

Public Document Pack

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A meeting of the **Corporate Governance & Audit Committee** will be held in Committee Rooms, East Pallant House on **Monday 6 June 2022 at 2.30 pm**

MEMBERS: Mr F Hobbs (Chairman), Mr J Brown (Vice-Chairman), Miss H Barrie, Mr A Dignum, Mr T Johnson, Dr K O'Kelly, Mr D Palmer and Mr P Wilding

AGENDA

- 1 **Chairman's Announcements**
Any apologies for absence that have been received will be noted at this point.
- 2 **Approval of Minutes** (Pages 1 - 5)
The Committee is requested to approve the minutes of its ordinary meeting on 14 March 2022.
- 3 **Urgent items**
The Chairman will announce any urgent items that due to special circumstances are to be dealt with under the Late Items agenda item 11.
- 4 **Declarations of Interest**
These are to be made by members of the Corporate Governance and Audit Committee or other Chichester District Council members present in respect of matters on the agenda for this meeting.
- 5 **Public Question Time**
The procedure for submitting public questions in writing by no later than noon 2 working days before the meeting is available [here](#) or from the Democratic Services Officer (whose contact details appear on the front page of this agenda).
- 6 **Ernst & Young Audit Results Report** (Pages 7 - 53)
The Committee is asked to consider and note the Audit results report for the year ending 31 March 2021.
- 7 **Statement of Accounts for 2020-21** (Pages 55 - 142)
The Committee is asked to consider the report and make the proposed recommendation.

Recommendation;

That the Committee consider and approve the audited Statement of Accounts shown in Appendix 1 for the financial year ended 31 March 2021, note the outturn position, and authorise the Letter of Representation to be given to the Council's External Auditor.

- 8 **Accounting Policies for 2021-22** (Pages 143 - 144)

The Committee are asked to consider the policy report and make the following recommendation.

Recommendation;

The committee is requested to consider this report and approve the continued application of existing accounting policies in the preparation of the Council's 2021-22 financial statements.

9 **Annual Governance Statement and Corporate Governance Report 2020-21**
(Pages 145 - 173)

The Committee is asked to consider the report and make the proposed recommendation.

Recommendation;

The Committee is requested to:

Consider the draft Annual Report on Corporate Governance at appendix 1, the Annual Governance Statement 2020-2021 (appendix 2), and Internal Audit and Corporate Investigations Annual Report 2020-2021 (appendix 3), and to recommend these to the Council for approval.

10 **Exclusion of the Press and Public**

The Committee is asked to consider in respect of the following item(s) whether the public, including the press, should be excluded from the meeting on the grounds of exemption under Parts I to 7 of Schedule 12A of the Local Government Act 1972, as indicated against the item and because, in all the circumstances of the case, the public interest in maintaining the exemption of that information outweighs the public interest in disclosing the information. **The reports dealt with under this part of the agenda are attached for members of the Corporate Governance & Audit Committee and senior officers only (salmon paper).**

Or

There are no restricted items for consideration.

11 **Late items**

The committee will consider any late items as follows:

- a) Items added to the agenda papers and made available for public inspection
- b) Items that the chairman has agreed should be taken as a matter of urgency by reason of special circumstances to be reported at the meeting

NOTES

1. The press and public may be excluded from the meeting during any item of business where it is likely that there would be disclosure of "exempt information" as defined in section 100A of and Schedule 12A to the Local Government Act 1972.
2. Restrictions have been introduced on the distribution of paper copies of supplementary

information circulated separately from the agenda as follows:

- a) Members of the Corporate Governance & Audit Committee, the Cabinet and Senior Officers receive paper copies of the supplements (including appendices).
 - b) The press and public may view this information on the council's website here [here](#) unless they contain exempt information.
3. The open proceedings of this meeting will be audio recorded and the recording will be retained in accordance with the council's information and data policies. If a member of the public enters the committee room or makes a representation to the meeting, they will be deemed to have consented to being audio recorded. If members of the public have any queries regarding the audio recording of this meeting, please liaise with the contact for this meeting at the front of this agenda.
 4. Subject to the provisions allowing the exclusion of the press and public, the photographing, filming or recording of this meeting from the public seating area is permitted. To assist with the management of the meeting, anyone wishing to do this is asked to inform the chairman of the meeting of their intention before the meeting starts. The use of mobile devices for access to social media is permitted, but these should be switched to silent for the duration of the meeting. Those undertaking such activities must do so discreetly and not disrupt the meeting, for example by oral commentary, excessive noise, distracting movement or flash photography. Filming of children, vulnerable adults or members of the audience who object should be avoided.

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Minutes of the meeting of the **Corporate Governance & Audit Committee** held in Virtually on Monday 14 March 2022 at 2.00 pm

Members Present: Mr F Hobbs (Chairman), Dr K O'Kelly (Vice-Chairman), Miss H Barrie, Mr J Brown, Mr A Dignum, Mr T Johnson, Mr D Palmer and Mr P Wilding

Members not present:

In attendance by invitation:

Officers present: Mr N Bennett (Divisional Manager for Democratic Services) and Mr J Ward (Director of Corporate Services)

131 **Chairman's Announcements**

The Chairman led the Committee in a moment of silence in respect of the ongoing situation in Ukraine.

There were no apologies received.

132 **Approval of Minutes**

RESOLVED

That the minutes of the meeting held on 10 January 2022 were agreed as a correct record.

133 **Urgent items**

There were no urgent items.

134 **Declarations of Interest**

There were no declarations of interest made.

135 **Public Question Time**

There were no public questions.

136 **Progress Report - Audit Plan 2021/22 and Audit Plan for 2022/23**

The Chairman invited Mr James to provide an update on the performance of the Audit Plan for 2021/22.

Mr James noted that three audit reports and one position statement had been completed since the previous committee and drew members attention to the details of the reports shown in Appendix 1.

Mr James noted that the Creditors had a Limited Assurance and both the Business Rates and Council Tax had Assurance given. With regards to the Limited Assurance, one high risk exception had been raised relating to purchase orders continuing to be raised retrospectively. A medium risk exception had been raised relating to late payment charges, and a low risk exception relating to the completion and certification of reconciliations.

Cllr O'Kelly raised a concern relating to late payment charges, referring to page 12 of the Creditors 2021/22 report. Mrs Belenger responded that the Council would only pay the charges if the amount were demanded.

The Chairman welcomed Councillors Johnson and Palmer to the meeting, and the Committee agreed to note the report.

Mr James drew members attention to the audit plan for 2022/23, noting that due to unforeseen staffing issues within the Internal Audit Team and across the services to be reviewed, several audits have been moved to next year's audit plan detailed in section 3.2 of the progress report.

The Chairman raised a concern from the report in relation to credit card usage. Mrs Belenger confirmed that the new credit card system goes live from 1 April 2022.

RESOLVED

The Committee agreed and noted the performance against the audit plan for 2021-22 and the new Audit Plan for 2022/23.

137 Governance Arrangements

The Chairman invited Mr Bennett to outline recommendations relating to new Corporate Governance arrangements.

Mr Bennett explained the purpose of this item is to agree how the council (as a whole) proceeds with its arrangements for governance and set out the recommendations as follows:

That the Corporate Governance Committee:

- 2.1 Recommend to full Council changes to the constitution on questions to the executive.
- 2.2 That the corporate governance committee recommend to Cabinet terms of reference for the new Housing and Communities Panel.

2.3 Recommend to full Council a politically balanced method of allocation of membership to all Panels and the membership requirements for all Panels including the new Housing and Communities Panel.

2.4 Recommend to full Council that Panels continue to be held as internal meetings rather than in public, but that the Constitution be amended to establish that Chairmen can agree to hold meetings publicly in consultation with the Monitoring Officer.

Recommendation 2.1:

There was considerable debate amongst members in relation to the 8 options detailed in section 6.1 of the report. Members discussed the position in the agenda of Questions to the Executive, whether questions should be submitted in advance, the specificity of questions asked, and the length of time allotted for these questions.

With regards to the length of time allotted Mr Bennett advised that other authorities typically allow 15 or 20 minutes.

The debate was resolved as follows:

- That Questions to the Executive will remain at the same position in meetings (with a discretionary option for the Chair, Mr Ward or Mr Bennett to move them as required)
- The time allotted for Questions to the Executive will be reduced from 40 to 30 minutes
- That the Chair should show robustness in encouraging adherence to a time limit for each question.

Recommendation 2.2

Mr Bennett outlined for the committee the terms of reference for the new Housing and Communities Panel. [Document attached to the final minutes.](#)

Cllr Dignum highlighted that the emphasis should be on policy development as distinct to scrutiny.

Mr Bennett confirmed that the formal statutory role of Scrutiny should not be affected by the role of panels.

Cllr O'Kelly raised a query in relation to certain areas affecting housing seemingly omitted from the terms of reference, specifically relating to social housing.

The Chairman indicated that this was a broad set of terms, from which the panel itself could evolve and members agreed the terms of reference as a starting point for the new panel.

Recommendation 2.3

There was considerable debate amongst members relating to the number of members appointed to sit on the new Housing and Communities panel, and on other existing panels.

The discussion considered equitability in the importance of each specific panel, the operational needs of each panel and fairness in member representation on panels more generally (particularly in relation to minority parties).

The Chairman proposed and members agreed that the new Housing and Communities panel be made up of 10 members, alongside 10 members of DPIIP and 8 members each for the Economic Development and Environment panels respectively. The Committee also noted that all panels should, where possible, be politically balanced.

Recommendation 2.4:

The Chairman indicated that if the Committee moved towards complete transparency in making panel meetings public, difficulties could arise if circumstances required a retraction from this. A better resolution would be to keep panel meetings private with discretionary powers to the Chair to make meetings public where applicable.

Cllr O'Kelly noted the use of the word 'briefing' in paragraph 6.5 seemed erroneous as the content is referencing Panels. It was agreed by Mr Bennett that the Committee could omit the word.

For clarity the Chairman summarised the recommendations. In a vote the recommendations were agreed as follows:

1. Questions to the Executive will be 30 minutes long and remain in the same position in meetings
2. The beginning of a thread of questions should be followed up with the Chair showing greater robustness in the length of time members are speaking giving as many people as a possible the opportunity to ask questions to the executive
3. The Terms of Reference should remain broad in objective and be policy led rather than scrutiny led
4. Membership of panels is to be made up of 36 members (specific membership as detailed earlier)
5. The Committee recommends that Panel meetings are to remain private as a default, but that the respective Chairs of each Panel should move to turn their meetings into public meetings, subject to discussion with the monitoring officer.

138 **Corporate Governance and Audit Committee Work Programme 2022-2023**

The Chairman asked Mrs Belenger to lead on presenting the Corporate Governance and Audit Committee Work Programme for 2022/23.

Mrs Belenger confirmed that the Statement of Accounts for 2020-21 would be added to the agenda for the forthcoming July meeting or subject to a special meeting before that date.

Cllr O'Kelly suggested that the review of any governance changes could be added to the Work Programme in March 2023 Mrs Belenger accepted that such a review could be brought forward to the March 2023 meeting.

The Committee agreed the Work Programme for 2022/23, subject to the changes discussed at this meeting.

139 **Exclusion of the Press and Public**

There were no exempt items requiring exclusion of the Press and Public.

140 **Late items**

There were no late items.

The meeting ended at 3.46 pm

CHAIRMAN

Date:

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Chichester District
Council
Audit results report
Year ended 31 March 2021

June 2022

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EY

Building a better
working world

Agenda Item 6



Chichester District Council
East Pallant House
Chichester
West Sussex PO19 1TY

04 May 2022

Dear Corporate Governance and Audit Committee Members

March 2021 Audit results report

We are pleased to attach our audit results report for the forthcoming meeting of the Corporate Governance and Audit Committee. This report summarises our audit conclusion in relation to the audit of Chichester District Council for 2020/21.

The audit is designed to express an opinion on the 2020/21 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Chichester District Council's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

This report is intended solely for the information and use of the Corporate Governance and Audit Committee, other members of the Authority and senior management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 06 June 2022.

Yours faithfully

Kevin Suter

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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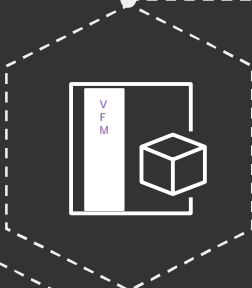
03 Audit Report



04 Audit Differences



05 Value for Money

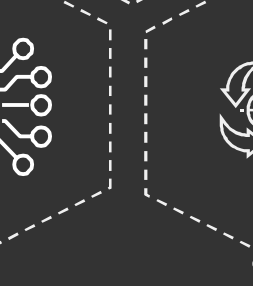
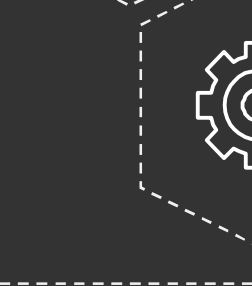


06 Other reporting issues

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08 Independence

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Corporate Governance & Audit Committee members and management of Chichester District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Corporate Governance & Audit Committee members and management of Chichester District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Corporate Governance & Audit Committee members and management of Chichester District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Executive Summary



Executive Summary

Scope update

In our audit planning report presented at the July 2021 Corporate Governance and Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- Changes in materiality: In our Audit Committee Planning Report, we communicated that our audit procedures would be performed using a materiality of £1.538m. We updated our planning materiality assessment using the draft consolidated results and have also reconsidered our risk assessment. Based on our materiality measure of gross revenue expenditure, we have updated our overall materiality assessment to £1.498m. This results in updated performance materiality, at 75% of overall materiality, of £1.124m, and an updated threshold for reporting misstatements of £75k.
- Additional use of EY Pensions Specialist for IAS 19: The new ISA540 requires us to evidence that the Actuary's model works correctly and that the data has been input correctly into the model. We were unable to establish that from the information provided by the actuary, and without detailed access to their model. In order to satisfy these requirements, we engaged EY Pensions Consulting to produce their own model in which they were able to enter data points from the IAS 19 information in order to recalculate their own estimate of the IAS 19 figures.
- Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Authority's systems. We undertook the following to address this risk:
 - Used the screen sharing function of Microsoft Teams to evidence re-running
 - Agree IPE to scanned documents or other system screenshots



Executive Summary

Status of the audit

Our audit work in respect of Chichester District Council's opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- Completion of subsequent events review
- Receipt of the signed management representation letter
- Completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission

Details of each outstanding item, actions required to resolve and responsibility is included in Appendix B.

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Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are still required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Authority a commentary against specified reporting criteria (see below) on the arrangements the Authority has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability
How the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance
How the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:
How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

Executive Summary

Status of the audit – Value for Money

In the Audit Plan, we reported that we were yet to finalise our value for money (VFM) risk assessment. We have now completed this work and have not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code. We have revisited our assessment on completion of the audit of the financial statements and remain satisfied that we have not identified a risk of significant weakness. As a result, we have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03). We plan to issue the VFM commentary within 3 months of issuing our opinion on the accounts, as part of issuing the Auditor's Annual Report.

Audit differences

Adjusted:

- Our audit identified a material error of £3,166k in the Debtors balance whereby the balance was overstated due to an interfacing issue between Exacom and CIVICA.

Unadjusted:

We identified a projected misstatement of £138k from inappropriately capitalised revenue expenditure.

We identified two judgemental differences, understating the pension asset by £733k, and the NDR appeals provision by £243k

We identified one factual misstatement in relation to PPE valuations where a portion of the annual income received was double counted

We also identified a number of disclosure errors.

- Our procedures also identified a prior year adjustment regarding Future Minimum Lease Payments disclosed in Note 28 of the Accounts

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We have not yet been able to perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. This is because HM Treasury are continuing to review the online 2020-21 WGA Data Collection Tool and update the guidance that is available for preparers. Based on the last available update HM Treasury have not provided a timetable for the opening of Data Collection Tool. Consequently, there is no expected deadline for audit returns. HM Treasury have however indicated that this deadline will not be before 31st July 2022.

We will report any matters arising to the Corporate Governance and Audit Committee, and certify the completion of the audit after these procedures are completed.

We have no other matters to report.



Executive Summary

Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial statements of Chichester District Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Audit findings and conclusions: Misstatements due to fraud or error

- We have no findings to report to the Corporate Governance and Audit Committee

Audit findings and conclusions: Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure

- A projected misstatement of £138k has been identified in relation to PPE Additions whereby an expenditure item was capitalised and did not meet the requirements for capitalisation. Further details on this can be found in section 4.

Audit findings and conclusions: Valuation of Land & Buildings and Investment Property

- One factual misstatement of £150k identified in relation to one asset whereby a portion of the annual income received was double counted

Audit findings and conclusions: Pension Asset/Liability Valuation

- We identified a judgement difference of £733k between the actuarial values and amount estimated from the Council's share of the final audited pension fund assets
- We have engaged our specialists EY Pensions to assist in our conclusions over the completeness and accuracy of the model used by the actuaries in determining the obligation attributable to the Authority, in order to satisfy the requirements of the revised ISA.

Audit findings and conclusions: Accounting for Covid-19 related grant funding

- A disclosure error identified from this work which relates to Note 21 Agency Services - receipt received in year is overstated by £281k

Audit findings and conclusions: Going Concern

- Going Concern disclosure agreed with management and has been updated in the final Accounts
- We have no other findings to report to the Corporate Governance and Audit Committee

We request that you review these and other matters set out in this report to ensure:

- There are no residual further considerations or matters that could impact these issues
- You concur with the resolution of the issue
- There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Corporate Governance and Committee or Management.



Executive Summary

Control observations

During the audit, we identified the following deficiencies in internal control:

- A prior year adjustment was identified in relation the Fair Value of Minimum Lease Payments disclosed in Note 28 of the Accounts. The error originates from a formula error identified in the Authority's working paper where the wrong dates had been inputted for the number of days remaining. This resulted in a total prior year adjustment of £2.967 to Note 28 of the Accounts. We concluded that this was a control deficiency in relation to management review of working papers.
- Heritage Assets - we have noted that management rely on information provided from 2 museums in relation to their Heritage Assets. It was identified in the current year that some assets had been missed off the asset register in relation to Heritage Assets. The amount noted was not material and does not require an adjustment in the Accounts. However, management should review this process to ensure that the information they are receiving and putting into their Accounts is complete and accurate.

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Independence

Please refer to Section 9 for our update on Independence. We have no matters to bring to your attention



02 Areas of Audit Focus



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

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What judgements are we focused on?

We focused on the following:

- Understanding the risks of fraud and the controls put in place to address those risks by management and how the Corporate Governance and Audit Committee oversees management's processes over fraud.
- Considering the effectiveness of management's controls designed to address the risk of fraud.
- Determining an appropriate strategy to address those identified risks of fraud.
- Performing mandatory procedures in respect of journal entries, estimates and significant unusual transactions.

What did we do?

- Wrote to the s151 officer, Chair of the Corporate Governance and Audit Committee and the Internal Audit and Corporate Investigations Manager in this regard and reviewed their responses;
- Documented our understanding of the controls relevant to this significant risk and considered they have been appropriately designed;
- Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;
- Reviewed accounting estimates for evidence of management bias; and
- Evaluated the business rationale for any significant unusual transactions.

What are our conclusions?

Based on the work completed:

- We have not identified any material weaknesses in controls or evidence of material management override.
- We have not identified any instances of inappropriate judgements being applied, or of any management bias.
- We did not identify any transactions during our audit which appeared unusual or outside the Council's normal course of business.
- We did not identify any inappropriate journal entries



Areas of Audit Focus

Significant risk

Inappropriate capitalisation of revenue expenditure

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund. This would result in funding expenditure that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants, or borrowing. The manipulation of capitalising expenditure could occur through management override of controls.

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What judgements are we focused on?

We focused on the following:

- Understanding the controls relevant to this significant risk;
- For significant capital additions and revenue expenditure funded from capital under statute (REFCUS) we examined invoices, capital expenditure authorisations, leases and other data that support these additions and expenditure. We reviewed the sample selected against the definition of capital expenditure in IAS 16; and
- Whether management were inappropriately processing journals that transferred amounts from revenue to capital.

What did we do?

- Documented our understanding of the controls relevant to this significant risk and considered they have been appropriately designed;
- Amended our sample sizes when testing Property, Plant and Equipment (PPE) additions and REFCUS to reflect the existence of this risk.
- Agreed samples to source documentation to ensure that any capital/revenue split was reasonable; and
- Designed journal procedures to identify and review adjustment manual journals that moved amounts from revenue codes to capital codes.

What are our conclusions?

Based on the work completed:

- One error was identified in our sample for testing, whereby an item had been capitalised but did not meet the requirement for capitalisation.
- This item formed part of our representative sample and therefore had to be extrapolated over the representative population.
- This resulted in a projected overstatement of PPE of £138k.





Areas of Audit Focus

Valuations of Land and Buildings and Investment Property



Further details on procedures/work performed

What is the risk/area of focus?	What did we do?
<p><u>Valuation of Land and Buildings</u> Land and buildings is one of the most significant balances in the CDC's Balance Sheet. The valuation of land and buildings is complex and is subject to a number of assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements.</p> <p>The fair value of Investment Properties and PPE represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and market fluctuations. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p>	<p>We have:</p> <ul style="list-style-type: none"> • Considered the competence, capability and objectivity of the organisation's valuer; • Considered the scope of the valuer's work; • Ensured L&B assets have been revalued within a 5 year rolling programme as required by the Code; • Considered if there are any specific changes to assets that should have been communicated to the valuer; • Sample tested key inputs used by the valuer when producing valuations; • Considered the results of the valuer's work; • Challenged the assumptions used by the valuer by reference to external evidence; • Tested journals for the valuation adjustments to confirm that they have been accurately processed in the financial statements; • Tested a sample of assets revalued in year to confirm that the valuation basis is appropriate and the accounting entries are correct; and • Reviewed assets that are not subject to valuation in 2020/21 to confirm the remaining asset base is not materially misstated. <p>Conclusion:</p> <p>One factual error identified in our testing in relation to one asset where a portion of the annual income received was double counted. This has resulted in a £149,528 overstatement of the asset valuation.</p>



Areas of Audit Focus

Pension Asset/Liability Valuation



Further details on procedures/work performed

What is the risk/area of focus?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by West Sussex County Council.

The Council's pension fund asset or liability is a material estimated balance and the Code requires that this be disclosed on the Council's balance sheet. At 31 March 2021 the Council had a net pension asset of £20.4m.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What did we do?

We have:

- Liaised with the auditors of West Sussex Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Chichester District Council;
- Assessed the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considered relevant reviews by the EY actuarial team; and
- Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

One issue has arisen across all local government audits during the 20/21 audits. This is in relation to the impact of the new auditing standard on accounting estimates. We planned to take an audit approach to this estimate based on procedures to evaluate management's process. The new auditing standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as consulting actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we have been required to modify our planned approach and undertake alternate procedures to create an auditor's estimate, to provide a different method of gaining assurance. This did not highlight any issues.

Conclusion:

We have identified a non-material difference of £733k on the gross pension asset, arising from differences between the actuaries values and amount estimated from the Council's share of the final audited pension fund assets.

No other findings to report to the Corporate Governance and Audit Committee.



Areas of Audit Focus

Accounting for Covid 19 Related Grant Funding



Further details on procedures/work performed

What is the risk/area of focus?

The Council has received a significant level of government funding in relation to Covid-19. Whilst there is no change in the CIPFA Code or accounting standard (IFRS 15) in respect of accounting for grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment in the 2020/21 statements.

What did we do?

We have:

- Considered the Council’s judgement on material grants received in relation to whether it is acting as:
 - o Agent, where it has determined that it is acting as an intermediary; or
 - o Principal, where the Council has determined that it is acting on its own behalf.

For grants received where the Council acted as principal, we have further considered whether any associated restrictions and conditions have been met and that grants have been claimed and recognised in accordance with the scheme rules.

Conclusion:

One disclosure error noted arising from work performed on this area. This error does not impact either the Balance Sheet or the CIES however this does impact Note 21 Agency Services as the receipt received in year is overstated by £281k.



Areas of Audit Focus

Going Concern



Further details on procedures/work performed

What is the risk/area of focus?

There is a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 there is a need for the Council to ensure it's going concern assessment, including its cashflow forecast, is thorough and appropriately comprehensive.

The Council is required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

In addition, the auditing standard in relation to going concern (ISA570) has been revised with effect for the 2020/21 accounts audit

What did we do?

We have:

- Challenged management's identification of events or conditions impacting going concern.
- Tested management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).
- Reviewed the Council's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern including an assessment of any underlying need to borrow.
- Undertaken a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern.
- Challenged the disclosure made in the accounts in respect of going concern and any material uncertainties.

Conclusion:

No issues to report to the Corporate Governance and Audit Committee



03 Audit Report



Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHICHESTER DISTRICT COUNCIL

Opinion

We have audited the financial statements of Chichester District Council for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement
- the related notes 1 to 30.
- Collection Fund and the related notes 1 to 4

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of Chichester District Council as at 31 March 2021 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Authority's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period to 31 March 2023 from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Corporate Services with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the



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the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Director of Corporate Services is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014;
- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects

Responsibility of the Director of Corporate Services

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 18, the Director of Corporate Services 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



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Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Corporate Services is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority 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 for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management. We obtained an understanding of the legal and regulatory frameworks that are applicable to the authority and determined that the most significant are:

- Local Government Act 1972,
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
- Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948)
- The Local Audit and Accountability Act 2014, and
- The Accounts and Audit Regulations 2015.



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In addition, the authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment legislation, general power of competence, procurement and health & safety.

We understood how Chichester District Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit, those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the authority's committee minutes, through enquiry of employees to confirm authority policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified inappropriate capitalisation

of revenue expenditure and management override of controls to be our fraud risks.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether Chichester District Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Chichester District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.



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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

Use of our report

This report is made solely to the members of Chichester District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.



04 Audit Differences



Audit Differences

Summary of differences

We have highlighted below (and on the following page) the following misstatements to the financial statements and disclosures which have been agreed with management. Please note that these are currently uncorrected as at the time of writing this report as we have not received updated Accounts. We have noted below those we expect to be adjusted.

Misstatements 31 March 2021	Effect on the current period:	Balance Sheet (Decrease)/Increase				
		Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)	Equity components Debit/(Credit)
UNADJUSTED	£'000	£'000	£'000	£'000	£'000	£'000
Projected Misstatements:						
Incorrect Capitalisation of PPE Additions	138		(138)			
Judgemental Misstatements:						
• Valuation of Pension Fund Asset			733			(733)
• NNDR Appeals Provision	243			(243)		
Factual Misstatements:						
• Valuation of PPE			(150)			150
Totals	381		445	(243)		(583)
ADJUSTED						
• CIL Income / Debtor Correction due to interfacing issue between Exacom (CIL Monitoring System) and CIVICA (General Ledger) *	3,166	(3,166)				
Totals	3,166	(3,166)				

* Due to this error being material, management have adjusted for this in the Final Accounts

Audit Differences

Summary of differences

We highlight the following material disclosure errors which have been agreed with management and adjusted for in the final accounts:

- Note 28 - Council as Lessor - Operating Leases:
 - Miscalculation of future value of minimum lease payments due to incorrect dates used
 - Number of misstatements in the disclosure re. duplications and other errors
 - Disclosure to change from £109,648k to £108,848k (see also Prior Year Adjustment section below)

There were a number of smaller disclosure errors identified throughout the audit that have been agreed with management and adjusted for in the final accounts in relation to:

- Note 11 PPE, Note 27 CFR , Note 24 External Audit Fees, Note 25 Grant Income, Note 21 Agency Services and Collection Fund

There are two immaterial disclosure errors that remain unadjusted in the final accounts:

- Collection Fund - Movement in the NNDR Appeals as per the main Collection Fund statement to be changed from £730k to £1,337k
- Note 11 PPE - Error identified in PPE Existence whereby a finance lease was still included in the asset register that ended in January 2021 (Multi Functional Devices). GBV and Accumulated Depreciation overstated by £146,192

Prior Year Adjustment

Prior year adjustment identified in relation to Future Minimum Lease Payments disclosed in Note 28 of the Accounts. The error originates from a formula error identified in the client's working paper where the client had input the wrong dates for the number of days remaining. This has resulted in a difference of £2,967,022 in total (see below)

	Pre-adjustment	Post-adjustment	Difference
Not later than one year	£3,271,522	£3,103,776	-£167,746
Later than one year and not later than five years	£11,383,724	£10,548,024	-£835,700
Later than five years	£99,863,356	£97,899,780	-£1,963,576
Total	£114,518,602	£111,551,580	-£2,967,022



05

Value for Money



Value for money

Chichester District Council's responsibilities for value for money (VFM)

The Authority is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the CIPFA Code of Practice on Local Authority Accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment

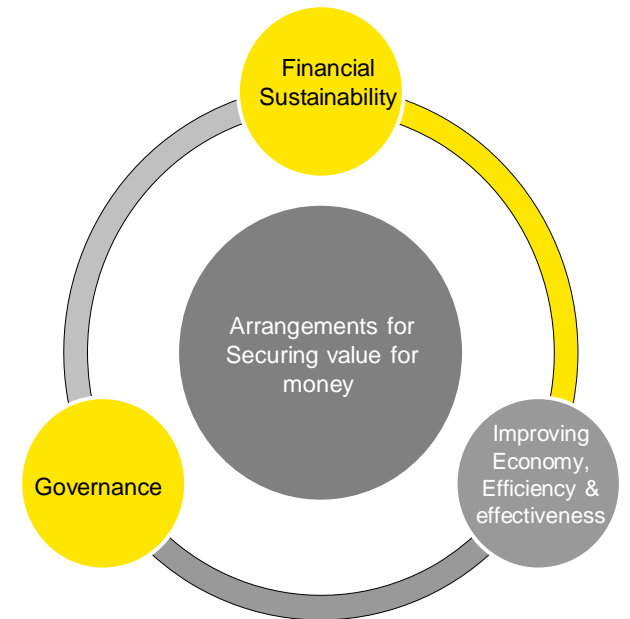
Throughout the audit we have performed a risk assessment in relation to the arrangements in place. This risk assessment looked at whether there was any risk of significant weaknesses in the VFM arrangements. No significant risks were identified throughout the risk assessment stage.

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Status of our VFM work

We have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03).

We plan to issue the VFM commentary within 3 months of giving our opinion on the accounts, as part of issuing the Auditor's Annual Report.





06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2020/21 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2020/21 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have not yet been able to perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. This is because HM Treasury are continuing to review the online 2020-21 WGA Data Collection Tool and update the guidance that is available for preparers. Based on the last available update HM Treasury have not provided a timetable for the opening of Data Collection Tool. Consequently, there is no expected deadline for audit returns. HM treasury have however indicated that this deadline will not be before 31st July 2022.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other reporting issues

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
 - Any significant difficulties encountered during the audit;
 - Any significant matters arising from the audit that were discussed with management;
 - Written representations we have requested;
 - Expected modifications to the audit report;
 - Any other matters significant to overseeing the financial reporting process;
- Related parties;
External confirmations;
Consideration of laws and regulations; and
Group audits

We have no significant findings to communicate.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

During the audit, we identified the following deficiencies in internal control:

- A prior year adjustment was identified in relation the Fair Value of Minimum Lease Payments disclosed in Note 28 of the Accounts. The error originates from a formula error identified in the Authority's working paper where the wrong dates had been inputted for the number of days remaining. This resulted in a total prior year adjustment of £2.967 to Note 28 of the Accounts. We concluded that this was a control deficiency in relation to management review of working papers.

Heritage Assets - we have noted that management rely on information provided from 2 museums in relation to their Heritage Assets. It was identified in the current year that some assets had been missed off the asset register in relation to Heritage Assets. The amount noted was not material and does not require an adjustment in the Accounts. However, management should review this process to ensure that the information they are receiving and putting into their Accounts is complete and accurate.



08

Independence

Confirmation and analysis of Audit fees

We confirm there are no changes in our assessment of independence since our confirmation in our audit planning board report dated July 2021.

We complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you and your Standards & Governance Committee consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Standards & Governance Committee on 14 March 2022.

As part of our reporting on our independence, we set out below a summary of the fees you have paid us in the year ended 31 March 2021.

	Planned fee 2020/21	Final Fee 2019/20
	£	£
Total Fee	37,799	37,799
Proposed scale fee rebasing (Note 1)	29,880	21,107
Scale fee variation (Note 2)	3,467	
Scale fee variation (Note 3)	8,587	
Total audit	79,733*	58,906

* this is our proposed figure that is to be submitted to the PSAA

2020/21 Fees:

Note 1: Proposed Scale Fee Rebasing: this relates to our scale fee rebasing for the audit, to take into account changes in professional and regulatory requirements to that date. These have been raised in prior year audits and as these are ongoing requirements, we have included the resource impact again in our 2020/21 requested fees. This is the same request that has been submitted in the prior year and has been adjusted for the changes in rates.

Note 2: This figure also includes a variation to the scale fee for items specific to the audit year where we will be submitting a request for an additional fee due to additional work being undertaken by the audit team. For 2020/21 it includes work undertaken on:


- Prior period adjustment (page 25)
- Accounting for Covid-19 grants (page 15)
- Work of EY expert to calculate an auditors estimate of the pension liability (page 14)

For 2019/20, PSAA determined the total of the above two categories at £21,107 and therefore we have shown the figure together in the table to the left.

Note 3: New for 2021/22 are the impacts of the NAO's 2020 Code of Audit Practice, and the revised ISA540 on estimates. PSAA communicated fee ranges for each type of client, and our assessed impact for Chichester DC is at the bottom of those ranges.

At the time of writing this report we have not discussed these fees with management. We will therefore discuss with management and provide an update to the Corporate Governance and Audit Committee.

Relationships, services and related threats and safeguards



The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, senior management and its affiliates, including all services provided by us and our network to your Authority, senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 01 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity. As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted. We confirm that we have not undertaken non-audit work.

Other communications

EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2020:

[EY UK Transparency Report 2020 | EY UK](#)






09 Appendices

Appendix A

Required communications with the Corporate Governance and Audit Committee





There are certain communications that we must provide to the those charged with governance of UK entities. We have detailed these here together with a reference of when and where they were covered:

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Corporate Governance and Audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	July 2021 Audit planning report
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	July 2021 Audit planning report
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	June 2022 Audit results report

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty related to going concern • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The appropriateness of related disclosures in the financial statements 	June 2022 Audit Results Report
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management 	June 2022 Audit Results Report
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	June 2022 Audit Results Report

Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Fraud	<ul style="list-style-type: none"> • Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Corporate Governance and Audit Committee responsibility. 	June 2022 Audit Results Report
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity 	June 2022 Audit Results Report
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence 	July 2021 Audit Planning Report and June 2022 Audit Results Report

Appendix A




		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> Management's refusal for us to request confirmations Inability to obtain relevant and reliable audit evidence from other procedures. 	June 2022 Audit Results Report
Consideration of laws and regulations	<ul style="list-style-type: none"> Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	June 2022 Audit Results Report
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. 	June 2022 Audit Results Report
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	June 2022 Audit Results Report
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	June 2022 Audit Results Report
Auditors report	<ul style="list-style-type: none"> Key audit matters that we will include in our auditor's report Any circumstances identified that affect the form and content of our auditor's report 	June 2022 Audit Results Report

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Appendix B

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item 	Actions to resolve 	Responsibility 
Management representation letter	Receipt of signed management representation letter	Management and CG & A committee
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management
WGA	Receipt of Instruction in relation to WGA and performance of procedures.	NAO

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion. A draft of the current opinion is included in Section 3.

Management representation letter

Management Representation Letter – to be finalised on completion of all outstanding audit procedures

Ernst & Young LLP

Grosvenor House,

Grosvenor Square,

Southampton SO15 2BE,

This letter of representations is provided in connection with your audit of the financial statements of Chichester District Council for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Chichester District Council as of 31 March 2021 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations and cash

flows of the Authority in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21]. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
 4. As members of management of the authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls
 5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because *[Management to specify reasons for not correcting misstatements]*
- ### B. Non-compliance with law and regulations, including fraud
1. We acknowledge that we are responsible to determine that the Authority's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
 2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
 3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

Management representation letter

Management Rep Letter

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Authority's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Authority's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 17th May 2022.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter (26 November 2020) through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate

Management representation letter

Management Rep Letter

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 20 to the financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Note 1.2 to the financial statements discloses all the matters of which we are aware that are relevant to the Authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than described in Note 8 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and the IAS19 pension liability and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

I. Estimates

1. We confirm that the significant judgments made in making the valuation of land and buildings, valuation of investment property and IAS19 pensions liability (the accounting estimates) have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the accounting estimates.
3. We confirm that the significant assumptions used in making the accounting estimates appropriately reflect our intent and ability to carry out any specific courses of action on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
5. We confirm that appropriate specialized skills or expertise has been applied in making the accounting estimates.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements, including due to the COVID-19 pandemic.

Management representation letter

Management Rep Letter

I. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

I confirm that this letter has been discussed and agreed by the Corporate Governance & Audit Committee.

Signed:

Position: Director of Corporate Services

Date:

Signed:

Position: Chairman of the Corporate Governance and Audit Committee

Date:

About EY

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ED None

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Chichester District Council

CORPORATE GOVERNANCE AND AUDIT COMMITTEE 6 June 2022

Statement of Accounts for 2020-21

1. Contact(s)

Report Authors:

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2. Recommendation

- 2.1. That the Committee consider and approve the audited Statement of Accounts shown in Appendix 1 for the financial year ended 31 March 2021, note the outturn position, and authorise the Letter of Representation to be given to the Council's External Auditor.**

3. Main Report

3.1. Introduction

- 3.1.1 The Council's Statement of Accounts, including the audit certificate and opinion, should have been approved by this Committee by the end of September 2021, under the Accounts and Audit (Amendment) Regulations 2021.
- 3.1.2 The Council published its unaudited accounts on 30 July 2021 and made them available for audit. Our external auditors, Ernst & Young LLP (EY), informed council officers in June 2021 that they would not be able to meet the September deadline, with the reasons for this delay being reported to the Committee in July 2021 as part of EY's 2020-21 Audit Planning report. A statutory notice was placed on the Council website to this effect.
- 3.1.3 The draft statements were published on the Council's website to be available for the public inspection period, which ran from the end of July 2021 to the beginning of September 2021. These statements will be replaced with the audited statements once the signed audit opinion has been received.
- 3.1.4 The external audit commenced at the beginning of October 2021 and was conducted remotely. Regular virtual meetings between council officers and the audit team took place throughout the process. The Section 151 Officer had advised EY that the revised timing of their audit would create difficulties, as it conflicted with the Council's annual budget cycle. Considering the statutory requirement to produce the Council's budget this task would have to take

precedence, and despite this, our external auditors continued to proceed with their audit starting in October 2021, with its conclusion in May 2022.

- 3.1.5 As forecast, the timing of the audit did create significant pressure on the Council's finance team who, nevertheless, endeavoured to provide information in accordance with the auditor's requirements. Inevitably, delays in providing information did occur as other work needed to be prioritised. More delays were caused by the external auditor's testing strategy which required transactions to be individually traced to entries on the Council's bank statements. This was not communicated in advance to the Finance team and created significant additional workload to respond to audit requests.
- 3.1.6 Officers expect the external auditors will issue an unqualified opinion on the Statement of Accounts and the Council's arrangements for securing economy, efficiency, and effectiveness in the use of resources.
- 3.1.7 The Council has not received any questions or objections to its accounts from the public.
- 3.1.8 Council has delegated the approval of the Council's Statement of Accounts to the Corporate Governance and Audit Committee.

3.2. The Statement of Accounts

- 3.2.1 The Statement of Accounts is included as a separate document in Appendix 1 and comprises:
- A Narrative Report
 - Statement of Responsibilities for the Statement of Accounts
 - The accounting statements
 - The accounting policies on which the accounts have been prepared
 - Notes to the accounts.
- 3.2.2 The format and content of the accounts is largely prescribed by the Chartered Institute of Public Finance & Accountancy's (CIPFA) Code of Practice, however local authorities are provided with some leeway to report Income and Expenditure on the same basis as each Council is organised, reflecting the differences in service structures between Councils.
- 3.2.3 The narrative report section aims to provide a readable summary of the key issues and headline figures contained within the Statement of Accounts. This also includes an assessment of the continued impact of Covid-19 on the Council's financial position and confirms its status as a going concern.

3.3. Analysis of the 2020-21 General Fund position

- 3.3.1 The audited outturn position on the General Fund for 2020-21 is a surplus of £1.635m and this has been transferred to the General Fund Reserve. Appendix 2 sets out the main variances creating this outturn position.
- 3.3.2 Any ongoing effect of these variations not already considered when the 2021-22 budget was set, were considered as part of the monitoring, and forecasting of the 2021-22 outturn position and when setting the 2022-23 base budget.

3.4. Letter of Representation

- 3.4.1 The Council must issue a Letter of Representation to its external auditors at the conclusion of the audit. A draft of this is contained in the EY Audit Results Report also on this agenda. If any amendments are required to this draft, this will be circulated and discussed with members at the Committee meeting.

3.5. Carry Forward Requests

- 3.5.1 Council has delegated authority for the approval of budget carry forward requests to the Director for Corporate Services (the Council's S151 officer) following consultation with the Chief Executive.

- 3.5.2 Details of all carry forwards agreed under this process are provided in the table below:

Division	Request	Amount £
Development Management	To carry forward staff salary underspends because of difficulties experienced recruiting to vacant posts. This carry forward will cover the additional costs above base budget incurred by the need for agency staff while salaried replacements are sought to fill the vacant posts, without the need to seek further funds from Cabinet.	85,000
Development Management	A significant number of speculative major housing schemes have been submitted, several of which have or will be refused and will proceed to appeal. The majority of these will proceed at appeal by way of public inquiry (PI) and will require the external legal support of a barrister. A greater level of support than budgeted for in the currently financial year will be required to deal with these appeals, which have been delayed due to Covid and are now making swift progress through the system because of the Planning Inspectorates efforts to clear significant backlog. It is therefore proposed to carry forward the underspend from 2020-21 to 2021-22 with the hope that this will cover the necessary additional legal costs the Council will face	53,000
Place	District Wide Visions	120,000
Health Protection	£40,000 was carried forward from 2019-20 to 2020-21 to provide funding for a backlog of food inspections. The pandemic delayed the completion of these inspections as many premises were closed due to the covid restrictions. At the end of 2020-21 £16,200 of this carry forward remains, it was agreed that this budget be carried forward into 2021-22 in order to complete the outstanding inspections.	16,200
Revenues, Benefits and Customer Services	Underspend on training carried forward to fund two training courses were committed to during the financial year but were delayed due to the Covid pandemic.	4,000
		278,200

4. Alternatives considered

Not applicable

5. Resource and legal implications

- 5.1 The 2020-21 budget variations and outturn position were considered as part of the in-year monitoring of the 2021-22 budget, and in the preparation of the budget for 2022-23. The Council also has a statutory duty to approve and publish its audited Statement of Accounts by 30 November.

6. Consultation

- 6.1 The draft statements were published on the Council website on 30 July 2021 and subject to public inspection from the end of July 2021 to the beginning of September 2021.

7. Community impact and corporate risks

- 7.1 The reputation of the Council as an organisation that manages its finances effectively may be put at risk if the external auditor issues a qualified opinion on the accounts, and the risk of a public naming and shaming if the statutory deadline is missed.

8. Other implications

	Yes	No
Crime & Disorder		✓
Climate Change and Biodiversity		✓
Human Rights and Equality Impact		✓
Safeguarding and Early Help		✓
General Data Protection Regulations (GDPR)		✓
Health and Wellbeing		✓

9. Appendix

Appendix 1 - Audited Statement of Accounts 2020-21
Appendix 2 - Analysis of major variations

10. Background Papers

None

CHICHESTER DISTRICT COUNCIL

AUDITED STATEMENT OF ACCOUNTS 2020-21

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**Chichester District Council
Statement of Accounts**

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General Information

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Council Officials

Chairman

Mrs E Hamilton

Leader

Mrs E Lintell

Deputy Leader

Mrs S Taylor

Senior Leadership Team

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

Mr A Frost, Director and Planning and Environmental Services

Mrs J Hotchkiss, Director of Growth and Place

Mrs L Rudziak, Director of Housing and Communities

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

Narrative Statement

Introduction by the Director of Corporate Services

Welcome to the Council's Statement of Accounts for the year ended 31 March 2021 which details the financial position of the Council. The format of these accounts is required by law to include a large amount of detail as the Council's finances are complex, with the presentation in a prescribed format. To aid the reader of the Statement of Accounts, the Narrative Statement presents an overview of the financial year and the significant issues that impacted the Council's finances and services over that period. It sets out the Council's response to Covid-19 and its performance in the context of its corporate priorities, the use of resources and considers the outlook on its medium term financial plans.

A key priority of the Council's Corporate Plan is "To manage the Council's finances prudently and effectively" with three underlying main objectives, which are:

- Ensure the prudent use of the Council's resources.
- Provide value for money through efficient and effective service delivery.
- Maintain a low rate of council tax while protecting services.

In relation to these objectives the Council has strong financial management processes in place to ensure that its financial position remains sustainable and that it holds adequate levels of reserves. This approach is underpinned by the Council's strategic financial planning and key financial principles.

The Council is a low taxing authority that has over the years developed and increased discretionary income streams to help fund its key services to the community. The impact on these important sources of revenue income due to the pandemic on the Council's finances was quite significant, as detailed in the Financial Impact of Covid-19 report found [here](#).

Throughout the pandemic regular updates on the Council's response were reported to members based on the Recovery Report and actions plans developed under the four thematic areas of:

- Community and Housing Recovery
- Economic Recovery
- Planning, Health and Environmental Protection Recovery
- Organisational Recovery

The report also covered the development of a Future Services Framework template in order to assist members to shape and determine the types and levels of services to be provided from 2022-23. The detailed report sets out the journey needed by the Council to achieve a balanced budget in the medium term as a result of the impact of the public health crisis on its finances and service demand. The report can be found [here](#).

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

This Narrative report contains the following sections:

1. Introduction to Chichester
2. Key Facts about the Council
3. Council performance

4. Current Financial Performance
5. Risks and Uncertainties
6. Impact of COVID-19 and the Way Forward

1. Introduction to Chichester

As the largest district in West Sussex, Chichester District is a unique area, boasting a historic city, glorious countryside and the beautiful south coast. It has a population of 120,500 and covers over 300 square miles, stretching from Selsey in the south to Lynchmere in the north. A large part of the district falls within the area of the South Downs National Park.

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

There are 36 District Councillors representing 21 wards. The district also has 67 parishes and a lot of parishes have their own town or parish council, or parish meeting.

Key Statistics

Key Statistic	Value
District Population	120,500
Number of households	57,664
Area of the Chichester District in square miles	303
Number of Council Members	36
Number of Council Wards	21
Number of Business Enterprises	6,705
Average house price	£395,931
Mean average salary	£38,138
District average gross weekly full time earnings	£520.60
National average gross weekly full time earnings	£587.10
District percentage of 16 to 64 year olds in employment	74.0
National average percentage of 16 to 64 year olds in employment	75.4

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

2. Key Facts about the Council

How we make decisions

The District Council has adopted the Cabinet model of governance with a Leader, Deputy Leader and Cabinet Members (portfolio holders).

The political make-up of the Council as at 31 March 2021 was:

Political Party	Number of Councillors
Conservative	17
Liberal Democrats	10
Independent	3
Green	2
Local Alliance	2
Labour	2
Total	36

Council

All councillors from across the district normally meet six times a year to decide the Council's overall policies and to set the budget. These meetings are normally open to the public (subject to latest Government guidance during the public health crisis), and additional meetings can be held if needed.

Cabinet

The Cabinet generally meets on a monthly basis, except in August, and involves seven of our councillors making key decisions on the plans, strategies and budget which are then approved by the Council. Each Cabinet Portfolio Holder has specific responsibilities over an area(s) of the Council's activities.

Overview and Scrutiny

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

Corporate Governance and Audit Committee

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

Other Non- Executive Committees

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

Officer Support

During 2020-21 Diane Shepherd, our Chief Executive, led the Strategic Leadership Team (SLT) which includes four directors. Details of the Council's current management structure can be

found [here](#).

The wider Corporate Management Team also consisted of fifteen Divisional Managers. The Strategic Leadership Team, along with the Divisional Managers, support councillors whilst also overseeing the delivery of the Council's services. The council employs over 500 staff that are mostly based at the Council's main offices in East Pallant House (EPH) and at its Depot in Westhampnett, Chichester. In response to Government guidance in March 2020, the majority of staff based at EPH have continued to work remotely, with the way forward for a flexible working model being considered as part of the Council's organisational recovery plan.

3. Council Performance

Corporate Plan

Our Corporate Plan sets out our vision, key priorities and objectives for the council, and the key projects to be achieved are set out in our detailed Service Plans. Both the Corporate Plan and the Service Plans are usually reviewed annually. The current full Corporate Plan is available on the Council's website [here](#). A major review of the Corporate Plan is now taking place in 2021-22 as the 2020 review was deferred because of the Council's focus on the recovery from the COVID-19 pandemic.

Annual Governance Statement

The Council also has a statutory requirement to conduct a review at least once a year of the effectiveness of its system of internal control. An Annual Governance Statement provides assurance that the statement of accounts gives a true and fair view of the Council's financial position at the year-end and its financial performance during the year. The Annual Governance Statement is signed and reported alongside the annual Statement of Accounts. The Corporate Governance and Audit Committee monitor the action plan of any identified governance improvement areas.

Key Achievements

In order to achieve quality services whilst offering value for money, we closely monitor our progress throughout the year to make sure that we deliver what we have said we will. Senior officers and Cabinet members regularly monitor key performance indicators and the progress of major projects.

A number of other groups consider major infrastructure aspects in the district this includes the Chichester Growth Board, Development Plan and Infrastructure Panel (DPIP) and Chichester Vision Steering Group.

Detailed outlines of the Council's key achievements each year are published annually in the Annual Report which can be found [here](#).

4. Current Financial performance and the Response to the Covid-19 Crisis

The Medium Term Financial Strategy Model reported to Council in December 2019 reflected the Council's best estimate of what may occur in 2020-21 and beyond. However shortly after setting the budget and council tax for 2020-21 in early March, the unprecedented impact of the COVID-19 pandemic on the Council's spending plans warranted stress testing of the Council's finances. This assessment was undertaken to consider the impact both in the short term and the longer term, which informed the Council's recovery plans for 2020-21 and beyond. The outcome of the initial stress test indicated a potential £8m loss in 2020-21; however the Council had sufficient

reserves and liquidity to ensure it could continue to operate for the foreseeable future. Following the introduction of a compensation scheme for Councils that lost income from sales, fees and charges and other funding allocations, the forecast use of reserves was reduced to £3m for 2020-21, with £8m required in total over the 5 year planning period. This is subject to the delivery of efficiency savings identified as part of the Council's Recovery Plan. The recovery plan which included the financial assessment and savings required was presented to the Overview and Scrutiny Committee (OSC) in June 2020, and the Corporate Governance and Audit Committee and Cabinet in July 2020. Members have received quarterly updates against the Council's four thematic recovery plans throughout the year. The June 2021 update to OSC can be found [here](#).

The following sections describe the actual performance against this budget and the financial strategies that were agreed at the same Council meeting in March 2020; further details can be found on the Council's website [here](#) along with in year monitoring information which can be found [here](#).

The loss of significant discretionary income experienced during the pandemic, along with increasing costs, resulted in the Senior Leadership Team instructing Divisional Managers and Budget Managers to avoid all unnecessary expenditure to help offset some of the financial impact on the Council. This approach helped as the end of the year variances to budget on increased service spend and shortfall of income amounted to £6.375m; the most significant of which being loss of income from car parking fees and charges of £3.2m and the leisure management contract of £1.04m. This was offset by service underspends and additional income of £3.056m; examples of these variations includes increased income for planning fees (£0.288m), green waste service (£0.276m) and a reduction in direct employee costs (£0.168m) due to a vacancy freeze at the start of the pandemic. Overall this resulted in a net deficit on services of £3.319m, with a further small offset of corporate variations amounting to £0.54m. The main corporate variations include higher pooled investment interest of £0.197m, a saving by not transferring the budgeted surplus of £0.433m to the General Fund, offset by a £0.546m Business Rates Retention Scheme adjustment. The total variation before additional Government Support was £3.265m, however, due to receiving £2.707m Sales, Fees and Charges Compensation Scheme, £1.672m of emergency funding for local government and £0.521m of new burdens grant which ultimately resulted in a £1.635m surplus for 2020-21.

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

The main cash flow elements of both capital and revenue are shown in the Council's cash flow statement on page 30.

The main focus for the Council during 2020-21 was responding to the Covid-19 pandemic and providing direct support to the communities in the district via community support hubs working with a variety of other agencies, direct homelessness support etc. and supporting the business community via the administration and distribution of various government funded grant schemes. In respect of delivering services during this health crisis government support of £1.67m was received. Due to the pandemic there was considerable impact on the Business Rates Retention Scheme with Government giving grant funding to local authorities to compensate for the loss of Business Rates income as a result of extended rate relief given to the retail, hospitality and leisure businesses and nursery providers. Under the required accounting treatment for the Collection Fund the deficit arising from the new reliefs will be addressed by the Retained Business Rates Equalisation Reserve which can be drawn down over the next 3 years. (See note 9

on page 46).

Covid-19 business grants totalling £52.9m (as at 31 March 2021) have been paid out to eligible businesses in the Chichester District, over the eleven different schemes, plus £104k has been paid out to individuals in the Test and Trace Self Isolation Scheme. Details of these different grant schemes are listed below:

Grant	Amount Paid Out £000s	No. of Grants
Small Business Grant Fund	21,800	2,180
Retail, Leisure & Hospitality Grant Scheme 2a – up to £15k rateable value	3,910	391
Retail, Leisure & Hospitality Grant Scheme 2b – over to £15k rateable value	10,700	428
Local Authority Discretionary Grant	1,817	245
National Lockdown Grant & Closed Business Lockdown Payment	9,691	1,774
Local Restrictions Support Grant Closed Addendum Nov 2020	1,515	898
Additional Restrictions Grant	2,769	1,287
Wet Led Pub Grant	50	50
Local Restrictions Support Grant Closed Tier 2	36	55
Local Restrictions Support Grant Closed Addendum Tier 4	461	766
Local Restrictions Support Grant Open	121	117
NHS Test & Trace Self Isolation Support Payments (to individuals)	104	208

The council for most of the grants was acting as a distribution point for the Government with the grant payments made in accordance with set eligibility conditions; however, for the Local Authority Discretionary Grant, the Additional Restrictions Grant, and the Local Restrictions Support Grant Open Grant schemes, the Council could decide the criteria for the applications taking into account local knowledge. These grants have been reflected in the Cost of Services section of the Comprehensive Income and Expenditure Account (CIES) as per CIPFA guidance.

The ongoing financial impact of Covid-19 is being addressed under the Council's Recovery Plan, taking into account any ongoing government support and the use of reserves in order to return to a balanced budget in the medium term.

Capital Expenditure 2020-21 - Movements in the Council's asset base

TOTAL ASSETS BROUGHT FORWARD			
£253m			
Purchases and sales of assets £2m	Depreciation (£3m)	Other changes in value £1m	Change in Current Assets £34m
TOTAL ASSETS CARRIED FORWARD			
£287m			
Property, Plant and equipment £128m	Investment Property £14m	Other Long Term Assets £61m	Current Assets £84m

Capital Expenditure Outlook

The Council has a capital and asset replacement programme of £48.1m approved in March 2021 in the period 2021-22 to 2025-26 (£56.8m including slippage from 2020-21). The major schemes currently planned for this period include:

Capital Expenditure (Planned)	2021-22 £000	2022-23 £000	Later £000
St. James' Industrial Estate Refurbishment	6,922	-	
Southern Gateway Project Land Assembly	4,184	-	-
Economic & Community Recovery / Community Grants	835	425	350
Community Led Housing	681	400	-
Affordable Housing Grants	599	310	-
Disabled Facilities Grants	2,890	1,350	4,050
Rural Housing Fund	260	200	-
Freeland Close Chichester Redevelopment	2,514	-	-
Playground Replacement Programme	150	-	290
Public Convenience Refurbishment programme	897	-	380
Vehicle Replacement Programme	2,281	945	1,277
Community Infrastructure Levy (CIL) Projects			
- Westhampnett Waste Transfer & Recycling Station	250	2,250	-
- Southern Gateway Bus & Rail Interchange	3,000	-	-
- Southern Gateway New City Square	1,000	-	-
- School Places	1,200	-	2,400
- Sustainable Transport	25	1,050	425

The capital programme is an estimate of the scheme's likely cost, and is always subject to amendment if, for example, a scheme cost is higher than anticipated. Due to its nature the capital programme is constantly changing, so the resource position is regularly updated and monitored to ensure that the programme remains affordable. This is an important consideration due to the COVID-19 pandemic which may have a fundamental impact on the Council's future corporate objectives and the resources available for capital investment.

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

Revenue Expenditure 2020-21

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

Revenue Inflows and Outflows

Council Tax including Parishes £12m	Business Rates (£11m)	Fees and charges £13m	Grant, contributions and subsidies £63m	Other £6m
Total Resources £83m				
Paid to others £29m		Providing local Services £46m		
Parish Council Precepts £3m	Housing Benefits and Subsidies £26m	Staffing costs £22m	Running costs £21m	Capital costs, incl. depreciation £3m
Net (surplus) or deficit on providing services (£8m)				

Factors influencing future cash flows

- Council Tax – Legislative restrictions on annual Council Tax increases and the requirement for local referendums.
- Business Rates – Impact of the expected localisation of the Business Rates Retention Scheme creates uncertainty not only as to when any new scheme will be implemented but also the resetting of the base level for the new scheme, and how often future resets will take place along with any additional services local authorities will be expected to take on as part of this change. Also, the potential impact of appeal refunds for this new regime and those arising from the April 2017 valuation list.
- Specific Government Grants – Revenue Support Grant ceased in 2017-18. New Homes Bonus (NHB) grant is paid to the Council to encourage the building of new homes. The Council does not use this source of funding to balance the revenue budget but to fund capital investment or one-off projects including grants to parish councils. The NHB scheme has been subject to change in recent years, especially as the 2020-21 grant was for 1 year only, rather than grant payments for 4 years. Looking forward there continues to be a fair degree of uncertainty in terms of future local government funding due to expected changes with the Fair Funding Review, yet this and the localisation of business rates has been delayed by both the focus post Brexit and the public health crisis. Changes are now anticipated in Government funding from 2022-23.
- Fees and charges made to service users – This is influenced by policy and service demand. The council raises over £18.5m income from discretionary spend service areas or those that are linked to consumer confidence and the state of the economy. Income targets for certain major income streams were further reduced in the 2021-22 budget due to continued changes in service demand. Whilst the public health crisis had a substantial impact on the Council's discretionary income streams in 2020-21, offset in part from the Government's Sales, Fees and Charges support, it is anticipated that some

income streams will be affected in the longer term due to behavioural change. This will impact future service provision and demand and influence the Council's Future Services Framework assessment.

- Service Expenditure – As a service organisation, this is principally employee related. Public sector pay restraint may increase pressure where private sector pay outstrips the public sector impacting on recruitment and retention of skilled staff. A new pay structure came into effect in April 2019 where an additional £300k had been built into the Council's budget. The Council's five year financial strategy updated for 2021-22 reflected the assumptions that pay increases in 2021 to 2023 would be at 1%, and 2% for future years. However, when setting the 2021-22 the assumption was changed to a nil pay award except for provision for the low paid staff to meet the expected minimum wage change. Future service provision and the Council's financial position will need to be considered in the longer term due to the expected impact of the COVID 19 public health crisis.
- Capital Expenditure – This is determined by policy and the Council's approved capital programme and asset replacement programme.

Cash Resources

On 31 March 2021, the Council held £11.45m as cash and cash equivalents as shown in note 17. The approved minimum level of general fund reserves to be held at the start of the financial was £6.3m to cover unexpected expenditure or delays in income from the sale of council assets. However, the minimum level of reserves was reduced to £4m after considering the financial impact of Covid-19 in July 2020. Whilst the council currently holds £64.01m of usable reserves the majority of this is committed to support the capital programme, or is earmarked for specific purposes. The amount of revenue reserves to support the Council's activities has continued to be assessed as part of the quarterly monitoring of its Recovery Plan including progress on the savings expected over the next 3 years. Currently in 2021-22 the target set in the budget was £747k and it is expected that approximately £1m will be achieved. This Council has a good track record for achieving savings or income generation. The targets to be achieved from 2022-23 may be more challenging as most relate to new income opportunities and these may have to change in light of any new Government initiatives for local authorities.

Revenue Expenditure Outlook

The Council's Medium Term Financial Strategy Model reflected the Council's best estimate of what may occur from 2021-22 and beyond. The Council's financial position continues to be monitored on a monthly basis as well as quarterly, along with the required assessments for the compensation scheme from government for the Sales, Fees and Charges scheme. The Recovery Plan update was considered by the Overview and Scrutiny Committee in June 2021. This Committee receives quarterly updates and the Council is already planning for how to return to a balanced budget over the life of its Medium Term Strategy, but this will require support from its usable reserves over the next 3 to 5 years. To achieve a balanced budget the Future Services Framework will be used, to ensure that the Council adheres to its financial objectives and the key financial principles.

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

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

5. Risks & Uncertainties

The Council has a risk management policy and strategy which sets out the process for managing strategic and organisational risks in relation to the achievement of its objectives and performance targets. Normally the risk registers are the subject of bi-annual review by both the Strategic Risk Group and the Corporate Governance and Audit Committee, and are reviewed regularly by the Corporate Management Team throughout the year. However, the March 2021 review was delayed and the latest update was considered by the Committee on 19 July 2021.

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

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

Strategic Risk Description	Likelihood	Impact
<p>Financial Resilience</p> <ul style="list-style-type: none"> - Failure to maintain a robust and deliverable budget will lead to a lack of resources to fund services and council priorities, leading to reactionary decision making, and reputational consequence. - Failure to maximise efficient use of resources and so unsuccessful redirection of resources and not achieving objectives and outcomes of the council including deficit reduction plans. - Failure to maximise income streams. - Unpredictable Government policy (e.g. localisation of business rates.) - COVID-19 (Coronavirus) unpredictable economic impact. 	Probable	Substantial
<p>Skills / Capability / Capacity</p> <ul style="list-style-type: none"> - Failure to have resilience in the staff structure, and so lack the right number of staff, with the right skills to deliver services, along with unrealistic expectations of services, which could lead to service failure, reputational damage and potential litigation. 	Probable	Moderate
<p>Business Continuity</p> <ul style="list-style-type: none"> - Failure to react to an incident that would adversely affect the delivery of services, including leading to a breach of the council's statutory duties under the Civil Contingencies Act and result in both inability to service the community and suffer reputational damage. 	Probable	Moderate
<p>Health & Safety</p> <ul style="list-style-type: none"> - Failure to adhere to H&S policies and procedures leading to death or serious injury of an employee or third party resulting in prosecution under H&S legislation, adverse publicity, fines and possible prison sentences. Such failures may also lead to civil claims 	Unlikely	Major

Strategic Risk Description	Likelihood	Impact
for compensation.		
<p>Cyber Risk Attack Across ICT Estate</p> <ul style="list-style-type: none"> - Failure to protect the Council against a cyber-attack across the ICT estate resulting in service disruption and reputational damage. Mitigation is focussed in three areas; software designed to protect, user awareness to reduce complacency and continual updating of systems (patching). - The Principle of CIA; this provides the basis for the CIA triad – Confidentiality, Integrity and Availability – for data security. 	Possible	Substantial
<p>Southern Gateway Regeneration</p> <ul style="list-style-type: none"> - Failure to deliver the outcomes of the project leading to reputational damage and financial exposure to CDC as lead partner, and potential repayment of the Local Enterprise Partnership (LEP) (and other funding). - Lack of engagement or buy in by other key partners, leading to CDC being isolated and unable to deliver outcomes. - Masterplan becomes commercially unviable due to certain market sectors' changes including demands for community/public realm use types. 	Almost Certain	Substantial
<p>Local Plan</p> <ul style="list-style-type: none"> - Failure to complete Local Plan Review and submit the Local Plan in accordance with the timetable set out in the Council's Local Development Scheme (LDS). Not having an up to date Local Plan would impact the 5 year housing land supply (HLS) methodology for assessing housing need using the Government's assessment rather than that in the Local Plan; leading to a loss of control over the location and form of development with decisions being made through the application and appeal process. - Reduction in the ability to plan and co-ordinate development with the provision of infrastructure. - Failure in the Council's statutory duties as the Local Planning Authority potential government intervention, leading to reputational damage. 	Probable	Substantial
<p>Changing Use of the High Street in City and Rural Towns</p> <ul style="list-style-type: none"> - Risk to the city and rural towns as a result of the changing use of the high street impacting their sustainability and vitality. - Failure to adapt to the changing use of the high street by consumers and businesses, impacting the local economy, and the wider financial impact on the council as a result of reduced income streams from car parks, business rates etc. 	Probable	Substantial
<p>Criminal Finances Act – Procedural failures facilitating tax evasion, fraud, bribery and corruption</p> <ul style="list-style-type: none"> - Failure of governance procedures and controls which allow or facilitates tax evasion and risk committing a corporate criminal offence under the Criminal Finances Act 2017. 	Possible	Moderate

Strategic Risk Description	Likelihood	Impact
Covid – 19 (Coronavirus) <ul style="list-style-type: none"> - The risk of loss of staff and the impact on our ability to operate council services. - Failure to comply with the Council’s legal and moral duties. Reputational damage. 	Almost Certain	Substantial
Climate Emergency Detailed Action Plan <ul style="list-style-type: none"> - Failure to achieve the Council’s carbon reduction target based on area-wide target. - Failure to obtain base data and evidence to support projects and evidence progress, leading to little or no improvement to the environmental objectives and potential waste of resources (both staff and financial). 	Almost Certain	Moderate
Housing – Increase Homeless Service Demand due to Covid-19 Impact <ul style="list-style-type: none"> - Failure to meet demand or have adequate resources available leading to financial and reputational risk. - Failure to serve community need. 	Possible	Substantial
Crouchlands Lagoon 3 <ul style="list-style-type: none"> - Risk assessment by the Council that it has acted appropriately in considering its legal duties and in reviewing the on-going risks to the Council and the community from the site. 	Probable	Substantial

6. Impact of Covid-19 and the Way Forward

The initial impact on the Council’s financial position was significant, so the staged approach under the Future Services Framework was approved by members. The first stage was to undertake a full efficiency review, which identified £2m of savings over a 3 year period. This action appeared to be sufficient to balance the budgets over the medium term. The next phase was to prioritise services so that should our financial position require, the Council could determine which services could be funded, and which could not.

Whilst in 2021-22 we are on track to exceed the target built into the approved budget, the financial position remains very uncertain with many income streams directly impacted by any lockdowns. In addition the Local Government staff pay offer of 1.75% if implemented will add a further cost pressure of £275k in 2021-22 which was not budgeted for. During the current evaluation process to inform the budget for 2022-23, a number of other cost pressures have been identified which are also affecting the longer term financial stability of the Council, such as the possible introduction of mandatory food waste collection.

Due to these uncertainties, the Future Services Framework priority setting stage will be carried out over the summer which will enable members to determine the priorities and allocate our resources accordingly, whilst complying with the legal requirement to balance the budget.

Further Information

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

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

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

J. Ward CPFA
Director of Corporate Services

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

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

The Director of Corporate Services' Responsibilities

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

In preparing this Statement of Accounts, the Director of Corporate Services has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Director of Corporate Services has also:

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

I declare that the Statement of Accounts presents a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2021. I confirm that the date of this declaration is the date up to which events have been considered for inclusion within the Council's Statement of Accounts, and are therefore authorised for issue.

John Ward CPFA
Director of Corporate Services

Date 18 May 2022

Approval for the Statement of Accounts

Francis Hobbs
Chairman of the Corporate Governance and Audit Committee

Date 6 June 2022

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

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Comprehensive Income and Expenditure Statement

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

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2019-20				2020-21			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£000	£000	£000		£000	£000	£000	
1,204	3	1,207	Leader	954	1	955	
4,183	(2,259)	1,924	Planning Services	3,927	(2,446)	1,481	
3,621	(1,799)	1,822	Community Services and Culture	5,243	(1,148)	4,095	
5,017	(8,415)	(3,398)	Growth, Place and Regeneration	10,142	(10,270)	(128)	
5,463	(3,613)	1,850	Housing, Communications, Licensing and Events	5,697	(3,845)	1,852	
11,748	(5,126)	6,622	Environment Services and Chichester Contract Services	11,367	(4,242)	7,125	
36,807	(29,333)	7,474	Finance, Corporate Services and Revenues and Benefits	34,098	(28,003)	6,095	
68,043	(50,541)	17,502	Cost of Services	71,428	(49,953)	21,475	
			Other operating Expenditure				
3,174	0	3,174	Parish Council Precepts	3,438	0	3,438	
0	0	0	Levies Payable	0	0	0	
0	(239)	(239)	Gain (-)/or loss on the disposal of Non-Current Assets	0	(923)	(923)	
3,174	(239)	2,935		3,438	(923)	2,515	
			Financing and Investment Income and Expenditure				
60	0	60	Interest payable and similar charges	17	0	17	
198	0	198	Net interest on the net defined Pension liability (asset)	0	(458)	(458)	
0	(1,498)	(1,498)	Interest receivable and similar income	0	(1,453)	(1,453)	

2019-20			2020-21		
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000	£000	£000	£000
1,510	(1,062)	448	28	(984)	(956)
3,906	0	3,906	0	(2,880)	(2,880)
0	(11)	(11)	0	0	0
0	(102)	(102)	0	(101)	(101)
0	0	0	4	0	4
0	(56)	(56)	0	(4)	(4)
5,674	(2,729)	2,945	49	(5,880)	(5,831)
1	1	2	0	0	0
(Surplus) or deficit on discontinued operations					
Taxation and Non-Specific Grant Income and Expenditure (see note 25)					
0	(11,633)	(11,633)	0	(12,263)	(12,263)
0	(2,204)	(2,204)	0	10,979	10,979
0	(3,530)	(3,530)	0	(3,366)	(3,366)
0	(3,630)	(3,630)	0	(21,256)	(21,256)
0	(20,997)	(20,997)	0	(25,906)	(25,906)
76,892	(74,505)	2,387	74,915	(82,662)	(7,747)
Items that will not reclassified to the (surplus) or deficit on the Provision of Services					
	(2,842)				501
	(40,438)				42,729

2019-20		
Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000
		9,454
		- Return on Assets excluding amounts included in net interest
		Items that may be reclassified to the (surplus) or deficit on the Provision of Services
		(Surplus) or deficit on revaluation of available for sale financial assets
	0	
	(33,826)	Other Comprehensive Income and Expenditure
	(31,439)	Total Comprehensive Income and Expenditure

2020-21		
Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000
		(43,647)
		0
		(417)
		(8,164)

Balance Sheet

The Balance Sheet shows the value as at 31 March 2021 of the Council's assets and liabilities together with the reserves held by the Council.

31 March 2020 £000		Notes	31 March 2021 £000
	Property, Plant and Equipment	11	
117,000	▪ Land and Buildings		115,386
5,582	▪ Vehicles, plant, furniture and equipment		4,917
1,152	▪ Infrastructure		917
28	▪ Community Assets		28
235	▪ Assets under construction		808
6,048	▪ Surplus Assets not held for sale		5,996
13,623	Investment Property	12	13,668
	Intangible Assets	13	
359	▪ Software		312
	Heritage Assets	14	
6,767	▪ Tangible		6,842
22	▪ Intangible		22
29,751	Long Term Investments	15	32,631
20,876	Net Pensions Asset	29	20,386
1,096	Long Term Debtors	15	1,147
202,539	Total Long-Term Assets		203,060
	Current Assets		
35,123	Short term investments		45,017
126	Inventories		129
8,269	Short Term Debtors	16	27,125
6,320	Cash and Cash Equivalents	17	11,450
442	Assets held for sale – current <1yr		442
50,280	Total Current Assets		84,163
	Current Liabilities		
(12,175)	Short Term Creditors	18	(35,459)
(12,175)	Total Current Liabilities		(35,459)
	Long-Term Liabilities		
(5,840)	Long Term Creditors – S106 contributions		(5,906)
(6)	Credit Arrangements – Finance Lease		(79)
(1,271)	Provisions	19	(2,833)
0	Net Pensions Liability	29	0

31 March 2020 £000		Notes	31 March 2021 £000
(204)	Capital Grants Receipts in Advance		(1,459)
(7,321)	Total Long-Term Liabilities		(10,277)
233,323	Net Assets		241,487
	Usable Reserves		
(48,038)	General Fund Reserve		(63,988)
(1,928)	Capital Receipts Reserve		(2,821)
(13,279)	Capital Grants Unapplied Account		(16,343)
(63,245)	Total Usable Reserves		(83,152)
	Unusable Reserves	20	
(59,273)	Revaluation Reserve		(58,233)
(93,656)	Capital Adjustment Account		(92,742)
11	Financial Instruments Adjustment Account		6
4,249	Pooled Investment Fund Adjustment Account		1,369
(703)	Deferred Capital Receipts Reserve		(696)
(20,876)	Pension Reserve		(20,386)
170	Collection Fund Adjustment Account		12,347
0	Accumulated Absences Account		0
(170,078)	Total Unusable Reserves		(158,335)
(233,323)	Total Reserves		(241,487)

John Ward CPFA
Director of Corporate Services

Date 18 May 2022

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 'unusable' reserves. The statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The net '(Increase) /Decrease in year' 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.

		2019-20 £000										2020-21 £000							
Page 87	General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves							General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	
		(44,266)	(1,652)	(12,434)	(58,352)	(143,532)	(201,884)	Balance brought forward	(48,038)	(1,928)	(13,279)	(63,245)	(170,078)	(233,323)					
	0	0	0	0	0	0	Adjustments for the restatement of financial instruments	0	0	0	0	0	0	0	0	0	0	0	0
	2,387	0	0	2,387	(33,826)	(31,439)	Total Comprehensive Income and Expenditure	(7,747)	0	0	(7,747)	(417)	(8,164)						
	(6,159)	(276)	(845)	(7,280)	7,280	0	Adjustments between accounting basis & funding under regulations (Note 10)	(8,203)	(893)	(3,064)	(12,160)	12,160	0						
	(3,772)	(276)	(845)	(4,893)	(26,546)	(31,439)	(Increase) / Decrease In year	(15,950)	(893)	(3,064)	(19,907)	11,743	(8,164)						
	(48,038)	(1,928)	(13,279)	(63,245)	(170,078)	(233,323)	Balance carried forward	(63,988)	(2,821)	(16,343)	(83,152)	(158,335)	(241,487)						

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.

2019-20		2020-21
£000		£000
2,387	Net (surplus) or deficit on the provision of services	(7,747)
(4,264)	Adjustments to net surplus or deficit on the provision of services for non-cash	(3,228)
1,532	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	1,649
(345)	Net Cash flows from Operating Activities	(9,326)
	Interest	
12	Interest Paid	4
(1,644)	Interest Received	(1,833)
(1,632)		(1,829)
	Investing Activities	
3,878	Purchase of property, plant and equipment, investment property and intangible assets	1,996
254,578	Purchase of short-term and long-term investments	396,073
99	Other payments for investing activities	596
(506)	Proceeds from the sale of property, plant and equipment, non-current assets held for sale, investment property and intangible assets	(671)
(245,550)	Proceeds from short-term and long-term investments	(386,075)
(9,963)	Capital Grants	(5,349)
(1,062)	Other receipts from investing activities	(983)
1,474	Net Cash flows from Investing Activities	5,584
	Financing Activities	
(670)	Other receipts from financing activities	(13,701)
(284)	Other payments from financing activities	14,142
(954)	Net Cash flows from Financing Activities	441
(1,457)	Net (increase) / decrease in cash and cash equivalents	(5,130)
	Cash and cash equivalents (Note 17)	
4,863	○ at the beginning of the reporting period	6,320
6,320	○ at the end of the reporting period	11,450
(1,457)	Movement in Cash (increase)/decrease	(5,130)

Notes to the Accounts

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2020-21 financial year and its position at the year-end of 31 March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21 supported by International Financial Reporting Standards (IFRS).

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

1.2 Going Concern

The requirements set out in the Accounting Code of Practice in respect of going concern reflect the economic and statutory environment in which the Council operates. These provisions confirm the Council has no ability to cease being a going concern as described by IAS 1 Presentation of Financial Statements (i.e. management deciding to liquidate the entity or cease trading).

The Council cannot be created or dissolved without statutory prescription, it is not therefore be appropriate for these financial statements to be prepared on anything other than a going concern basis. This is confirmed by paragraph 3.4.2.23 of the Code therefore confirms as a matter of fact that local authority accounts must be prepared on a going concern basis.

The Council's section 151 has a duty each year to provide a statement on the robustness of the Council's budget and adequacy of reserves. This statement can be found in the Council's published budget papers associated with the meeting of the Cabinet on 1 March 2022. This meeting also considered the Council's Treasury position and projections within the Council's Treasury Management strategy for 2022-23. Both these documents are underpinned by the Council's updated financial strategy which was considered by the Cabinet on 2 November 2021.

Conclusion: The Council has sufficient cash to ensure its liquidity and has set a balanced budget for 2022-23 whilst maintaining adequate reserve cover in line with its medium financial plan and wider financial principles. Given these facts, the Authority's Chief Financial Officer has confirmed he is satisfied, pursuant to section 25 of the Local Government Act 2003, as to the robustness of the estimates and the adequacy of the General Fund balances and reserves. These accounts have therefore been prepared on a going concern basis; assessed up to 30 June 2023.

1.3 Recognition of Income and Expenditure

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

- Exchange Transactions, in which the Council directly receives consideration of approximately equal value for the provision of assets or services, or has liabilities extinguished in return for these goods or services; and,
- Non-exchange Transactions where the Council receives value from another entity without directly giving approximately equal value in exchange; or where the Council gives value to another entity without receiving approximately equal value in exchange.

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

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

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

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

Revenue from the sale of goods not covered by the above principles is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

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

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

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

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

1.4 Discontinued Operations

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

1.5 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value and held by the Council for the purpose of meeting its short-term cash requirements.

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

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

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

1.7 Accounting for Taxation

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

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

1.8 Employee Benefits

i. Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

ii. Termination Benefits

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

iii. Post-employment Benefits

Employees of the Council are members of the Local Government Pensions Scheme, administered by West Sussex County Council. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council. Scheme Liabilities are discounted to their value at current prices, using a discount rate of 2.0%. The discount rate used to value scheme liabilities is either:

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

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

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

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

1.9 Events after the 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.

1.10 Financial Instruments and Investments

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

The Council held no material derivative financial instruments at 31 March 2021.

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

Financial Assets A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or another financial asset or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council.

Offsetting Financial Assets and Liabilities

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

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

There are two classes of financial assets measured at:

- amortised cost; and,
- fair value through profit or loss (FVPL).

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

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

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

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

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

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

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

Fair Values

Fair values are shown in note 15, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities
 - For the Council's investments in externally managed pooled funds, fund values published by the fund manager have been used as these represent the prices in

the principal market within which the Council would normally enter into a transaction to sell the asset. Following the cessation of the dealing suspension in the CCLA local authority property fund in September 2020, the Council now considers the fair value used for these assets at 31 March 2021 to be Level 1 (19-20 Level 2).

- For the Stable or Low Volatility Net Asset Value money market funds, the valuation used assumes that, for each £1 for every of principal invested, the fund will return £1 of principal on withdrawal by the Council, plus interest.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments.
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2021, using the following methods and assumptions:

- The fair values of other long-term loans and investments have been discounted where required at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- The fair values of finance lease assets and liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate corporate bond yield, except where it is judged that this is not appropriate.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

The Council has not to date designated any Financial Assets as fair value through other comprehensive income.

1.11 Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

1.12 Investment Property

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

1.13 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Property plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the inception of the lease (or the present value of future lease rentals of the minimum lease rentals, if lower).

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

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal and replaced by a long-term debtor in the Balance Sheet valued on the future income due under the finance lease. Where the Council grants an operating lease over an asset, this is retained on the Balance Sheet. Rental income is recognised in the Comprehensive Income and Expenditure statement on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a premium paid at the commencement of the lease).

1.14 Property, Plant and Equipment

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

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

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

Assets are initially measured at cost, comprising:

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

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair (or current) value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

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

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

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

Depreciation is calculated on the following bases:

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

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

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Depreciation is not charged on Assets Held for Sale.

1.15 Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

1.16 Section 106 Developer Contributions

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

1.17 VAT

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

2. Impact of accounting standards adopted in 2020-21

There are no new or amended accounting standards introduced during 2020-21 that have a material impact on the Council's financial statements.

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

There are no accounting standard changes disclosed in Appendix C to the 2021-22 Accounting Code of practice (being the relevant year of account) that would have a material impact on the entries recorded in these financial statements.

4. Critical judgements in applying accounting policies

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

- There is high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- As the accounting treatment and disclosures for operating and finance leases are significantly different, the Council has made judgements on whether its lease arrangements for land and buildings are operating leases or finance leases under the criteria of IAS17. These judgements are made in accordance with the Council's accounting policy on leases, and are based on a series of tests designed to assess whether the risks and rewards of ownership have been transferred from the lessor to the lessee.
- The government has provided a range of financial support packages throughout the COVID-19 pandemic. These include additional funding to support the cost of services or offset other income losses and also grant packages to be paid out to support local businesses.

The Code requires that the accounting treatment for transactions within these financial statements has regard to the general principle of whether the authority is acting as the principal or agent, in line with IFRS 15 Revenue from Contracts with Customers. In determining the status of each grant, we made the following judgements:

- Does the Council control the amount of the award to a third party?
- Does the authority determine the criteria for entitlement?
- Is there a reconciliation process that ensures the authority is funded in full for the grants paid out?
- Is the authority responsible for any overpayments?
- Analysis of the Government grant support where we judged the Council was acting as the Government's agent is contained in Note 21.

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

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

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

Business Rates

A provision has been recognised for the best estimate of the amount that businesses have been overcharged for Business Rates up to 31 March 2021. The estimate has been calculated using the Valuation Office ratings list of appeals and the analysis of successful appeals to date and those that might occur over the life of the rating list, when providing the estimate of total provision up to and including 31 March 2021. The Council's share of the balance of business rates appeals provisions held at this date amounted to £2.8m (2019-20, £1.3m), the increase reflects both changes in the share attributable to the Council following the cessation of the Council's participation in the West Sussex business rate pilot scheme and a reassessment of likely liabilities over the life of the ratings list.

Pensions Liability

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

The Council recognised the liability for the McCloud/Sargeant judgements in its accounts for 2018-19. The Government's consultation on a response ended on 8 October 2020 and the outcome of this exercise is still awaited at the date of authorisation for issue of these accounts. This means that the remedy relating to the Local Government Pension Scheme has yet to be decided and as such any potential obligation cannot be measured with sufficient reliability. It is also not yet known if local authorities will be required to carry the financial burden for the remedy.

Impairment loss allowance

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

Asset Valuations and Impairments

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

The valuations disclosed in Note 11 and Note 12 were prepared during the period up to 31st March 2021, valuing the portfolio as at 28th February 2021 or earlier.

The valuation of Assets recognises that the Covid-19 pandemic and the measures taken to tackle it continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, the valuations are not reported as being subject to 'material valuation uncertainty' as they were last year. It is recognised however that there is potential for market conditions to move rapidly in response to changes in the control or future spread of Covid-19, reflecting the importance of the disclosed valuation date to any reader of these accounts.

For financial assets other than for level 1 valuations, the Council has chosen a valuation technique that it judges is reasonable and is likely to produce a materially accurate estimation of the actual fair value of the asset. Information about the valuation techniques adopted is described above (1.9)

6. Expenditure and Funding Analysis

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

2019-20			2020-21		
Net Expenditure Chargeable to the General Fund	Adjustments between funding and accounting basis	Net expenditure in the Comprehensive Income and Expenditure statement	Net Expenditure Chargeable to the General Fund	Adjustments between funding and accounting basis	Net expenditure in the Comprehensive Income and Expenditure statement
£000	£000	£000	£000	£000	£000
966	241	1,207	913	42	955
1,066	858	1,924	811	670	1,481
1,545	277	1,822	2,447	1,648	4,095
(4,238)	841	(3,397)	(1,265)	1,137	(128)
1,136	714	1,850	1,444	408	1,852
4,753	1,869	6,622	5,648	1,477	7,125
5,877	1,597	7,474	5,364	731	6,095
11,105	6,397	17,502	15,362	6,113	21,475
(14,877)	(238)	(15,115)	(31,312)	2,090	(29,222)
(3,772)	6,159	2,387	(15,950)	8,203	(7,747)
(44,266)			(48,038)		
(3,772)			(15,950)		
(48,038)			(63,988)		
		Net Cost of Services			
		Other Income and Expenditure			
		(Surplus) or Deficit			
		Opening General Fund Balance			
		Less/ Plus Surplus or (Deficit) on General Fund in year			
		Closing General Fund balance at 31 March			

6a. Note to the Expenditure and Funding Analysis

The following table provides further information in relation to the statutory adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts. More information about that effect of these entries on the Council's reserves in respect of these items is shown in note 20.

2019-20

Statutory adjustments for:

Capital £000	Pensions £000	Other £000	Total £000	
10	231	0	241	Leader
426	432	0	858	Planning Services
(4)	281	0	277	Community Services and Culture
596	245	0	841	Growth, Place and Regeneration
410	304	0	714	Housing, Communications, Licensing and Events
867	1,002	0	1,869	Environment Services and Chichester Contract Services
741	856	0	1,597	Finance, Corporate Services and Revenue and Benefits
3,046	3,351	0	6,397	Net Cost of Services
(4,698)	198	4,262	(238)	Other Income and Expenditure
(1,652)	3,549	4,262	6,159	Difference between the General Fund Surplus/ Deficit and surplus or deficit on the Provision of Services

2020-21

Statutory adjustments for:

Capital £000	Pensions £000	Other £000	Total £000
3	39	0	42
417	253	0	670
1,488	160	0	1,648
997	140	0	1,137
198	210	0	408
906	571	0	1,477
238	493	0	731
4,247	1,866	0	6,113
(6,744)	(458)	9,292	2,090
(2,497)	1,408	9,292	8,203

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

Other operating expenditure this adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets,

Financing and investment income and expenditure, the statutory charges for capital financing (i.e. Minimum Revenue Provision and other revenue contributions) are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices, and,

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

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

Services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs,

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

Other adjustments – represents other differences between amounts debited/ credited to the Comprehensive Income and Expenditure Statement and amounts payable/ receivable to be recognised under statute, for

Services this represents the movement in the year of the amount accrued for short term accumulating employee absences,

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

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

6b Segmental Income Cost of Services

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

	2019-20	2020-21
	£000	£000
Leader	0	0
Planning Services	(2,174)	(2,288)
Community Services and Culture	(739)	(61)
Growth, Place and Regeneration	(8,216)	(4,559)
Housing, Communications, Licensing and Events	(1,367)	(1,350)
Environment Services and Chichester Contract Services	(3,850)	(3,426)
Finance, Corporate Services and Revenue and Benefits	(1,197)	(272)
Total Income analysed on a segmental basis	(17,543)	(11,956)

7. Expenditure and Income Analysed by Nature

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

	2019-20	2020-21
	£000	£000
Expenditure		
Employee benefits expenses	23,000	21,683
Other service expenses	44,673	46,693
Depreciation, amortisation and impairment	1,881	3,080
Interest payments	258	21
Precepts and Levies	3,174	3,438
Changes in the fair value of investments (losses)	3,906	0
Total Expenditure	76,892	74,915
Income		
Fees, charges and other service income	(18,604)	(12,940)
Gain on the disposal of assets	(239)	(923)
Changes in the fair value of investments (gains)	0	(2,880)
Gain on the sale of investments	(11)	0
Interest and Investment income	(1,815)	(2,020)
Income from taxation	(13,837)	(1,284)
Government grants and contributions	(32,492)	(54,902)
Other grants and contributions	(7,507)	(7,713)
Total Income	(74,505)	(82,662)
Surplus or Deficit on the Provision of Services	2,387	(7,747)

8. Events after the Reporting Period

The Statement of Accounts was authorised for issue by John Ward, the Director of Corporate Services for the Council, on 18 May 2022.

Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The Statement of Accounts were considered by the Corporate Governance and Audit Committee on 6 June 2022.

9. Transfers to/from Earmarked Reserves

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

	Balance at			Balance at			Balance at
	1 April	Out	In	31 March	Out	In	31 March
	2019	2019-20	2019-20	2020	2020-21	2020-21	2021
	£000	£000	£000	£000	£000	£000	£000
General Fund Reserves							
Housing Reserve	(780)	188	0	(592)	469	0	(123)
Restructuring Reserve	(211)	101	0	(110)	96	0	(14)
Asset Reserve	(7,237)	1,021	(1,421)	(7,637)	539	(1,486)	(8,584)
Capital Projects Reserve	(406)	1,104	(1,600)	(902)	918	(501)	(485)
Grants and Contribution Reserve	(998)	116	(174)	(1,056)	935	(1,123)	(1,244)
New Homes Bonus Scheme Reserve	(13,241)	250	(2,178)	(15,169)	1,019	(1,585)	(15,735)
Investment Opportunities Reserve	(861)	0	(383)	(1,244)	0	0	(1,244)
Community Led Housing Grant Reserve	(1,304)	125	0	(1,179)	98	0	(1,081)
Investment Risk Reserve	(565)	0	0	(565)	0	(451)	(1,016)
Other Usable Reserves (Less than £500,000 in value)	(3,188)	1,371	(2,081)	(3,898)	1,887	(2,955)	(4,966)
Sub-Total	(28,791)	4,276	(7,837)	(32,352)	5,961	(8,101)	(34,492)
Retained Business Rates Equalisation Reserve *	(156)	156	(432)	(432)	432	(12,977)	(12,977)
Total	(28,947)	4,432	(8,269)	(32,784)	6,393	(21,078)	(47,469)

* The Retained Business Rates Equalisation Reserve is a reserve set up to account for the timing differences relating to the accounting transactions required under the Business Rates Retention Scheme. The surplus in this reserve mainly represents grant funding received by the council to compensate for the loss of Business Rates income mainly as a result of the extended rate relief given to the retail, hospitality and leisure businesses, and nursery providers to support them through the pandemic.

Under the current rules that govern Collection Fund accounting, this means that the related Collection Fund deficit as a result of the loss of Business Rates income in the year as disclosed in the Collection Fund Account on page 67, will not be charged to the council's General Fund until 2021-22. As a result, the balance on the Business Rates Equalisation Reserve will be drawn down to offset the Collection Fund deficit in 2021-22 and beyond. This reserve does not represent additional spending power taken forward into 2021-22.

10. Adjustments between accounting basis and funding basis under regulations

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

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Adjustments between Accounting Basis and Funding basis

2019-20			2020-21		
General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
Adjustments to Revenue Resources					
			Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:		
(3,549)	-	-	(1,408)	-	-
11	-	-	5	-	-
(367)	-	-	(12,176)	-	-
0	-	-	0	-	-
(930)	-	(3,011)	(839)	-	(3,064)
(3,906)	-	-	2,880	-	-
(8,741)	-	(3,011)	(11,538)	0	(6,229)
Adjustments between Revenue and Capital Resources					
244	(244)	-	926	(926)	-
-	-	-	-	-	-
6	-	-	9	-	-
2,332	-	-	2,400	-	-
2,582	(244)	0	3,335	(926)	0
Adjustments to Capital Resources					
-	27	-	-	-	-
-	-	2,166	-	-	-
-	(24)	-	-	40	-
-	(35)	-	-	(7)	-
-	(32)	2,166	0	33	0
(6,159)	(276)	(845)	(8,203)	(893)	(3,064)

11. Property, Plant and Equipment

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Property, Plant & Equipment Under Construction	Total Property, Plant and Equipment
Movements in cost or values	£000	£000	£000	£000	£000	£000	£000
1 April 2019	116,742	13,070	4,500	28	3,168	0	137,508
Additions	2,870	653	0	0	0	235	3,758
Revaluations increases / (decreases) recognised in the Revaluation Reserve	(936)	0	0	0	2,460	0	1,524
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	626	0	0	0	450	0	1,076
Derecognition – disposals	0	(22)	0	0	0	0	(22)
Other reclassifications – transfers	(217)	217	0	0	0	0	0
31 March 2020	119,085	13,918	4,500	28	6,078	235	143,844
Additions	524	455	0	0	0	573	1,552
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(1,426)	0	0	0	(82)	0	(1,508)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(303)	0	0	0	0	0	(303)
Derecognition – disposals	0	(23)	0	0	0	0	(23)
Other reclassifications – transfers	0	0	0	0	0	0	0
31 March 2021	117,880	14,350	4,500	28	5,996	808	143,562
Movements in depreciation and impairment							
1 April 2019	(1,955)	(7,215)	(3,102)	0	(25)	0	(12,297)
Depreciation charge	(1,833)	(1,138)	(246)	0	(5)	0	(3,222)
Depreciation written out to the Revaluation Reserve	1,318	0	0	0	0	0	1,318
Depreciation written out to the Surplus/Deficit on the Provision of Services	385	0	0	0	0	0	385
Derecognition – disposals	0	17	0	0	0	0	17
Reclassifications – transfers	0	0	0	0	0	0	0
At 31 March 2020	(2,085)	(8,336)	(3,348)	0	(30)	0	(13,799)
Depreciation charge	(1,454)	(1,116)	(235)	0	(5)	0	(2,810)
Depreciation written out to the Revaluation Reserve	897	0	0	0	35	0	932
Depreciation written out to the Surplus/Deficit on the Provision of Services	148	0	0	0	0	0	148
Derecognition – disposals	0	19	0	0	0	0	19
Reclassifications – transfers	0	0	0	0	0	0	0
At 31 March 2021	(2,494)	(9,433)	(3,583)	0	0	0	(15,510)
Net Book Value							
At 31 March 2020	117,000	5,582	1,152	28	6,048	235	130,045
At 31 March 2021	115,386	4,917	917	28	5,996	808	128,052

Depreciation

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

Capital Commitments

At 31 March 2021 the council had entered into the following material capital commitments:

- Redevelopment of St James's Industrial Estate, Chichester (£6.9m),
- Redevelopment of Westward House Chichester for temporary accommodation (£2.5m).

Revaluations and asset lives

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

	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total
Remaining Useful Life (Years)	Up to 65	Up to 45	Up to 45	Up to 988	-	-	
	£000	£000	£000	£000	£000	£000	£000
Carried at historic cost	0	4,917	917	28	0	808	6,670
Valued at fair value as at:							
2020-21	79,282	0	0	0	18	0	79,300
2019-20	12,678	0	0	0	5,140	0	17,818
2018-19	12,654	0	0	0	838	0	13,492
2017-18	4,451	0	0	0	0	0	4,451
2016-17	6,321	0	0	0	0	0	6,321
Total	115,386	4,917	917	28	5,996	808	128,052

12. Investment Properties

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

	2019-20 £000	2020-21 £000
Balance at start of the year	15,033	13,623
Additions:		
• Purchases	0	0
• Subsequent expenditure	0	0
• Transfer from PPE	0	0
Net gain/(losses) from fair value adjustments	(1,410)	45
Balance at end of the year	13,623	13,668

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

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

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

Highest & Best Use

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

Valuers

The investment property portfolio has been valued at 31 March 2021 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors. The Fair Value is assessed as Level 2 and based on observable inputs including quoted prices paid for similar assets in an active market, analysis of existing rentals and lease periods, research into broader market rentals and yields and the covenant strength for existing tenant.

13. Intangible Assets

The carrying amount of intangible assets is £312k and is amortised on a straight-line basis. Intangible assets totalling £68k were purchased in 2020-21, amortisation of £115k was charged to revenue in 2020-21.

14. Heritage Assets

The carrying value of Heritage assets is £6.864m. The value of the assets held was increased by £74k during the year. There were no additions or disposals during 2020-21.

15. Financial Instruments

Financial Assets	Non-current		Current	
	31 March	31 March	31 March	31 March
	2020	2021	2020	2021
	£000	£000	£000	£000
Investments				
Amortised cost	0	0	35,123	45,017
Fair value through profit and loss	29,751	32,631	0	0
Total Investments	29,751	32,631	35,123	45,017
Cash and cash equivalents:				
Amortised cost			270	1,950
Fair value through profit and loss			6,050	9,500
Total Cash and cash Equivalents			6,320	11,450
Debtors – at amortised cost				
Trade receivables	0	0	2,294	2,667
Contract receivables	393	435	14	4
Lease receivables	703	712	0	53
Included in Debtors	1,096	1,147	2,308	2,724
Total Financial Assets	30,847	33,778	43,751	59,191
Financial Liabilities				
	31 March	31 March	31 March	31 March
	2020	2021	2020	2021
	£000	£000	£000	£000
Finance Leases	0	66	6	13
Creditors at amortised cost	0	0	3,113	2,848
Total Financial Liabilities	0	66	3,119	2,861

Income, Expense, Gains and Losses

The Council recognised income of £1,447k (2019-20 £1,510k) relating to interest and dividend distributions during the year. The major components of this figure were interest income of £112k from loans and receivables valued at amortised cost (£425k 2019-20) and dividend and distribution income of £1,335k (£1,074k 2019-20) from assets valued at fair value through the Profit and loss account. Against these figures, the Council was charged a fee of £68k (2019-20 £68k) by CCLA, the fund manager for the Local Authority Property Fund.

An additional charge of £99k was made to the Council's revenue account in 2020-21 to reflect the increased risk of impaired receivable asset values as at 31 March 2021. Interest payable by the Council was £19k (2019-20 £13k).

The Council incurred a net gain on revaluation at year end of £2,948k (£3,906k loss 2019-20) in respect of its financial assets valued at Fair Value. This change in fair value was eliminated from the Council's general fund reserve in accordance with statutory guidance. A breakdown of these assets is shown in the note below.

Financial Assets

		Balance Sheet 31 March 2020 £000	Fair value 31 March 2020 £000	Balance Sheet 31 March 2021 £000	Fair value 31 March 2021 £000
	Level				
Financial assets held at Fair Value					
• Money market funds	1	6,050	6,050	9,500	9,500
• Pooled investment funds	1	20,236	20,236	32,631	32,631
• Pooled investment funds	2	9,515	9,515		
Financial assets held at amortised cost					
• Lease receivables	3	700	2,115	712	2,475
Total		36,501	37,916	42,843	44,606
Assets for which a fair value is not disclosed		38,094		50,074	
Total financial assets		74,595		92,917	
Recorded on the Balance sheet as:					
Long-term debtors		1,093		1,147	
Long-term investments		29,751		32,631	
Short-term debtors		2,308		2,671	
Short-term investments		35,123		45,017	
Cash and cash equivalents		6,320		11,451	
Total financial assets		74,595		92,917	

Credit Risk

Overall the Council manages credit risk by ensuring adequate diversification across a range of counterparties with a set minimum credit rating. A counterparty limit exists covering Countries, Sectors and Company Groups that limit the Council's overall exposure to any single default or credit event. For 2021-22 this is £5m per counterparty except for investments with the CCLA Local Authority Property Fund (£10m) and with the UK Government (unlimited).

The Council's maximum exposure to credit risk at the balance sheet date in relation to its investments with banks and other institutions is shown below. Recent experience has shown it is very rare for these entities to be unable to meet their commitments and based on the investments as 31 March 2021 no material credit loss is expected.

Credit Rating	31 March 2020 £000	31 March 2021 £000
AA-	5,000	5,000
A+	6,000	-
Local Authorities	24,000	40,000
Unrated pooled funds	34,000	34,000
Total Investments	69,000	79,000
Cash and cash equivalents	6,320	11,451
TOTAL	75,320	90,451

Liquidity Risk

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

Market Risk

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

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

	31 March 2020	31 March 2021
Interest rate risk (effect of 1% increase in interest rates)	£000	£000
Decrease in the fair value of assets held at fair value	416	(511)
Decrease in the fair value of loans and receivables	-	-
Decrease in the fair value of lease receivables	465	(507)

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

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

Fund	Fair value £000	1% rise in interest rates Impact £000	5% equity price fall Impact £000	5% property price fall Impact £000
CCLA Property Fund	9,450	-	-	(461)
Pooled Funds	23,181	(498)	(352)	(34)
Money Market Funds	9,500	(13)	-	-

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

Financial Liabilities

	Balance Sheet 31 March 2020 Level	Fair value 31 March 2020 £000	Balance Sheet 31 March 2021 £000	Fair value 31 March 2021 £000
Financial liabilities held at amortised cost				
• Lease payables	2	6	6	79
Liabilities for which a fair value is not disclosed		3,175		2,848
Total financial liabilities		3,181		2,927
Recorded on the Balance sheet as:				
Short-term creditors		3,175		2,848
Credit Arrangements – Finance Lease		6		79
		3,181		2,927

The value shown for debtors and creditors are different to the figures reported under notes 16 and 18 due to the exclusion of amounts not considered to be financial instruments.

16. Short Term Debtors

31 March 2020				31 March 2021		
Gross value £000	Provision £000	Carrying Value £000		Gross value £000	Provision £000	Carrying Value £000
241	-	241	Central Government Bodies	270	-	270
923	(506)	417	Council Tax	2,817	(517)	2,300
372	(188)	184	Business Rates	14,887	(351)	14,536
252	(4)	248	Other local authorities and public bodies	4	-	4
534	(299)	235	Housing Rents	547	(328)	219
8,825	(2,099)	6,726	Other Sundry Debtors	11,587	(1,847)	9,740
11,146	(3,096)	8,051	Total short term debtors	30,112	(3,043)	27,069
		218	Payments in advance			56
		8,269	Total net Debtors & Payments in advance			27,125

The debtor for business rates comprises the following shares of the Business rate collection fund deficit as at 31 March 2021

Debtor	Fair value £000
Central Government	11,332
West Sussex County Council	2,809
Local Businesses	395

Other sundry debtors comprise the following:

Debtor	Fair value £000
Community Infrastructure Levy	4,247
Scheduled	2,766
Housing Benefits	1,168
Trade and sundry	965
Capital	439
Other	155

Credit Risk: Debtors

The Council's approach to impairment of receivables is disclosed in note 1.10, above. The Council's credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

In calculating expected credit losses, the Council makes an assessment for specific instruments or class of instruments, or applies a loss matrix approach to calculating the expected credit loss where appropriate. The loss factors used in 2020-21 for this loss matrix approach are as follows:

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

Loss allowances calculated using these factors are then multiplied by a factor to reflect the current and forecast economic conditions and overall collection performance. For 2020-21 this factor was 2.00 (2019-20 = 2.00).

17. Cash and cash equivalents

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

	31 March 2020 £000	31 March 2021 £000
Cash held by the Authority	2	2
Bank current accounts	268	1,948
Cash Equivalents	6,050	9,500
	6,320	11,450

18. Short Term Creditors (less than 12 months)

	31 March 2020 £000	31 March 2021 £000
Council Tax	320	375
Business Rates	190	579
Other local authorities and public bodies	3,409	326

	31 March 2020 £000	31 March 2021 £000
Sundry Creditors	2,022	3,041
Central Government Bodies	1,801	30,152
s.106 Creditors	290	130
Housing Rents	1,047	226
Total	9,079	34,829
Receipts in advance	3,096	630
Total short term creditors and receipts in advance	12,175	35,459

19. Provisions

The disclosed amount of £2,833k (£1,271k 2019-20) represents an amount set aside as the best estimate of the amount that businesses have been overcharged business rates up to 31 March 2021. Further details can be found at note 3 to the Collection Fund.

20. Unusable Reserves

Revaluation Reserve

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

2019-20 £000		2020-21 £000
(57,117)	Balance at 1 April	(59,273)
(8,481)	Upward revaluation of assets	(3,198)
5,639	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	3,699
(2,842)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	501
686	Difference between fair value depreciation and historical cost depreciation	538
0	Accumulated gains on assets sold or scrapped	0
686	Amount written off to the Capital Adjustment Account	538
(59,273)	Balance at 31 March	(58,234)

Pooled Investment Funds Adjustment Reserve

The Pooled investment funds adjustment reserve (£1,369k) comprises the balance brought forward of (£4,249k loss) and a net unrealised gain in the year on pooled investment funds of £2,880k.

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.

2019-20 £000		2020-21 £000
(92,405)	Balance at 1 April	(93,656)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
3,221	• Charges for depreciation and impairment of non-current assets	2,810
(1,461)	• Revaluation losses on Property, Plant and Equipment	155
121	• Amortisation of intangible assets	115
3,046	• Revenue expenditure funded from capital under statute	2,882
29	• 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	(37)
4,956		5,925
(686)	Adjusting amounts written out of the Revaluation Reserve	(538)
4,270	Net written out amount of the cost of non-current assets consumed in the year	5,387
	Capital financing applied in the year:	
(27)	• Use of the Capital Receipts Reserve to finance new capital expenditure	0
(6)	• Statutory provision for the financing of capital investment charged against the General Fund	(10)
(4,566)	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,018)
(2,332)	• Capital expenditure charged against the General Fund	(2,400)
(6,931)		(4,428)
1,410	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(45)
0	Movements in the value of assets held for sale debited or credited to the Comprehensive Income and Expenditure Statement	0
(93,656)	Balance at 31 March	(92,742)

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.

2019-20		2020-21
£000		£000
6,559	Balance at 1 April	(20,876)
(30,984)	Remeasurements of the net defined benefit liability/(asset)	(918)
6,744	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	4,376
(3,195)	Employer's pensions contributions and direct payments to pensioners payable in the year	(2,968)
(20,876)	Balance at 31 March	(20,386)

Deferred Capital Receipts Reserve

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

Collection Fund Adjustment Account

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

The balance this year represents grant funding from the Government carried forward to offset against the Council's share of the 2020-21 Council Tax and Business Rate collection fund deficits disclosed on page 68.

Under current collection fund accounting rules, this deficit will not be discharged against the Council's General Fund until 2021-22. This balance does not represent additional spending power taken forward into 2021-22.

21. Agency Services

Following the approach set out in note 4, the following grants received during 2020-21 from Government have been excluded from the Council's revenue transactions where the Council is acting as the Government's agent.

	2020-21
	£000
Total receipts in year from the Government	58,482
Total payments made to businesses, taxpayers and other local organisations	(48,149)
Remaining balance forming part of short-term creditors and debtors	10,333

There were no equivalent transactions in 2019-20.

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

	2019-20 £000	2020-21 £000
Expenditure incurred in providing a Planning Service to SDNPA	938	1,118
Management fee payable by SDNPA	(904)	(912)
Net (Surplus)/Deficit arising on the agency arrangement	34	206

22. Members' Allowances

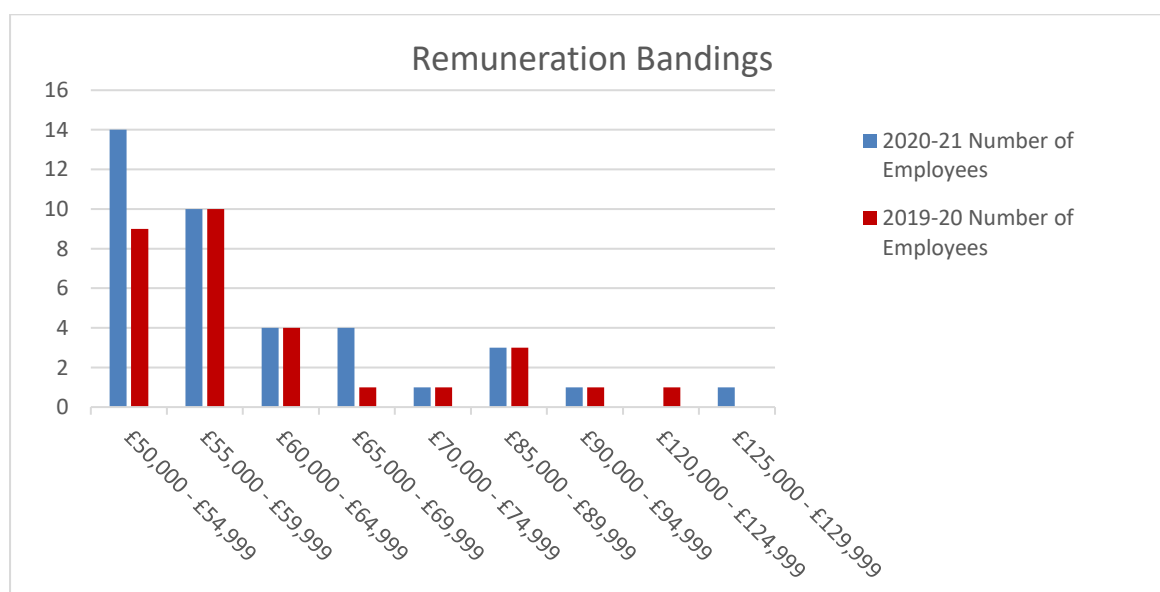
The Council paid £273k (2019-20, £268k) to members of the Council during the year. A detailed list of the allowances paid to each member can be found on the Council website.

23. Officers' Remuneration

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

Post Title	Salary, Fees and Allowances £		Pension Contribution £		Total £	
	19-20	20-21	19-20	20-21	19-20	20-21
Chief Executive	122,518	126,118	26,033	25,560	148,551	151,678
Exec Director & Deputy Chief Executive	73,765	0	15,653	0	89,418	0
Service Director - Corporate Services / S151 Officer	90,993	93,736	19,288	18,954	110,281	112,690
Service Director - Growth & Place	85,605	88,240	18,143	17,833	103,748	106,073
Service Director - Housing & Communities Services	85,605	88,240	18,143	17,833	103,748	106,073
Service Director - Planning & the Environment	85,530	88,163	18,127	17,817	103,657	105,980
Service Director - Residents' Services	12,960	0	2,744	0	15,704	0
	556,976	484,497	118,131	97,996	675,107	582,493

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



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

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21
	£	£	£	£	£	£	£	£
£0 - £20,000	0	1	1	0	1	1	10,031	5,969
£20,001 - £40,000	0	0	1	1	1	1	21,880	32,287
£40,001 - £60,000	0	0	0	1	0	1	0	57,560
£60,001 - £80,000	0	0	1	0	1	0	68,852	0
£120,001 - £140,000	0	0	0	0	0	0	0	0
£180,001 - £200,000	0	0	0	0	0	0	0	0
Total	0	1	3	2	3	3	100,763	95,815

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

24. External Audit Costs

		2019-20	2020-21
		£000	£000
Fees payable to Ernst & Young LLP with regard to external audit services carried out by the appointed auditor for the year	- Planned	38	38
	- Prior Year Additional	-	21
Fees payable to Ernst & Young LLP for the certification of grant claims and returns for the year	- Planned	11	12
	- Prior year Additional	-	27
Total		49	98

25. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020-21.

	2019-20	2020-21
	£000	£000
<u>Credited to Taxation and Non Specific Grant Income and Expenditure</u>		
Capital grants and contributions	3,530	3,366
New Homes Bonus Scheme	2,178	1,585
Business Rates Retention Scheme Grants	1,353	14,459
Sales, Fees and Charges Compensation Scheme	-	2,707
COVID-19 Local Authority Emergency funding	-	1,672
Other Government Grants	99	833
Total	7,160	24,622

	2019-20 £000	2020-21 £000
<u>Credited to Services</u>		
Benefits Subsidy	27,601	26,791
Disabled Facilities Grant	1,561	1,706
COVID-19 Business Support Grants	-	4,707
Other Grants & Contributions	3,677	3,918
Total	32,839	37,122

26. Related Parties

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

Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council tax bills, housing benefits). Grants received from government departments are set out in note 25.

Members and Officers

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

27. Capital Expenditure and Capital Financing

Capital expenditure incurred in the year amounted to £4.502m of which £1.552m was spent on operational non-current assets (Note 11), £0.068m on Intangible Assets (Note 13) and £2.882m was revenue expenditure funded from capital under statutory provision. The expenditure total is shown in the table below together with the resources that have been used to finance it.

Where capital expenditure is financed by a credit arrangement (e.g. borrowing), the expenditure results in an increase in the Capital Financing Requirement (CFR) being the value of unfinanced capital expenditure incurred historically. The CFR is ultimately financed from annual amounts set aside from revenue in accordance with the Council's policy for Minimum Revenue Provisions (MRP). The CFR is analysed as follows:

	2019-20 £000	2020-21 £000
Opening Capital Financing Requirement	(1,428)	(1,434)
Capital investment in year	6,925	4,502
Financed by:		
Capital Receipts	(27)	0
Government grants and other contributions	(4,566)	(2,018)
Sums set aside from revenue	(2,332)	(2,400)
Minimum Revenue Provision	(6)	(10)
Closing Capital Financing Requirement	(1,434)	(1,360)

28. Leases

Council as Lessor

Finance Leases

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

	31 March 2020 £000	31 March 2021 £000
Finance lease debtor		
• Current	41	53
• Non-current	644	642
Unearned finance income	22,271	22,197
Unguaranteed residual value of property	17	17
Gross investment in the lease	22,973	22,909

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 2020 £000	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000
Not later than one year	143	156	126	139
Later than one year and not later than five years	503	556	503	556
Later than five years	22,327	22,198	22,327	22,198
	22,973	22,910	22,956	22,893

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

Operating Leases

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

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

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

	31 March 2020 (Original)	31 March 2020 (Restated)	31-Mar-21
	£000	£000	£000
Not later than one year	3,272	3,104	2,900
Later than one year and not later than five years	11,384	10,548	9,669
Later than five years	99,863	97,900	96,280
	114,519	111,552	108,848

The 31st March 2020 figure has been restated due to error in the date used in the calculation of the future minimum lease payments.

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

Council as Lessee

Finance Leases

The Council has acquired 32 Multi-functional devices under a finance lease. These are carried as Property, Plant and Equipment in the balance sheet. The value of the obligation to make payments under this lease is disclosed in note 15.

Operating Leases

The Council access a number of pieces of land that are classified as operating leases. The minimum lease payments payable at the balance sheet date are £376k (2019-20 £406k) with 60% of this sum due later than five years from the balance sheet date.

29. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council operates a defined benefit pension scheme that is administered by West Sussex

County Council. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The West Sussex County Council pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Panel of West Sussex County Council. Policy is determined in accordance with the Pension Fund Regulations.

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

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

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

Discretionary Post-retirement Benefits

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

Transactions Relating to Post-employment Benefits

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

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

	2019-20	2020-21
	£000	£000
<u>Comprehensive Income and Expenditure Statement</u>		
Cost of Services:		
Service cost comprising:		
• current service cost	6,423	4,831
• past service cost	123	3
• (gain)/loss from settlements	0	0
Financing and Investment Income and Expenditure:		
Net interest expense	198	(458)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services (reversed in the Movement in reserves statement)	6,744	4,376

	2019-20 £000	2020-21 £000
Remeasurement of the net defined benefit liability comprising:		
• Return on plan assets (excluding the amount included in the net interest expense)	9,454	(43,647)
• Actuarial (gains) and losses arising on changes in demographic assumptions	(9,205)	414
• Actuarial (gains) and losses arising on changes in financial assumptions	(16,907)	44,067
• Other experience (gains) or losses	(14,326)	(1,752)
Total Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement	(30,984)	(918)

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

Employer's contributions payable to scheme	3,195	2,968
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The amount included in the Balance sheet arising from the authority's obligation in respect of its defined benefit plan is as follows:

Movements in the Fair Value of Scheme Assets

	Local Government Pension Scheme	
	2019-20 £000	2020-21 £000
Scheme Assets		
Opening fair value of scheme assets	186,512	180,769
Interest income	4,476	4,144
Remeasurement gain/(loss):		
• the return on plan assets, excluding the amount included in the net interest expense	(9,454)	43,647
Contributions from employer	3,195	2,968
Contributions from employees into the scheme	923	949
Benefits paid	(4,883)	(4,852)
Other	0	
Fair value of plan assets	180,769	227,625
Less: Scheme Liabilities		
Opening balance of scheme liabilities at 1 April	193,071	159,893
Current Service Cost	6,423	4,831
Interest Cost	4,674	3,686
Contributions from scheme participants	923	949
• Actuarial (gains)/losses arising from changes in demographic assumptions	(9,205)	414
• Actuarial (gains)/losses arising from changes in financial assumptions	(16,907)	44,067
• Other experience (gains) or losses	(14,326)	(1,752)
Past service cost	123	3
Benefit paid	(4,883)	(4,852)
Liabilities extinguished on settlements	0	
Present value of the defined benefit obligation	159,893	207,239
Net (liability)/asset arising from defined benefit obligation	20,876	20,386

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2019. The next full valuation of the scheme is due to take place as at 31 March 2022.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2019-20	2020-21
Long-term expected rate of return on assets in the scheme:		
Equities, Bonds, Property and Cash	2.3%	2.00%
Mortality assumptions		
Longevity at 65 for current pensioners:		
Men	22.2 years	22.1
Women	24.2 years	24.4
Longevity at 65 for future pensioners:		
Men	23.3 years	23.1
Women	25.9 years	26.1
Financial assumptions		
Rate of inflation	1.9%	2.85%
Rate of increase in salaries	2.3%	3.35%
Rate of increase in pensions	1.9%	2.85%
Rate for discounting scheme liabilities	2.3%	2.00%

Sensitivity Analysis

The estimation of the defined obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant.

Change in assumptions at year ended 31 March 2021	Approximate % increase to Employer Obligation	Approximate monetary Amount (£000)
0.5% decrease in Real Discount Rate	10%	21,340
0.5% increase in the Salary Increase Rate	1%	2,234
0.5% increase in the Pension Increase Rate	9%	18,645

30. Contingent Liabilities

The Council also has a number of potential claims relating to ongoing legal matters. At this time the Council's best estimate of the contingent liability associated with these issues is £250k.

Collection Fund Statement

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

Collection Fund Income and Expenditure Account	Year to 31 March 2020			Year to 31 March 2021		
	Business Rates	Council Tax	Total	Business Rates	Council Tax	Total
	£000	£000	£000	£000	£000	£000
INCOME						
Council Tax Receivable		95,913	95,913		100,084	100,084
Reliefs charged to the Council's General Fund		2	2		336	336
Business Rates Receivable	47,493		47,493	18,972		18,972
Transitional Protection payment due	553		553	175		175
Total Income	48,046	95,915	143,961	19,147	100,420	119,567
EXPENDITURE						
Apportionment of Previous Year Estimated Surplus / (Deficit)						
Central Government	30		30	120		120
West Sussex County Council	6	(166)	(160)	(26)	412	386
Chichester District Council	24	(27)	(3)	96	66	162
The Police and Crime Commissioner for Sussex		(21)	(21)		57	57
	60	(214)	(154)	190	535	725
Precepts, Demands and Shares						
Central Government	11,958		11,958	23,772		23,772
West Sussex County Council	26,308	73,799	100,107	4,754	77,884	82,638
Chichester District Council	9,567	11,752	21,319	19,018	12,414	31,432
The Police and Crime Commissioner for Sussex		10,130	10,130		10,822	10,822
	47,833	95,681	143,514	47,544	101,120	148,664
Charges to the Collection Fund						
Write-offs of uncollectable amounts	43	0	43	0	0	0
Increase / (Decrease) in Bad Debts Provision	912	1,200	2,112	0	532	532
Increase / (Decrease) in Provision for Appeals	111		111	730		730
Cost of Collection Allowance	199		199	199		199
Disregarded amounts	134		134	137		137
	1,399	1,200	2,599	1,066	532	1,598
Total Expenditure	49,292	96,667	145,959	48,800	102,187	150,987
Surplus / (Deficit) arising during the year	(1,246)	(752)	(1,998)	(29,653)	(1,767)	(31,420)
Surplus / (Deficit) b/fwd 1 April	350	371	721	(897)	(380)	(1,277)
Surplus / (Deficit) c/fwd 31 March	(896)	(381)	(1,277)	(30,550)	(2,147)	(32,697)

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.

2. Income from Business Rates

The Council collects national non-domestic rates (NNDR) for its area based upon the rateable values provided by the Valuation Office Agency (VOA), multiplied by a uniform business rate multiplier set national by the government. The total non-domestic rateable value at the 31 March 2021 was £129,559,785 (compared with £129,640,397 on 31 March 2020). The national multipliers for 2020-21 were 51.2p (50.4p in 2019-20) for the standard non-domestic rating multiplier, and 49.9p (49.1 in 2019-20) for qualifying small businesses.

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

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

3. Provision for RV and list amendment appeals

The participants in the NDR collection fund are liable for refunding ratepayers who have successfully appealed against the business rates charged to their businesses in their proportionate share. The best estimate of the amount that businesses may have been overcharged up to 31 March 2021 is £7.1m. During 2020-21 £2.3m was charged against the existing provision for appeals and a charge against the collection fund of £3.0m was made for future potential liabilities, resulting in a net movement on the provision in year of £0.7m.

4. Council Tax

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

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

Council Tax Band	No. of Chargeable Dwellings	Ratio to Band D	Chargeable Base
Disabled Band A	3.5	5/9	1.9
Band A	2,328.2	6/9	1,552.1
Band B	5115.5	7/9	3,978.7
Band C	12,873.0	8/9	11,442.7
Band D	10,764.3	9/9	11,044.1
Band E	7,891.8	11/9	9,645.5
Band F	5,448.5	13/9	7,870.1
Band G	5,293.3	15/9	8,822.1
Band H	1,143.8	18/9	2,287.5
Total	50,861.7		56,644.7

Adjustments required as per Regulations

Classes A & B (Second homes)	1,849.8
Class C (Exempt properties)	116.5
Tax base reduction for Council tax support	(3,931.1)
Tax Base	54,679.9
Adjusted for assumed collection rate of 99%	54,133.3

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

Glossary of Terms

Accrual

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

Asset

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

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

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

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

Agency Services

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

Appointed Auditors

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

Billing Authority

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

Capital Expenditure

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

Capital Adjustment Account (CAA)

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

Capital Programme

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

Capital Receipts

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

Carrying Amount

The cost or value less depreciation.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Community Assets

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

Contingent Liability

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

Creditors

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

Current Service Cost

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

Curtailment

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

Debtors

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

Deferred Credit

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

Deficit

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

Depreciation

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

Existing Use Value

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

Fair Value

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

Finance Lease

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

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial

liability or equity instrument of another. In simple terms it covers both financial assets and financial liabilities such as trade debtors and trade creditors, to the more complex of derivatives e.g. swaps, and embedded derivatives e.g. debt instruments with embedded swaps.

General Fund

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

Gross Book Value (GBV)

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

Heritage Asset

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

Historic Cost

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

IFRS

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

Impairment Loss

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

Infrastructure Assets

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

Intangible Asset

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

Investment Property

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

Irrecoverable Surplus (Pension)

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

Liability

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

Market Value

This term is generally applied to the valuation of non-current assets. The market Value is the value that could be achieved if the asset were offered for sale with no restrictions that could affect its value.

Materiality

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

National Non-Domestic Rates (NNDR) or Business Rates

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

Net

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

Net Book Value

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

Net Current Replacement Cost

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

Net defined benefit liability (asset) (Pension)

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

Net interest income (expense) (Pension)

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

Net Realisable Value

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

Non-Current Assets

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

Non-distributed Costs

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

Outturn

Total income and expenditure in the financial year.

Past Service Cost (Pension)

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

Precept

The levy (demand) made by the County Council, Parish and Town Councils, on the District Council's Collection Fund for their net expenditure requirements.

Present value of defined benefit obligation (Pension)

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

Property, Plant and Equipment

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

Provisions

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

Reserves

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

Revenue Expenditure

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

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

Revaluation Reserve (RR)

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

Settlement (Pension)

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

Surplus

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

Treasury Management

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

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Statement of Accounts for 2020-21

Analysis of major variations

The outturn position for 2020-21 is a surplus of £1.635m against the original budget that is transferred to the General Fund Reserve.

Reconciliation of the outturn position to the financial statements

	<u>£000</u>	<u>£000</u>
(Surplus) or Deficit on Provision of Services		
Comprehensive Income and Expenditure Statement (CIES) on page 24, and shown as Total Comprehensive Income and Expenditure in the Movement in Reserves Statement on page 28		(7,747)
Adjustments between accounting basis & funding under regulations		
The reversal of accounting transactions contained within the CIES required in accordance with proper accounting practice but under statutory provisions not met by the resources of the Council. As per Note 10 on page 47, and shown as Adjustments between accounting basis & funding under regulations in the Movement in Reserves Statement on page 28		<u>(8,203)</u>
In Year (Increase) / Decrease on the General Fund Reserve		
Agrees to Movement in Reserves Statement on page 28		<u>(15,950)</u>
Represented by:		
Net transfers to Earmarked Reserves As per the Note 9 on page 45 (Net Transfers)	(14,685)	
Less transfers to Earmarked Reserves from the General Fund Reserve	<u>370</u>	
		(14,315)
Surplus for the year		<u>(1,635)</u>
In Year (Increase) / Decrease on the General Fund Reserve		<u>(15,950)</u>

The main variances between the General Fund latest approved budget and the outturn position in 2020-21 are as follows:

Ref	Overspends / Shortfall in Income	£000
1	Car Parking Pay and Display Income	2,776
2	Leisure Centre Management Fee	627
3	Recovery of Housing Benefit Overpayments	505
4	Car Parks Season Tickets income	410
5	Leisure Centre Management Support	409
6	Trade Waste - Net shortfall of income & disposal cost	184
7	Rent Rebates	154
8	Building Control income shortfall	152
9	Agency Staff	143
10	Chichester TIC/Novium income	123
11	Revenues and Benefits Court Cost Income	114
12	Corporate Management - Contribution to bad debt provision	98
13	Council Vehicles Maintenance costs	92
14	Street Trading Licences	65
15	Investment property shortfall in rents	62
16	Parking Enforcement Fines	51
	Sub-total	5,965
Ref	Underspends / Additional income	£000
17	Planning Application Income	(287)
18	Green waste income	(276)
19	Bad Debt Provision Housing	(232)
20	Rent Allowances (Net)	(226)
21	Business Rates (NNDR) on council property	(187)
22	Staffing	(168)
23	Leisure Centre Car Parking Refunds	(166)
24	Housing Contingency Fund	(102)
25	Furlough Grants	(91)
26	Parking Enforcement	(85)
27	Staff Mileage expenses	(70)
28	Building works - Car Parks	(61)
29	Postage Expenses	(55)
30	East Pallant House additional rental income following 2019 rent review	(55)
31	Insurances	(54)
32	Training	(52)
33	CCTV Telecommunications	(51)
34	Domestic waste	(50)
35	Tourism Support Grant	(50)
	Other variations less than £50,000 (net)	(328)
	Sub-total	(2,646)
	Total Service Variations	3,319
	Corporate Variations	
36	Business Rates Retention Scheme	546

37	Council tax and NNDR Credits	30
38	Pooled Funds Investment Interest	(197)
39	Budgeted Surplus on General Fund	(433)
	Total Corporate variations	(54)
	Total variation before additional Government Support	3,265
	Additional Government Support	
40	Sales, Fees and Charges Compensation Scheme	(2,707)
41	Emergency funding for Local Government	(1,672)
42	New Burdens Grants	(521)
	Total additional government support	(4,900)
(Surplus) / Deficit for the year –		(1,635)

The following paragraphs provide an explanation by the budget manager for the main variances:

Overspend / Shortfall in Income

1. Car Parking Pay and Display income – Shortfall in income of £2,776,200
Parking charges were suspended between April and June 2020 and income was reduced for the rest of the year, due to Covid restrictions nationally impacting the level of use of the car parks, along with the cancellation of key events across the district which impacted the use of car parks.
2. Leisure Centre Management Fee - Additional Cost £626,600
Covid restrictions meant the leisure centres were closed for long periods of 20-21, therefore the management fee for 20-21 was not collected.
3. Recovery of Housing Benefit Overpayments – Shortfall in income of £504,700
Housing benefit overpayments are considerably lower this year, generally claimant's income is going down not up, which will mean underpayments are being generated as opposed to overpayments. Also, fewer overpayments are being made with direct access to HMRC for verifying claimant's earnings improving accuracy.
4. Car Parks Season Tickets income - Shortfall in income £409,700
Parking charges were suspended between April and June 2020, and demand for season tickets was reduced for the rest of the year due to the effect of Covid restrictions resulting in an increase in the level of commuters working from home.
5. Leisure Centre Management Support – Additional Cost £409,100
The council agreed to support the leisure centre management provider in 2020-21 to cover costs of retained staff, and any building issues that may arise during periods when our three leisure centres have been closed.
6. Trade Waste - Net shortfall of income & disposal cost £184,500
Service demand was impacted by Covid restrictions throughout 2020-21

7. Rent Rebates – Additional Cost £153,600
Due to the increase in demand for Bed & Breakfast accommodation due to the pandemic.
8. Building Control – Shortfall in income £151,900
Inspections were taking place, but remotely where possible, and initially the service slowed down dramatically where the construction industry was affected by Covid 19.
9. Agency Staff – Additional Cost £143,100
Additional costs incurred of £70,000 at the depot, due to staff absences caused by Covid. Agency staff use was increased to maintain service levels. A further £97,000 in the housing team due to additional demand on staff due to covid 19. Offset by underspends of £16,000 in Health Protection Team and £4,500 in the Development Management Team.
10. Chichester TIC/Novium income net of payments to operators – Shortfall in Income £123,400
The Novium, and the Guildhall were closed for long periods due to covid restrictions in 20-21.
11. Revenues and Benefits Court Cost Income – Shortfall in income £114,100
Due to the pandemic, no court hearings took place until December 2020.
12. Corporate Management - Contribution to bad debt provision – Additional Cost £97,800
Due to the impact of the pandemic on general economic conditions resulting in the temporary suspension of debt recovery.
13. Council Vehicles Maintenance costs – Additional Cost £91,700
Due to the age of the fleet of council waste services vehicles, maintenance costs have been higher in 20-21. Vehicles are due to be replaced in 22-23.
14. Street Trading Licences – Shortfall in income £65,300
As a result of Covid related government restrictions there were no markets held in North & East Street, Chichester in 20-21.
15. Investment property rents – shortfall in income £62,200
There was a shortfall in rental income at the Old Bakery £29,300, Crane Street £45,400, with additional rent income at the Woodruff Centre, compared to budgets estimated.
16. Parking Enforcement Fines – shortfall in income £50,000
Emphasis was placed on On-Street enforcement therefore tickets issued erred more towards this and thus the income shortfall was a reflection of this directive.

Underspends / Additional Income

17. Planning Application Income – Additional income £287,500
Additional income generated from a major planning application.

18. Green waste – Additional income £276,200

Increased demand continued throughout 20-21 resulting in the service reaching its operational capacity of 18,600 customers.

19. Bad Debt Provision for housing benefit overpayments – additional income £232,000

As at 31 March 2021 the Council has debt of some £2.6m (£3.1m at 31 March 2020) relating to the overpayment of housing benefit payments of which £1.4m is being recovered from ongoing benefit entitlement payments and some £1.2m via the Council's debt recovery procedures.

The base budget for 2020-21 anticipated that there would be a reduction in the level of housing benefit overpayments identified during the year, and this was also influenced by the decision to temporarily suspend the recovery of outstanding debt due to the economic impact of the pandemic. A detailed assessment of the likelihood of recovery of the debt outstanding has been undertaken, taking into consideration the impact of the Covid-19 pandemic on a claimant's ability to repay the amount outstanding debt. After taking into account the value of write-offs during the year of some £120k, the resulting provision required was calculated at £1.45m (55.3% of the total debt outstanding), a reduction of some £232k on the provision already held. This reduction of £232k has been credited back to the General Fund.

20. Rent Allowances (Net) – Additional income £226,000

The net cost to the Council of rent allowances set in the budget for 2020-21 was £499k. This provided for a £23.651m budget for the payments to claimants, and subsidy grant recovered from the government of £23.152m estimated at a rate of 97.89% of qualifying expenditure. Actual payments made to claimants during 2020-21 amounted to some £25.351m, and the subsidy grant reclaimable from the government was £25.078m which was at a marginally higher rate of 98.92% of qualifying expenditure. This resulted in a net cost to the Council of £273k, a reduction of £226k on the base budget.

21. Business Rates (NNDR) on council property – Underspend £187,000

East Pallant house and the East Pallant car park business rates have been merged, resulting in a reduction, as well as other significant reductions in rateable values across all council owned car parks. These reductions have been backdated to 2017 and refunded, giving a net underspend of NDR for car parks and East Pallant house of £200,000. This in turn has been reduced by £12,000 due to an overspend on NDR on estates properties that have had vacant units for six months or more.

22. Staffing – Net underspend £167,600

Largest overspend;

- Contract Services £178,900.
- Development Management £40,200.
- Revenues and Benefits £28,400.

Largest underspend;

- Property & Growth £163,400.
- Health Protection £126,400.
- Environmental Protection £57,000.
- Planning Policy £50,300.
- Legal & Democratic £22,800.

23. Leisure Centre Car Parking Refunds – Underspend £165,600
With the leisure centres closed for periods of 20-21 due to covid restrictions, not as many car parking refunds were given as fewer customers parking.
24. Housing Contingency Fund – Underspend £102,400
There were delays in commissioning services, and it has taken longer to get the Crisis furniture packages in place due to Covid.
25. Furlough Grants – Additional Income £90,900
Government compensation scheme for staffing affected by Covid restrictions; Museum £38,700, TIC £10,700, Trade waste £5,300, Domestic waste £27,400, Car parking £8,700.
26. Parking Enforcement – Additional income £84,900
Additional income was received as the cost of On Street enforcement increased given that the directive to carry out enforcement patrols was more focussed towards this service area that WSCC are responsible for funding.
27. Staff Mileage expenses – Underspend £69,900
Due to pandemic, and staff working remotely, not so many physical visits have taken place, and therefore staff have claimed back a lot less in mileage claims.
28. Building works - Car Parks – Underspend £61,600
Due to the pandemic, less works was carried out throughout 20-21, than budgeted for.
29. Postage Expenses – Underspend £55,000
Due to the pandemic and staff remote working, other methods of communication have taken precedence instead of posting mail.
30. East Pallant House Rental – Additional income £54,800
Following the 2019 rent review, back rent received for period May 2019 to June 2021.
31. Insurances – Underspend £53,600
Lower insurance premium of £22,300, and self-insured claims £31,300 than anticipated.
32. Training – Underspend £52,600
Due to the pandemic and staff remote working less training occurred in 20-21.
33. CCTV Telecommunications – Underspend £51,200
This variation is due to a budgeting error of £29,000 whereby a duplication has occurred over two codes. Additionally, a budget for the use of contractors was underspent by £11,500 and administrative building costs were less than anticipated by £10,700.
34. Domestic waste - additional income £50,000
Bin sales surplus owing to new housing development purchases. Purchasing cannot be predicted. Bulky waste revenue increased activity was caused by covid, with more residents staying at home.

35. Tourism Support – Underspend £50,000

This underspend has arisen because of a timing issue relating to funding provided to Visit Chichester. Budget support was originally built into the council's base budget in 2017-18, however it took almost a year to put in place a service level agreement. When the first payment was made at the end of March 2018, this related to the agreement set up from 2018-19 and therefore should have been accounted for within the accounts for that year. This continued in the subsequent two years with the payments being made in March in fact relating to the agreement for the forthcoming financial year. This timing issue was disguised as the amount paid matched the budget provided for each year. It came to light during 2020-21 when a top up payment was made and a new funding agreement was being put in place increasing the council's support, and with a revised payment timetable.

Corporate Variations

36. Business Rates Retention Scheme – Additional cost £545,600

- Net favourable variance in NDR income recognised in 20-21 £354,000
- Net Adverse year-end adjustments – Business Rates retention scheme (£97,000)
- Additional grants paid in 20-21 by MHCLG to cover COVID NDR relief schemes £11,762,000
- Amounts carried forward to fund deficits to be recognised in future periods under statute (£12,565,000)

37. Write off of CTAX and NNDR Credits – Loss of income £30,000

Council tax and business rate accounts that are overpaid are monitored to ensure that all steps are taken to refund the account holder. If after a period of six years attempts to make a refund have failed, these sums are transferred to the general fund. This task is performed annually with an estimate of £30,000 being provided in the base budget for these transactions. In 2020-21 this work was not undertaken as staff resource was focussed on the Council's response to the pandemic. This work will now be carried out during 2021-22.

38. Pooled Funds Investment Interest – Additional income £196,500

Actual distributions from investments exceeded forecasted returns for pooled funds. Income estimations proved too pessimistic.

39. Budgeted Surplus on General Fund – Underspend £432,700

When the base budget was agreed by Council in March 2020, it included a sum of £521,800 that was to be transferred to the council's general fund to provide for forecasted budget deficits in future years. During the year this sum was reduced to £432,700 as commitments to and from the general fund changed. This budgeted surplus is therefore included within the overall surplus on the fund for the financial year.

Additional Government Support

40. Sales, Fees and Charges Compensation Scheme – Additional income £2,707,200

As a consequence of lock downs, government restrictions and social distancing measures the government set up a scheme to compensate local authorities for irrecoverable and unavoidable lost income from sales, fees and charges generated in the delivery of services that was provided for in their 2020-21 budgets. Under the scheme authorities must absorb losses of up to 5% of its planned 2020-21 income

from sales, fees and charges, with the government compensating them for 75p of every pound of relevant loss thereafter.

41. Emergency funding for Local Government – Additional income £1,671,600

The government provided emergency funding to local authorities to assist them in their response to the pandemic, providing services and supporting their communities. Chichester received £1.672m paid in four tranches during the year.

42. Non ringfenced government grants – Additional income £520,800

The government provided the council with additional funding to support the roll out and administration of the various grant schemes made available to provide financial assistance to qualifying businesses in the district. This includes:

- New Burdens for Local Authority Discretionary Grant Fund - £170k
- New Burdens for Local Restrictions Support Grant – £77k
- New Burdens for Local Authority Discretionary Grant Fund 1 August 2020 to 31 March 21 - £229k

The council also received a Council Tax Annexe Discount grant of £36k, and a Transparency code set up grant of £8k.

These grants have been used to support the general fund in 2020-21.

Chichester District Council

Corporate Governance and Audit Committee

6 June 2022

2021-22 Accounting Policies

1. Contacts

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2. Recommendation

The committee is requested to consider this report and approve the continued application of existing accounting policies in the preparation of the Council's 2021-22 financial statements.

3. Background

3.1. The Council applies the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting (the Code) in preparing its accounts. The Code is reviewed continuously and is normally updated annually. The 2021-22 Code has been developed by the CIPFA/LASAAC Local Authority Code Board and has effect for financial years commencing on or after 1 April 2021.

4. Changes to the Council's 2021-22 financial statements and accounting policies

4.1. No material new or amended standards have been introduced into the 2021-22 Code. The Council's existing accounting policies continue to be a suitable basis for preparing the 2021-22 financial statements.

4.2. The Council's definition of materiality also can remain unchanged:

“An item would be considered material to the financial statements if, through its omission, misstatement, obscuring or non-disclosure, it could reasonably be expected to influence the decisions of the users of these financial statements and therefore no longer show a true and fair view”

4.3. The accounting policies and disclosure notes presented in the Council's Financial Statements will follow the following principles to avoid excessive detail which may obscure key messages:

(a) For accounting policies, only those that are material to a reader's interpretation of the accounts will be included.

(b) For disclosure notes, unless the note is qualitatively material (see paragraph 4.5) or required by statute, the note will not be prepared or will be replaced by a shorter text disclosure

4.4. In determining if a disclosure note contains material information or not, both qualitative and quantitative aspects of materiality will be considered. There is no reason to alter the Council's current quantitative materiality level of £1,000,000 for the total of any income, expenditure, assets, or liabilities disclosed in a single note.

4.5. The following disclosures will be prepared, even if they are immaterial as they are of heightened interest to readers (qualitative materiality):

- (a) Members' allowances
- (b) Officers' remuneration
- (c) External Audit Costs
- (d) Related Parties
- (e) Termination benefits
- (f) Market risk exposure for Financial Instruments
- (g) Investment property income and expenditure

5. Resource and legal implications

5.1. The Council is required by the Accounts and Audit Regulations to comply with CIPFA's Code of Practice for Local Authority Accounting in preparing its accounts.

6. Consultation

6.1. Not applicable

7. Community Impact and Corporate Risks

7.1. None

8. Other Implications

Are there any implications for the following?		
	Yes	No
Crime and Disorder		X
Climate Change and Biodiversity		X
Human Rights and Equality Impact		X
Safeguarding and Early Help		X
General Data Protection Regulations (GDPR)		X
Health and Wellbeing		X
Other		X

9. Background Papers

9.1. None

Chichester District Council
CORPORATE GOVERNANCE AND AUDIT COMMITTEE
Special Meeting 6th June 2022
2020-2021 Annual Governance Statement
and Corporate Governance Report

1. Contacts

Report Author:

Stephen James – Internal Audit & Corporate Investigations Manager

Tel: 01243 534736

E-mail: sjames@chichester.gov.uk

2. Recommendation

The Committee is requested to:

- 2.1. **Consider the draft Annual Report on Corporate Governance at appendix 1, the Annual Governance Statement 2020-2021 (appendix 2), and Internal Audit and Corporate Investigations Annual Report 2020-2021 (appendix 3), and to recommend these to the Council for approval.**

3. Main Report

- 3.1. All members have a responsibility for corporate governance. However, this committee is charged with identifying and looking at key risk areas in greater depth. This is to provide assurance to the Council and members that its business is conducted in accordance with the law and proper standards; that public money is safeguarded and properly accounted for, and used economically, efficiently, and effectively.
- 3.2. Under its terms of reference, the Committee is required to report each year, or at any time where significant issues or concerns are raised on corporate governance and the internal arrangements in place to monitor and control risks.
Attached at Appendix 1 is a draft report to the Council to fulfil this requirement which the Committee is requested to consider.
- 3.3. In order to sign up to such a statement, members of the Committee will need assurance that key systems are in place within the Council. As such the Council's Internal Audit Service has the responsibility to independently review and report to the Committee, appendices 2 and 3 set out their findings.

4. Background

- 4.1. Not Applicable

5. Outcomes to be achieved

5.1. Not Applicable

6. Proposal

6.1. Not Applicable

7. Alternatives that have been considered

7.1. Not Applicable

8. Resource and legal implications

8.1. Not Applicable

9. Consultation

9.1. Not Applicable

10. Community impact and corporate risks

10.1. Not Applicable

11. Other Implications

Are there any implications for the following?		
	Yes	No
Crime and Disorder		√
Climate Change		√
Human Rights and Equality Impact		√
Safeguarding		√
Other (please specify)		

12. Appendices

- 12.1. Appendix 1 – Annual Report of Corporate Governance and Audit Committee
- 12.2. Appendix 2 – Annual Governance Statement 2020-2021
- 12.3. Appendix 3 – Internal Audit and Corporate Investigations Annual Report 2020-2021

13. Background Papers

13.1 None

Chichester District Council

Report of Corporate Governance and Audit Committee to Full Council

Background

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

To this end members and senior officers are responsible for ensuring that proper arrangements exist for the governance of the Council's affairs and stewardship of its resources.

The Corporate Governance & Audit Committee considered the Strategic and Organisational Risk Registers to ensure the adequacy of the Council's actions to control and manage risks.

During 2020/2021 the nine highest risks identified in the Corporate Risk Register were:

- **Southern Gateway:** Failure to deliver the outcomes of the project leading to reputational damage and financial exposure to CDC as lead partner, and potential repayment of the Local Enterprise Partnership and other funding.
- **Financial Resilience:** Failure to maintain a robust and deliverable budget will lead to a lack of resources to fund services and council priorities, leading to reactionary decision making, and reputational consequences. Failure to maximise income streams.
- **Business Continuity:** Failure to react to an incident that would adversely affect the delivery of services, including leading to a breach of the Council's statutory duties under the Civil Contingencies Act and result in both inability to service the community and reputational damage.
- **Cyber Risk across ICT Estate:** Failure to protect the Council against a cyber-attack across the ICT estate resulting in service disruption and reputational damage.
- **Local Plan:** Failure to complete the Local Plan Review and achieve an adopted Local Plan. This would mean that the Council would face challenge that it does not have an up to date Local Plan and the impact it would have.
- **Changing use of High Street in City and Rural Towns:** Failure to support the City and Rural Towns High Streets which will enable them to become sustainable in changing times.

- **Increase Homelessness Service Demand due to Covid Impact:** Failure to have an adequate Homeless Service in the Housing Service Plan that meets the changing needs particularly with regard to the Covid impact.
- **Skills, Capability, Capacity:** Failure to have adequate recruitment packages in place that would aid the recruitment of staff in areas where long term recruitment issues exist.
- **Covid 19 Coronavirus:** Failure to have adequate Business Continuity Plans in place that protect the Council's staff and services during the Covid 19 pandemic.

The 5-year Financial Model is a medium-term forecast of the financial position of the Council that has been updated to reflect current assumptions, future Government funding, council tax projections, as well as projected costs and previous planned efficiencies. It also contains the proposed three-year programme of efficiency savings to be adopted to address the budget deficit because of the Covid-19 impact. It has been necessary to use reserves to help balance the budget in the medium term whilst the efficiencies and policy options under the Future Services Framework are implemented over a three-year period.

The Financial Impact of COVID report to July Council estimated a draw against reserves for the current year of over £8m. Since then, the Government have introduced a compensation scheme for Councils that have lost income from sales, fees, and charges as well as other funding allocations. The model forecast that just over £3m was required from reserves for 2021-22, and £8m in total over the 5 year planning period provided that the efficiency savings identified are delivered, and subject to all the uncertainties that remain within the model. However, following Government in year support due to the pandemic, the Council ended the year with a £1.635m surplus; further information is available in the Council's Statutory Annual Accounts.

The Fair Funding Review and the localisation of Business Rates have again been delayed by the Government until the 2023-24 financial settlement. The Government has recently announced that the localisation of Business Rates will now not take place. The continued delay in resetting the Baseline for Business Rates is good news, as the Council continues to benefit from the growth achieved so far. The anticipated impact of the Baseline reset is that the Council will retain approximately £1.5m less per annum when this funding regime change takes place, with the next revaluation scheduled now for 2023.

Annual Governance Statement

The Annual Governance Statement as attached at appendix 2 has been prepared in accordance with the CIPFA / SOLACE guidance on "Delivering Good Governance in Local Government". The Statement is attached and clearly sets out the 7 fundamental principles of good governance (A to G) as identified below:

- A Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- B Ensuring openness and comprehensive stakeholder engagement.
- C Defining the outcomes in terms of; sustainable economic, social and environmental benefits.
- D Determining the interventions necessary to optimise the achievement of the intended outcomes.

- E Developing the entity's capacity, including capability of its leadership and the individuals within it.
- F Managing risks and performance through robust internal control and strong public financial management.
- G Implementing good practices in transparency reporting, and audit to deliver effective accountability

Other Potential Risk Issues

The drafting of the Annual Governance Statement has highlighted some risks that are ongoing and receiving attention from those charged with governance. These can have common themes and may overlap with other areas of risk that have been identified. They are being monitored to track whether there are any changes in their risk score.

Other than those areas set out above, which are themselves subject of further on-going review, members of the Committee are assured that key systems are in place within the Council. This is supported by the internal audit service, which has the responsibility to review independently and report to Committee.

Cllr F Hobbs
Chairman of Corporate Governance & Audit Committee

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Annual Governance Statement 2020/2021

What is the Annual Governance Statement?

Legislation requires local Authorities to prepare and publish the Annual Governance Statement, in order to report publically on the effectiveness of the Council's governance arrangements. The statement provides an overview of the current governance framework and a summary of the review of the effectiveness of Chichester District Council's governance framework for 2020/2021 (which coincides with the annual statement of accounts). The statement communicates significant governance issues that have been identified during the review and sets out how the authority will secure continuous improvement in these areas during the coming year.

What do we mean by Governance?

By governance, we mean the arrangements that are put in place to ensure the intended outcomes for local people are defined and achieved. It comprises the systems and processes, culture and values, by which local government bodies are directed and controlled. Good governance is about making sure the Council does the right things, in the right way for the right people, in a timely inclusive, open honest and accountable manner.

Scope of Responsibility

Chichester District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, Chichester District Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the exercise of its functions, which includes arrangements for the management of risk.

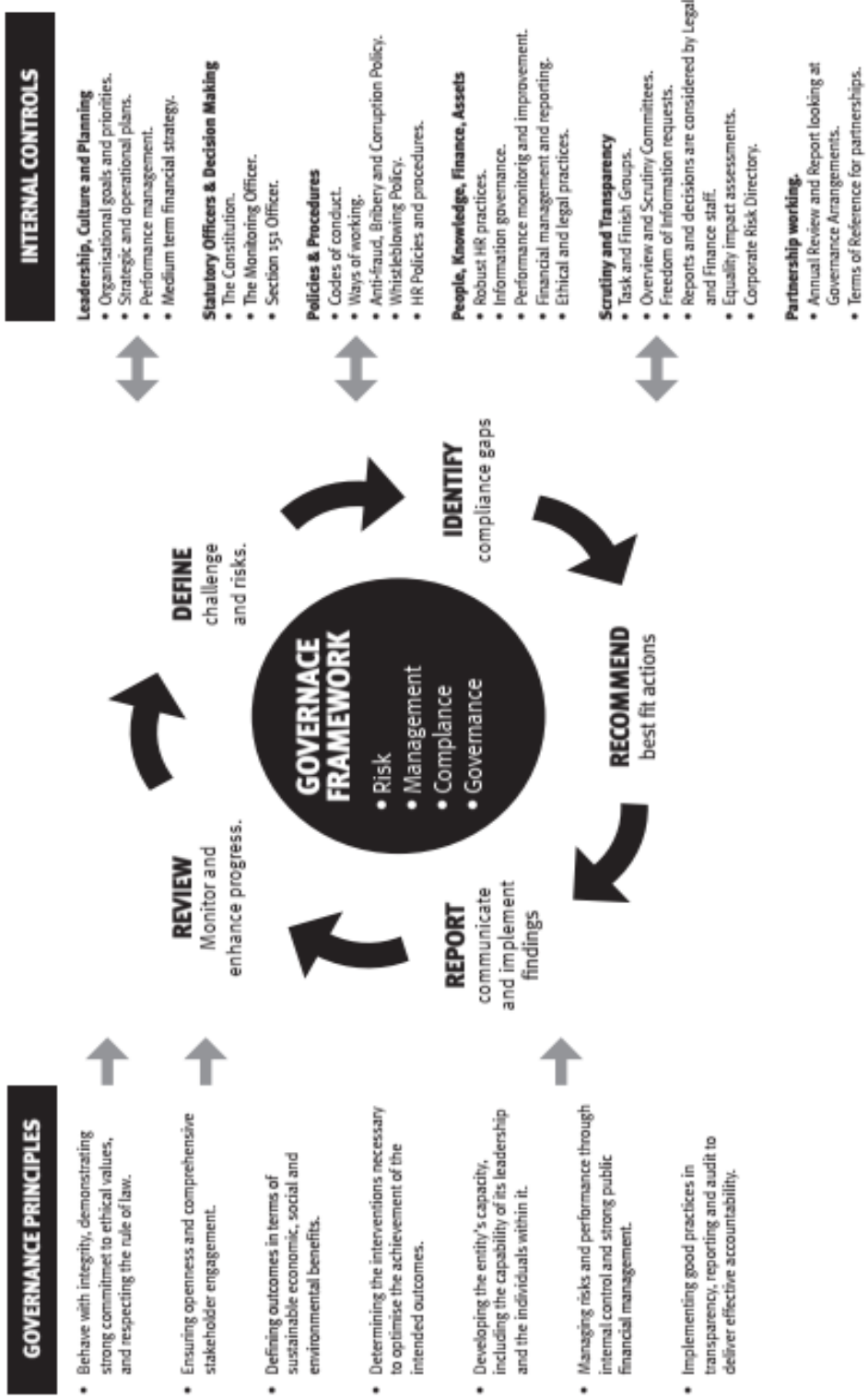
About the Council

Chichester District Council comprises 36 Councillors who represent 21 wards across the District. The District Council operates under a Leader and a Cabinet structure with Cabinet Members responsible for individual portfolios.

The Council employs around 561 full and part-time members of staff and provides a range of services to residents. The Head of Paid Services, The Monitoring Officer, The Section 151 Officer and the Electoral Registration and Returning Officer make up the statutory roles within the Council.



Chichester District Council



CIPFA/SOLACE Good governance principles and the local code of governance

In 2016 CIPFA/SOLACE issued revised best practice guidance for 'Delivering Good Governance in Local Government'. The framework sets out seven principles that should underpin the governance of each Local Authority. The following sections look at how the Council is held to account for these seven principles.

A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.

The Constitution

The constitution sets out how the Council operates; the roles and responsibilities of members, officers and the scrutiny and review functions; how decisions are made; and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. Due to the COVID pandemic certain emergency procedures were introduced on Budgets / Financial Authorisation.

The Monitoring Officer

The Monitoring Officer is a statutory function and ensures that the Council, its officers, and its elected members, maintain the highest standards of conduct in all they do. The Monitoring Officer is assisted when required by appointed deputies. The Monitoring Officer ensures that the Council is compliant with law and regulations, as well as internal policies and procedures. He is also responsible for matters relating to the conduct of Councillors and Officers, and for monitoring and reviewing the operation of the Council's Constitution. The Monitoring Officer for Chichester District Council is Nicholas Bennett, the Divisional Manager for Democratic Services.

Section 151 Officer

Whilst all council members and officers have a general financial responsibility Section 151 of the Local Government Finance Act 1972 specifies that one officer in particular must be responsible for the financial administration of the organisation and that this officer must be CCAB qualified. The Section 151 Officer for Chichester is John Ward, the Director of Corporate Services.

Codes of Conduct

When joining the Council, members and officers are provided with a contract outlining the terms and conditions of their appointment. All staff must sign a code of conduct and declare any financial interests, gifts and hospitality on a public register. Additionally, members are expected to declare any interests at the start of every meeting that they attend in accordance with Standing Orders. Members and officers are required to comply with the approved policies.

Anti-Fraud & Corruption Policy

The Council takes fraud, corruption and maladministration very seriously. The culture of the Council sets the foundation for the prevention of fraud and corruption by creating an environment that is based upon openness and honesty in all council activities. The Council's Anti-Fraud and Corruption Policy was last updated April 2018.

Whistleblowing Policy

The Council is committed to high standards of openness and probity and accountability in all of its practices. The policy encourages employees and others to raise serious concerns within the Council rather than ignoring a problem or raising the matters externally. The Policy was last updated in April 2018. Any disclosures should be made in writing to the Council's Monitoring Officer.

Corporate Governance & Audit Committee

The Corporate Governance & Audit Committee has responsibility for reviewing reports that deal with issues that are key to good governance and undertakes the function of an Audit Committee. The committee has an agreed set of terms of reference which sets out their roles and responsibilities of its members. The committee meets four times a year and is made up of 8 members from 3 political parties and a local alliance.

B. Ensuring openness and comprehensive stakeholder engagement

Engagement and Communication

It is recognised that people need information about what decisions are being taken locally, and how public money is being spent in order to hold the Council to account for the services they provide.

Consultations

The Council has a number of consultation projects in operation and invite feedback from members of the public on a number of subjects. The Council also operate a Let's Talk Panel which members of the public can sign up to. Each time there is a new survey members of the panel are emailed to see if they would like to participate. The Council promotes the Let's Talk Panel and surveys that are active on social media channels to encourage people to take part.

Complaints

There is a complaints procedure in place for the Council to receive and investigate complaints made about service delivery and against its members or staff. Details of which can be found on the Council's website. Results of complaints investigated together with the report on all complaints dealt with by the Local Government

Ombudsmen are reported annually to the Corporate Governance and Audit Committee.

Partnership Working

There are 10 strategic level partnerships that the council is involved with to deliver improved outcomes for the residents of the District Council. Some of the partnerships do not have exit strategies in place. This is because we do not lead or manage these partnerships and we are limited in what governance can be put in place, but officers are satisfied with how the partnerships are being run. All Council run partnerships have robust governance in place.

C. Defining outcomes in terms of sustainable, social and environmental benefits

Although the multi-agency Sustainable Community Strategy (SCS) for Chichester District 2009-2026 is no longer a statutory document, the Council continues to be informed by the priorities identified in it. These priorities are developed further through the Corporate Plan which sets out the Council's contribution to this partnership document. The Council measures its key priorities by a range of performance indicators which are set out within the Corporate Plan and monitored through Pentana, the Council's performance monitoring software. Reports on the progress of these performance indicators are available on the Council's website.

Corporate Governance & Audit Committee (CG&AC), Cabinet and then Council agreed the key financial principles of the 5 year financial strategy, which included continuing to review the Council's costs in order to find further savings. As part of the budget process a Task and Finish Group meets once a year to discuss the forthcoming budget, reviewing what is happening in the current year any impact for the new financial year and any changes in priorities or service demands.

The Council publishes its Annual Statement of Accounts in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidelines and International Financial Reporting Standards. As uncertainty continues to surround the current economic and financial climate and in particular public sector spending plans, it is clear that central funding cuts of local councils will continue. The Council is therefore committed to delivering its own services more effectively in the light of these planned reductions.

The Council continues to track national events, quantifying local impact and taking early action to manage the impact. The objective is to put the Council in the best possible position to deal with the financial and other challenges it faces whilst still protecting the most vulnerable members of the community. It is important that the issues and the scale of the financial position are understood and the Council is committed to finding solutions and options. The Financial Strategy sets out the current financial position, the challenges and uncertainties faced by the Council, and

the principles to be used to address the issues identified and the actions required, whilst adhering to the key financial principles.

The 5 year Financial Model is a medium term forecast of the financial position of the Council that has been updated to reflect current assumptions; future Government funding, council tax projections, as well as projected costs and previous planned efficiencies. It also contains the proposed three year programme of efficiency savings to be adopted to address the budget deficit as a result of the Covid-19 impact. It will be necessary to use reserves to help balance the budget over the medium term whilst the efficiencies and policy options under the Future Services Framework are implemented over a three year period.

The Financial Impact of COVID report to July 2020 Council estimated a draw against reserves for the current year of over £8m. Since then the Government have introduced a compensation scheme for Councils that have lost income from sales, fees and charges as well as other funding allocations. The model forecast that just over £3m was required from reserves for 2021-22, and £8m in total over the 5 year planning period provided that the efficiency savings identified are delivered, and subject to all the uncertainties that remain within the model. However, following Government in year support due to the pandemic, the Council ended the year with a £1.635m surplus; further information is available in the Council's Statutory Annual Accounts.

The Fair Funding Review and the localisation of Business Rates have again been delayed by the Government until the financial settlement for 2023-24. The Government announced that the localisation of Business Rates will now not take place. The continued delay in resetting the Baseline for Business Rates is good news, as the Council continues to benefit from the growth achieved so far. The anticipated impact of the Baseline reset is that the Council will retain approximately £1.5m less per annum when this funding regime change takes place, with the next revaluation scheduled now for 2023.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

The Council is responsible for reviewing the effectiveness of its governance framework. The review of the effectiveness is undertaken by the work of the Corporate Management Team (which is the Strategic Leadership Team (SLT) and Divisional Managers) who have responsibility for the development and maintenance of the governance environment. The Internal Audit & Corporate Investigations Manager's annual report and comments made by the External Auditor also adds to the effectiveness of the governance framework at the Council.

The Council adopted a Constitution to ensure it is efficient, transparent and accountable to local people. Some of these processes are required by law; others are based on decisions made by the Council. It is the responsibility of the Council's

Monitoring Officer to review the Constitution as and when required to ensure that it continues to operate effectively.

The performance of key projects by exception is undertaken by SLT and Cabinet Members. Financial Monitoring is also undertaken throughout the year and is reported to Members, and as part of the transparency agenda is available on the Council's website, and where necessary action can be taken where appropriate.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

Recruitment and Induction

The Council operates a thorough interview and selection process to ensure that Officers are only appointed if they have the right level of skills and experience to effectively fulfil their role. If working with vulnerable adults they will be subject to an enhanced DBS check prior to appointment. New officers once appointed must attend an induction with HR which cover things such as Staff Handbook, Safeguarding and Health & Safety to name but a few. All members are invited to attend a comprehensive induction training session. This would range from general housekeeping issues to Constitutional and Executive Issues to Safeguarding to Finance & Budgets. Where a Councillor is appointed a member of a committee specific training is given relating to that Committee.

Training & Development

Officers are required to complete a number of mandatory e-learning courses including health & safety equalities and diversity and information governance. Compulsory training is provided for members who sit on committees. Other training is available to Councillors through Democratic Services.

F. Managing Risks and performance through robust internal control and strong financial management

Risk Management

The Council has a Risk Management Strategy and Policy. The Strategic Risk Group (SRG) reviews the strategic and programme board and updates risk registers annually and the high scoring organisational risk register bi-annually. The Group's membership is drawn equally from the Cabinet and the Corporate Governance & Audit Committee. The outcomes of the reviews are reported to the Corporate Governance & Audit Committee. The SRG meet twice a year. The Strategic Leadership Team meets on a quarterly basis to discuss new and emerging risks.

Performance Management

Projects and performance indicators are set out each year in Service Plans. This process is led by Divisional Managers, with sign off by Directors and Cabinet

Members. All content from Service Plans is loaded onto performance management software Pentana, from where it can be monitored and reported on. The Service Planning process allows for review of current projects and performance indicators as well as identification of new ones.

Divisional Managers all have access to reports for their section from Pentana. These show current progress on projects and current performance on performance indicators. Reports are available for monitoring content relevant to the various programme boards and these are reported at their meetings as required.

In addition, reports on certain key performance indicators are generated quarterly from Pentana and published on the Council's website

(<http://www.chichester.gov.uk/corporateplan>).

A half- yearly progress report on key projects relevant to the Corporate Plan is also reported from Pentana and taken to Overview and Scrutiny Committee (OSC), generally in November.

The Corporate Improvement Team also puts together the Council's Annual Report – an overview of work on key projects and performance on performance indicators looking back over the previous year and some key items identified for next year. This is reported to Cabinet, annually in July and is informed by content from Pentana, supplemented by information from Services.

The Council publishes the Annual report which details the Council's achievement which can be found on the Council's website

(<http://www.chichester.gov.uk/annualreport>).

Financial Management

The S151 Officer is responsible for the delivery of good financial management. This Officer is responsible for ensuring that:

- That public money is safeguarded at all time.
- Budgets are robust and agreed in advance.
- Value for money is provided by services.
- That the finance function is fit for purpose.
- The key financial assumptions and financial risks that the Council face are identified.

The S151 Officer advises on financial matters to both Cabinet and full Council and is involved in ensuring that the authority's strategic objectives are delivered in line with long term financial goals. The S151 Officer together with finance staff ensure that new policies or service proposals are accompanied by a full financial appraisal and are fully funded.

The S151 officer has a statutory duty to report any unlawful financial activity or failure to set or keep to a balanced budget. He also has a number of statutory

powers in order to allow this role to be carried out, such as the right to insist that the council makes sufficient financial provision for the cost of Internal Audit.

The council's financial management arrangements conform to the governments requirements of the CIPFA Statement on "The role of the chief financial officer in Local Government (2010). The Director of Corporate Services (Chief Financial Officer and S151) works with the Chief Executive and CMT helping to develop and implement strategy and deliver the strategic objectives.

The Director of Corporate Services has an input into all major decisions, and advises on financial matters to the Cabinet.

In response to the Covid 19 pandemic changes were made to decision making and financial regulations before the end of the financial year to ensure that the Council continued to run smoothly whilst maintaining the appropriate level of control.

Data Management

Following the introduction of General Data Protection Regulations the council has tested compliance against these regulations. The council has a designated data protection officer (Divisional Manager Democratic Services Nicholas Bennett) and clear and established processes for ensuring data is handled appropriately. There is regular reporting to the Corporate Governance & Audit Committee on matters of information governance.

G. Implementing good practices in transparency, reporting and audit to deliver effective accountability

Transparency

The Council and its decisions are open to the residents of the District, service users, partners and its staff. The Council has a number of formal committees these can covers the right of councillors and public to ask questions, also a Committee to look at councillor's conduct.

Transparency can be found in processes that govern how the Council operates and also the formal roles that are held by officers and Councillors.

The Freedom of Information Act (FOI) gives anyone the right to ask information held by a public authority, which includes Chichester District Council, subject only to the need to preserve confidentially in those specific circumstances where it is proper and appropriate to do so.

All reports that require a decision are considered by the relevant department with expertise in the particular function, also the Director of Corporate Services and the Divisional Manager for Democratic Services including Legal before they are sent to the relevant committee. Equality impact assessments are carried out on all major services, functions, projects, and policies to understand whether they impact on people who are protected under the Equality Act 2010 in order to influence decision making. An annual Equality Report is produced is produced in July of each year.

Effective Scrutiny

The Council operates a number of Tasks and Finish groups which are established by the Overview and Scrutiny Committee which gives each Group its Terms of Reference. Topics which are chosen to be scrutinised are looked at in depth by a cross party panel of Councillors. They assess how the Council is performing in that particular area and whether improvements can be made, and where a service is being scrutinised whether they are providing the best possible, cost effective service for people of the District. Cabinet can establish task and finish groups that report to it. Four thematic panels have been set up following the COVID recovery report namely Community & Housing Recovery, Economic Recovery, Planning Health & Environmental Protection Recovery and Organisational Recovery.

Effectiveness of Governance Arrangements

The Council's governance framework includes decision-making processes that are set out in the Council's Constitution; this is continually being reviewed together with the rules.

Procedures are in place for maintaining and reviewing the effectiveness of the Council's governance arrangements throughout the year, these include the following:

- **Elected Members** – Make decisions in accordance with the Constitution and in accordance with the aims and objectives of the Council.
- **Overview and Scrutiny Committee** – Has the ability to scrutinise decisions made and maintains an overview of Council activities.
- **Standards Committee** – Meet to consider any complaints against Councillors and to review policies and procedures for maintaining high ethical standards.
- **Internal Audit Section** - Has a four year audit plan which is flexible and enables internal audit to respond to changing risks and priorities of the organisation.
- **Corporate Governance & Audit Committee** – Reviews, monitors and scrutinises governance arrangements and finances of the Council, and also discusses the findings of audit reports and any other issues that relate to governance and risk management.
- **Corporate Management Team** – Review and update governance arrangements, identify and review new and emerging risks and review existing risks.
- **Strategic Risk Group** – Regularly reviews, updates and reports on the Risk Registers.
- **Internal Audit Annual Report & Opinion** – This will be presented to the Corporate Governance & Audit Committee on the 6th June 2022 in conjunction with this document which contains an assurance statement regarding internal control.
- **Divisional Manager - Democratic Services (Monitoring Officer)** - Ensures that the Council's operations are carried out lawfully.

Conclusion

Whilst the impact of the COVID 19 pandemic has proved challenging for the Council with remote working, impact on staff and working remotely also changes to decision making and financial regulations our opinion that Corporate Governance, along with supporting controls and procedures, remain very strong within the Council.

Ref	Governance Issues	Source	Action taken	Responsible Officer	Timescale
1	Southern Gateway Regeneration	Risk Management	COVID 19 is continuing to have an impact on the market viability of the scheme, although agents are now reporting improvements to some market sectors. Due to this and the decision by HMCTS to use the court buildings as Nightingale courts our selected developer has withdrawn from the project. Full Council in December 2021 reconfirmed its commitment to the Southern Gateway Project and work continues on land assembly for the Bus Station and Bus Depot sites. WSCC are progressing the demolition of the Old School buildings and are undertaking a feasibility study with the Sussex Community Foundation Trust and Coastal Commissioning Group for the development of a community health hub on this site. The Police Authority has also marketed the old Police Field site for disposal site. The LEP Coast to capital has agreed an extension to the grant funding until 2025 with the outcomes to be delivered by 2027.	Director of Growth & Place	On-going
2	Financial Resilience	Risk Management	The Financial Strategy and 5 Year Financial Model helps the Council to manage the strategic risk of financial resilience. The model is reviewed by both the Strategic Leadership Team (SLT) and members in year as part of the annual budget cycle preparation; especially as there remains a great deal of uncertainty over the medium term, including future changes in local government funding and the impact on the economy from the global pandemic. To achieve a balanced budget for 2021/22 required a £2.09m contribution from reserves. The model also reflects the efficiency savings to be achieved over the next 3 years as part of the Council's	Director of Corporate Services	On-going

			<p>Recovery Plan under the Future Services Framework; current forecasts for 2021-22 is that savings of just under £1m will be achieved against the budget target of £749k. This is good news, but the savings to be achieved in year's 2 and 3 may be more challenging and difficult, which is why the model only reflects 75% of the savings or income opportunities forecast to mitigate some of the risk in the targets set. The 5 year Model has been updated for the 2022-23 budget preparation to reflect known inflationary and other cost pressures, as well as the potential impact of Government policy requirements under the Environmental Bill; which has yet to fully clarify the expectations of local authorities regarding food waste and garden waste services. Based on the assumptions made in the latest update of the model this shows that there is still a potential funding gap over the medium term that SLT and members will need to address.</p> <p>The Fair Funding review has again been delayed, and recently the Localisation of Business rates scheme has been withdrawn from the Government's review programme. It appears that the Government is intending to provide a multi-year funding settlement for the period 2022-23 to 2024-25, which will aid strategic financial planning and has also recently announced that the Baseline reset for the Retained Business Rates Scheme will take place in 2023, thereby removing the growth built up since the last reset in 2017.</p> <p>The Council's programme remains affordable and fully funded without the need to borrow, and reserves are adequate.</p>		
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3	Business Continuity	Risk Management	<p>There are different threats that can create a business continuity incident - this assessment considers the key threats but has to summarise our overall level of risk. Whilst the internal controls are good for business continuity management, the risk score remains fairly high due to the likelihood being probable. We are currently in a business continuity incident with the Covid-19 pandemic. Due to managing the impact well, by the measures we have in place, it is considered moderate rather than substantial. The risk of a concurrent event, e.g. a cyber-attack is again probable. This is because CDC, like many large organisations, continually fights against potential attacks on our IT systems. We have good mitigation against cyber-attacks; however there remains a risk due to the frequency of attempted attacks and the changing nature of cyber threats. Physical mitigation controls against loss of IT or building/s are good and would be 'unlikely' and therefore less of a risk. Project to create and commission our new duplicate server facility has now moved into the final construction phase. Delayed due to impacts of COVID-19, progress has been made albeit at a slower pace than originally anticipated. Since the last quarter the IT team has begun actively backing up data to the new off-site servers. Though still in test, EPH server data is now replicating every 20 minutes. Both installations of a resilient internet link (to/from Depot site) and a UPS (power savers) to protect against electricity failures to the servers have been completed. The IT has now entered the final stages of configuration ahead of a full test and process development cycle. Once fully functioning, the off-site IT disaster recovery will significantly improve</p>	Director of Planning & Environment	On-going
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			<p>the Council's ability to recover from a business interruption involving loss of IT.</p> <p>The BIA (Business Impact Assessment) continues to be refreshed annually by SLT – this was last refreshed in September 2020. BC plans continue to be refreshed on a 6-monthly basis – the last programmed refresh took place in April 2021.</p> <p>A report by the ICT Manager has been taken to the Corporate Governance & Audit Committee which outlines the threats that the Council faces going forward and the action which is being.</p>		
4	Cyber Risk Attack Across ICT Estate	Risk Management	<p>Currently in the process of re assessment of our PSN accreditation. Project to create and commission our new duplicate server facility moving into the final construction phase. Delayed due to impacts of COVID-19, we are now actively backing up off-site server data hourly. We have completed both installations of a resilient internet link (to/from Depot site) and a UPS (power savers) to protect against electricity failures to the servers. We have now entered the final stages of configuration ahead of a full test and process development cycle. Plans are in place to conclude this by end Q2 beginning Q3.</p>	Director of Corporate Services	On-going
5	Local Plan	Risk Management	<p>Following the adoption of the new timetable in September work has progressed to consider key infrastructure. The key elements of the Plan are dependent upon external parties and hence the risk associated with remaining to that timetable remains high.</p>	Director of Planning & Environment	On-going

6	Changing use of High Street in City and Rural Towns	Risk Management	Work is underway with the rural towns and the city to support delivery of a Vision for the areas which will assist with the sustainability of the high streets. Whilst the vision action plans do seek to restrict the impact of pressures on the high street and also encourage a number of projects with partners, there are still a number of pressures which are outside of the control of the partners and the national picture reflects a changing scene. If the use of the high street reduces, this directly impacts CDC through a continued reduction in parking income, potential increased pressures on services which provide support in the city and towns and a reduction in the positive impression of the area for visitors and residents which may affect inward investment.	Director of Growth & Place	On-going
7	Increase Homelessness Service Demand due to COVID Impact	Risk Management	This is a new strategic risk. This was identified in the 2021-2022 Housing Service Plan and has been agreed by SLT.	Director of Housing & Communities	On-going
8	Skills, Capability, Capacity	Risk Management	Increased use of premia payments (market supplements) for those areas with long term establishment recruitment issues and the use of relocation package has aided recruitment for some service areas.	Director of Corporate Services	On-going
9	COVID - 19 (Coronavirus)	Risk Management	BC plans were fully invoked by all services across the Council. The majority of staff have been able to work from home and we have maintained normal access to council services for the public, with the exception of face-to-face contact where the reception area remains closed to restrict access other than in an emergency or exceptional circumstances. Works have taken place in EPH	Director of Planning & Environment	On-going

			customer services centre (reception) to create a self-service facility, backed-up with contact centre staff support. This is expected to open shortly after 21st June. Whilst we had seen a significant reduction in the number of cases and hospitalisations there is currently concern about the Delta (Indian) variant of the virus. Case numbers of the variant are currently increasing and hospitalisations are slowly on the increase. Vaccinations are believed to be preventing the severity of illness currently but this continues to be the subject of close monitoring. There continues to be a threat of localised outbreaks. All members of staff are able to obtain Lateral Flow Device (LFD) rapid tests as they are widely available to members of the public. Information on where to obtain the tests has been provided to staff and they have been encouraged to make use of the testing, which is recommended twice weekly.		
7	Credit Cards	Internal Audit	A series of actions have been agreed in response to this audit.	Divisional Manager for Financial Services	On-going reporting through an audit follow-up report.
8	Destruction of IT Equipment	Internal Audit	A series of actions have been agreed in response to this audit.	Divisional Manager for Business Support	On-going reporting through an audit follow-up report.
9	Creditors	Internal Audit	A series of actions have been agreed in response to this audit.	Divisional Manager for Financial Services	On-going reporting through an audit follow-up report.

10	Travel & Subsistence – Follow Up	Internal Audit	A series of action have been agreed in response to this audit.	Divisional Manager for Business Support	On-going reporting through a further audit follow-up report.
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Internal Audit and Corporate Investigations

Annual Report 2020/2021

1 Introduction

1.1 The main purpose of this report is as follows:

- To summarise the effectiveness of Internal Audit
- Comment on the work undertaken by Internal Audit during the year
- Provide management and members with an opinion on the adequacy and effectiveness of the Council's arrangements; risk management and systems of internal control.

2 Audit Planning

2.1 The Internal Audit Section works on a four-year strategic audit plan; this is produced following consultation with the Director of Corporate Services/S. 151 Officer and the Divisional Manager for Financial Services (Deputy S.151) and is approved by the Corporate Governance & Audit Committee. The Plan is prepared where possible using a risk-based assessment which can be linked to the Council's Corporate Risk Register and is designed to review all the major areas and systems on a cyclical basis. Suggestions are also made by Divisional Managers. Any areas and systems considered to be fundamental to the Council's operations are reviewed annually.

2.2 The Annual Audit Plan for 2020/2021 represented the first year, of a four year plan. Each of the audits is undertaken on an operational risk-based approach following discussions with the Divisional Managers/Departments.

2.3 The Annual Internal Audit Plan is a live document and is updated with emerging risks as and when required. Any changes to this plan are reported to the Corporate Governance and Audit Committee.

3 Staffing

3.1 During 2020-21 the Internal Audit Section operated on 2.25 fte's of audit staff, also 2.5 fte's Corporate Investigations staff. All Auditors have the requisite experience to effectively fulfil their responsibilities and execute duties to the required professional standard under PSIAS (Public Sector Internal Audit Standards).

3.2 Corporate Investigations is part of the Internal Audit team and the Corporate Investigations Officer (CIO) is responsible for investigating and reporting on, any offences against or within the council. An Annual Report is taken to Corporate

Governance & Audit Committee which details the work undertaken by the Corporate Investigations Team during the 2020-2021 financial year.

3.3 Internal Audit is responsible for reviewing the internal controls annually to give assurance to those charged with governance that the control environment within the Council is robust and regularly reviewed by both Internal and External Audit.

4 Performance against the Internal Audit Plan

4.1 The Internal Audit Section completed the following Audits /Reviews during 2020/2021:

Completed Planned Audits

- Community Safety
- Usage of Corporate Credit Cards
- Renewal of DBS checks
- Destruction of old Laptops
- Asset Management
- Cash & Bank
- Council Tax
- Creditors
- Debtors
- Housing Benefits
- NNDR
- Payroll
- Treasury Management
- Recruitment & Selection
- Travel & Subsistence

Key Financial Systems (reviewed annually)

- Bank Reconciliation (Cash and Bank)
- Creditors
- Council Tax
- Debtors
- Housing Benefit
- NDR
- Payroll
- Treasury Management
- Fixed Asset Register

4.2 The Audit Section undertook annual testing on all the Key Financial Systems; that is the main financial systems that feed into the Council's statutory financial statements, to identify and ensure that the appropriate levels of internal control were in place. In addition, there are a few controls which are tested by Internal Audit that are based upon agreed criteria with the External Auditors, Ernst and Young.

4.3 In addition to the planned work, Internal Audit continues to respond to requests by the Council's services and departments, where and when advice and assistance is

required, whilst remaining impartial. A number of minor issues were addressed by Internal Audit during the year.

Planned Reviews not completed

- 4.4 During 2020/2021, five audits from the original audit plan were not undertaken and were deferred due to re-deployment assisting with the issuing of COVID Business Support grants, and staff absences, however they will be completed during 2021/2022.

5 Reporting

- 5.1 All internal audit reports were reviewed by the Internal Audit & Corporate Investigations Manager prior to publication and being reported to the Corporate Governance & Audit Committee, which met six times in 2020-21. A report showing progress against the audit plan is also taken to each Corporate Governance and Audit Committee meeting.
- 5.2 A number of recommendations were raised and reported on during 2020-21, all of which had been agreed by management and then reported to Corporate Governance & Audit Committee. Several follow up reviews were also carried out during the year; to ascertain whether the recommendations made, had been implemented and deadlines met. Where recommendations were not implemented, they were brought to the attention of the Corporate Governance & Audit Committee as part of the follow-up process. During 2020/2021 all recommendations made had been agreed by management.

6 Opinion on the Control Environment

- 6.1 Based upon the Internal Audit work undertaken during the year 2020-21, the overall opinion is that 'satisfactory' assurance can be given, and generally that there is a sound system of internal control.

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