CHICHESTER DISTRICT COUNCIL

AUDITED STATEMENT OF ACCOUNTS 2020-21

Chichester District Council Statement of Accounts

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General Information

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Council Officials

Chairman

Mrs E Hamilton

Leader

Mrs E Lintell

Deputy Leader

Mrs S Taylor

Senior Leadership Team

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

Mr A Frost, Director and Planning and Environmental Services

Mrs J Hotchkiss, Director of Growth and Place

Mrs L Rudziak, Director of Housing and Communities

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

Narrative Statement

Introduction by the Director of Corporate Services

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

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

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

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

The Council is a low taxing authority that has over the years developed and increased discretionary income streams to help fund its key services to the community. The impact on these important sources of revenue income due to the pandemic on the Council's finances was quite significant, as detailed in the Financial Impact of Covid-19 report found <a href="https://example.com/her

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

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

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

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

This Narrative report contains the following sections:

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

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

1. Introduction to Chichester

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

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

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

Key Statistics

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

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

2. Key Facts about the Council

How we make decisions

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

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

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

Council

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

Cabinet

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

Overview and Scrutiny

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

Corporate Governance and Audit Committee

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

Other Non- Executive Committees

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

Officer Support

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

found here.

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

3. Council Performance

Corporate Plan

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

Annual Governance Statement

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

Key Achievements

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

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

Detailed outlines of the Council's key achievements each year are published annually in the Annual Report which can be found https://example.com/here.

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

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

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

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

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

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

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

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

on page 46).

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

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

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

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

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

TOTAL ASSETS BROUGHT FORWARD £253m						
Purchases and sales of assets f2m Depreciation Other changes in value Assets f1m f34m						
TOTAL ASSETS CARRIED FORWARD £287m						
Property, Plant and equipment equipment £14m Current Asset £84m						

Capital Expenditure Outlook

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

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

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

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

Revenue Expenditure 2020-21

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

Revenue Inflows and Outflows

Council Tax including Parishes £12m	Business Rates (£11m)	Fees and charges £13m	Grant, contributions and subsidies £63m	Other £6m			
	Total Resources £83m						
1 5.1 5.	o others 9m	Providing local Services £46m					
Parish Council Housing Benefits Precepts and Subsidies £3m £26m		Staffing costs £22m	Running costs £21m	Capital costs, incl. depreciation £3m			
Net (surplus) or deficit on providing services (£8m)							

Factors influencing future cash flows

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

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

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

Cash Resources

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

Revenue Expenditure Outlook

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

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

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

5. Risks & Uncertainties

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

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

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

	Strategic Risk Description	Likelihood	Impact
ľ	Financial Resilience	Probable	Substantial
	 Failure to maintain a robust and deliverable budget will lead to a lack of resources to fund services and council priorities, leading to reactionary decision making, and reputational consequence. Failure to maximise efficient use of resources and so unsuccessful redirection of resources and not achieving objectives and outcomes of the council including deficit reduction plans. Failure to maximise income streams. Unpredictable Government policy (e.g. localisation of business rates.) COVID-19 (Coronavirus) unpredictable economic impact. 		
ľ	Skills / Capability / Capacity	Probable	Moderate
	 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. 		
İ	Business Continuity	Probable	Moderate
	- 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.		
ľ	Health & Safety	Unlikely	Major
	 Failure to adhere to H&S policies and procedures leading to death or serious injury of an employee or third party resulting in prosecution under H&S legislation, adverse publicity, fines and possible prison sentences. Such failures may also lead to civil claims 		-

Strategic Risk Description	Likelihood	Impact
Covid – 19 (Coronavirus)	Almost	Substantial
- The risk of loss of staff and the impact on our ability to operate council services.	Certain	
- Failure to comply with the Council's legal and moral duties. Reputational damage.		
Climate Emergency Detailed Action Plan	Almost	Moderate
- Failure to achieve the Council's carbon reduction	Certain	
target based on area-wide target.		
- Failure to obtain base data and evidence to support		
projects and evidence progress, leading to little or no		
improvement to the environmental objectives and		
potential waste of resources (both staff and financial).		
Housing – Increase Homeless Service Demand due to	Possible	Substantial
Covid-19 Impact		
- Failure to meet demand or have adequate resources		
available leading to financial and reputational risk.		
- Failure to serve community need.		
Crouchlands Lagoon 3	Probable	Substantial
- Risk assessment by the Council that it has acted		
appropriately in considering its legal duties and in		
reviewing the on-going risks to the Council and the		
community from the site.		

6. Impact of Covid-19 and the Way Forward

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

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

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

Further Information

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

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

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

J. Ward CPFA
Director of Corporate Services

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

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

The Director of Corporate Services' Responsibilities

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

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

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

The Director of Corporate Services has also:

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

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

John Ward CPFA
Director of Corporate Services

Date 18 May 2022

Approval for the Statement of Accounts

Francis Hobbs Date 6 June 2022 Chairman of the Corporate Governance and Audit Committee

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

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.

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

	2019-20				2020-21	
Gross	Gross	Net		Gross	Gross	Net
Expenditure	Income	Expenditure		Expenditure	Income	Expenditure
£000	£000	£000		£000	£000	£000
1,510	(1,062)	448	Income and Expenditure in relation to investment Properties and changes in their fair value	28	(984)	(956)
3,906	0	3,906	Changes in the fair value of investments	0	(2,880)	(2,880)
0	(11)	(11)	(Gains) / Losses on Sale of Investments	0	0	0
0	(102)	(102)	Interest Element of Finance Leases (Lessor)	0	(101)	(101)
0	0	0	Interest Element of Finance Leases (Lessee)	4	0	4
0	(56)	(56)	Other income	0	(4)	(4)
5,674	(2,729)	2,945		49	(5,880)	(5,831)
1	1	2	(Surplus) or deficit on discontinued operations	0	0	0
			Taxation and Non-Specific Grant Income and Expenditure			
			(see note 25)			
0	(11,633)	(11,633)	Council tax income	0	(12,263)	(12,263)
0	(2,204)	(2,204)	Non domestic rates (NNDR)	0	10,979	10,979
0	(3,530)	(3,530)	Capital grants and contributions	0	(3,366)	(3,366)
0	(3,630)	(3,630)	Non ringfenced government grants	0	(21,256)	(21,256)
0	(20,997)	(20,997)		0	(25,906)	(25,906)
76,892	(74,505)	2,387	(Surplus) or Deficit on Provision of Services	74,915	(82,662)	(7,747)
			Items that will not reclassified to the (surplus) or deficit on the Provision of Services			
		(2,842)	(Surplus) or deficit on revaluation of non-current assets			501
		,	Re-measurement (gains) and losses on Pension Fund assets and liabilities:			
		(40,438)	- Actuarial (gains)/losses on pension assets/liabilities			42,729

2019-20				2020-21		
Gross	Gross	Net		Gross	Gross	Net
Expenditure	Income	Expenditure		Expenditure	Income	Expenditure
£000	£000	£000		£000	£000	£000
		9,454	- Return on Assets excluding amounts included in net interest			(43,647)
			Items that may be reclassified to the (surplus) or deficit on the Provision of Services			
	_	0	(Surplus) or deficit on revaluation of available for sale financial assets		_	0
	_	(33,826)	Other Comprehensive Income and Expenditure			(417)
	•	(31,439)	Total Comprehensive Income and Expenditure		•	(8,164)

Balance Sheet

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

31 March 2020 £000		Notes	31 March 2021 £000
	Property, Plant and Equipment	11	
117,000	Land and Buildings		115,386
5,582	Vehicles, plant, furniture and equipment		4,917
1,152	■ Infrastructure		917
28	■ Community Assets		28
235	Assets under construction		808
6,048	Surplus Assets not held for sale		5,996
13,623	Investment Property	12	13,668
	Intangible Assets	13	
359	■ Software		312
	Heritage Assets	14	
6,767	■ Tangible		6,842
22	Intangible		22
29,751	Long Term Investments	15	32,631
20,876	Net Pensions Asset	29	20,386
1,096	Long Term Debtors	15	1,147
202,539	Total Long-Term Assets		203,060
	Current Assets		
35,123	Short term investments		45,017
126	Inventories		129
8,269	Short Term Debtors	16	27,125
6,320	Cash and Cash Equivalents	17	11,450
442	Assets held for sale – current <1yr		442
50,280	Total Current Assets		84,163
	Current Liabilities		
(12,175)	Short Term Creditors	18	(35,459)
(12,175)	Total Current Liabilities		(35,459)
	Long-Term Liabilities		
(5,840)	Long Term Creditors – S106 contributions		(5,906)
(6)	Credit Arrangements – Finance Lease		(5,500)
(1,271)	Provisions	19	(2,833)
0	Net Pensions Liability	29	0
	•		

31 March 2020		Notes	31 March 2021
£000		Notes	£000
(204)	Capital Grants Receipts in Advance		(1,459)
(7,321)	Total Long-Term Liabilities		(10,277)
233,323	Net Assets		241,487
	Usable Reserves		
(48,038)	General Fund Reserve		(63,988)
(1,928)	Capital Receipts Reserve		(2,821)
(13,279)	Capital Grants Unapplied Account		(16,343)
(63,245)	Total Usable Reserves		(83,152)
	Unusable Reserves	20	
(59,273)	Revaluation Reserve		(58,233)
(93,656)	Capital Adjustment Account		(92,742)
11	Financial Instruments Adjustment Account		6
4,249	Pooled Investment Fund Adjustment Account		1,369
(703)	Deferred Capital Receipts Reserve		(696)
(20,876)	Pension Reserve		(20,386)
170	Collection Fund Adjustment Account		12,347
0	Accumulated Absences Account		0
(170,078)	Total Unusable Reserves		(158,335)
			(2.1. 12-)
(233,323)	Total Reserves		(241,487)

John Ward CPFA Director of Corporate Services Date 18 May 2022

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves. The statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The net '(Increase) /Decrease in year' line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

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

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

2019-20		2020-21
		£000
2,387	Net (surplus) or deficit on the provision of services	(7,747)
(4,264)	Adjustments to net surplus or deficit on the provision of services for non-cash	(3,228)
	Adjustment for items included in the net surplus or deficit	
1,532	on the provision of services that are investing and financing	1,649
	activities	2,013
(345)	Net Cash flows from Operating Activities	(9,326)
	Interest	
12	Interest Paid	4
(1,644)	Interest Received	(1,833)
(1,632)		(1,829)
	Investing Activities	
2.070	Purchase of property, plant and equipment, investment	1.006
3,878	property and intangible assets	1,996
254,578	Purchase of short-term and long-term investments	396,073
99	Other payments for investing activities	596
	Proceeds from the sale of property, plant and equipment,	
(506)	non-current assets held for sale, investment property and	(671)
(245 550)	intangible assets	(200.075)
(245,550)	Proceeds from short-term and long-term investments	(386,075)
(9,963) (1,062)	Capital Grants Other receipts from investing activities	(5,349) (983)
1,474	Net Cash flows from Investing Activities	5,584
1,474	Net cash nows from investing Activities	3,304
	Financing Activities	
(670)	Other receipts from financing activities	(13,701)
(284)	Other payments from financing activities	14,142
(954)	Net Cash flows from Financing Activities	441
(1.457)	Not (increase) / degreese in each and each aguitalents	/F 120\
(1,457)	Net (increase) / decrease in cash and cash equivalents	(5,130)
	Cash and cash equivalents (Note 17)	
4,863	 at the beginning of the reporting period 	6,320
6,320	\circ at the end of the reporting period	11,450
(1,457)	Movement in Cash (increase)/decrease	(5,130)

Notes to the Accounts

1. Accounting Policies

1.1 General Principles

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

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

1.2 Going Concern

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

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

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

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

1.3 Recognition of Income and Expenditure

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

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

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

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

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

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

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

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

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

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

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

1.4 Discontinued Operations

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

1.5 Cash and Cash Equivalents

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

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

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

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

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

1.7 Accounting for Taxation

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

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

1.8 Employee Benefits

i. Benefits Payable During Employment

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

ii. Termination Benefits

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

iii. Post-employment Benefits

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

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

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

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

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

1.9 Events after the reporting period

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the statement of accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period the statement of accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period the statement of accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the statement of accounts.

1.10 Financial Instruments and Investments

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

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

<u>Financial Liabilities</u> 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.

<u>Financial Assets</u> 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.

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

There are two classes of financial assets measured at:

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

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

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

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

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

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

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

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

Fair Values

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

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

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

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

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

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

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

1.11 Government Grants and Contributions

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

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

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

1.12 Investment Property

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

1.13 Leases

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

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

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

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

1.14 Property, Plant and Equipment

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

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

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

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

Depreciation is calculated on the following bases:

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

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

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

1.15 Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

1.16 Section 106 Developer Contributions

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

1.17 VAT

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

2. Impact of accounting standards adopted in 2020-21

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

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

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

4. Critical judgements in applying accounting policies

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

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

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

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

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

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

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

Business Rates

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

Pensions Liability

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

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

Impairment loss allowance

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

Asset Valuations and Impairments

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

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

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

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

6. Expenditure and Funding Analysis

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

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

6a. Note to the Expenditure and Funding Analysis

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

2019-20 Statutory a	ndjustments fo	or:			2020-21 Statutory a	djustments f	or:	
Capital	Pensions	Other	Total		Capital	Pensions	Other	Total
£000	£000	£000	£000		£000	£000	£000	£000
10	231	0	241	Leader	3	39	0	42
426	432	0	858	Planning Services	417	253	0	670
(4)	281	0	277	Community Services and Culture	1,488	160	0	1,648
596	245	0	841	Growth, Place and Regeneration	997	140	0	1,137
410	304	0	714	Housing, Communications, Licensing and Events	198	210	0	408
867	1,002	0	1,869	Environment Services and Chichester Contract Services	906	571	0	1,477
741	856	0	1,597	Finance, Corporate Services and Revenue and Benefits	238	493	0	731
3,046	3,351	0	6,397	Net Cost of Services	4,247	1,866	0	6,113
(4,698)	198	4,262	(238)	Other Income and Expenditure	(6,744)	(458)	9,292	2,090
(1,652)	3,549	4,262	6,159	Difference between the General Fund Surplus/ Deficit and surplus or deficit on the Provision of Services	(2,497)	1,408	9,292	8,203

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

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

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

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

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

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

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

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

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

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

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

6b Segmental Income Cost of Services

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

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

7. Expenditure and Income Analysed by Nature

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

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

8. Events after the Reporting Period

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

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

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

9. Transfers to/from Earmarked Reserves

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

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

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

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

10. Adjustments between accounting basis and funding basis under regulations

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

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Adjustments between Accounting Basis and Funding basis

	2019-20		,		2020-21	
General	Capital	Capital		General	Capital	Capital
Fund	Receipts	Grants		Fund	Receipts	Grants
Balance	Reserve	Unapplied		Balance	Reserve	Unapplied
£000	£000	£000		£000	£000	£000
Adjustments to R	evenue Resour	ces				
			Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
(3,549)	-	-	Pensions costs (transferred to/ from the Pensions reserve)	(1,408)	-	-
11	-	-	Financial instruments (transferred to the Financial Instruments adjustments account)	5	-	-
(367)	-	-	Council Tax and NDR (transfers to/ from the Collection Fund adjustment account)	(12,176)	-	-
0	-	-	Holiday pay (transferred to the Accumulated Absences Reserve)	0	-	-
(930)	-	(3,011)	Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (transferred to Capital Adjustment account)	(839)	÷	(3,064)
(3,906)	-	-	Reversal of changes in fair value measurement of relevant financial assets	2,880		
(8,741)	-	(3,011)	Total Adjustments to Revenue Resources	(11,538)	0	(6,229)
Adjustments bety	ween Revenue	and Capital Re	sources			
244	(244)	-	Transfer of non-current asset sale proceeds from revenue to the Capital Receipts reserve	926	(926)	-
-	-	-	Administrative costs of non-current asset disposals (funded from a contribution from the Capital Receipts reserve)	-	-	-
6	-	-	Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	9	-	-
2,332	-	-	Capital Expenditure financed from revenue (transfer to the Capital Adjustment Account)	2,400	-	-
2,582	(244)	0	Total adjustments between Revenue and Capital Resources	3,335	(926)	0
Adjustments to C	apital Resource	es				
-	27	-	Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-
-	-	2,166	Application of capital grants to finance capital expenditure	-	-	-
-	(24)	-	Cash payments in relation to Debtors	-	40	-
-	(35)	-	Cash payments in relation to deferred capital receipts	-	(7)	-
-	(32)	2,166	Total adjustments to Capital Resources	0	33	0
(6,159)	(276)	(845)	Total Adjustments	(8,203)	(893)	(3,064)
•						

11. Property, Plant and Equipment

Revaluations increases / (decreases)	00 £000 0 137,508 35 3,758 0 1,524
Additions 2,870 653 0 0 0 23	35 3,758
Revaluations increases / (decreases)	•
recognised in the Revaluation Reserve (936) 0 0 0 2,460 Revaluation increases / (decreases)	
recognised in the Surplus/Deficit on the 626 0 0 0 450 Provision of Services	0 1,076
Derecognition – disposals 0 (22) 0 0 0 Other reclassifications – transfers (217) 217 0 0	0 (22) 0 0
	35 143,844
<u> </u>	73 1,552
Revaluation increases / (decreases) recognised in the Revaluation Reserve Revaluation increases / (decreases) (1,426) 0 0 (82)	0 (1,508)
recognised in the Surplus/Deficit on the (303) 0 0 0 0 Provision of Services	0 (303)
Derecognition – disposals 0 (23) 0 0 Other reclassifications – transfers 0 0 0 0	0 (23) 0 0
31 March 2021 117,880 14,350 4,500 28 5,996 80	08 143,562
Movements in depreciation and impairment	
1 April 2019 (1,955) (7,215) (3,102) 0 (25)	0 (12,297)
Depreciation charge (1,833) (1,138) (246) 0 (5) Depreciation written out to the Revaluation Reserve 1,318 0 0 0 0	0 (3,222) 0 1,318
Depreciation written out to the Surplus/Deficit on the Provision of 385 0 0 0 0 Services	0 385
Derecognition – disposals017000Reclassifications – transfers00000	0 17 0 0
At 31 March 2020 (2,085) (8,336) (3,348) 0 (30)	0 (13,799)
Depreciation charge (1,454) (1,116) (235) 0 (5)	0 (2,810)
Depreciation written out to the Revaluation Reserve Depreciation written out to the	0 932
Surplus/Deficit on the Provision of 148 0 0 0 0 0 Services	0 148
Derecognition – disposals 0 19 0 0 0 Reclassifications – transfers 0 0 0 0 0	0 19 0 0
At 31 March 2021 (2,494) (9,433) (3,583) 0 0	0 (15,510)
Net Book Value	
	235 130,045 808 128,052

Depreciation

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

Capital Commitments

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

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

Revaluations and asset lives

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

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

12. Investment Properties

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

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

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

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

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

Highest & Best Use

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

Valuers

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

13. Intangible Assets

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

14. Heritage Assets

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

15. Financial Instruments

	Nor	-current	Current		
Financial Assets	31 March	31 March	31 March	31 March	
	2020	2021	2020	2021	
	£000	£000	£000	£000	
Investments					
Amortised cost	0	0	35,123	45,017	
Fair value through profit and					
loss	29,751	32,631	0	0	
Total Investments	29,751	32,631	35,123	45,017	
Cash and cash equivalents:			270	4.050	
Amortised cost			270	1,950	
Fair value through profit and loss			6,050	9,500	
Total Cash and cash Equivalents			6,320	11,450	
Debtors – at amortised cost	_				
Trade receivables	0	0	2,294	2,667	
Contract receivables	393	435	14	4	
Lease receivables	703	712	0	53	
Included in Debtors	1,096	1,147	2,308	2,724	
Total Financial Assets	30,847	33,778	43,751	59,191	
	31 March	31 March	31 March	31 March	
Financial Liabilities	2020	2021	2020	2021	
	£000	£000	£000	£000	
Finance Leases	0	66	6	13	
Creditors at amortised cost	0	0	3,113	2,848	
Total Financial Liabilities	0	66	3,119	2,861	

Income, Expense, Gains and Losses

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

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

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

Financial Assets

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

Credit Risk

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

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

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

Liquidity Risk

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

Market Risk

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

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

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

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

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

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

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

Financial Liabilities

		Balance	Fair value	Balance	Fair value
		Sheet		Sheet	
		31 March	31 March	31 March	31 March
		2020	2020	2021	2021
	Level	£000	£000	£000	£000
Financial liabilities held at amortised cost					
 Lease payables 	2	6	6	79	99
Liabilities for which a fair value is not		2 175		2 0 4 0	
disclosed		3,175		2,848	
Total financial liabilities	-	3,181		2,927	
	-				
Recorded on the Balance sheet as:					
Short-term creditors		3,175		2,848	
Credit Arrangements – Finance Lease		6		79	
	•	3,181		2,927	
	=	•	-		

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

16. Short Term Debtors

3	1 March 202	0		31 March 2021		
Gross		Carrying		Gross		Carrying
value	Provision	Value		value	Provision	Value
£000	£000	£000				
241	-	241	Central Government Bodies	270	-	270
923	(506)	417	Council Tax	2,817	(517)	2,300
372	(188)	184	Business Rates	14,887	(351)	14,536
252	(4)	248	Other local authorities and	4	-	4
			public bodies			
534	(299)	235	Housing Rents	547	(328)	219
8,825	(2,099)	6,726	Other Sundry Debtors	11,587	(1,847)	9,740
11,146	(3,096)	8,051	Total short term debtors	30,112	(3,043)	27069
	_	218	Payments in advance	_		56
		8,269	Total net Debtors &			27 125
	_	0,209	Payments in advance	<u>-</u> .		27,125

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

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

Other sundry debtors comprise the following:

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

Credit Risk: Debtors

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

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

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

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

17. Cash and cash equivalents

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

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

18. Short Term Creditors (less than 12 months)

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

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

19. Provisions

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

20. Unusable Reserves

Revaluation Reserve

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

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

Pooled Investment Funds Adjustment Reserve

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

Capital Adjustment Account

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

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

Pensions Reserve

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

2019-20 £000		2020-21 £000
6,559	Balance at 1 April	(20,876)
(30,984)	Remeasurements of the net defined benefit liability/(asset)	(918)
6,744	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	4,376
(3,195)	Employer's pensions contributions and direct payments to pensioners payable in the year	(2,968)
(20,876)	Balance at 31 March	(20,386)

Deferred Capital Receipts Reserve

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

Collection Fund Adjustment Account

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

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

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

21. Agency Services

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

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

There were no equivalent transactions in 2019-20.

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

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

22. Members' Allowances

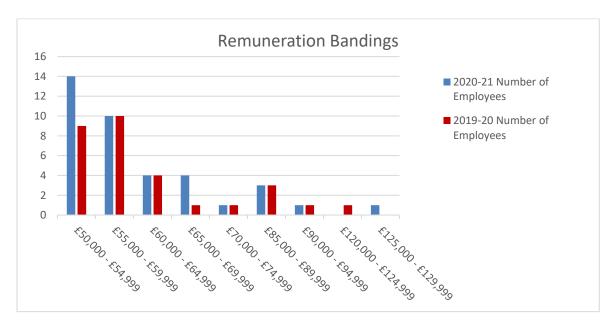
The Council paid £273k (2019-20, £268k) to members of the Council during the year. A detailed list of the allowances paid to each member can be found on the Council website.

23. Officers' Remuneration

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

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

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



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

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

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

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

24. External Audit Costs

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

25. Grant Income

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

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

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

26. Related Parties

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

Central Government

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

Members and Officers

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

27. Capital Expenditure and Capital Financing

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

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

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

28. Leases

Council as Lessor

Finance Leases

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

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

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

_	Gross Investmen	nt in the Lease	Minimum Le	ease Payments
	31 March 31 Ma		31 March	31 March
	2020	2021	2020	2021
_	£000	£000	£000	£000
Not later than one year	143	156	126	139
Later than one year and not later than five years	503	556	503	556
Later than five years	22,327	22,198	22,327	22,198
	22,973	22,910	22,956	22,893

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

Operating Leases

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

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

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

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

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

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

Council as Lessee

Finance Leases

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

Operating Leases

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

29. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

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

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

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

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

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

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

Discretionary Post-retirement Benefits

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

Transactions Relating to Post-employment Benefits

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

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

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

	2019-20 £000	2020-21 £000
Remeasurement of the net defined benefit liability comprising:		
 Return on plan assets (excluding the amount included in the net interest expense) 	9,454	(43,647)
 Actuarial (gains) and losses arising on changes in demographic assumptions 	(9,205)	414
 Actuarial (gains) and losses arising on changes in financial assumptions 	(16,907)	44,067
 Other experience (gains) or losses 	(14,326)	(1,752)
Total Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement	(30,984)	(918)
Actual amount charged against the General Fund Balance for Pensions in the Year:		
Employer's contributions payable to scheme	3,195	2,968

The amount included in the Balance sheet arising from the authority's obligation in respect of its defined benefit plan is as follows:

Movements in the Fair Value of Scheme Assets

Local Government Pension Scheme

	2019-20 £000	2020-21 £000
Scheme Assets	1000	1000
Opening fair value of scheme assets	186,512	180,769
Interest income	4,476	4,144
Remeasurement gain/(loss):	7,770	7,±77
 the return on plan assets, excluding the amount 		
included in the net interest expense	(9,454)	43,647
Contributions from employer	3,195	2,968
Contributions from employees into the scheme	923	949
Benefits paid	(4,883)	(4,852)
Other	0	
Fair value of plan assets	180,769	227,625
Less: Scheme Liabilities		
Opening balance of scheme liabilities at 1 April	193,071	159,893
Current Service Cost	6,423	4,831
Interest Cost	4,674	3,686
Contributions from scheme participants	923	949
 Actuarial (gains)/losses arising from changes in demographic assumptions 	(9,205)	414
 Actuarial (gains)/losses arising from changes in financial assumptions 	(16,907)	44,067
 Other experience (gains) or losses 	(14,326)	(1,752)
Past service cost	123	3
Benefit paid	(4,883)	(4,852)
Liabilities extinguished on settlements	0	
Present value of the defined benefit obligation	159,893	207,239
Net (liability)/asset arising from defined benefit obligation	20,876	20,386

Basis for Estimating Assets and Liabilities

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

The significant assumptions used by the actuary have been:

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

Sensitivity Analysis

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

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

30. Contingent Liabilities

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

Collection Fund Statement

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

Collection Fund Income and Expenditure Account Business Rates Council Tax Receivable Tax Beginner of Expenditure Account Tax Beginner of Expenditure Accountil Segmental Fund Segmental Segmental Fund		Year to 31 March 2020		Year t	Year to 31 March 2021		
Note Page Page		Rates	Tax		Rates	Tax	
Council Tax Receivable 95,913 95,913 95,913 100,084 100,084 Reliefs charged to the Council's General Fund 2 2 336 336 Business Rates Receivable 47,493 47,493 18,972 18,972 Transitional Protection payment due 553 553 175 175 Total Income 48,046 95,915 143,961 19,147 100,420 119,567 EXPENDITURE Apportionment of Previous Year Estimated 30 30 120 120 Surplus / (Deficit) 4 (166) (160) (26) 412 386 Chichester District Council 24 (27) (3) 96 66 162 The Police and Crime Commissioner for Sussex 6 (21) (21) 190 535 725 Precepts, Demands and Shares 7 11,958 11,958 23,772 23,772 23,772 West Sussex County Council 26,308 73,799 100,107 4,754 77,884 82,	INCOME	1000	1000	1000		1000	1000
Business Rates Receivable 47,493 47,493 18,972 18,972 Transitional Protection payment due 553 553 175 175 Total Income 48,046 95,915 143,961 19,147 100,420 119,567 EXPENDITURE Apportionment of Previous Year Estimated Surplus / (Deficit) 8 8 8 120 120 Central Government 30 30 120 120 386 Chichester District Council 6 (166) (160) (26) 412 386 Chichester District Council 24 (27) (3) 96 66 162 The Police and Crime Commissioner for Sussex 6 (214) (214) 190 535 725 Precepts, Demands and Shares Central Government 11,958 11,958 23,772 7 3 7 5 7 West Sussex County Council 26,308 73,799 10,107 4,754 77,884 82,638 23,772 14,802 14,802 <td< td=""><td></td><td></td><td>95,913</td><td>95,913</td><td></td><td>100,084</td><td>100,084</td></td<>			95,913	95,913		100,084	100,084
Transitional Protection payment due 553 175 175 Total Income 48,046 95,915 143,961 19,147 100,420 119,567 EXPENDITURE Apportionment of Previous Year Estimated Surplus / (Deficit) 88 88 88 88 88 88 88 88 88 88 88 88 120 <	Reliefs charged to the Council's General Fund		2	2		336	336
EXPENDITURE 48,046 95,915 143,961 19,147 100,420 119,567 EXPENDITURE Apportionment of Previous Year Estimated Surplus / (Deficit) Very Control Council Very Control Council 30 30 120 120 Central Government 30 (166) (160) (26) 412 386 Chichester District Council 24 (27) (3) 96 66 162 The Police and Crime Commissioner for Sussex 60 (214) (154) 190 53 75 Precepts, Demands and Shares 70 11,958 11,958 23,772 23,772 23,772 23,772 23,772 20 23,772 23,772 24,772	Business Rates Receivable	47,493		47,493	18,972		18,972
Page Page	Transitional Protection payment due	553		553	175		175
Apportionment of Previous Year Estimated Surplus / (Deficit) Central Government 30 30 120 120 West Sussex County Council 6 (166) (160) (26) 412 386 Chichester District Council 24 (27) (3) 96 66 162 The Police and Crime Commissioner for Sussex 60 (214) (21) 190 535 725 Precepts, Demands and Shares Central Government 11,958 11,958 23,772 5 23,772 West Sussex County Council 26,308 73,799 100,107 4,754 77,884 82,638 Chichester District Council 9,567 11,752 21,319 19,018 12,414 31,432 The Police and Crime Commissioner for Sussex 10,130 10,130 10,120 10,822 10,822 Charges to the Collection Fund 47,833 95,681 143,514 47,544 101,120 148,664 Write-offs of uncollectable amounts 43 0 2,112 <	Total Income	48,046	95,915	143,961	19,147	100,420	119,567
West Sussex County Council 6 (166) (160) (26) 412 386 Chichester District Council 24 (27) (3) 96 66 162 The Police and Crime Commissioner for Sussex (21) (21) 190 535 75 Precepts, Demands and Shares Central Government 11,958 11,958 23,772 23,772 West Sussex County Council 26,308 73,799 100,107 4,754 77,884 82,638 Chichester District Council 9,567 11,752 21,319 19,018 12,414 31,432 The Police and Crime Commissioner for Sussex 10,130 10,130 10,822 10,822 The Police and Crime Commissioner for Sussex 47,833 95,681 143,514 47,544 101,120 148,664 Charges to the Collection Fund Write-offs of uncollectable amounts 43 0 43 0 0 0 Increase / (Decrease) in Bad Debts Provision 912 1,200 2,112 0	Apportionment of Previous Year Estimated Surplus / (Deficit)						
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Precepts, Demands and Shares 11,958 11,958 23,772 23,772 West Sussex County Council 26,308 73,799 100,107 4,754 77,884 82,638 Chichester District Council 9,567 11,752 21,319 19,018 12,414 31,432 The Police and Crime Commissioner for Sussex 10,130 10,130 10,822 10,822 The Police and Crime Commissioner for Sussex 10,130 10,130 47,544 101,120 148,664 Charges to the Collection Fund 47,833 95,681 143,514 47,544 101,120 148,664 Write-offs of uncollectable amounts 43 0 43 0 0 0 Increase / (Decrease) in Bad Debts Provision 912 1,200 2,112 0 532 532 Increase / (Decrease) in Provision for Appeals 111 730 532 532 Cost of Collection Allowance 199 199 199 199 Disregarded amounts 134 134 137 137 T		24			96		
Precepts, Demands and Shares Central Government 11,958 11,958 23,772 23,772 West Sussex County Council 26,308 73,799 100,107 4,754 77,884 82,638 Chichester District Council 9,567 11,752 21,319 19,018 12,414 31,432 The Police and Crime Commissioner for Sussex 10,130 10,130 10,120 10,822 10,822 Charges to the Collection Fund 47,833 95,681 143,514 47,544 101,120 148,664 Write-offs of uncollectable amounts 43 0 43 0 0 0 Increase / (Decrease) in Bad Debts Provision 912 1,200 2,112 0 532 532 Increase / (Decrease) in Provision for Appeals 111 111 730 730 730 Cost of Collection Allowance 199 199 199 199 199 Disregarded amounts 134 134 137 137 Total Expenditure 49,292 96,667	The Police and Crime Commissioner for Sussex						
West Sussex County Council 26,308 73,799 100,107 4,754 77,884 82,638 Chichester District Council 9,567 11,752 21,319 19,018 12,414 31,432 The Police and Crime Commissioner for Sussex 10,130 10,130 10,822 10,822 10,822 Charges to the Collection Fund 47,833 95,681 143,514 47,544 101,120 148,664 Charges to the Collection Fund 43 0 43 0 0 0 Increase / (Decrease) in Bad Debts Provision 912 1,200 2,112 0 532 532 Increase / (Decrease) in Provision for Appeals 111 730 730 730 Cost of Collection Allowance 199 199 199 199 199 Disregarded amounts 134 134 137 137 Total Expenditure 49,292 96,667 145,959 48,800 102,187 150,987 Surplus / (Deficit) b/fwd 1 April 350 371 721 (897)	Precepts, Demands and Shares	60	(214)	(154)	190	535	725
Chichester District Council 9,567 11,752 21,319 19,018 12,414 31,432 The Police and Crime Commissioner for Sussex 10,130 10,130 10,130 10,822 10,822 Charges to the Collection Fund 47,833 95,681 143,514 47,544 101,120 148,664 Write-offs of uncollectable amounts 43 0 43 0 0 0 Increase / (Decrease) in Bad Debts Provision 912 1,200 2,112 0 532 532 Increase / (Decrease) in Provision for Appeals 111 730 730 730 Cost of Collection Allowance 199 199 199 199 199 Disregarded amounts 134 134 137 137 Total Expenditure 49,292 96,667 145,959 48,800 102,187 150,987 Surplus / (Deficit) arising during the year (1,246) (752) (1,998) (29,653) (1,767) (31,420)	Central Government	11,958		11,958	23,772		23,772
The Police and Crime Commissioner for Sussex 10,130 10,130 10,822 10,822 10,822 Charges to the Collection Fund 47,833 95,681 143,514 47,544 101,120 148,664 Write-offs of uncollectable amounts 43 0 43 0 0 0 Increase / (Decrease) in Bad Debts Provision 912 1,200 2,112 0 532 532 Increase / (Decrease) in Provision for Appeals 111 730 730 730 Cost of Collection Allowance 199 199 199 199 199 Disregarded amounts 1,399 1,200 2,599 1,066 532 1,598 Total Expenditure 49,292 96,667 145,959 48,800 102,187 150,987 Surplus / (Deficit) arising during the year (1,246) (752) (1,998) (29,653) (1,767) (31,420) Surplus / (Deficit) b/fwd 1 April 350 371 721 (897) (380) (1,277)	•	26,308		-	4,754	77,884	
47,833 95,681 143,514 47,544 101,120 148,664 Charges to the Collection Fund Write-offs of uncollectable amounts 43 0 43 0 0 0 Increase / (Decrease) in Bad Debts Provision 912 1,200 2,112 0 532 532 Increase / (Decrease) in Provision for Appeals 111 111 730 730 Cost of Collection Allowance 199 199 199 199 Disregarded amounts 134 134 137 137 1,399 1,200 2,599 1,066 532 1,598 Total Expenditure 49,292 96,667 145,959 48,800 102,187 150,987 Surplus / (Deficit) arising during the year (1,246) (752) (1,998) (29,653) (1,767) (31,420) Surplus / (Deficit) b/fwd 1 April 350 371 721 (897) (380) (1,277)		9,567			19,018	-	
Charges to the Collection Fund Write-offs of uncollectable amounts 43 0 43 0 0 0 Increase / (Decrease) in Bad Debts Provision 912 1,200 2,112 0 532 532 Increase / (Decrease) in Provision for Appeals 111 111 730 730 Cost of Collection Allowance 199 199 199 199 Disregarded amounts 134 134 137 137 Total Expenditure 49,292 96,667 145,959 48,800 102,187 150,987 Surplus / (Deficit) arising during the year (1,246) (752) (1,998) (29,653) (1,767) (31,420) Surplus / (Deficit) b/fwd 1 April 350 371 721 (897) (380) (1,277)	The Police and Crime Commissioner for Sussex		•			•	
Write-offs of uncollectable amounts 43 0 43 0 0 0 Increase / (Decrease) in Bad Debts Provision 912 1,200 2,112 0 532 532 Increase / (Decrease) in Provision for Appeals 111 111 730 730 Cost of Collection Allowance 199 199 199 199 Disregarded amounts 134 134 137 137 1,399 1,200 2,599 1,066 532 1,598 Total Expenditure 49,292 96,667 145,959 48,800 102,187 150,987 Surplus / (Deficit) arising during the year (1,246) (752) (1,998) (29,653) (1,767) (31,420) Surplus / (Deficit) b/fwd 1 April 350 371 721 (897) (380) (1,277)	Charges to the Collection Fund	47,833	95,681	143,514	47,544	101,120	148,664
Increase / (Decrease) in Bad Debts Provision 912 1,200 2,112 0 532 532 Increase / (Decrease) in Provision for Appeals 111 111 730 730 Cost of Collection Allowance 199 199 199 199 Disregarded amounts 134 134 137 137 Total Expenditure 49,292 96,667 145,959 48,800 102,187 150,987 Surplus / (Deficit) arising during the year (1,246) (752) (1,998) (29,653) (1,767) (31,420) Surplus / (Deficit) b/fwd 1 April 350 371 721 (897) (380) (1,277)	_	43	0	43	0	0	0
Increase / (Decrease) in Provision for Appeals 111 730 730 Cost of Collection Allowance 199 199 199 199 Disregarded amounts 134 134 137 137 Total Expenditure 49,292 96,667 145,959 48,800 102,187 150,987 Surplus / (Deficit) arising during the year (1,246) (752) (1,998) (29,653) (1,767) (31,420) Surplus / (Deficit) b/fwd 1 April 350 371 721 (897) (380) (1,277)	Increase / (Decrease) in Bad Debts Provision				0		532
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Total Expenditure 1,399 1,200 2,599 1,066 532 1,598 Surplus / (Deficit) arising during the year (1,246) (752) (1,998) (29,653) (1,767) (31,420) Surplus / (Deficit) b/fwd 1 April 350 371 721 (897) (380) (1,277)		199		199	199		199
Total Expenditure 49,292 96,667 145,959 48,800 102,187 150,987 Surplus / (Deficit) arising during the year (1,246) (752) (1,998) (29,653) (1,767) (31,420) Surplus / (Deficit) b/fwd 1 April 350 371 721 (897) (380) (1,277)	Disregarded amounts	134		134	137		137
Surplus / (Deficit) arising during the year (1,246) (752) (1,998) (29,653) (1,767) (31,420) Surplus / (Deficit) b/fwd 1 April 350 371 721 (897) (380) (1,277)		1,399	1,200	2,599	1,066	532	1,598
Surplus / (Deficit) b/fwd 1 April 350 371 721 (897) (380) (1,277)	Total Expenditure	49,292	96,667	145,959	48,800	102,187	150,987
	Surplus / (Deficit) arising during the year	(1,246)	(752)	(1,998)	(29,653)	(1,767)	(31,420)
Surplus / (Deficit) c/fwd 31 March (896) (381) (1,277) (30,550) (2,147) (32,697)	Surplus / (Deficit) b/fwd 1 April	350	371	721	(897)	(380)	(1,277)
	Surplus / (Deficit) c/fwd 31 March	(896)	(381)	(1,277)	(30,550)	(2,147)	(32,697)

Notes to the Collection Fund Account

1. General

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

2. Income from Business Rates

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

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

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

3. Provision for RV and list amendment appeals

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

4. Council Tax

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

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

Council Tax Band	No. of Chargeable Dwellings	Ratio to Band D	Chargeable Base			
Disabled Band A	3.5	5/9	1.9			
Band A	2,328.2	6/9	1,552.1			
Band B	5115.5	7/9	3,978.7			
Band C	12,873.0	8/9	11,442.7			
Band D	10,764.3	9/9	11,044.1			
Band E	7,891.8	11/9	9,645.5			
Band F	5,448.5	13/9	7,870.1			
Band G	5,293.3	15/9	8,822.1			
Band H	1,143.8	18/9	2,287.5			
Total	50,861.7		56,644.7			
Adjustments required as per Regulations						
Classes A & B (Second homes)			1,849.8			
Class C (Exempt properties)			116.5			
Tax base reduction for Council tax supp	ort		(3,931.1)			
Tax Base			54,679.9			
Adjusted for assumed collection rate o	f 99%		54,133.3			

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

Glossary of Terms

Accrual

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

Asset

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

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

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

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

Agency Services

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

Appointed Auditors

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

Billing Authority

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

Capital Expenditure

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

Capital Adjustment Account (CAA)

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

Capital Programme

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

Capital Receipts

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

Carrying Amount

The cost or value less depreciation.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Community Assets

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

Contingent Liability

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

Creditors

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

Current Service Cost

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

Curtailment

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

Debtors

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

Deferred Credit

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

Deficit

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

Depreciation

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

Existing Use Value

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

Fair Value

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

Finance Lease

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

Financial Instruments

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

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

General Fund

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

Gross Book Value (GBV)

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

Heritage Asset

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

Historic Cost

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

IFRS

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

Impairment Loss

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

Infrastructure Assets

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

Intangible Asset

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

Investment Property

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

Irrecoverable Surplus (Pension)

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

Liability

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

Market Value

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

Materiality

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

National Non-Domestic Rates (NNDR) or Business Rates

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

Net

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

Net Book Value

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

Net Current Replacement Cost

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

Net defined benefit liability (asset) (Pension)

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

Net interest income (expense) (Pension)

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

Net Realisable Value

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

Non-Current Assets

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

Non-distributed Costs

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

Outturn

Total income and expenditure in the financial year.

Past Service Cost (Pension)

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

Precept

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

Present value of defined benefit obligation (Pension)

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

Property, Plant and Equipment

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

Provisions

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

Reserves

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

Revenue Expenditure

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

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

Revaluation Reserve (RR)

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

Settlement (Pension)

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

Surplus

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

Treasury Management

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