	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
	£000	£000	£000	£000
Borrowings				
Financial liabilities at amortised cost	0	0	0	0
Financial liabilities at fair value through profit and loss	0	0	0	0
Total borrowings	0	0	0	0
Other Long Term Liabilities				
PFI and finance lease liabilities	0	0		
Total other long term liabilities	0	0		
Creditors				
Financial liabilities at amortised cost	0	0	3,142	3,429
Financial liabilities carried at contract amount	2,004	1,620	387	905
Total Creditors	2,004	1,620	3,529	4,334

	2011-12					2010-11 Restated				
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	**Total £000**	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Assets and liabilities at Fair Value through Profit and Loss £000	**Total £000**
Interest expense	0	-	0	-	**0**	41	-	0	-	**41**
Losses on derecognition	0	0	0	0	**0**	0	0	0	0	**0**
Reductions in fair value	-	-	-	105	**105**	-	-	-	2,974	**2,974**
Impairment losses	-	0	-	-	**0**	-	0	-	-	**0**
Fee expense	0	0	0	0	**0**	0	0	0	0	**0**
Total expense in Surplus or Deficit on the Provision of Services	**0**	**0**	**0**	**105**	**105**	**41**	**0**	**0**	**2,974**	**3,015**
Interest income	-	676	-	-	**676**	-	711	-	-	**711**
Interest income accrued on impaired financial assets	-	0	-	-	**0**	-	0	-	-	**0**
Increases in fair value	-	-	-	0	**0**	-	-	-	0	**0**
Gains on derecognition	0	0	0	0	**0**	0	0	0	0	**0**
Fee income	72	0	0	219	**291**	78	0	0	301	**379**
Total income in Surplus or Deficit on the Provision of Services	**72**	**676**	**0**	**219**	**967**	**78**	**711**	**0**	**301**	**1,090**
Gains on revaluation	-	-	0	-	**0**	-	-	0	-	**0**
Losses on revaluation	-	-	0	-	**0**	-	-	0	-	**0**
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	0	-	**0**	-	-	0	-	**0**
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**-**	**-**	0	**-**	**0**	**-**	**-**	0	**-**	**0**
Net gain/(loss) for the year	**-**	**-**	**0**	**-**	**0**	**-**	**-**	0	**-**	**0**

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- where an investment matures beyond 12 months the fair value is based on the effective interest rate rather than transaction value and contract interest rate
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2012		31 March 2011	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities	0	0	0	0
Long-term creditors	2,004	2,004	1,620	1,620

	31 March 2012		31 March 2011 Restated	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Loans and receivables	10,000	10,305	13,000	13,002
Long-term debtors	728	728	749	749

The fair value of the assets is higher than the carrying amount because the council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2012) attributable to the commitment to receive interest slightly above current market rates.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value. See note 16 for the restatement reason associated with the Housing Rent Deposit Scheme.

13. Inventories

	31 March 2012 £000	31 March 2011 £000
Westgate Centre	30	17
Westhampnett Depot	89	107
Community Careline	19	22
Tourist Information Centres	17	24
Print Room	4	4
IT Consumables	9	9
Other Misc Stocks	9	14
	177	197
Work in Progress :		
Insurance Claims	8	0
Rechargeable Works	0	8
Total	185	205

14. Construction Contracts

At 31 March 2012, the council was not undertaking any construction contracts on behalf of a third party.

15. Short Term Debtors

	31 March 2012 £000	31 March 2011 Restated £000	1 April 2010 Restated £000
Debtors			
Council Tax	691	657	651
Right to Buy Sharing Agreement	199	690	348
Sundry Debtors	2,777	2,224	2,695
Central Government Departments	1,085	1,075	2,125
South Downs National Park Authority	228	0	0
Housing Rents	132	156	156
Other Debtors	14	9	1
	5,126	4,811	5,976
Payments in advance	938	167	202
Gross Debtors and Payments in advance	6,064	4,978	6,178
Less allowance for Bad Debts			
Collection Fund	(406)	(393)	(402)
Housing Rents	(110)	(142)	(134)
General Provisions	(502)	(256)	(58)
	(1,018)	(791)	(594)
	5,046	4,187	5,584

A Short Term Debtor relating to the Housing Rent Deposit Bond Scheme has been reclassified as a Long Term Debtor. This has led to a restatement of £173,000 at 1 April 2010 and £181,000 at 31 March 2011.

Payments in advance at 31 March 2012 relate to the purchase of new vehicles and IT support and maintenance agreements. Prior year comparators have been restated as payments in advance were previously included in sundry debtors.

16. Cash and cash equivalents

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

Short-term deposits are those that are held ‘on call’ with the bank or building society rather than being invested in longer term fixed deposits.

	31 March 2012 £000	31 March 2011 £000
Cash held by the Authority	7	7
Bank current accounts	721	599
Short-term deposits	1,100	2,750
	1,828	3,356

17. Assets held for sale

	Current 2011-12 £000	Current 2010-11 £000	Non Current 2011-12 £000	Non Current 2010-11 £000
Balance outstanding at start of year	230	400	0	0
Assets newly classified as held for sale:				
• Property, Plant and Equipment	258	230	0	0
• Intangible Assets	0	0	0	0
• Other assets/liabilities in disposal groups	0	0	0	0
Revaluation Losses	0	(5)	0	0
Revaluation Gains	0	0	0	0
Impairment Losses	0	0	0	0
Assets newly declassified as held for sale:				
• Property, Plant and Equipment	(5)	0	0	0
• Intangible Assets	0	0	0	0
• Other assets/liabilities in disposal groups	0	0	0	0
Assets Sold	(225)	(395)	0	0
Transfers from non-current to current	0	0	0	0
[Other Movements]				
Balance outstanding at year end	258	230	0	0

18. Short Term Creditors (less than 12 months)

	31 March 2012 £000	31 March 2011 £000
Council Tax	246	264
Precepting Authorities	586	624
Sundry Creditors	2,473	2,767
S106 Developer Contributions	387	905
Central Government Departments	1,248	350
Housing Rents	5	4
Receipts in advance	230	206
Accrued Leave	166	176
Other Creditors	498	482
Total	5,839	5,778

19. Provisions

	MMI Claw-back of claims £000	Total £000
Balance at 1 April 2011	0	0
Additional provisions made in 2011-12	150	150
Amounts used in 2011-12	0	0
Unused amounts reversed in 2011-12	0	0
Balance at 31 March 2012	150	150

MMI Claw-back of claims
Municipal Mutual Insurance Ltd (MMI), the Council's previous insurer, was the predominant insurer of public sector bodies prior to ceasing its underwriting operations in September 1992 having suffered substantial losses. The Council and most of MMI's public sector members elected to participate in a 'Scheme of Arrangements' effectively becoming 'Scheme Creditors', meaning they may have to pay back part of all claims for which they have received settlements since 1993 in the event of the Scheme of Arrangements being triggered.

The decision of the Supreme Court on 28 March 2012 on the 'mesothelioma trigger litigation' has placed additional financial pressures on the residual funds of MMI. It has also increased the potential for a claw-back on settlements the Council has received from MMI since 1993. At 31 March 2012 the Scheme of Arrangements had not been triggered, however, advice received suggests that it will be triggered within the next 12 months. The provision set aside provides for a claw-back of up to 50% of the settlements the Council has received.

20. Long Term Creditors

	Balance 31 March 2012 £000	Balance 31 March 2011 £000
S106 Developer Contributions	2,004	1,620
Total	2,004	1,620

21. Usable Reserves

Movements in the council's usable reserves are detailed in the Movement in Reserves Statement on page 21.

22. 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. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Restated 2010-11 £000			2011-12 £000
(16,085)	**Balance at 1 April**		**(20,505)**
(4,791)	Upward revaluation of assets	(6,691)	
4	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	1,271	
(4,787)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(5,420)
124	Difference between fair value depreciation and historical cost depreciation	175	
243	Accumulated gains on assets sold or scrapped	241	
367	Amount written off to the Capital Adjustment Account		416
(20,505)	**Balance at 31 March**		**(25,509)**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realized.

The council does not have any available for sale financial instruments.

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Restated 2010-11 £000			2011-12 £000
(78,571)	**Balance at 1 April**		**(78,091)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
1,864	• Charges for depreciation and impairment of noncurrent assets	1,620	
1,297	• Revaluation losses on Property, Plant and Equipment	675	
351	• Revaluation losses on Heritage Assets	0	
304	• Amortisation of intangible assets	238	
1,569	• Revenue expenditure funded from capital under statute	1,526	
2,092	• 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	539	
7,477			4,598
(366)	Adjusting amounts written out of the Revaluation Reserve		(416)
7,111	Net written out amount of the cost of non-current assets consumed in the year		4,182
	Capital financing applied in the year:		
(7,255)	• Use of the Capital Receipts Reserve to finance new capital expenditure	(2,292)	
0	• Use of the Major Repairs Reserve to finance new capital expenditure	0	
(2,180)	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,579)	
0	• Application of grants to capital financing from the Capital Grants Unapplied Account	(5)	
0	• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	0	
(108)	• Capital expenditure charged against the General Fund and HRA balances	0	
(9,543)			(4,876)
2,903	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		48
4	Recognition of capital receipt from principal leasing payments		6
5	Movements in value of assets held for sale debited or credited to the Comprehensive Income and Expenditure Statement		0
(78,091)	**Balance at 31 March**		**(78,731)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.
The adjustments in this account relate to the soft loans given by the council in respect of the Housing Private Sector Renewal Scheme, and the council owned shop improvements at Hardham Road and the Ridgeway where tenants are responsible for the repairs and maintenance of the properties under the agreements. The transactions represent the interest foregone by the council under the loan arrangements.

2010-11 £000			2011-12 £000
51	**Balance at 1 April**		**89**
38	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(24)	
0	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	0	
38	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		(24)
89	**Balance at 31 March**		**65**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned, to be financed as the council makes employer's contributions to pension funds, or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2010-11 £000		2011-12 £000
31,650	**Balance at 1 April**	**320**
(22,110)	Actuarial (gains) or losses on pensions assets and liabilities	7,120
(7,700)	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	1,330
(1,515)	Employer's pensions contributions and direct payments to pensioners payable in the year	(2,144)
(5)	Difference in the payment to the pension find and the Actuary's estimate of the same in preparing the IAS 19 report	(6)
320	**Balance at 31 March**	**6,620**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the difference arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund and the Collection Fund

2010-11 £000		2011-12 £000
76	**Balance at 1 April**	**48**
(28)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(5)
48	**Balance at 31 March**	**43**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2010-11 £000			2011-12 £000
188	**Balance at 1 April**		**176**
(188)	Settlement or cancellation of accrual made at the end of the preceding year	(176)	
176	Amounts accrued at the end of the current year	166	
(12)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(10)
176	**Balance at 31 March**		**166**

23. Amounts reported for resource allocation decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the council's Cabinet on the basis of budget reports analysed across portfolios.

The income and expenditure of the council's portfolio's recorded in the budget reports for the year is as follows:

PORTFOLIO Income & Expenditure	Corporate Services & Communications £000	Environment £000	Economy, Property & Tourism £000	Finance £000	Housing & Planning £000	Leader & Service Provision £000	Leisure and Wellbeing £000	**Total £000**
2011-12								
Fees, charges & other service income	373	6,720	1,407	671	2,570	94	1,225	**13,060**
Funding		0	0	0	90	0	0	**90**
Government grants and contributions	0	1,049	17	41,167	1,015	0	308	**43,556**
Total Income	**373**	**7,769**	**1,424**	**41,838**	**3,675**	**94**	**1,533**	**56,706**
Employee expenses	664	1,849	536	1,727	3,805	546	1,920	**11,047**
Other operating expenses	538	7,002	857	41,018	2,898	566	3,814	**56,693**
Support service recharges	434	722	524	697	1,360	710	462	**4,909**
Total operating expenses	**1,636**	**9,573**	**1,917**	**43,442**	**8,063**	**1,822**	**6,196**	**72,649**
Net Expenditure	**1,263**	**1,804**	**493**	**1,604**	**4,388**	**1,728**	**4,663**	**15,943**
Restated 2010-11								
Fees, charges & other service income	152	6,460	1,621	521	2,383	201	1,339	**12,677**
Government grants and contributions	0	889	85	39,404	1,963	121	411	**42,873**
Total Income	**152**	**7,349**	**1,706**	**39,925**	**4,346**	**322**	**1750**	**55,550**
Employee expenses	265	1,927	455	(9,164)	3,658	174	1,673	**(1,012)**
Other operating expenses	499	7,171	1,092	38,591	4,811	398	5,148	**57,710**
Support service recharges	814	1,060	757	1,442	1,605	865	1,074	**7,617**
Total operating expenses	**1,578**	**10,158**	**2,304**	**30,869**	**10,074**	**1,435**	**7,896**	**64,315**
Net Expenditure	**1,426**	**2,809**	**598**	**(9,056)**	**5,728**	**1,115**	**6,145**	**8,765**

24. Agency Services

The council provides a Civil Parking Enforcement Service (CPE) on behalf of West Sussex Council (WSCC).

	2011-12 £000	2010-11 £000
Expenditure incurred in providing a CPE Service to WSCC	265	295
Fees and charges	(188)	(138)
Management fee payable by WSCC	(77)	(157)
Net Surplus arising on the agency arrangement	0	0

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

	2011-12 £000	2010-11 £000
Expenditure incurred in providing a Planning Service to SDNPA	1,120	0
Management fee payable by SDNPA	(1,185)	0
Net Surplus arising on the agency arrangement	(65)	0

The South Downs National Park Authority have agreed that the surplus in 2011-12 be carried forward and off-set against the management fee for 2012-13.

25. Members' Allowances

The council paid the following amounts to members of the council during the year. A detailed list of the allowances paid to each member appears on pages 89 and 90.

	2011-12 £	2010-11 £
Allowances	257,956	268,043
Expenses	23,107	20,966
Total	281,063	289,009

26. Officers' Remuneration

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

Post Title		Salary, Fees and Allowances	Compensation for Loss of Office	Pension Contribution	Total
		£	£	£	£
Chief Executive (from 7/3/12) See Note 1	2011-12	7,754	0	1,205	8,959
	2010-11	0	0	0	0
Chief Executive (to 31/12/11) See Note 1	2011-12	90,662	0	91,011	181,673
	2010-11	121,131	0	13,405	134,536
Director of Corporate Services (to 6/3/12) See Note 1	2011-12	86,412	0	13,281	99,693
	2010-11	90,736	0	9,879	100,615
Director of Home and Community	2011-12	90,292	0	13,855	104,147
	2010-11	90,574	0	9,860	100,434
Director of Environment	2011-12	90,361	0	13,866	104,227
	2010-11	90,643	0	9,868	100,511
Director of Employment and Property	2011-12	90,361	0	13,866	104,227
	2010-11	90,643	0	9,868	100,511
District Treasurer / S151 Officer	2011-12	66,736	0	10,248	76,984
	2010-11	66,051	0	7,192	73,243
Principal Solicitor / Monitoring Officer (from 1/1/12) See Note 2	2011-12	14,060	0	2,138	16,198
	2010-11	0	0	0	0
District Solicitor / Monitoring Officer (to 4/11/11) See Note 2	2011-12	52,342	8,029	6,183	66,554
	2010-11	66,599	0	7,338	73,937

Note 1
The Chief Executive retired on 31 December 2011 and was replaced by the Director of Corporate Services with effect from 7 March 2012. The annualised salary for this post is £115,292.
Note 2
During the year the District Solicitor was made redundant and the Principal Solicitor appointed as Monitoring Officer. The annualised salary for this post is £56,240.

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:

Remuneration Band	2011-12 Number of employees	2010-11 Number of employees
£50,000 - £54,999	4	6
£55,000 - £59,999	7	5
£60,000 - £64,999	2	1
£65,000 - £69,999	1	3
£70,000 - £74,999	1	1
£90,000 - £94,999	5	4
£110,000 - £114,999	0	1
£120,000 - £124,999	0	1
£155,000 - £159,999 *	1	0

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

* Includes payment to officer made redundant on 31st March 2012.

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	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
							£	£
£0 - £20,000	6	6	3	1	9	7	£81,616	£18,495
£20,001 - £40,000	2	-	2	1	4	1	£119,211	£34,752
£40,001 - £60,000	-	-	-	1	-	1	-	£42,807
£60,001 - £80,000	-	-	1	-	1	-	£76,881	-
£80,001 - £100,000	-	-	1	-	1	-	£81,568	-
Total	8	6	7	3	15	9	£359,276	£96,054

27. External Audit Costs

The council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the council's external auditors:

	2011-12 £000	2010-11 £000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	107	113
Fees payable to the Audit Commission in respect of statutory inspections	0	0
Fees payable to the Audit Commission for the certification of grant claims and returns for the year	18	18
Fees payable in respect of other services provided by the appointed auditor during the year	0	0
Total	125	131

28. Grant Income

The council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011-12

For the purposes of this note only individual receipts in excess of £50,000 have been disclosed. Subsidy payments received from central government for housing and council tax benefits are excluded from this disclosure note as they are not grant income but receipts for the reimbursement of unavoidable statutory expenditure.

	2011-12 £000	2010-11 Restated £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	1,138	911
Demand on Collection Fund	9,217	9,116
Contribution from National Non-Domestic Rate Pool	3,682	6,274
New Homes Bonus Scheme	457	0
Council Tax Freeze Grant	177	0
Other Non-ringfenced government grants	0	37
Capital grants and contributions	1,992	1,565
Total	16,663	17,903
Credited to Services		
Revenue Expenditure Funded from Capital Under Statute (REFCUS)		
- Disabled Facilities Grant	581	527
- S106 Contributions	7	92
Concessionary Fares	0	730
Priority Need for Accommodation	113	0
Crime and Disorder Reduction Partnership	71	82
Rough Sleepers Grant	0	70
Connecting Communities	0	60
Wellbeing Centre Grant	149	73
Coastal Change Grant	0	240
Selsey High Street Improvement Study Contribution	10	0
Total	931	1,874

The council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	31 March 2012 £000	31 March 2011 £000
Grant Receipts in Advance (Capital Grants)		
New Park and Priory Park Play Area	0	78
Selsey West Beach and the Witterings Coast Protection	0	1,479
Coastal Change Pathfinder Grant	0	150
Other Receipts below £50,000	51	94
Total	51	1,801
Donated Assets Account		
No donated assets	0	0
Total	0	0
Grant Receipts in Advance (Revenue Grants)		
Coastal Change	0	51
Well Being Project	98	0
Other Receipts below £50,000	132	155
Total	230	206

29. 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 the subjective analysis in Note 23 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2012 are shown in Note 28.

Members and Officers

Members of the council have direct control over the council's financial and operating policies. The total of members allowances paid in 2011-12 is shown in Note 25.

A survey of the council's members, its chief and statutory officers and staff was undertaken. The disclosures identified that two council officers are nominated Directors of Visit Chichester, a company set up to promote tourism within the Chichester District. They represent 2/15 of the company board. The council paid Visit Chichester an operating grant of £34,690 in 2011-12.

The remaining disclosures made are considered immaterial to the council's Statement of Accounts and to the individuals and are therefore not separately identified.

A review of the Register of Members' Interests has been undertaken to ascertain if any related party interests exist. No material disclosures have been identified.

30. Capital Expenditure and Capital Financing

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

	2011-12 £000	2010-11 £000
Opening Capital Financing Requirement	(1,440)	(1,440)
Capital Investment		
Property, Plant and Equipment	3,198	7,796
Investment Properties	0	0
Intangible Assets	153	174
Revenue Expenditure Funded from Capital under Statute	1,526	1,569
Sources of Finance		
Capital Receipts	(2,292)	(7,343)
Government grants and other contributions	(2,585)	(2,085)
Sums set aside from revenue	0	(3)
Direct revenue contributions	0	(108)
Closing Capital Financing Requirement	(1,440)	(1,440)
Explanation of movements in year		
Increase in underlying need to borrowing (supported by government financial assistance)	0	0
Increase in underlying need to borrowing (unsupported by government financial assistance)	0	0
Assets acquired under finance leases	0	0
Assets acquired under PFI/PPP contracts	0	0
Increase / (Decrease) in Capital Financing Requirement	0	0

31. Leases

Council as Lessor

Finance Leases

The council has three leased out properties; Chichester Rugby Club, Chichester Lawn and Tennis Club and the Chichester Crematorium.

The council has gross investments in the leases, made up of 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 2012 £000	31 March 2011 £000
Finance lease debtor (net present value of minimum lease payments):		
• Current	4	4
• Non-current	502	507
Unearned finance income	22,836	22,907
Unguaranteed residual value of property	17	17
Gross investment in the lease	23,359	23,435

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 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000 Restated
Not later than one year	92	92	75	75
Later than one year and not later than five years	301	301	301	301
Later than five years	22,966	23,042	22,950	23,025
	23,359	23,435	23,326	23,401

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.

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

	31 March 2012 £000	31 March 2011 £000
Not later than one year	1,176	1,230
Later than one year and not later than five years	2,912	3,221
Later than five years	54,701	55,821
	58,789	60,272

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

The council has acquired a number of pieces of land by entering into an operating lease. There is only one lease disclosed, this relates to Orchard Street Car Park and has a rental value of over the £10,000 deminimis.

The council is committed to making a payment under this lease to West Sussex County Council. The amount is based on 43% of the car park income received during the year.

	31 March 2012 £000	31 March 2011 £000
Not later than one year	26	28
	26	28

The Future minimum payments have not been disclosed as they are variable ie. 43% of income collected.

32. Impairment Losses

During 2011-12 the council carried out an impairment review. No impairment losses were identified as a result.

33. Termination Benefits

The council terminated the contracts of a number of employees in 2011-12, incurring costs of £359,276 (£96,054 in 2010-11) – see note 26 for the number of exit packages and total cost per band.

34. 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 that needs to be disclosed 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 authority and the employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Further information can be found in West Sussex County Council's Pension Fund's Annual Report which is available upon request from the Corporate Accounting Section, County Treasurer's Department, West Sussex County Council, County Hall, Chichester, West Sussex PO19 1RG.

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 benefits is reversed out of the General Fund via the Movement in Reserves Statement.

Significant changes that have taken place during the year are:

- The deficit has increased due to falling real bond yields;
- The deficit has further increased due to poor asset returns;
- The projected pension expense for next year has also risen for the same reasons, and reduced expected asset rates of return.

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:

	2011-12 £000	2010-11 £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current Service Cost	2,350	2,730
Past Service Cost	170	(10,420)
Curtailment and Settlements	110	150
Financing and Investment Income and Expenditure:		
Interest Cost	5,260	6,170
Expected return on assets in the scheme	(6,560)	(6,330)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	1,330	(7,700)
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement:		
Actuarial (gains) and losses	7,120	(22,110)
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	7,120	(22,110)
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS19	(1,330)	7,700
Actual amount charged against the General Fund Balance for Pensions in the Year:		
Employers contributions payable to scheme	2,144	1,515

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2012 is a loss of £8.840million and at 31 March 2011 was a loss of £1.720million.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of scheme liabilities (defined benefit obligation)	2011-12 £000	2010-11 £000
Opening balance at 1 April	96,160	120,250
Current Service Cost	2,350	2,730
Interest Cost	5,260	6,170
Contributions by scheme participants	820	850
Actuarial (gains) and losses	3,780	(19,960)
Past service costs / (gains)	170	(10,420)
Losses / (Gains) on Curtailments	110	150
Benefits paid	(4,370)	(3,610)
Closing balance at 31 March	104,280	96,160

Reconciliation of fair value of scheme (plan) assets	2011-12 £000	2010-11 £000
Opening balance at 1 April	95,840	88,600
Expected rate of return	6,560	6,330
Actuarial gains / (losses)	(3,340)	2,150
Employer contributions	2,150	1,520
Contributions by scheme participants	820	850
Benefits paid	(4,370)	(3,610)
Closing balance at 31 March	97,660	95,840
Surplus / (Deficit)	(6,620)	(320)

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was a gain of £3.240million (£7.290million gain in 2010-11).

Scheme History

	2007-08 £000	2008-09 £000	2009-10 £000	2010-11 £000	2011-12 £000
Fair value of assets	81,390	63,790	88,600	95,840	97,660
Present value of liabilities	(76,350)	(75,290)	(120,250)	(96,160)	(104,280)
Surplus / (Deficit)	5,040	(11,500)	(31,650)	(320)	(6,620)

The liabilities show the underlying commitments that the council has in the long run to pay post employment (retirement) benefits. The total liability of £104.280million has a substantial impact on the net worth of the council as recorded in the Balance Sheet, resulting in a negative overall balance of £6.620million. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy as the deficit on the pension scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the pension scheme by the council in the year to 31 March 2012 is £2.150million. However, actual contributions made to the pension scheme by the council in the year equalled £2.144million. The difference has been included under Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement. The total contributions estimated by the Actuary to be made to the pension scheme by the council in the year to 31 March 2013 is £2.005million.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The 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 2010.

The principal assumptions used by the actuary have been:

	2011-12	2010-11
Long-term expected rate of return on assets in the scheme:		
Equities	6.2%	7.5%
Bonds	4.3%	4.9%
Property	4.4%	5.5%
Cash	3.5%	4.6%
Mortality assumptions		
Longevity at 65 for current pensioners:		
Men	22.7	22.7
Women	24.2	24.2
Longevity at 65 for future pensioners:		
Men	24.3	24.3
Women	26.4	26.4
Financial assumptions		
Rate of inflation	2.5%	2.8%
Rate of increase in salaries	4.8%	5.1%
Rate of increase in pensions	2.5%	2.8%
Rate for discounting scheme liabilities	4.8%	5.5%
Take-up option to convert annual pension into retirement lump sum – pre April 2008 service	50%	50%
Take-up option to convert annual pension into retirement lump sum – post April 2008 service	75%	75%

The council's pension scheme assets consist of the following categories, by proportion of the total assets held:

	2011-12 %	2010-11 %
Equities	76%	77%
Bonds	14%	14%
Property	9%	7%
Cash	1%	2%
	100%	100%

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010-11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2011:

	2007-08 %	2008-09 %	2009-10 %	2010-11 %	2011-12 %
Differences between the expected and actual return on assets	(10.22)	(35.44)	24.33	2.24	(3.42)
Experience gains and (losses) on liabilities	1.72	(0.13)	0	10.68	(1.26)

Sensitivity Analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at year ended 31 March 2012:	Approximate % increase to Employer Obligation	Approximate monetary Amount (£000)
0.5% decrease in Real Discount Rate	9%	9,604
1 year increase in member life expectancy	3%	3,128
0.5% increase in the Salary Increase Rate	3%	2,632
0.5% increase in the Pension Increase Rate	7%	6,902

35. Contingent Liabilities

International Accounting Standard 37 (IAS37) requires the council to disclose contingent liabilities. These arise from past events that might result in an obligation on the council.

The council is currently involved with a number of potential actions for litigation. These include the cost of works to a property following the council's refusal to fell trees and the refund of land charges fees for personal searches.

In addition we have a number of potential claims relating to planning applications.

At this time the council is unable to provide a reliable estimate of amounts involved.

36. Contingent Assets

International Accounting Standard 37 (IAS37) requires the council to disclose contingent assets. These arise from past events that might provide a possible asset to the council.

There are no contingent assets that may materially affect the amounts included in any of the financial statements.

37. Nature and extent of risks arising from Financial Instruments

The council's activities expose it to a variety of financial risks, the key risks are:

- **Credit Risk** – the possibility that other parties might fail to pay amounts due to the council i.e. failure to meet their contractual obligations, potentially causing a loss to the council
- **Liquidity Risk** – the possibility that the council might not have the funds available to meet its commitments to make payments, thereby causing a loss to the other party
- **Market Risk** – the possibility that a financial loss might arise for the council as a result of changes to the value of a financial instrument due to changes in interest rates, market prices, exchange rates etc.

Overall Procedures for Managing Risk

The council's overall risk management procedure focus on the unpredictability of financial markets, and seeks to minimise any potential adverse effects of those risks. The council gives priority to corporate risk management well beyond the focus upon traditional insurable risk. The Corporate Management Team and Corporate Governance and Audit Committee Group under the direction and policies approved by the Cabinet carry out risk management.

The financial risks posed to the council are considered by the Cabinet in relation to the Council's Medium Term Financial Strategy, which is linked to both the Capital and Treasury Management Strategies. The Treasury Management Strategy sets out the specific areas of risk and how they are managed in relation to interest rate risk, liquidity risk and the investment of surplus funds.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

The council seeks to minimise risk through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet the approved minimum credit criteria, as set out in the Strategy. Therefore the council only uses those banks and other financial institutions, which have been rated independently, and meet the criteria, set out in the table below. The Strategy also sets out the maximum amount of investment permitted with each institution dependent upon the counter parties rating scores.

The criteria applied during the year were:

	Fitch	Moody's	S&P's	Maximum Investment Permitted
				£m
Money Market Fund	AAA/ F1	Aaa/ P1	AAA/ A-1+	8
UK Government	_	_	_	15
UK Local Authorities	_	_	_	15
Banks – Lower Limit	A+/F1 Support 3 Individual B/C	A1 / P - 1	A+ / A-1	5
Banks – Higher Limit	A+/F1+ Support 2 Individual B/C	Aa3 / P -1	AA- / A-1+	10
UK Nationalised or Part Nationalised Banks	A+/F1 Support 3 Individual E	A1 / P -1	A+ / A-1	5
Building Societies – Lower Limit	A+/F1 Support 4 Individual B	A1 / P -1	A + / A-1	5
Building Societies – Higher Limit	A+/F1+ Support 3 Individual B	Aa3 / P -1	AA- / A-1+	10
Top 10 Building Societies	A /F1 Support 4 Individual B	A2 / P - 2	A / A-1	Max £2m up to 6 months

The Investment Strategy also sets out the country and sector considerations to be taken into account when placing investments to ensure minimization of risk in relation to the country, group and sector exposure of the council's investments. In part the country selection will be chosen by the credit rating of the Sovereign state i.e. AAA (Fitch). In addition:

- No more than £8m will be placed with any non-UK country at any time;
- Limits in place above will apply to Group companies;
- Sector limits will be monitored regularly for appropriateness.

The council continually monitored individual credit ratings and the financial standing of its counterparties throughout the year. Of the council's £40.1m investments as at 31st March 2012, all of which were either in UK banks, building societies or other local authorities.

The council's maximum exposure to credit risk in relation to its investments in the banks and building societies of £19.1m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the council's deposits, but there was no evidence at the 31 March 2012 that this was likely to crystallise.

No credit limits were exceeded during the reporting period. To date, the council has not experienced any losses from non-performance by any of its counter parties in relation to its investments and none are currently anticipated in the coming reporting period.

The following analysis summarises the council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last 5 years

	Amount as 31 March 2012 £000	Historical Experience of default %	Historical experience adjusted for market conditions at 31 March 2012 %	Estimated maximum exposure to default & uncollectability at 31 March 2012 £000	Estimated maximum exposure at 31 March 2011 (Restated) £000
Deposits with banks & financial Institutions	(a)	(b)	(c)	(a * c)	(a * c)
AAA rated counterparties	2,000	0.00%	0.00%	0	0
AA rated counterparties	5,100	0.02%	0.02%	1	15
A rated counterparties	12,000	0.08%	0.08%	10	0
Trade Debtors	2,791	17.99%	17.99%	502	222
Total	21,891			513	237

The council does not generally allow credit for customers, as all accounts raised are due within seven days. The past due amounts from trade customers can be analysed by age as follows:

	31st March 2012 £'000	31st March 2011 £'000
Less than 90 days	650	430
91 to 360 days	165	82
More than 361 days	108	313
	923	825

In considering the customers of the council, it has a prudent bad/doubtful debts set aside allowance (see note 16) to cover cases of default. In 2010-11 a failure in the Building Control system identified where customers have not been billed for work undertaken for the period between 2005-06 to 2009-10, which amounted to £205,074 and was included in the figure declared for more than 361 days above. A bad provision of £193,200 was set up to provide for any future write-offs, however in 2011-12 this provision has been reduced by £115,900 as customers are settling these invoices.

Liquidity Risk

The council has been debt free since 2001, and no borrowing was undertaken in the current reporting period and it is not anticipated that any borrowing will take place in the coming period. As such the envisaged liquidity risk under the Code does not apply, as the council has no exposure where it needs to replenish any borrowings when the prevailing market may have high interest rates. In terms of the council meeting its financial obligations the council are able to access its agreed overdraft facility to cover any short-term cash deficits. In the longer term should the council require to raise finance there is no significant exposure to risk, as it has access to longer term loans which are readily available from the Public Works Loans Board.

The council's Strategy states that 65% of investments are to remain liquid (specified investments) with a maturity date of 12 months or less, thereby ensuring flexibility in its cash flow management.

Market Risk

<u>Interest Rate Risk</u>

The council is exposed to risk in terms of its exposure to interest rate movements on its investments. Movements in interest rates have a complex impact on the council, for instance, a rise in interest rates would have the following effects on its investments:

- Investments at variable rates – the interest income credited to the Surplus or Deficit on the provision of services will rise
- Investments at fixed rates – the fair value of the assets will fall.

The council has invested on average over in the current reporting period, with the majority of investments arranged at fixed rates to try to ensure stability and a balanced portfolio of investments. Longer term investments have been undertaken in the year but are structured so that the council will receive the benefit of any significant future interest rate rises, and are protected from any interest rate falls by way of a minimum interest rate agreed at the time of placing the investment. Some surplus funds are held in short term notice or call accounts to aid cash flow management.

The council has a number of strategies for managing interest rate risk, as the policy states the aim is to keep investments up to a maximum of 60% at variable interest rates, so that the treasury management operations can react to market rate fluctuations, taking into account the maximum limit for fixed interest rates of 100%. The council sets out the maximum amount of investments that can be placed for more than 12 months.

When the Cabinet considers the spending plans of the council as part of the annual budget and a review of the Medium Term Financial Strategy, which is linked to both the Treasury Management and Capital Strategies, a prudent view of future interest rates is taken in order to minimise any potential exposure to the risk of changing interest rates.

In relation to risk the council's Treasury Management Strategy stated for 2011-12:

"The council's investment strategy primary objectives are safeguarding the re-payment of the principal and interest of its investments on time first and ensuring adequate liquidity second – the investment return being a third objective. Following the economic background regarding the banking crisis and world economy, the current investment climate has one over-riding risk consideration that of counterparty security risk. As a result of these underlying concerns officers continue to review the operational investment strategy, which tightens the controls already in place in the approved investment strategy."

<u>Price Risk</u>

The council does not invest in equity shares, so is not exposed to losses arising from movements in the prices of shares.

Foreign Exchange Risk

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

38. Heritage Assets: Five-Year Summary of Transactions

There have been no Acquisitions or Disposals of Heritage Assets since adopting FRS30.

39. Heritage Assets: Further information on the Museum Collections

Husey Bequest Art Collection

The Hussey Bequest Art Collection consists of over 150 paintings, sketches and other artwork. The majority of the collection was revalued from £2.245m to £3.408m in the restated 2010-11 accounts which created a revaluation reserve of £1.514m and a charge to Cost of Services in the Comprehensive and Income and Expenditure Statement of £0.351m. Eight of these assets were revalued during 2011-12 from £0.5m to £2.925m that created a further revaluation reserve of £2.425m, on adoption of FRS30.

40. Heritage Assets: Change in Accounting Policy required by the Code of Practice for Local Authority Accounting in the United Kingdom

The Code of Practice on Local Authority Accounting in the United Kingdom 2011-12 introduced a change to the treatment in accounting for heritage assets held by the Council. As set out in our summary of significant accounting policies, the Council now requires heritage assets to be carried in the balance sheet at valuation.

Heritage Assets

For 2011-12 the council is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets (at cost) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. Community Assets (that are now classified as heritage assets) that were donated to the council were held at valuation as a proxy for historical cost. The council's accounting policies for the recognition and measurement of heritage assets are set out in Note 1.16 on page 31.

In applying the new accounting policy, the council has identified assets previously held as community assets within property, plant and equipment at £2.245m as heritage assets. A number of these assets were subsequently revalued after being transferred to heritage assets and the council is required to recognise this revaluation in the Balance Sheet. The revaluation increase of £3.939m is also recognised in the Revaluation Reserve. In order to apply the new accounting policy for heritage assets, the 1 April 2010 and March 2011 Balance Sheets and 2010-11 comparative figures have been restated in the 2011-12 Statement of Accounts.

The fully restated 1 April 2010 Balance Sheet is provided on pages 19 and 20. The adjustments that have been made to the Balance Sheet over the version published in the 2010-11 Statement of Accounts are as follows:

Effect on the Opening Balance Sheet 1 April 2010

	Restated Opening Balance as at 1 April 2010	Restatement	Restatement required to opening balance as at 1 April 2010
	£000	£000	£000
Property, Plant and Equipment	84,222	(2,245)	81,977
Heritage Assets	0	2,245	2,245
Other Long Term Assets	17,927	0	17,927
Long Term Assets	**102,149**	**0**	**102,149**
Total Net Assets	**104,008**	**0**	**104,008**
Revaluation Reserve	(16,085)	0	(16,085)
Capital Adjustment Account	(78,571)	0	(78,571)
Other Unusable Reserves	31,964	0	31,964
Unusable Reserves	**(62,692)**	**0**	**(62,692)**
Net Worth/Total Reserves	**(104,008)**	0	**(104,008)**

Comprehensive Income and Expenditure Statement

During 2010-11, a revaluation loss of £0.351m was recognised in the Comprehensive Income and Expenditure Statement (CIES). This resulted in a restatement to the Cost of Services line in the CIES. A further revaluation gain of £1.514m has been restated in the CIES under Other Comprehensive Income and Expenditure Statement. These revaluation gains and losses relate to items within the Pallant House Gallery Collection.

Movement in Reserves Statement – Unusable Reserves 2010-11

The relevant lines in the Movement in Reserves Statement, as at 31 March 2011, have been restated in the table below, as a result of the application of the new accounting policy.

	As Previously Stated 31 March 2011	Restatement 2011	As Restated 31 March 2011
	£000	£000	£000
Balance as at the end of the previous Reporting period – 31 March 2010	**62,692**	**0**	**62,692**
Surplus or Deficit on the Provision of Services	0	0	0
Other Comprehensive Income and Expenditure	25,388	1,514	26,902
Adjustments between the accounting basis and the funding under regulations	8,720	(351)	8,369
Balance at the end of the current report period – 31 March 2011	**96,800**	**1,163**	**97,963**

Effect on the Opening Balance Sheet 31 March 2011

	Restated Opening Balance as at 31 March 2011	Restatement 2011	As Restated 31 March 2011
	£000	£000	£000
Property, Plant and Equipment	90,219	(2,245)	87,974
Heritage Assets	0	3,408	3,408
Other Long Term Assets	18,710	0	18,710
Long Term Assets	**108,929**	**1,163**	**110,092**
Total Net Assets	**134,340**	**1,163**	**135,503**
Revaluation Reserve	(18,991)	(1,514)	(20,505)
Capital Adjustment Account	(78,442)	351	(78,091)
Other Unusable Reserves	633	0	633
Unusable Reserves	**(96,800)**	**(1,163)**	**(97,963)**
Net Worth/Total Reserves	**(134,340)**	**(1,163)**	**(135,503)**

Collection Fund Statement

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

Collection Fund Income and Expenditure Account for the year ended 31 March 2012

	2011-12 £000	2010-11 £000
Balance brought forward	(405)	(644)
Income		
Council Tax (net)	70,441	69,853
Transfers from General Fund		
- Transitional Relief	(2)	(2)
- Council Tax Benefits	7,562	7,517
NNDR collected from business ratepayers	40,337	38,228
	118,338	115,596
Expenditure		
Precepts Due :-		
- West Sussex County Council	61,580	61,229
- Sussex Police Authority	7,336	7,294
- Chichester District Council	9,266	9,163
NNDR		
- Contribution to National Pool	40,146	38,038
- Costs of Collection	191	190
Distribution of Estimated Fund Surplus / (Deficit):		
- West Sussex County Council	(355)	(498)
- Sussex Police Authority	(42)	(59)
- Chichester District Council	(53)	(75)
	118,069	115,282
Provision for Bad Debts	230	75
	118,299	115,357
Movement on fund balance	39	239
Surplus / (Deficit) carried forward	(366)	(405)

Notes to the Collection Fund Account

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.

The surplus or deficit on the Collection Fund 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 Sussex Police Authority in a subsequent financial year. Minimal balances on the Collection Fund have been consolidated into the Council's Balance Sheet.

2. Income From Business Rates

Under the arrangements for uniform business rates, the council collects non-domestic rates for its area that are based on local rateable values multiplied by a uniform rate of 43.3p in the £ (42.6p for qualifying small businesses). The total non-domestic rateable value at the 31 March 2012 was £107,996,836. The total amount, less certain relief and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to authorities a share of the pool. The income collectable from business ratepayers and payments to the national pool are included in the Collection Fund whereas the receipts back from the national pool are credited to the council's General Fund and West Sussex County Council's Fund and were taken into account when determining their respective budget requirements and in setting the Council Tax.

	2011-12 £000	2010-11 £000
Gross Debit	46,671	44,110
Less :		
- Allowances and other adjustments	6,175	5,822
- Provision for Bad Debts	350	250
Net Contribution to NNDR National Pool	40,146	38,038
Net redistribution from NNDR National Pool (Credited to General Fund)	3,682	6,274

3. Council Tax

The Council Tax Base is the amount required by the Local Government Finance Act 1995, to be used in the calculation of the council tax by both Chichester District Council and West Sussex County Council. Each council uses the approved tax base to calculate the amount of precept payable to it from the Collection Fund. The tax base is calculated by reference to the number of chargeable dwellings listed in each valuation band, adjusted for estimated new, exempt, demolished and void properties in the year. Further adjustments are made in respect of the estimated number of discounts to be given and an allowance for the estimated losses on collection.

Council Tax Band	No. of Chargeable Dwellings	Ratio to Band D	Chargeable Base	Tax Base
Disabled Band A	1.5	5/9	0.8	**0.8**
Band A	2,208.2	6/9	1,472.1	**1,460.3**
Band B	4,577.0	7/9	3,559.9	**3,531.4**
Band C	11,782.5	8/9	10,473.3	**10,389.5**
Band D	10,234.4	9/9	10,234.4	**10,152.5**
Band E	7,257.7	11/9	8,870.5	**8,799.5**
Band F	5,069.7	13/9	7,322.9	**7,264.3**
Band G	4,998.5	15/9	8,330.8	**8,264.2**
Band H	983.0	18/9	1,966.0	**1,950.3**
Total	47,112.5		52,230.7	**51,812.8**

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

Classes A & B	1,182.7
Tax Base	**52,995.5**

Council Tax Summary	£000	£000
Gross Income from Council Tax		78,001
Less :		
- Council Tax Benefits	7,562	
- Transitional Relief	(2)	
		7,560
Net Income to Collection Fund		70,441

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 (Pensions)
Over reporting period, these consist of:

- Experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred, including reflection in thefunding valuation of structural changes to the Local Government Pension Scheme in 2008); and

- The effects of changes in actuarial assumptions.

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 fixed 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.

Central Services to the Public
This covers services to the public that are often provided by central departments and includes Local Tax Collection, Elections, Emergency Planning Local Land Charges and General Grants.

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.

Expected Rate of Return on Assets (Pensions)
The expected increase during a period in the value of assets, based on values and long-term expected returns as at the start of the period.

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

Fair Value
IFRS does not have a consistent definition of Fair Value. For land and buildings it is the amount that would be paid for an asset in its existing use.

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 which contains the revenue income and expenditure of all services provided by the District Council.

Gross Book Value (GBV)
The GBV of a fixed asset is the purchase of revalued value before depreciation has been deducted.

Historic Cost
Is deemed to be the carrying amount of an assets 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

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

Interest Cost (Pensions)
The increase during a period in the present value of a defined benefit obligation which arises because the benefits are one year closer to payment.

Irrecoverable Surplus (Pensions)
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.

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.

National Non-Domestic Rates (NNDR)
Tax charged on the rateable value of non-domestic properties (business properties). The rate of tax is set by the Government. The proceeds are pooled nationally and are redistributed on the basis of a fixed amount per head of population.

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 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.

Past Service Cost
The increase in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may either be positive (where benefits are introduced or improved) or negative (where existing benefits are reduced)..

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
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.

Projected Unit Method
An accrued benefits valuation method in which the scheme liabilities make allowance for projected earning. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

(a) the benefits for pensioners and deferred pensioners and their dependants, allowing where appropriate for future increases, and
(b) the accrued benefits for members in service on the valuation date

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.

Revaluation Reserve (RR)
A reserve that over time will be built up by the upward revaluations of individual assets of the Council.

Revenue Support Grant (RSG)
A general government grant in support of local authority expenditure, fixed each year in relation to Standing Spending Assessment.

SeRCOP
The Service Reporting Code of Practice. The authoritative guide to financial reporting for local authorities. The code ensures that a consistent and comparable calculation of the total cost of services is provided by all local authorities.

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.

Members Allowances

The following table shows the allowances and expenses paid to each Council member in 2011-12 under the Council's approved scheme in accordance with The Local Authorities (Members' Allowances) (England) Regulations 2003.

	£
Basic Allowance 2011-12	3,900
Special Responsibility Allowances 2011-12	
Chairman of the Council	4,452
Leader of the Council	12,724
Deputy Leader of the Council	5,091
Leader of the Opposition	5,091
Members of the Executive Board	4,452
Chairman – Corporate Governance and Audit Committee, Overview and Scrutiny Committee, Licensing & Enforcement Committee, Area Development Control Committees (North and South).	4,452
Chairman – Standards Committee, Forum/Panels	608
Members of Licensing Sub-Committees – Dependent upon number of meetings attended per annum:	
1 - 5 meetings	No payment
6 – 20 meetings	276
21 and above meetings	553

Payments made to members in 2011-12

Councillor	Ward	Basic	Special Responsibility	Travel & Subsistence	Total
		£	£	£	£
Mr J Andrews	Plaistow	3,575.00	0.00	246.52	3,821.52
Mrs C M Apel	Chichester West	3,900.00	3,889.52	294.64	8,084.16
Mrs M K Bateman	Selsey North	3,900.00	430.84	994.51	5,325.35
Mr G Barrett	East Wittering	3,900.00	0.00	713.85	4,613.85
Mrs H P Caird	Fernhurst	3,900.00	11,759.58	1,015.19	16,674.77
Mr A D Chaplin	Chichester South	3,900.00	0.00	7.72	3,907.72
Mr J L Cherry	Stedham	3,900.00	4,452.00	1,229.55	9,581.55
Mr P Clementson	East Wittering	3,900.00	4,452.00	456.63	8,808.63
Mr Q R Cox	Chichester East	3,900.00	0.00	50.00	3,950.00
Mr J C P Connor	Selsey North	3,900.00	4,452.00	1,498.78	9,850.78
Mr M A Cullen	Bosham	3,900.00	6,055.40	1,122.06	11,077.46
Mrs P Dignum	Chichester South	3,900.00	0.00	50.00	3,950.00
Mrs J E Duncton	Petworth	3,900.00	4,452.00	2,400.56	10,752.56
Mr J F Elliott	Bury	3,900.00	0.00	662.98	4,562.98
Mrs M E Elliott MBE	Westbourne	3,900.00	0.00	470.22	4,370.22
Mrs S Fairley	Chichester East	3,900.00	0.00	50.00	3,950.00
Mr R H Field	Wisborough Green	3,900.00	4,452.00	1,586.32	9,938.32
Mr A J French	Chichester East	3,900.00	4,529.90	163.21	8,593.11
Mrs N Graves	Fernhurst	3,900.00	0.00	1,385.17	5,285.17
Mrs E Hamilton	Easebourne	3,900.00	0.00	593.66	4,493.66

Payments made to members in 2011-12					
Councillor	Ward	Basic	Special Responsibility	Travel & Subsistence	Total
		£	£	£	£
Mr R J Hayes	Southbourne	3,900.00	0.00	50.00	3,950.00
Mr G Hicks	Southbourne	3,900.00	0.00	72.23	3,972.23
Mr B J Hooton	Plaistow	3,900.00	0.00	989.22	4,889.22
Mr D C James	Chichester North	3,900.00	430.84	72.51	4,403.35
Mr P Jarvis	North Mundum	1,625.00	0.00	50.00	1,675.00
Mr P E Jones	West Wittering	3,900.00	430.84	110.97	4,441.81
Mr S I King	Chichester North	3,900.00	0.00	84.71	3,984.71
Mrs E Lintill	Petworth	3,900.00	4,452.00	1,989.15	10,341.15
Mrs M Marrs	Southbourne	3,900.00	0.00	50.00	3,950.00
Mr W E D Mason	Rogate	3,900.00	0.00	342.40	4,242.40
Mr J Montyn	West Wittering	3,900.00	3,889.52	0.00	7,789.52
Mr A G Moss	Fishbourne	3,900.00	0.00	50.00	3,950.00
Mr D J Myers	Bosham	3,900.00	0.00	0.00	3,900.00
Mr R O'Brien	Selsey South	3,900.00	0.00	290.56	4,190.56
Mr H Potter	Boxgrove	3,900.00	0.00	50.00	3,950.00
Mr C Punnett	Tangmere	3,900.00	0.00	461.32	4,361.32
Mr S Quigley	North Mundam	377.42	430.84	61.90	870.16
Mr J Ridd	Donnington	3,900.00	4,452.00	0.00	8,352.00
Mr N Roberts	Chichester North	3,900.00	0.00	50.00	3,950.00
Mr F Robertson	Selsey South	3,900.00	0.00	500.75	4,400.75
Mrs A Scicluna	Chichester South	3,900.00	276.00	50.00	4,226.00
Mr A M Shaxson	Harting	3,900.00	0.00	603.30	4,503.30
Mr M R Shone	Chichester West	3,900.00	276.00	50.00	4,226.00
Mr A R H Smith	Lavant	3,900.00	4,532.73	22.51	8,455.24
Mrs J Tassell	Funtington	3,900.00	0.00	50.00	3,950.00
Mr N Thomas	Midhurst	3,900.00	430.84	1,041.66	5,372.50
Mrs B Tinson	Selsey North	3,900.00	0.00	310.33	4,210.33
Mr T Tull	Sidlesham	3,900.00	4,452.00	559.78	8,911.78
Mr B J Weekes	Midhurst	3,900.00	0.00	151.95	4,051.95
TOTAL		**184,977.42**	**72,978.85**	**23,106.82**	**281,063.09**