



# **CHICHESTER DISTRICT COUNCIL**

## **AUDITED STATEMENT OF ACCOUNTS 2019-20**

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## General Information



### Council Office

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Twitter [www.twitter.com/ChichesterDC](http://www.twitter.com/ChichesterDC)

### 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 P Over, Executive Director and Deputy to the Chief Executive (until 31 December 2019)

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

Mr A Frost, Director and Planning and Environmental Services

Mrs J Hotchkiss, Director of Growth and Place

Mrs L Rudziak, Director of Housing and Communities

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

### Introduction by the Director of Corporate Services

In considering the content for this narrative statement the majority of the year was business as usual for the Council, and only in the last two months of the financial year, did the country and local government start to feel a shift due to the global pandemic impacting the UK, and subsequently affecting many aspects of service delivery, demand for Council services and impacting some major income streams.

A key priority of the Council's Corporate Plan is "To manage the Council's finances prudently and effectively" with three 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 started to plan for the anticipated impact on its substantial discretionary income streams from the public health issue both in the short term following the response to Government guidance on 23 March 2020, and the impact in the longer term due to behavioural and demand changes for its services. The Council's initial response to COVID-19 was detailed to members on 12 May 2020; the detailed report can be found here:

<https://chichester.moderngov.co.uk/documents/s16910/Response%20to%20Covid-19%20-%20report.pdf>

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 120,800 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.

Following the outcome of a Boundary Commission review and the scheduled elections in 2019, the number of Chichester District councillors reduced to 36 (previously 48) representing 21 newly formed wards instead of the previous 29 wards. The number of parishes remains at 67 in the district.

### Key Statistics



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

## **2. Key Facts about the Council**

### How we make decisions

#### **Council**

All councillors from across the district normally meet six times a year to decide the Council's overall policies and to set the budget. These meetings are normally open to the public and additional meetings can be held if needed. However, as result of the public health issue some meetings were cancelled in March and April, however subsequently remote virtual meeting arrangements have been put in place to enable future meetings to be held.

#### **Cabinet**

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

#### **Overview and Scrutiny**

The Overview and Scrutiny Committee holds the decision-makers to account and meets at least 4 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 4 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 2019-20 Diane Shepherd, our Chief Executive, led the Strategic Leadership Team (SLT) which included one Executive Director and Deputy to the Chief Executive, Paul Over, and five directors. However, a new management structure came into effect from 1 June 2019, with the number of Directors being reduced from 5 to 4, and in the latter part of the year the Executive Director and Deputy Chief Executive's role ceased. Details of the Council's current management structure can be found here <http://www.chichester.gov.uk/article/24164/Council-structure>.

The wider Corporate Management Team also consisted of 16 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, the majority of staff based at EPH were able to work remotely which continues to be the case whilst the Council considers its recovery plans along with the latest Government guidance.

## **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 at <http://www.chichester.gov.uk/corporateplan>. In 2020 the review of the corporate plan has been deferred while the council instead focuses on its recovery phase following the COVID-19 pandemic.

### **Key Achievements**

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

- The Commercial Programme Board

- The Business Improvement Programme Board.

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.

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

#### **4. Current Financial performance**

The Council set a balanced budget for 2019-20 on 5 March 2019, again without using its reserves or New Homes Bonus (NHB) Government funding. The Council accepted a four year funding offer from Government to help provide some degree of certainty covering the period 2016-17 to 2019-20; the 2019-20 Budget was the final year of that agreement.

During 2019-20 the Council participated in the West Sussex Business Rates Pool which was approved by Government for one year only for a 75% localisation Business Rates Pilot which meant that the Rural Services Delivery Grant was included in the Baseline Funding Level (BFL). In budget setting the Council was already witnessing the deterioration in some income streams in the financial year 2018-19, especially in relation to car parking and planning fees. To mitigate this risk the income forecasts were adjusted downwards for 2019-20 however, the Council's five year financial model was still able to demonstrate a balanced budget at the end of year 5. Although there was a relatively small deficit in year 4 that needed to be considered along with the delivery of the outstanding items of the agreed 2016 deficit reduction plan, the assumptions used for the forecasts, and the impact of the other uncertainties were set out in the Financial Strategy reported to Council January 2019.

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

<https://www.chichester.gov.uk/article/27734/chichesterdotnet/favicons/16x16.png>

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 27.

## Capital Expenditure 2019-20 - Movements in the Council's asset base

TOTAL ASSETS BROUGHT FORWARD £227			
Purchases and Sales of assets £4m	Depreciation (£3m)	Other changes in value £33m	Change in Current Assets (£8m)
Property, Plant & Equipment £130m	Investment Property £14m	Other Long Term Assets £59m	Current Assets £50m
Total Assets Carried Forward £253m			

### Capital Expenditure Outlook

The Council has a capital and asset replacement programme of £41.4m approved in March 2020 in the period 2020-21 to 2024-25 (£47.4m including slippage from 2019-20). The major schemes currently planned for this period include:

Capital Expenditure (Planned)	2020-21 £000	2021-22 £000	Later £000
Plot 21 Terminus Road Development	1,564	-	-
St. James' Industrial Estate Refurbishment	1,966	3,089	12
Community Grants	425	425	1,275
Community Led Housing	370	310	-
Affordable Housing, including Grants	1,077	1,000	500
Disabled Facilities Grants	1,350	1,350	4,050
Rural Housing Fund	200	260	-
Playground Replacement Programme	150	-	290
Public Convenience Refurbishment programme	490	170	300
Vehicle Replacement Programme	1,271	1,057	1,809
<i>Community Infrastructure Levy (CIL) Projects</i>			
- Westhampnett Waste Transfer & Recycling Station	2,500	-	-
- Southern Gateway Bus & Rail Interchange	-	3,000	-
- Southern Gateway New City Square	-	1,000	-
- School Places	1,200	2,400	-
- Sustainable Transport	500	25	475
- Medical Centre West Chichester	1,750	-	-
- Area-wide Parking Management	500	250	-

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.

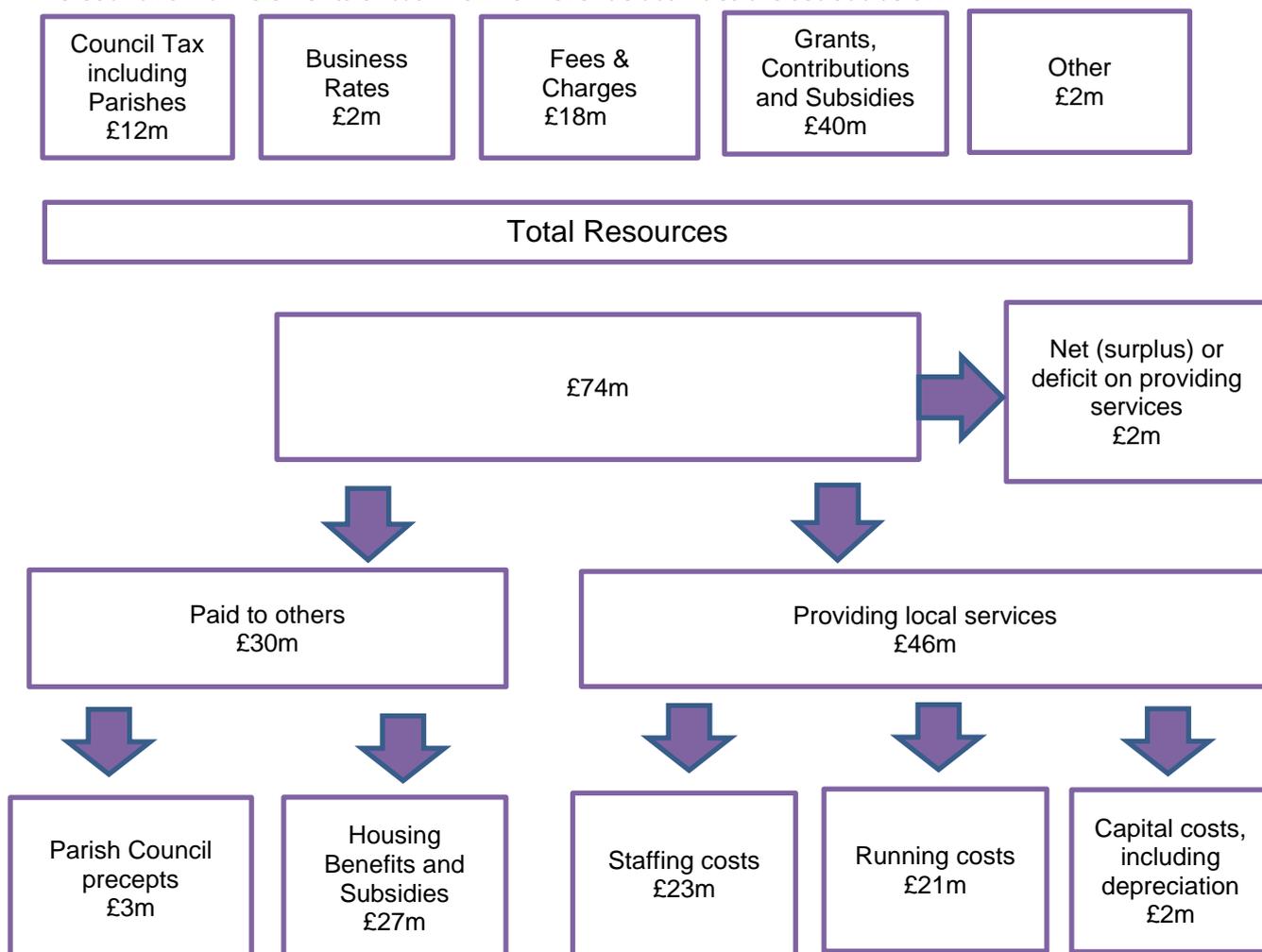
The Council is currently debt free and fully funds its capital programme and asset replacement programme from its own resources i.e. capital receipts and revenue reserves, plus grants and contributions from third parties and via Council Tax for the asset replacement programme. In the medium term this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

Planned support for the Council’s future capital programme includes £4m from Coast to Capital (<http://www.coast2capital.org.uk/>). This funding is being used to help the Council regenerate the Southern Gateway area of Chichester. More about this project can be found on the Council’s website at <http://www.chichester.gov.uk/article/29385/About-the-Southern-Gateway>.

## Revenue Expenditure 2019-20

### Revenue Inflows and Outflows

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



## Factors influencing future cash flows

- Council Tax – Legislative restrictions on annual Council Tax increases and the requirement for local referendums.
- Business Rates – Impact of 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. In 2019-20 the Council was part of the 75% localisation of business rates pilot along with all other West Sussex authorities; county, district and boroughs. This new pooling arrangement was only for 1 year and will enable the pool to retain an extra £21m, which as a one off is anticipated to be used to fund IT infrastructure improvements county-wide. There is no impact on the Council's own budgets, only those of the West Sussex pool.
- Specific Government Grants – Reserve 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 Brexit and now 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 2020-21 budget due to changes in service demand. The public health crisis is expected to have a substantial impact on the Council's discretionary income streams as experienced during the final weeks of the financial year due to the Government's lockdown, but also in the longer term due to behavioural change impacting future service provision and demand and an anticipated recession in the UK and globally.

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. Following the pay review project 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 reflects the assumption that pay increases in future years will be 2%. 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 2020, the Council held £6.4m as cash and cash equivalents as shown in note 17. The approved minimum level of general fund reserves to be held remained at £6.3m to cover

unexpected expenditure or delays in income from the sale of council assets. Whilst the council currently holds £48.0m of usable reserves the majority of this is committed to support the capital programme, or is earmarked for specific purposes. As assessed in February 2020, only £21m could be available in the short term to alleviate the anticipated shortfall of income or increased expenditure in 2020-21 until a more sustainable position has been investigated and agreed.

### **Revenue Expenditure Outlook**

The Council's Medium Term Financial Strategy Model reflected the Council's best estimate of what may occur in 2020-21 and beyond as reported to Council in December 2019. However like all local authorities having only just set the budget and council tax for 2020-21 in early March, the unprecedented impact of the COVID 19 pandemic has warranted the stress testing of the Council's finances to assess the impact in the short term and consider the longer term impact which will aid the Council's plans for 2020-21 and beyond. The outcome of the stress test indicated a potential £8m loss in 2020-21, but the Council has sufficient reserves and liquidity to ensure it can continue to operate for the foreseeable future. However a recovery plan which includes the financial assessment and savings required will be presented to the June 2020 meeting of the Overview and Scrutiny Committee, and the Corporate Governance and Audit Committee and Cabinet in July 2020.

The Council has used its five year financial model to help set out the action required to reduce the impact of any government funding gap on service delivery, building on savings and increased income. The Council has a good track record of realising savings and increasing income to achieve the legal requirement to set a balanced budget, as demonstrated by achieving savings and increased income of £12.384m since 2010 to date; this includes savings of £3.5m linked to the Council's 2016 Deficit Reduction Plan which still had further anticipated savings or additional income of £0.952m to be achieved over the next 5 years, which will be re-assessed in light of the public health issue in 2020.

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, programme board and organisational risks in relation to the achievement of its objectives and performance targets. The risk registers are the subject of bi-annual review by both the Strategic Risk Group and the Corporate Governance and Audit Committee, and are reviewed regularly by the Corporate Management Team throughout the year.

Each risk is scored in terms of the likelihood or occurrence and the potential impact. The assessment of impact reflects consideration of a number of concerns such as; service disruption, financial loss, reputation, data security, personal safety and legal obligations. The scores are based on a range of "Major through to Minor". The assessment of likelihood, or probability, is based on a range of scores from "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><b>Financial Resilience</b></p> <ul style="list-style-type: none"> <li>- 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.</li> <li>- 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.</li> <li>- Failure to maximise income streams.</li> <li>- Unpredictable Government policy (e.g. localisation of business rates.)</li> <li>- COVID-19 (Coronavirus) unpredictable economic impact.</li> </ul>	Probable	Moderate
<p><b>Skills / Capability / Capacity</b></p> <ul style="list-style-type: none"> <li>- 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.</li> </ul>	Possible	Minor
<p><b>Business Continuity</b></p> <ul style="list-style-type: none"> <li>- 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.</li> </ul>	Probable	Substantial
<p><b>Health &amp; Safety</b></p> <ul style="list-style-type: none"> <li>- Failure to adhere to H&amp;S policies and procedures leading to death or serious injury of an employee or third party resulting in prosecution under H&amp;S legislation, adverse publicity, fines and possible prison sentences. Such failures may also lead to civil claims for compensation.</li> </ul>	Unlikely	Major
<p><b>Cyber Risk Attack Across ICT Estate</b></p> <ul style="list-style-type: none"> <li>- 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).</li> <li>- The Principle of CIA; this provides the basis for the CIA triad – Confidentiality, Integrity and Availability – for data security.</li> </ul>	Possible	Substantial
<p><b>Southern Gateway Regeneration</b></p> <ul style="list-style-type: none"> <li>- 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).</li> <li>- Lack of engagement or buy in by other key partners, leading to CDC being isolated and unable to deliver</li> </ul>	Probable	Substantial

Strategic Risk Description	Likelihood	Impact
<p>outcomes.</p> <ul style="list-style-type: none"> <li>- Masterplan becomes commercially unviable due to certain market sectors' changes including demands for community/public realm use types.</li> </ul>		
<p><b>Local Plan</b></p> <ul style="list-style-type: none"> <li>- Failure to complete Local Plan Review and achieve an adopted Local Plan by 2020, leading to a loss of control over the location and form of development with decisions being made through the application and appeal process.</li> <li>- Reduction in the ability to plan and co-ordinate development with the provision of infrastructure.</li> <li>- Failure in the Council's statutory duties as the Local Planning Authority leading to reputational damage.</li> </ul>	Almost Certain	Substantial
<p><b>Brexit</b></p> <ul style="list-style-type: none"> <li>- The risks of a "no deal" Brexit scenario and its impact on the council, its services and communities.</li> </ul>	Unlikely	Substantial
<p><b>Changing Use of the High Street in City and Rural Towns</b></p> <ul style="list-style-type: none"> <li>- Risk to the city and rural towns as a result of the changing use of the high street impacting their sustainability and vitality.</li> <li>- 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.</li> </ul>	Probable	Moderate
<p><b>Criminal Finances Act – Procedural failures facilitating tax evasion</b></p> <ul style="list-style-type: none"> <li>- Failure of governance procedures and controls which allow or facilitate tax evasion and risk committing a corporate criminal offence under the Criminal Finances Act 2017.</li> </ul>	Possible	Moderate
<p><b>Covid – 19 (Coronavirus)</b></p> <ul style="list-style-type: none"> <li>- The risk of loss of staff and the impact on our ability to operate council services.</li> <li>- Failure to comply with the Council's legal and moral duties. Reputational damage.</li> </ul>	Almost Certain	Substantial

## 6. Impact of Covid-19 and the Way Forward

The impact on the Council's financial position is significant. The government have so far announced two tranches of financial assistance for Local Government. The Council received £40k in the first tranche and £1.211m in the second. It is unknown whether further funding will be made available, but it is unlikely to meet our expected shortfall in income in 2020-21, and will, in any event, be one off funding only and the council cannot rely on government meeting all of the anticipated financial pressures.

In terms of cash flow the government have provided more assistance by releasing up front S31 grants that were due to be paid to us during 2020-21, and have also deferred their share of Business Rates for three months. The Council's Treasury team have tested our cash flow and we have sufficient liquidity for the foreseeable future.

Whilst the current pandemic has had only a marginal impact on our expenditure so far, we are experiencing a very significant reduction in our income streams. In addition to £9m of Council Tax

and £3m of Business rates, the council is also heavily reliant on income from fees and charges in excess of £18m. All of these income streams are at significant threat.

The Council is already experiencing an increase in applications for Council Tax Support, and will undoubtedly experience an increase in bad debts as residents struggle to meet their council tax liabilities. Income from business rates will also reduce significantly in the future. However, of even greater risk to the Council's budget is the £18m of income from fees and charges. Over one third of this, £6.4m, is derived from parking charges. The Council suspended charging in its car parks as part of the response to the pandemic, resulting in a loss of income of approximately £0.5m per month until charging is resumed in light of further Government guidance. Other major income streams such as planning fees and commercial rents are also likely to suffer reductions, not just in the short term, but well beyond the current emergency if the economy struggles to recover.

Increased income and expenditure monitoring was undertaken to assess the likely impact in the current financial year which has indicated a likely loss of income of £8m. (Further details can be found in the May 2020 Cabinet report:

<https://chichester.moderngov.co.uk/documents/s16911/Response%20to%20Covid-19%20-%20appendix.pdf> ).

For 2020-21 the Council will have no option but to rely on the use of reserves to fund any shortfall in income or increase in expenditure, with budget managers only permitted to approve essential expenditure during the emergency until the full implications have been established. The capital programme which was approved in March 2020 at £41.4m including £8.4m of asset replacements will be reviewed at July 2020 Council so that members can consider which projects it wishes to proceed with.

Beyond the current year the financial forecast is extremely difficult to predict with any accuracy. What is clear, however, is that the Council's income is unlikely return to the pre-pandemic levels for probably several years. A scenario of having reduced income from fees and charges of 20% to 30% may not be unrealistic. If such a situation did materialise it would create a budget gap of around £3.5m to £5.5m.

With finite reserves, the Council will have to prioritise its services in order to set a sustainable budget moving forwards. Officers will work closely with members in the months ahead in order to agree priorities for resource allocations for the 2021-22 budget and beyond, and place us in a position that we can respond to the financial challenge ahead.

#### **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](http://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](mailto: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 2020. 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 9 November 2020**

### Approval for the Statement of Accounts

**Francis Hobbs**  
Chairman of the Corporate Governance and Audit Committee

**Date 26 November 2020**

**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.

2018-19 (Restated)				2019-20		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
2,054	(8)	2,046	Leader	1,204	3	1,207
5,058	(2,393)	2,665	Planning Services	4,183	(2,259)	1,924
5,073	(1,990)	3,083	Community Services and Culture	3,621	(1,799)	1,822
6,636	(8,508)	(1,872)	Growth, Place and Regeneration	5,017	(8,415)	(3,398)
5,010	(3,761)	1,249	Housing, Communications, Licensing and Events	5,463	(3,613)	1,850
11,157	(5,235)	5,922	Environment Services and Chichester Contract Services	11,748	(5,126)	6,622
41,153	(34,286)	6,867	Finance, Corporate Services and Revenues and Benefits	36,807	(29,333)	7,474
<b>76,141</b>	<b>(56,181)</b>	<b>19,960</b>	<b>Cost of Services</b>	<b>68,043</b>	<b>(50,541)</b>	<b>17,502</b>
			<b>Other operating Expenditure</b>			
3,071	0	3,071	Parish Council Precepts	3,174	0	3,174
0	0	0	Levies Payable	0	0	0
0	(1,249)	(1,249)	Gain (-)/or loss on the disposal of Non-Current Assets	0	(239)	(239)
<b>3,071</b>	<b>(1,249)</b>	<b>1,822</b>		<b>3,174</b>	<b>(239)</b>	<b>2,935</b>
			<b>Financing and Investment Income and Expenditure</b>			
58	0	58	Interest payable and similar charges	60	0	60
0	(40)	(40)	Net interest on the net defined Pension liability (asset)	198	0	198
0	(1,212)	(1,212)	Interest receivable and similar income	0	(1,498)	(1,498)



2018-19 (Restated)			2019-20		
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000	£000	£000	£000
		(7,667)			9,454
		0			0
		<b>945</b>			<b>(33,826)</b>
		<b>(9,098)</b>			<b>(31,439)</b>

- 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

**Other Comprehensive Income and Expenditure**

**Total Comprehensive Income and Expenditure**

Following the District Council elections in May 2019 the Council’s Portfolios were reorganised. The comparators for 2018-19 have been updated to reflect the changes in service responsibilities that fall under each of the new portfolio headings. These changes are also reflected for the comparator figures in Notes 6 and 6a.

## Balance Sheet

The Balance Sheet shows the value as at 31 March 2020 of the Council's assets and liabilities together with the reserves held by the Council.

31 March 2019 £000		Notes	31 March 2020 £000
	<b>Property, Plant and Equipment</b>	11	
114,787	▪ Land and Buildings		117,000
5,855	▪ Vehicles, plant, furniture and equipment		5,582
1,398	▪ Infrastructure		1,152
28	▪ Community Assets		28
0	▪ Assets under construction		235
3,143	▪ Surplus Assets not held for sale		6,048
15,033	<b>Investment Property</b>	12	13,623
	<b>Intangible Assets</b>	13	
367	▪ Software		359
	<b>Heritage Assets</b>	14	
6,757	▪ Tangible		6,767
22	▪ Intangible		22
20,607	<b>Long Term Investments</b>	15	29,751
0	<b>Net Pensions Asset</b>	29	20,876
1,137	<b>Long Term Debtors</b>	15	1,096
<b>169,134</b>	<b>Total Long-Term Assets</b>		<b>202,539</b>
	<b>Current Assets</b>		
39,145	Short term investments		35,123
89	Inventories		126
13,364	Short Term Debtors	16	8,269
4,862	Cash and Cash Equivalents	17	6,320
442	Assets held for sale – current <1yr		442
<b>57,902</b>	<b>Total Current Assets</b>		<b>50,280</b>
	<b>Current Liabilities</b>		
(10,501)	Short Term Creditors	18	(12,175)
<b>(10,501)</b>	<b>Total Current Liabilities</b>		<b>(12,175)</b>
	<b>Long-Term Liabilities</b>		
(5,478)	Long Term Creditors – S106 contributions		(5,840)

<b>31 March 2019 £000</b>		<b>Notes</b>	<b>31 March 2020 £000</b>
(12)	Credit Arrangements – Finance Lease		(6)
(2,497)	Provisions	19	(1,271)
(6,559)	Net Pensions Liability	29	0
(105)	Capital Grants Receipts in Advance		(204)
<b>(14,651)</b>	<b>Total Long-Term Liabilities</b>		<b>(7,321)</b>
<b>201,884</b>	<b>Net Assets</b>		<b>233,323</b>
	<b>Usable Reserves</b>		
(44,266)	General Fund Reserve		(48,038)
(1,652)	Capital Receipts Reserve		(1,928)
(12,434)	Capital Grants Unapplied Account		(13,279)
<b>(58,352)</b>	<b>Total Usable Reserves</b>		<b>(63,245)</b>
	<b>Unusable Reserves</b>	20	
(57,117)	Revaluation Reserve		(59,273)
(92,405)	Capital Adjustment Account		(93,656)
22	Financial Instruments Adjustment Account		11
343	Pooled Investment Fund Adjustment Account		4,249
(737)	Deferred Capital Receipts Reserve		(703)
6,559	Pension Reserve		(20,876)
(197)	Collection Fund Adjustment Account		170
0	Accumulated Absences Account		0
<b>(143,532)</b>	<b>Total Unusable Reserves</b>		<b>(170,078)</b>
<b>(201,884)</b>	<b>Total Reserves</b>		<b>(233,323)</b>

John Ward CPFA  
Director of Corporate Services

Date 9 November 2020

## 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.

2018-19 £000						2019-20 £000						
General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves		General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
(39,004)	(85)	(7,830)	(46,919)	(145,863)	(192,782)	Balance brought forward	(44,266)	(1,652)	(12,434)	(58,352)	(143,532)	(201,884)
0	0	0	0	(4)	(4)	Adjustments for the restatement of financial instruments	0	0	0	0	0	0
(10,043)	0	0	(10,043)	945	(9,098)	Total Comprehensive Income and Expenditure	2,387	0	0	2,387	(33,826)	(31,439)
4,781	(1,567)	(4,604)	(1,390)	1,390	0	Adjustments between accounting basis & funding under regulations (Note 10)	(6,159)	(276)	(845)	(7,280)	7,280	0
(5,262)	(1,567)	(4,604)	(11,433)	2,331	(9,102)	(Increase) / Decrease In year	(3,772)	(276)	(845)	(4,893)	(26,546)	(31,439)
(44,266)	(1,652)	(12,434)	(58,352)	(143,532)	(201,884)	Balance carried forward	(48,038)	(1,928)	(13,279)	(63,245)	(170,078)	(233,323)

## 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.

<b>2018-19</b>		<b>2019-20</b>
<b>£000</b>		<b>£000</b>
(10,043)	Net (surplus) or deficit on the provision of services	2,387
7,503	Adjustments to net surplus or deficit on the provision of services for non-cash	(4,264)
1,549	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	1,532
<b>(991)</b>	<b>Net Cash flows from Operating Activities</b>	<b>(345)</b>
	<b>Interest</b>	
0	Interest Paid	12
(1,636)	Interest Received	(1,644)
<b>(1,636)</b>		<b>(1,632)</b>
	<b>Investing Activities</b>	
2,713	Purchase of property, plant and equipment, investment property and intangible assets	3,878
240,471	Purchase of short-term and long-term investments	254,578
128	Other payments for investing activities	99
(2,330)	Proceeds from the sale of property, plant and equipment, non-current assets held for sale, investment property and intangible assets	(506)
(224,642)	Proceeds from short-term and long-term investments	(245,550)
(6,202)	Capital Grants	(9,963)
(976)	Other receipts from investing activities	(1,062)
<b>9,162</b>	<b>Net Cash flows from Investing Activities</b>	<b>1,474</b>
	<b>Financing Activities</b>	
(442)	Other receipts from financing activities	(670)
(18)	Other payments from financing activities	(284)
<b>(460)</b>	<b>Net Cash flows from Financing Activities</b>	<b>(954)</b>
<b>6,075</b>	<b>Net (increase) / decrease in cash and cash equivalents</b>	<b>(1,457)</b>
	<b>Cash and cash equivalents (Note 17)</b>	
10,938	○ at the beginning of the reporting period	4,863
4,863	○ at the end of the reporting period	6,320
<b>6,075</b>	<b>Movement in Cash (increase)/decrease</b>	<b>(1,457)</b>

### 1. Accounting Policies

#### 1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2019-20 financial year and its position at the year-end of 31 March 2020. 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 2019-20 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 provisions in the Code of Audit Practice in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as the Council cannot be created or dissolved without statutory prescription, these accounts must be prepared on a going concern basis of accounting.

As the Council carries out functions essential to the local community and is itself a revenue-raising body; If the Council was in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

Accounts drawn up under the Code, therefore, assume that a local authority's services will continue to operate on a going concern basis for the foreseeable future.

The impact of COVID-19, and the national response to this challenge, has created significant issues for many businesses and residents across the District, resulting in Council cashflows and some revenue streams being adversely affected from late March 2020 onwards.

The present estimate is that the Council suffered a loss of income in the region of £1m per month during the period to the end of June 2020, with a full year effect projected at £8m (comprising a reduction in income of £7m and £1m increased costs). Set against this deficit is Government grant funding for COVID related expenditure (£1.4m), and loss of income from reduced sales, fees and charges, which is expected to be in the region of £4m for 2020-21.

If received, these grants will offset the in-year effects of the pandemic estimated above leaving a 2020-21 outturn deficit of between £3m and £4m. The Council has already approved a recovery plan that supports to our communities and our financial position through a range of service efficiencies and reprioritisation. This is expected to deliver a savings target to mitigate the impact on reserves and also achieve a balanced budget position over the medium term.

Even if this level of deficit continued unabated into 2021-22, and ignoring the mitigating actions already underway, the total reduction in revenue reserves over the next two years is not expected to exceed £8m.

Whilst any deficit over this period will reduce the Council's available revenue reserves, the Council had £15.3m uncommitted and £32.7m earmarked General Fund reserves at 31 March 2020 which could be used if necessary to support Council services. Given this, the Council is confident that available revenue reserves will remain above the required minimum levels set by the Council's s.151 officer over the next two years

More information on the financial impact of the pandemic can be found within the Cabinet agenda for 7 July 2020, available on the Council's website.

The Government is also providing in-year funding for the impact of the COVID business rates relief measures announced in Spring of 2020 and intends to extend the period over which the Council will have to manage any shortfall in local tax income relating to 2020-21 from 1 to 3 years. Taken as a package, these measures considerably ease immediate pressures on the Council's budget and cashflows.

Cashflows have been estimated over the course of the next twelve months to ensure that sufficient liquidity is available to continue to provide local services. Given the analysis and information available to the Council, the Council is confident it has the liquidity, resources and ability to continue to provide services over the foreseeable future. The Council's had £47.8m in short term and liquid investments at the end of October 2020 there is no expectation of needing to borrow to fund short term cash-flows over the foreseeable future.

### **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 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 tax payers.

## **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 2.3%. 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 2020.

**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 (other than the CCLA property fund), fund values published by the fund manager have been used as these represent the prices in the principal market within which the Council would normally enter into a transaction to sell the asset.
  - For the Stable or Low Volatility Net Asset Value money market funds, the valuation used assumes that, for each £1 for every of principal invested, the fund will return £1 of principal on withdrawal by the Council, plus interest.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments.
  - For the Council’s investments with the CCLA local property fund the fair value uses level 2 inputs following the suspension of dealing for this fund in March 2020. Further information is contained in note 5.
- 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 2020, using the following methods and assumptions:

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

The Council has not to date designated any Financial Assets as 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 2019-20**

There are no new or amended accounting standards introduced during 2019-20 that have a material impact on the Council's financial statements.

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

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued, but has not yet been adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20.

For 2019-20 the following accounting standard changes that need to be reported relate to:

- Amendments to IAS 28 Investment in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement
- Annual Improvements to IFRS Standards 2015 - 2017 Cycle

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

## **4. Critical judgements in applying accounting policies**

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

- There is high degree of uncertainty about future levels of funding for local government. However the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- As the accounting treatment and disclosures for operating and finance leases are significantly different, the Council has made judgements on whether its lease arrangements for land and buildings are operating leases or finance leases under the criteria of IAS17. These judgements are made in accordance with the Council's accounting policy on leases, and are based on a series of tests designed to assess whether the risks and rewards of ownership have been transferred from the lessor to the lessee.

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

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

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

### Business Rates

A provision has been recognised for the best estimate of the amount that businesses have been overcharged for Business Rates up to 31 March 2020. 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 2020. The Council's share of the balance of business rates appeals provisions held at this date amounted to £1.3m (see Note 19), the reduction mainly a reflection of the impact of the 2019-20 West Sussex Business Rate pilot scheme.

#### Valuation of investment assets held by the Local Authority Property Fund (LAPF) and other pooled property funds

Given the unprecedented impact of COVID 19 and the Government's containment response on movement, economic activity and property markets (occupational and investment), the scale of the uncertainty surrounding property pricing and valuations means estimates of property values should be viewed as less reliable than normal in the present climate. The estimated values provided by the professional Investment Manager of the Fund(s) are based on the best available information, but may vary from actual as greater evidence emerges from more efficient markets.

#### 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 timetable for changes for each of the public service pension schemes affected by the judgements is not yet certain. 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 were prepared during the period up to 31st March 2020, valuing the portfolio as at 28th February 2020 or earlier. During the intervening period, there has been the coronavirus pandemic, which has had and will have an impact on the global and national economy. As a result, on 18th March 2020, the RICS published a valuation practice alert, which suggested the following paragraph be inserted to valuation disclosure notes in general to provide more context to the impact recent events have had upon the reported property values at 31 March 2020.

'The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous

market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation under frequent review.'

The above does not affect the valuation of the premises at the valuation date but it is not possible to indicate whether there has been a material effect to the valuation between 31st December 2019 and 31st March 2020 due to the above. This will only become clearer at a later date.

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).

2018-19 (Restated)				2019-20		
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
1,238	808	2,046	Leader	966	241	1,207
1,497	1,168	2,665	Planning Services	1,066	858	1,924
1,698	1,385	3,083	Community Services and Culture	1,545	277	1,822
(4,530)	2,658	(1,872)	Growth, Place and Regeneration	(4,238)	841	(3,397)
741	508	1,249	Housing, Communications, Licensing and Events	1,136	714	1,850
4,115	1,807	5,922	Environment Services and Chichester Contract Services	4,753	1,869	6,622
5,970	897	6,867	Finance, Corporate Services and Revenue and Benefits	5,877	1,597	7,474
<b>10,729</b>	<b>9,231</b>	<b>19,960</b>	<b>Net Cost of Services</b>	<b>11,105</b>	<b>6,397</b>	<b>17,502</b>
(15,991)	(14,012)	(30,003)	Other Income and Expenditure	(14,877)	(238)	(15,115)
<b>(5,262)</b>	<b>(4,781)</b>	<b>(10,043)</b>	<b>(Surplus) or Deficit</b>	<b>(3,772)</b>	<b>6,159</b>	<b>2,387</b>
(39,004)			Opening General Fund Balance	(44,266)		
(5,262)			Less/ Plus Surplus or (Deficit) on General Fund in year	(3,772)		
<b>(44,266)</b>			Closing General Fund balance at 31 March	<b>(48,038)</b>		

**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.

**2018-19 (Restated)**

Statutory adjustments for:

Capital £000	Pensions £000	Other £000	Total £000	
7	801	0	808	Leader
816	352	0	1,168	Planning Services
1,160	225	0	1,385	Community Services and Culture
2,451	207	0	2,658	Growth, Place and Regeneration
287	221	0	508	Housing, Communications, Licensing and Events
991	816	0	1,807	Environment Services and Chichester Contract Services
185	712	0	897	Finance, Corporate Services and Revenue and Benefits
<b>5,897</b>	<b>3,334</b>	<b>0</b>	<b>9,231</b>	<b>Net Cost of Services</b>
(13,299)	74	(787)	(14,012)	Other Income and Expenditure
<b>(7,402)</b>	<b>3,408</b>	<b>(787)</b>	<b>(4,781)</b>	<b>Difference between the General Fund Surplus/ Deficit and surplus or deficit on the Provision of Services</b>

**2019-20**

Statutory adjustments for:

Capital £000	Pensions £000	Other £000	Total £000
10	231	0	241
426	432	0	858
(4)	281	0	277
596	245	0	841
410	304	0	714
867	1,002	0	1,869
741	856	0	1,597
<b>3,046</b>	<b>3,351</b>	<b>0</b>	<b>6,397</b>
(4,698)	198	4,262	(238)
<b>(1,652)</b>	<b>3,549</b>	<b>4,262</b>	<b>6,159</b>

**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:

	2018-19 (Restated)	2019-20
	£000	£000
Leader	0	0
Planning Services	(1,899)	(2,174)
Community Services and Culture	(849)	(739)
Growth, Place and Regeneration	(7,987)	(8,216)
Housing, Communications, Licensing and Events	(1,218)	(1,367)
Environment Services and Chichester Contract Services	(3,548)	(3,850)
Finance, Corporate Services and Revenue and Benefits	(733)	(1,197)
<b>Total Income analysed on a segmental basis</b>	<b>(16,234)</b>	<b>(17,543)</b>

## 7. Expenditure and Income Analysed by Nature

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

	2018-19	2019-20
	£000	£000
<b>Expenditure</b>		
Employee benefits expenses	22,572	23,000
Other service expenses	47,359	44,673
Depreciation, amortisation and impairment	4,302	1,881
Interest payments	58	258
Precepts and Levies	3,071	3,174
Changes in the fair value of investments (losses)	0	3,906
<b>Total Expenditure</b>	<b>77,362</b>	<b>76,892</b>
<b>Income</b>		
Fees, charges and other service income	(18,278)	(18,604)
Gain on the disposal of assets	(1,249)	(239)
Changes in the fair value of investments (gains)	(20)	0
Gain on the sale of investments	0	(11)
Interest and Investment income	(1,770)	(1,815)
Income from taxation	(13,060)	(13,837)
Government grants and contributions	(39,152)	(32,492)
Other grants and contributions	(13,876)	(7,507)
<b>Total Income</b>	<b>(87,405)</b>	<b>(74,505)</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>(10,043)</b>	<b>2,387</b>

## 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 9 November 2020.

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

2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On 15 May 2020 the Valuation Office Agency advised the Council of their intention to review the valuation for Business Rates purposes of some GP surgeries and University buildings. The Council considers this to be information providing additional evidence of conditions that existed at the balance sheet date and have therefore adjusted the provision for appeal losses in respect of Non-Domestic Business Rates as at 31 March 2020.

The Statement of Accounts was considered by the Corporate Governance and Audit Committee on 26 November 2020.

## 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 2019-20.

	<b>Balance at 1 April 2018 £000</b>	Out 2018-19 £000	In 2018-19 £000	<b>Balance at 31 March 2019 £000</b>	Out 2019-20 £000	In 2019-20 £000	<b>Balance at 31 March 2020 £000</b>
Housing Reserve	<b>(783)</b>	3	0	<b>(780)</b>	188	0	<b>(592)</b>
Restructuring Reserve	<b>(525)</b>	314	0	<b>(211)</b>	101	0	<b>(110)</b>
Asset Reserve	<b>(6,641)</b>	763	(1,359)	<b>(7,237)</b>	1,021	(1,421)	<b>(7,637)</b>
Capital Projects Reserve	<b>(460)</b>	536	(482)	<b>(406)</b>	1,104	(1,600)	<b>(902)</b>
Grants and Contribution Reserve	<b>(885)</b>	166	(279)	<b>(998)</b>	116	(174)	<b>(1,056)</b>
Retained Business Rates Equalisation Reserve	<b>(887)</b>	731	0	<b>(156)</b>	156	(432)	<b>(432)</b>
New Homes Bonus Scheme Reserve	<b>(11,177)</b>	250	(2,314)	<b>(13,241)</b>	250	(2,178)	<b>(15,169)</b>
Investment Opportunities Reserve	<b>0</b>	0	(861)	<b>(861)</b>	0	(383)	<b>(1,244)</b>
Community Led Housing Grant Reserve	<b>0</b>	82	(1,386)	<b>(1,304)</b>	125	0	<b>(1,179)</b>
Investment Risk Reserve	<b>0</b>	0	(565)	<b>(565)</b>	0	0	<b>(565)</b>
Other Usable Reserves (Less than £500,000 in value)	<b>(2,781)</b>	543	(950)	<b>(3,188)</b>	1,371	(2,081)	<b>(3,898)</b>
<b>Total</b>	<b>(24,139)</b>	3,388	(8,196)	<b>(28,947)</b>	4,432	(8,269)	<b>(32,784)</b>

## 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

				2018-19			2019-20				
				General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000		
<b>Adjustments to Revenue Resources</b>											
				<b>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:</b>							
	(3,408)	-	-	•	Pensions costs (transferred to/ from the Pensions reserve)				(3,549)	-	-
	10	-	-	•	Financial instruments (transferred to the Financial Instruments adjustments account)				11	-	-
	756	-	-	•	Council Tax and NDR (transfers to/ from the Collection Fund adjustment account)				(367)	-	-
	0	-	-	•	Holiday pay (transferred to the Accumulated Absences Reserve)				0	-	-
	4,326	-	(4,604)	•	Reversal of entries included in the Surplus of Deficit on the Provision of Services in relation to capital expenditure (transferred to Capital Adjustment account)				(930)	-	(3,011)
	20	-	-	•	Reversal of changes in fair value measurement of relevant financial assets				(3,906)	-	-
	1,704	-	(4,604)	<b>Total Adjustments to Revenue Resources</b>				<b>(8,741)</b>	<b>-</b>	<b>(3,011)</b>	
<b>Adjustments between Revenue and Capital Resources</b>											
	1,656	(1,656)	-	Transfer of non-current asset sale proceeds from revenue to the Capital Receipts reserve				244	(244)	-	
	(4)	4	-	Administrative costs of non-current asset disposals (funded from a contribution from the Capital Receipts reserve)				-	-	-	
	29	-	-	Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)				6	-	-	
	1,396	-	-	Capital Expenditure financed from revenue (transfer to the Capital Adjustment Account)				2,332	-	-	
	3,077	(1,652)	0	<b>Total adjustments between Revenue and Capital Resources</b>				<b>2,582</b>	<b>(244)</b>	<b>0</b>	
<b>Adjustments to Capital Resources</b>											
	-	147	-	Use of the Capital Receipts Reserve to finance capital expenditure				-	27	-	
	-	-	-	Application of capital grants to finance capital expenditure				-	-	2,166	
	-	(27)	-	Cash payments in relation to Debtors				-	(24)	-	
	-	(35)	-	Cash payments in relation to deferred capital receipts				-	(35)	-	
	0	85	0	<b>Total adjustments to Capital Resources</b>				<b>-</b>	<b>(32)</b>	<b>0</b>	
	<b>4,781</b>	<b>(1,567)</b>	<b>(4,604)</b>	<b>Total Adjustments</b>				<b>(6,159)</b>	<b>(276)</b>	<b>(845)</b>	

## 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
<b>Movements in cost or values</b>	£000	£000	£000	£000	£000	£000	£000
<b>1 April 2018</b>	<b>112,044</b>	<b>12,197</b>	<b>4,241</b>	<b>28</b>	<b>4,186</b>	<b>329</b>	<b>133,025</b>
Additions	440	553	262	0	0	1,467	<b>2,722</b>
Revaluations increases / (decreases) recognised in the Revaluation Reserve	3,518	0	(3)	0	0	0	<b>3,515</b>
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(799)	0	0	0	0	(254)	<b>(1,053)</b>
Derecognition – disposals	(193)	(57)	0	0	0	0	<b>(250)</b>
Other reclassifications – transfers	1,732	377	0	0	(1,018)	(1,542)	<b>(451)</b>
<b>31 March 2019</b>	<b>116,742</b>	<b>13,070</b>	<b>4,500</b>	<b>28</b>	<b>3,168</b>	<b>0</b>	<b>137,508</b>
Additions	2,870	653	0	0	0	235	<b>3,758</b>
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(936)	0	0	0	2,460	0	<b>1,524</b>
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	626	0	0	0	450	0	<b>1,076</b>
Derecognition – disposals	0	(22)	0	0	0	0	<b>(22)</b>
Other reclassifications – transfers	(217)	217	0	0	0	0	<b>0</b>
<b>31 March 2020</b>	<b>119,085</b>	<b>13,918</b>	<b>4,500</b>	<b>28</b>	<b>6,078</b>	<b>235</b>	<b>143,844</b>
<b>Movements in depreciation and impairment</b>							
<b>1 April 2018</b>	<b>(2,136)</b>	<b>(6,191)</b>	<b>(2,883)</b>	<b>0</b>	<b>(20)</b>	<b>0</b>	<b>(11,230)</b>
Depreciation charge	(1,261)	(1,072)	(239)	0	(5)	0	<b>(2,577)</b>
Depreciation written out to the Revaluation Reserve	1,418	0	20	0	0	0	<b>1,438</b>
Derecognition – disposals	24	48	0	0	0	0	<b>72</b>
Reclassifications – transfers	0	0	0	0	0	0	<b>0</b>
<b>At 31 March 2019</b>	<b>(1,955)</b>	<b>(7,215)</b>	<b>(3,102)</b>	<b>0</b>	<b>(25)</b>	<b>0</b>	<b>(12,297)</b>
Depreciation charge	(1,833)	(1,138)	(246)	0	(5)	0	<b>(3,222)</b>
Depreciation written out to the Revaluation Reserve	1,318	0	0	0	0	0	<b>1,318</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	385	0	0	0	0	0	<b>385</b>
Derecognition – disposals	0	17	0	0	0	0	<b>17</b>
Reclassifications – transfers	0	0	0	0	0	0	<b>0</b>
<b>At 31 March 2020</b>	<b>(2,085)</b>	<b>(8,336)</b>	<b>(3,348)</b>	<b>0</b>	<b>(30)</b>	<b>0</b>	<b>(13,799)</b>
<b>Net Book Value</b>							
At 31 March 2019	<b>114,787</b>	<b>5,855</b>	<b>1,398</b>	<b>28</b>	<b>3,143</b>	<b>0</b>	<b>125,211</b>
At 31 March 2020	<b>117,000</b>	<b>5,582</b>	<b>1,152</b>	<b>28</b>	<b>6,048</b>	<b>235</b>	<b>130,045</b>

## 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 2020 the council does not have any material capital commitments.

## 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	5,582	1,152	28	0	235	6,997
Valued at fair value as at:							
2019-20	89,560	0	0	0	5,140	0	94,700
2018-19	13,706	0	0	0	0	0	13,706
2017-18	4,655	0	0	0	838	0	5,493
2016-17	6,485	0	0	0	0	0	6,485
2015-16	2,594	0	0	0	70	0	2,664
<b>Total</b>	<b>117,000</b>	<b>5,582</b>	<b>1,152</b>	<b>28</b>	<b>6,048</b>	<b>235</b>	<b>130,045</b>

## 12. Investment Properties

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

	2018-19 £000	2019-20 £000
Balance at start of the year	11,807	15,033
Additions:		
• Purchases	0	0
• Subsequent expenditure	0	0
• Transfer from PPE	6	0
Net gain/(losses) from fair value adjustments	3,220	(1,410)
Balance at end of the year	15,033	13,623

## **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 2020 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 £359k and is amortised on a straight line basis. Amortisation of £121k was charged to revenue in 2019-20.

### **14. Heritage Assets**

The carrying value of Heritage assets is £6.789m. There were no additions or disposals during 2019-20.



## Financial Assets

		Balance Sheet 31 March 2019 £000	Fair value 31 March 2019 £000	Balance Sheet 31 March 2020 £000	Fair value 31 March 2020 £000
	Level				
Financial assets held at Fair Value					
• Money market funds	1	4,350	4,350	6,050	6,050
• Pooled investment funds	1	17,607	17,607	20,236	20,236
• Pooled investment funds	2	-	-	9,515	9,515
Financial assets held at amortised cost					
• Long term loans to local authorities	2	3,000	3,069	0	0
• Lease receivables	3	737	2,230	700	2,115
<b>Total</b>		<b>25,694</b>	<b>27,256</b>	<b>36,501</b>	<b>37,916</b>
Assets for which a fair value is not disclosed		46,399		38,094	
<b>Total financial assets</b>		<b>72,093</b>		<b>74,595</b>	
Recorded on the Balance sheet as:					
Long-term debtors		1,137		1,093	
Long-term investments		20,607		29,751	
Short-term debtors		6,342		2,308	
Short-term investments		39,145		35,123	
Cash and cash equivalents		4,862		6,320	
<b>Total financial assets</b>		<b>72,093</b>		<b>74,595</b>	

## Financial Liabilities

		Balance Sheet 31 March 2019 £000	Fair value 31 March 2019 £000	Balance Sheet 31 March 2020 £000	Fair value 31 March 2020 £000
	Level				
Financial liabilities held at amortised cost					
• Lease payables	2	12	12	6	6
Liabilities for which a fair value is not disclosed		3,904		3,175	
<b>Total financial liabilities</b>		<b>3,916</b>		<b>3,181</b>	
Recorded on the Balance sheet as:					
Short-term creditors		3,904		3,181	
Long-term creditors		0		0	
Other long term liabilities		12		6	
		<b>3,916</b>		<b>3,181</b>	

During 2019-20 the Council re-categorised the fair value level of its valuation of the CCLA local authority property fund and transferred these funds from fair value level 1 to level 2. This decision followed the suspension of dealing in this fund in March 2020. At the measurement date, the Council no longer had access to an active market in these funds which is required to reach a level 1 valuation.

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 2019				31 March 2020		
Gross value	Provision	Carrying Value		Gross value	Provision	Carrying Value
£000	£000	£000		£000	£000	£000
847	0	847	Central Government Bodies	241	0	241
810	(372)	438	Council Tax	923	(506)	417
719	(212)	507	Business Rates	372	(188)	184
4,815	0	4,815	Other local authorities and public bodies	252	(4)	248
435	(271)	164	Housing Rents	534	(299)	235
8,582	(2,586)	5,996	Other Sundry Debtors	8,825	(2,099)	6,726
<b>16,218</b>	<b>(3,441)</b>	<b>12,777</b>	<b>Total short term debtors</b>	<b>11,146</b>	<b>(3,096)</b>	<b>8,051</b>
		587	Payments in advance			218
		<b>13,364</b>	<b>Total net Debtors &amp; Payments in advance</b>			<b>8,269</b>

## 17. Cash and cash equivalents

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

	31 March 2019	31 March 2020
	£000	£000
Cash held by the Authority	3	2
Bank current accounts	509	268
Cash Equivalents	4,350	6,050
	<b>4,862</b>	<b>6,320</b>

## 18. Short Term Creditors (less than 12 months)

	31 March 2019	31 March 2020
	£000	£000
Council Tax	315	320
Business Rates	251	190
Other local authorities and public bodies	2,295	3,409
Sundry Creditors	3,400	2,262
Central Government Bodies	3,308	1,801
Housing Rents	12	1,047
Receipts in advance	118	3,096
Other Creditors	802	50
<b>Total</b>	<b>10,501</b>	<b>12,175</b>

## 19. Provisions

The disclosed amount of £1,271k (£2,497k 2018-19) represents an amount set aside as the best estimate of the amount that businesses have been overcharged business rates up to 31 March 2020. The in-year movement is mainly created by a change for 2019-20 in the local share of the collection fund totals retained by the District Council due to the West Sussex Business Rate Retention pilot scheme.

## 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.

<b>2018-19</b>		<b>2019-20</b>
<b>£000</b>		<b>£000</b>
<b>(52,427)</b>	<b>Balance at 1 April</b>	<b>(57,117)</b>
(15,333)	Upward revaluation of assets	(8,481)
9,836	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	5,639
(5,497)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(2,842)
807	Difference between fair value depreciation and historical cost depreciation	686
0	Accumulated gains on assets sold or scrapped	0
807	Amount written off to the Capital Adjustment Account	686
<b>(57,117)</b>	<b>Balance at 31 March</b>	<b>(59,273)</b>

### Pooled Investment Funds Adjustment Reserve

The Pooled investment funds adjustment reserve (£4,249k) comprises the balance brought forward of (£343k) as at 31 March 2019, and the unrealised net loss in the year on pooled investment funds of (£3,906k).

## 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.

2018-19 £000		2019-20 £000
(90,332)	<b>Balance at 1 April</b>	(92,405)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
3,122	• Charges for depreciation and impairment of non-current assets	3,221
1,054	• Revaluation losses on Property, Plant and Equipment	(1,461)
127	• Amortisation of intangible assets	121
4,283	• Revenue expenditure funded from capital under statute	3,046
205	• 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	29
8,791		4,956
(807)	Adjusting amounts written out of the Revaluation Reserve	(686)
7,984	Net written out amount of the cost of non-current assets consumed in the year	4,270
	Capital financing applied in the year:	
(147)	• Use of the Capital Receipts Reserve to finance new capital expenditure	(27)
(29)	• Statutory provision for the financing of capital investment charged against the General Fund	(6)
(5,490)	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(4,566)
(1,396)	• Capital expenditure charged against the General Fund	(2,332)
(7,062)		(6,931)
(3,220)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	1,410
225	Movements in the value of assets held for sale debited or credited to the Comprehensive Income and Expenditure Statement	0
<b>(92,405)</b>	<b>Balance at 31 March</b>	<b>(93,656)</b>

## 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.

<b>2018-19</b>		<b>2019-20</b>
<b>£000</b>		<b>£000</b>
<b>(3,291)</b>	<b>Balance at 1 April</b>	<b>6,559</b>
6,442	Remeasurements of the net defined benefit liability/(asset)	(30,984)
6,178	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	6,744
(2,770)	Employer's pensions contributions and direct payments to pensioners payable in the year	(3,195)
<b>6,559</b>	<b>Balance at 31 March</b>	<b>(20,876)</b>

## Deferred Capital Receipts Reserve

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

## Collection Fund Adjustment Account

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

## 21. Agency Services

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

	<b>2018-19</b>	<b>2019-20</b>
	<b>£000</b>	<b>£000</b>
Expenditure incurred in providing a Planning Service to SDNPA	939	938
Management fee payable by SDNPA	(951)	(904)
Net (Surplus)/Deficit arising on the agency arrangement	(12)	34

## 22. Members' Allowances

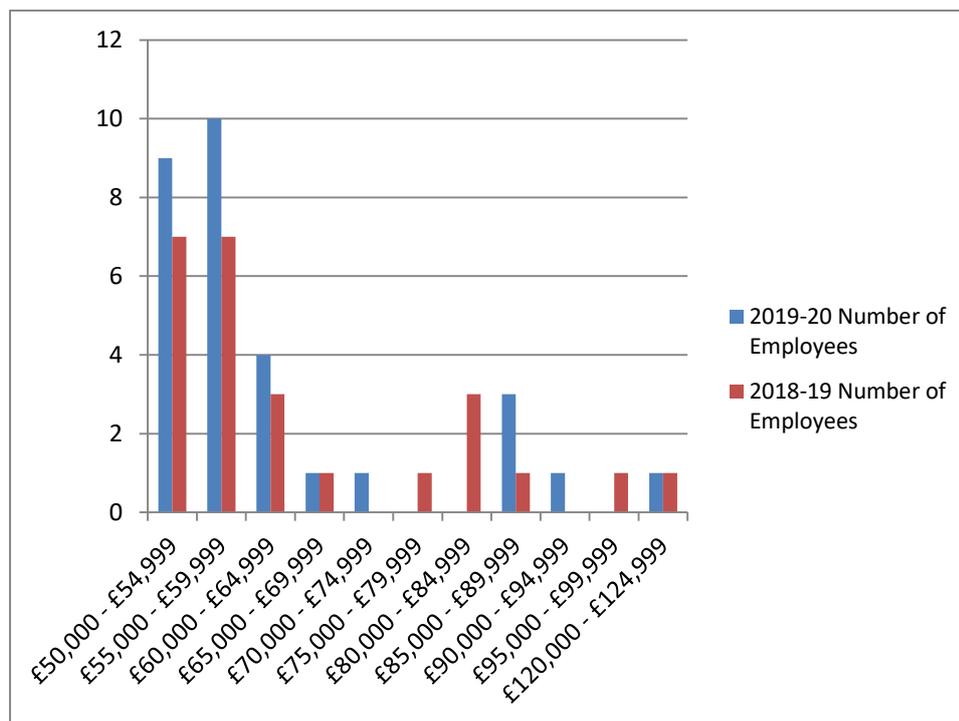
The Council paid £268k (2018-19, £325k) to members of the Council during the year. A detailed list of the allowances paid to each member can be found on the Council website.

### 23. Officers' Remuneration

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

Post Title	Salary, Fees and Allowances £		Compensation for Loss of Office £		Pension Contribution £		Total £	
	18-19	19-20	18-19	19-20	18-19	19-20	18-19	19-20
Chief Executive	120,119	122,518	0	0	24,688	26,033	144,807	148,551
Exec Director & Deputy Chief Executive	96,418	73,765	121,599	0	19,788	15,653	237,805	89,418
Service Director - Corporate Services / S151 Officer	87,742	90,993	0	0	17,992	19,288	105,734	110,281
Service Director - Growth & Place	82,499	85,605	0	0	16,907	18,143	99,406	103,748
Service Director - Housing & Communities Services	82,499	85,605	0	0	16,907	18,143	99,406	103,748
Service Director - Planning & the Environment	82,425	85,530	0	0	16,891	18,127	99,316	103,657
Service Director - Residents' Services	79,191	12,960	192,369	0	16,222	2,744	287,782	15,704
	<b>630,893</b>	<b>556,976</b>	<b>313,968</b>		<b>129,395</b>	<b>118,131</b>	<b>1,074,256</b>	<b>675,107</b>

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	
	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20
	£	£	£	£	£	£	£	£
£0 - £20,000	1	0	0	1	1	1	14,668	10,031
£20,001 - £40,000	1	0	1	1	2	1	62,612	21,880
£60,001 - £80,000	0	0	0	1	0	1	0	68,852
£120,001 - £140,000	0	0	1	0	1	0	121,599	0
£180,001 - £200,000	0	0	1	0	1	0	193,998	0
<b>Total</b>	<b>2</b>	<b>0</b>	<b>3</b>	<b>3</b>	<b>5</b>	<b>3</b>	<b>392,876</b>	<b>100,763</b>

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

		(Restated)	
		2018-19	2019-20
		£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
	- Additional	1	-
Fees payable to Ernst & Young LLP for the certification of grant claims and returns for the year	- Planned	11	11
	- Additional	15	-
<b>Total</b>		<b>65</b>	<b>49</b>

#### 25. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019-20.

	(Original)	(Restated)	
	2018-19	2018-19	2019-20
	£000	£000	£000
<b><u>Credited to Taxation and Non Specific Grant Income and Expenditure</u></b>			
Capital grants and contributions	8,825	8,825	3,530
New Homes Bonus Scheme	2,314	2,314	2,178
Small Business Rate Relief Grant	1,791	-	-
Business Rates Retention Scheme Grants	-	1,920	1,353
Other Government Grants	410	274	99
<b>Total</b>	<b>13,340</b>	<b>13,333</b>	<b>7,160</b>
<b><u>Credited to Services</u></b>			
Benefits Subsidy	-	32,955	27,601
Disabled Facilities Grant	1,523	1,523	1,561
Other Grants & Contributions	2,963	2,963	3,677
<b>Total</b>	<b>4,486</b>	<b>37,441</b>	<b>32,839</b>

This disclosure note has been restated for 2018-19 to include the subsidy contribution the Council receives from the government towards its housing benefit expenditure which was omitted as the Council did not consider this to be grant income.

The presentation of this note has also been revised in order to reclassify certain grants between Business Rates Retention Scheme (BRRS) Grants and Other Government Grants. This facilitates all grants attributable to the BRRS regardless of value to be disclosed in total rather than across more than one heading in the disclosure note dependent upon their value.

## **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 £6.9m of which £3.8m was spent on operational non-current assets (Note 11) and £3.1m 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:

	<b>2018-19</b> <b>£000</b>	<b>2019-20</b> <b>£000</b>
<b>Opening Capital Financing Requirement</b>	(1,400)	(1,428)
Capital investment in year	7,034	6,925
<b>Financed by:</b>		
Capital Receipts	(147)	(27)
Government grants and other contributions	(5,490)	(4,566)
Sums set aside from revenue	(1,396)	(2,332)
<b>Minimum Revenue Provision</b>	(29)	(6)
<b>Closing Capital Financing Requirement</b>	<b>(1,428)</b>	<b>(1,434)</b>

## 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:

	<b>31 March</b> <b>2019</b> <b>£000</b>	<b>31 March</b> <b>2020</b> <b>£000</b>
Finance lease debtor		
• Current	38	41
• Non-current	683	644
Unearned finance income	22,361	22,271
Unguaranteed residual value of property	17	17
Gross investment in the lease	<b>23,099</b>	<b>22,973</b>

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

	<b>Gross Investment in the Lease</b>		<b>Minimum Lease Payments</b>	
	<b>31 March</b> <b>2019</b> <b>£000</b>	<b>31 March</b> <b>2020</b> <b>£000</b>	<b>31 March</b> <b>2019</b> <b>£000</b>	<b>31 March</b> <b>2020</b> <b>£000</b>
Not later than one year	143	143	126	126
Later than one year and not later than five years	503	503	503	503
Later than five years	22,453	22,327	22,453	22,327
	<b>23,099</b>	<b>22,973</b>	<b>23,082</b>	<b>22,956</b>

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 2019 £000	31 March 2020 £000
Not later than one year	2,935	3,442
Later than one year and not later than five years	9,601	11,236
Later than five years	98,897	99,826
	111,433	114,504

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 £406k (2018-19 £436k) with 63% 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](http://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:

	2018-19 £000	2019-20 £000
<b><u>Comprehensive Income and Expenditure Statement</u></b>		
<b>Cost of Services:</b>		
Service cost comprising:		
• current service cost	5,277	6,423
• past service cost	1,198	123
• (gain)/loss from settlements	(257)	0
<b>Financing and Investment Income and Expenditure:</b>		
Net interest expense	(40)	198
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services (reversed in the Movement in reserves statement)</b>	<b>6,178</b>	<b>6,744</b>

Remeasurement of the net defined benefit liability comprising:

• Return on plan assets (excluding the amount included in the net interest expense)	(7,667)	9,454
• Actuarial (gains) and losses arising on changes in demographic assumptions	0	(9,205)
• Actuarial (gains) and losses arising on changes in financial assumptions	14,109	(16,907)
• Other experience (gains) or losses	0	(14,326)
<b>Total Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>6,442</b>	<b>(30,984)</b>

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

Employers contributions payable to scheme	2,770	3,195
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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	
	2018-19 £000	2019-20 £000
<b>Scheme Assets</b>		
Opening fair value of scheme assets	176,975	186,512
Interest income	4,755	4,476
Remeasurement gain/(loss):		
• the return on plan assets, excluding the amount included in the net interest expense	7,667	(9,454)
Contributions from employer	2,770	3,195
Contributions from employees into the scheme	870	923
Benefits paid	(4,890)	(4,883)
Other	(1,635)	0
<b>Fair value of plan assets</b>	<b>186,512</b>	<b>180,769</b>
<b>Less: Scheme Liabilities</b>		
Opening balance of scheme liabilities at 1 April	173,684	193,071
Current Service Cost	5,277	6,423
Interest Cost	4,715	4,674
Contributions from scheme participants	870	923
• Actuarial (gains)/losses arising from changes in demographic assumptions	0	(9,205)
• Actuarial (gains)/losses arising from changes in financial assumptions	14,109	(16,907)
• Other experience (gains) or losses	0	(14,326)
Past service cost	1,198	123
Benefit paid	(4,890)	(4,883)
Liabilities extinguished on settlements	(1,892)	0
<b>Present value of the defined benefit obligation</b>	<b>193,071</b>	<b>159,893</b>
<b>Net (liability)/asset arising from defined benefit obligation</b>	<b>(6,559)</b>	<b>20,876</b>

## 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	
	2018-19	2019-20
<b>Long-term expected rate of return on assets in the scheme:</b>		
Equities, Bonds, Property and Cash	2.4%	2.3%
<b>Mortality assumptions</b>		
Longevity at 65 for current pensioners:		
Men	23.6 years	22.2 years
Women	25.0 years	24.2 years
Longevity at 65 for future pensioners:		
Men	26.0 years	23.3 years
Women	27.8 years	25.9 years
<b>Financial assumptions</b>		
Rate of inflation	2.5%	1.9%
Rate of increase in salaries	3.2%	2.3%
Rate of increase in pensions	2.5%	1.9%
Rate for discounting scheme liabilities	2.4%	2.3%

## Sensitivity Analysis

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

Change in assumptions at year ended 31 March 2020	Approximate % increase to Employer Obligation	Approximate monetary Amount (£000)
0.5% decrease in Real Discount Rate	10%	15,368
0.5% increase in the Salary Increase Rate	1%	1,691
0.5% increase in the Pension Increase Rate	8%	13,533

### 30. Contingent Liabilities

A potential liability also exists in relation to NHS Trusts who have sought mandatory charitable relief on business rates. As any liability is subject to a successful appeal against the initial court judgement in this matter, the likelihood of any resource outflow is considered too uncertain to provide for at this stage. 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 £3.6m. In relation to the NHS Trust appeals, this figure may be understated if any element of a claim is backdated.

### 31. Nature and extent of risks arising from Financial Instruments

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

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

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

#### Credit Risk: Investments

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

The Council's maximum exposure to credit risk at the balance sheet date in relation to its investments with banks and other institutions is shown below. The potential expected loss over the next 12 months relating to credit events, based on the investments as 31 March 2020 and calculating using published global credit default rates is £7k. No credit loss is expected from investments with the Government or Local Authorities. As this figure is immaterial to the value of funds invested, the assets values shown on the Council's balance sheet are not adjusted downwards by this amount.

Credit Rating	31 March 2019 £000	31 March 2020 £000
AA	500	-
AA-	1,000	5,000
A+	-	6,000
A	7,000	-
Local Authorities	31,000	24,000
Unrated building societies	2,500	-
Unrated pooled funds	17,950	34,000
Total Investments	59,950	69,000
Cash and cash equivalents	4,862	6,320
<b>TOTAL</b>	<b>64,812</b>	<b>75,320</b>

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

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

### **Credit Risk: Receivables**

The Council's approach to impairment of receivables is disclosed in note 1.8, above. The Council's credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

In calculating expected credit losses, the Council makes an assessment for specific instruments or class of instruments, or applies a loss matrix approach to calculating the expected credit loss where appropriate. The loss factors used in 2019-20 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 2019-20 this factor was 2.00 (2018-19 = 1.33).

### **Liquidity Risk**

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

### **Market Risks: Interest Rate Risk**

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

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

	31 March 2019	31 March 2020
	£000	£000
Interest rate risk (effect of 1% increase in interest rates)		
Decrease in the fair value of assets held at fair value	147	416
Decrease in the fair value of loans and receivables	37	-
Decrease in the fair value of lease receivables	280	465

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

### Market Risks: Price Risk

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

<b>Fund</b>	<b>Fair value £000</b>	<b>1% rise in interest rates Impact £000</b>	<b>5% equity price fall Impact £000</b>	<b>5% property price fall Impact £000</b>
CCLA Property Fund	9,515	-	-	(463)
Pooled Funds	20,235	(409)	(288)	(28)
Money Market Funds	6,050	(7)	-	-

### Market Risks: Foreign Exchange Risk

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

## Collection Fund Statement

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

Collection Fund Income and Expenditure Account	Year to 31 March 2019			Year to 31 March 2020		
	Business Rates	Council Tax	Total	Business Rates	Council Tax	Total
	£000	£000	£000	£000	£000	£000
<b>INCOME</b>						
Council Tax Receivable		89,977	89,977		95,913	95,913
Reliefs charged to the Council's General Fund		6	6		2	2
Business Rates Receivable	48,813		48,813	47,493		47,493
Transitional Protection payment due	912		912	553		553
<b>Total Income</b>	<b>49,725</b>	<b>89,983</b>	<b>139,708</b>	<b>48,046</b>	<b>95,915</b>	<b>143,961</b>
<b>EXPENDITURE</b>						
<b>Apportionment of Previous Year Estimated Surplus / (Deficit)</b>						
Central Government	(1,132)		(1,132)	30		30
West Sussex County Council	(226)	189	(37)	6	(166)	(160)
Chichester District Council	(906)	32	(874)	24	(27)	(3)
The Police and Crime Commissioner for Sussex		23	23		(21)	(21)
	(2,264)	244	(2,020)	60	(214)	(154)
<b>Precepts, Demands and Shares</b>						
Central Government	23,964		23,964	11,958		11,958
West Sussex County Council	4,793	69,584	74,377	26,308	73,799	100,107
Chichester District Council	19,171	11,299	30,470	9,567	11,752	21,319
The Police and Crime Commissioner for Sussex		8,760	8,760		10,130	10,130
	47,928	89,643	137,571	47,833	95,681	143,514
<b>Charges to the Collection Fund</b>						
Write-offs of uncollectable amounts	838	307	1,145	43	0	43
Increase / (Decrease) in Bad Debts Provision	(349)	(47)	(396)	912	1,200	2,112
Increase / (Decrease) in Provision for Appeals	1,142		1,142	111		111
Cost of Collection Allowance	198		198	199		199
Disregarded amounts	139		139	134		134
	1,968	260	2,228	1,399	1,200	2,599
<b>Total Expenditure</b>	<b>47,632</b>	<b>90,147</b>	<b>137,779</b>	<b>49,292</b>	<b>96,667</b>	<b>145,959</b>
Surplus / (Deficit) arising during the year	2,093	(164)	1,929	(1,246)	(752)	(1,998)
Surplus / (Deficit) b/fwd 1 April	(1,743)	535	(1,208)	350	371	721
Surplus / (Deficit) c/fwd 31 March	350	371	721	(896)	(381)	(1,277)

### 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 2020 was £129,640,397 (compared with £127,957,127 on 31 March 2019). The national multipliers for 2019-20 were 50.4p (49.3p in 2018-19) for the standard non-domestic rating multiplier, and 49.1p (48.0p in 2018-19) for qualifying small businesses.

NNDR receipts are shared between central government, the District Council (20%), West Sussex County Council (55%) and Central Government (25%).

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 2020 is £6.3m. During 2019-20 £1.9m was charged against the existing provision for appeals and a charge against the collection fund of £2.0m was made for future potential liabilities, resulting in a net movement on the provision in year of £0.1m.

### 4. Council Tax

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

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

Council Tax Band	No. of Chargeable Dwellings	Ratio to Band D	Chargeable Base
Disabled Band A	2.7	5/9	1.5
Band A	2,327.5	6/9	1,551.6
Band B	5,030.3	7/9	3,912.4
Band C	12,798.5	8/9	11,376.4
Band D	10,962.5	9/9	10,962.5
Band E	7,825.0	11/9	9,563.9
Band F	5,412.0	13/9	7,817.3
Band G	5,280.0	15/9	8,800.0
Band H	1,133.3	18/9	2,266.5
<b>Total</b>	<b>50,771.8</b>		<b>56,252.1</b>

Adjustments required as per Regulations

Classes A & B (Second homes)	<b>1,729.6</b>
Class C (Exempt properties)	<b>89.6</b>
Tax base reduction for Council tax support	<b>(4,192.9)</b>
<b>Tax Base</b>	<b>53,878.40</b>
<b>Adjusted for assumed collection rate of 99%</b>	<b>53,339.60</b>

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

### **Accrual**

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

### **Asset**

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

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

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

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

### **Agency Services**

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

### **Appointed Auditors**

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

### **Billing Authority**

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

### **Capital Expenditure**

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

### **Capital Adjustment Account (CAA)**

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

### **Capital Programme**

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

### **Capital Receipts**

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

**Carrying Amount**

The cost or value less depreciation.

**CIPFA**

The Chartered Institute of Public Finance and Accountancy.

**Community Assets**

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

**Contingent Liability**

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

**Creditors**

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

**Current Service Cost**

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

**Curtailement**

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

**Debtors**

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

**Deferred Credit**

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

**Deficit**

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

**Depreciation**

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

**Existing Use Value**

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

**Fair Value**

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

**Finance Lease**

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

**Financial Instruments**

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

**General Fund**

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

**Gross Book Value (GBV)**

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

**Heritage Asset**

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

**Historic Cost**

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

**IFRS**

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

**Impairment Loss**

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

**Infrastructure Assets**

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

**Intangible Asset**

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

**Investment Property**

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

**Irrecoverable Surplus (Pension)**

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

**Liability**

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

**Market Value**

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

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

### **Materiality**

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

### **National Non-Domestic Rates (NNDR) or Business Rates**

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

### **Net**

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

### **Net Book Value**

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

### **Net Current Replacement Cost**

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

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

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

### **Net interest income (*expense*) (Pension)**

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

### **Net Realisable Value**

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

### **Non-Current Assets**

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

### **Non-distributed Costs**

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

### **Outturn**

Total income and expenditure in the financial year.

### **Past Service Cost (Pension)**

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

### **Precept**

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

Council's Collection Fund for their net expenditure requirements.

**Present value of defined benefit obligation (Pension)**

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

**Property, Plant and Equipment**

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

**Provisions**

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

**Reserves**

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

**Revenue Expenditure**

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

**Revenue Expenditure Funded from Capital under Statute (REFCUS)**

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

**Revaluation Reserve (RR)**

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

**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.