MID SUSSEX
DISTRICT COUNCIL

Statement of Accounts 2016 – 2017

Audited
September 2017

Statement of Accounts for the Year Ended 31 March 2017

Contents

Section 3 Notes to the Accounts continued

MID SUSSEX DISTRICT COUNCIL

Statement of Responsibility and Narrative Report

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The authority 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 authority, that Officer is the Head of Corporate Resources;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the Statement of Accounts.

The Head of Corporate Resources' Responsibilities

The Head of Corporate Resources is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom.

In preparing this Statement of Accounts, the Head of Corporate Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice on Local Authority Accounting;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Narrative Report by the Head of Corporate Resources

1. Introduction

The purpose of this report is to provide an effective guide to the most significant matters reported in the accounts. Its aim is to be fair, balanced and understandable for the users of the financial statements. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS), and are in respect of the financial year ended 31 March 2017.

The pages that follow are the Authority's Accounts for 2016/17. These comprise:

- Two years' statements of comprehensive income and expenditure (CIES)
- Two statements of changes in equity (MIRS)
- Two years' statements of financial position (Balance Sheet)
- Two statements of cash flows
- Two expenditure and funding analysis notes
- Related notes, including comparative information

Each of the main Financial Statements are explained further below:

- **Comprehensive Income and Expenditure Statement (CIES)** – 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.
- **Movement in Reserves Statement (MIRS*)*** – This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line within the MIRS shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement (CIES). These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.
- **Balance Sheet** – The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e., those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is unusable reserves. This category includes reserves that hold unrealised gains and losses (e.g. the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the MIRS line 'Adjustments between accounting basis and funding basis under regulations'.
- **Cash Flow Statement** – The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period using the indirect method. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income, or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.
- **Notes to the Accounts -** These explain the basis of the figures in the accounts. The order of the notes is not prescribed and they have been presented in a systematic manner that is most effective for the understanding of readers of the Authority.
- **Expenditure and Funding Analysis Note –** The expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Authority in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Authority's head of service areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.
- **Collection Fund -** The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

We appreciate that the accounts are becoming ever more complex, we will again be publishing summary accounts to help people understand the Authority's financial position. If any further information is required on any aspect of these documents please use our contact details below.

I would now like to draw attention to the key features of these accounts and offer a brief financial overview of the year and comparison with the previous year.

2. Performance during the year and the position at the end of the year

This section of the report is intended to offer some information on the authority's key strengths and resources

Revenue

The revenue and capital outturn for 2016/17 was reported to Cabinet on 8 May 2017.

During the year, Cabinet received six Budget Management reports (including the Outturn Report). Over the year, income has exceeded targets in a number of areas. However, the budget has continued to be carefully managed in order to ensure that financial targets are met without compromising service performance. Members should note that this Budget Outturn Report links with the Service Performance Outturn Report which is separately reported to Cabinet in July 2017.

The main change to our finances occurred in November 2016 when the Council bought back the headlease of the Orchards Shopping Centre and therefore took direct control of the investment. Financed from a combination of internal and external borrowing, this provides a yield at around 7.5% with the potential for growth in the medium term. This purchase had not been budgeted for in the year, which resulted in pro-rata income being available, increasing our underspending accordingly.

In summary, increased income levels experienced in 2016/17 and Mid Sussex's embedded culture of seeking efficiencies, have both contributed to this year's underspend of £1,378,000, the majority of which has been transferred to Earmarked Reserves, leaving a balance of £195,000 to return to General Reserve.

This outturn position is set out in the table overleaf.

Interest

Interest receipts for the year totalled £343,000; being £5,000 less than the original estimate. Of the total interest received, £1,000 has been transferred to the HR and Payroll Specific Reserve for employee benefits. This is in accordance with existing practice to part-pay employees' professional qualification subscriptions. The revenue budget underspend position means that no interest was required to support the outturn. Therefore, a net total of £342,000 was transferred to General Reserve.

Specific Items and Reserves

Specific items financed from the Specific Reserves and General Reserve totalled £7,821,000. The largest utilisation from General Reserve amounted to £1,356,000 to finance the Capital Programme. In addition, £2,440,000 was transferred to Specific Reserve, as approved in the Corporate Plan and Budget Report 2016/17, (£2,000,000 for Land and Property purchases and an additional £440,000 for on-going funding of the Burgess Hill growth area).

In addition, just under £11,500,000 has been transferred into Reserves, (£5,085,000 to Specific Reserve [of which £2,440,000 is explained above] and £6,394,000 to General Reserve). The largest contributions to General Reserve in the year include:

- £4,429,000 grant relating to New Homes Bonus allocation
- £654,000 being the annual contribution budgeted to be paid to General Reserve, to fund the Authority's Major Capital Renewals programme
- £343,000 interest receipts generated mainly from treasury management activity
- £242,000 received to fund future costs of Strategic Access Management and Monitoring (SAMM)
- £191,000 received to fund future costs of Suitable Alternative Green Space (SANG).

Overall there has been a net increase of £3,658,000 in the level of the General Fund Balance as at 31 March 2017.

Further details are contained within the Transfers to /from Earmarked Specific Reserves, Note 8 to the accounts, and are also set out in the Appendix C of the Outturn Report to Cabinet 8 May 2017.

Revenue Expenditure 2016/17 Service Area	Outturn Summary Estimate* 2016/17 £'000	Actual 2016/17 £'000	Variation** 2016/17 £'000		Reconciliation of Outturn to Statement Transfer to/from Reserves 2016/17 £'000	Other Adjustments # 2016/17 £'000	Total Net Cost of Services (CIES EFA Note 1) 2016/17 £'000
Housing	920	1,071	151		72	1	1,144
Planning Policy & Economic Development	602	602	0		50	5	657
Development Management	707	357	(350)		25	(3)	379
Cleansing Services	2,739	2,750	11		(168)	(165)	2,417
Parking Services	(1,124)	(1,164)	(40)		(122)	(5)	(1,291)
Landscapes	700	732	32		1		733
Leisure Partnership	(31)	(44)	(13)		(1,209)	(2)	(1,255)
Performance and Partnerships	598	604	6		(72)	(1)	531
Community Leisure	591	559	(32)		102	(12)	649
Corporate Estates and Facilities	(968)	(1,704)	(736)		202	1,549	47
Emergency and Outdoor Services	1,291	1,315	24		50	4	1,369
Finance Accountancy	(12)	(26)	(14)		(5)	0	(31)
Finance Corporate	1,514	1,485	(29)		127	0	1,612
CenSus Revenues & Benefits	1,929	1,890	(39)		0	79	1,969
Customer Services and Communications	(6)	(29)	(23)		18	0	(11)
CenSus ICT	(29)	(32)	(3)		366	0	334
Human Resources & Payroll	6	51	45		112	0	163
Legal Services	0	(27)	(27)		0	0	(27)
Democratic Services	859	870	11		(15)	42	897
Land Charges	211	152	(59)		0	5	157
Planning & Building Control Support	0	21	21		0	(21)	0
Environmental Health	995	994	(1)		(4)	1	991
Building Control	246	261	15		0	5	266
Strategic Core	1,051	1,197	146		46	3	1,246
Benefits	(119)	(119)	0		(8)	0	(127)
Drainage levies	10	10	0		0	0	10
Balance Unallocated	41	0	(41)		0	0	0
Council Net Expenditure	12,721	11,776	(945)		(432)	1,485	12,829
Less:							
Drainage levies					0	(10)	(10)
Total excluding drainage levies	12,721	11,776	(945)	***	(432)	1,475	12,819
less transfer to Specific Reserves (previously reported)	0	520	520				
	12,721	12,296	(425)				12,819
less proposed utilisation of Revenue Underspend		230	230				
Total	12,721	12,526	(195)	****			12,819

* Includes approved variations including utilisation of Balance Unallocated

** Variations are explained in the Outturn Report to Cabinet on 8 May 2017.

*** Total after requests for carry forward of budgets (£224k) and windfall income (£209k) transferred to Reserves.

**** Total underspend after previously reported (£520k) and proposed (£230k) transfers to Reserves.

Other adjustments are items that were included in Outturn but need to be excluded from Net Cost of Service (NCS) in the CIES as these items are shown below NCS in the Statement of Accounts e.g Investment Property income, non-ringfenced grants, and external interest. In addition finance leases and recharges salaries to front line services have to be adjusted as the shown as fully recharged services in the Statement of Accounts.

Figures are subject to roundings to nearest £'000

Capital

Capital expenditure usually generates an asset that has a useful life of more than one year. Actual Capital Spending for the year amounted to £28,631,000 including £806,000 relating to non-programmed projects which are projects that do not form part of the planned Capital Programme. This was £458,000 more than the updated 2016/17 programme of £28,173,000. (When excluding these non-programmed projects, the outturn total is £27,825,000, which is £348,000 less than the updated 2016/17 programme of £28,173,000). Included in this year's variation, is slippage of projects totalling £79,000. Of this slippage, £35,000 relates to ICT Projects and £41,000 relates to Major Capital Renewals schemes. These amounts have been rolled over and added to the Capital Programme for 2017/18.

Capital Expenditure 2016/17

Property, Plant and Equipment	**2016/17**
Land and Buildings	**£**
Oaklands Office	1,013,177
Leisure Centres	563,024
Car Parks	46,673
Land and Buildings	1,622,874
Plant / Vehicles / Equipment	
Playground Equipment	96,752
Green Waste Wheeled Bins	40,068
ICT Hardware	63,617
Plant / Vehicles / Equipment	200,437
Total Property, Plant and Equipment (Note 13)	1,823,311
Intangible Assets (Note 16)	
Software and software licences	19,371
Investment Property (Note 15)	
The Orchards Shopping Centre	24,721,969
Industrial Estate Buildings	956,395
	25,678,364
Revenue Expenditure funded from Capital Under Statute	
Housing - Disabled Facilities Grants (DFG)	676,558
Other expenditure	433,459
Total REFCUS Expenditure	1,110,017
Total Capital Expenditure	28,631,063
Financed by:	
General Reserve	1,356,280
Earmarked Specific Reserve	1,558,420
Total General Fund Balances	2,914,700
Government Grants, Contributions & Section 106s RIA	920,657
Capital Grants Unapplied Account	73,736
LT and ST Borrowing	24,721,970
Total	28,631,063

Usable capital receipts for 2016/17 totalled £52,999 (Note 7). Other contributions received in 2016/17 totalled £3,101,677 (Note 12 Grant Income – Capital Grants and Contributions Receipts in Advance), as shown below:

Time Limited Section 106 agreements & contributions	£2,305,616
Disabled Facilities Grant (contribution from WSCC)	£796,061

The available year-end balance of Usable Capital Receipts is £1,313,633 (MIRS), Capital Grants Unapplied Account is £4,833,082 (MIRS) and Section 106 Contributions and Capital Grants Receipts in Advance is £7,908,801 (Note 12).

3. The Performance of the Authority

Service Performance

The Scrutiny Committee for Leader, Resources and Economic Growth receives the year-end report prior to its presentation to Cabinet. This report shows that key performance indicators are broadly very good across the range with the 'red' indicators (underperforming services) showing signs of improvement also.

Employees

The number of employees has remained the same as last year at 277 full time equivalents. Turnover also remained stable at 14% and analysis of Exit Interviews showed that there were a variety of reasons for leaving, but no trends needing intervention were established.

Strategic Risks

Each year the Cabinet agrees the risks that may prevent or slow the achievement of the strategic objectives. For 2016/17 these were:

1. Partnership Projects
2. Failure to achieve a successful examination of the District Plan and Community Infrastructure Charging Schedule
3. Changes to the ICT infrastructure
4. Changes to the operating model at West Sussex County Council.

These were monitored through the year by both Management Team and the Scrutiny Committees and controlled such that the risks did not materialise. An amended set of risks was adopted for 2017/18 by Cabinet.

4. Local Taxpayers

During the year, the Authority collected £92,456,296 in Council Tax on behalf of West Sussex County Council, the Sussex Police and Crime Commissioner and Mid Sussex District Council and its towns and parishes. All but £8,844,176 of this was passed on to the other authorities. The collection rate for the year was 98.6% of the total amount due and most of the remainder will be collected in the first few months of 2017/18.

5. Pensions

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

The pension liability has increased to £28,348,101 as at 31 March 2017, from £26,321,894 as at 31 March 2016. This is mainly due to the change in financial assumptions used by the actuary at 31 March 2017. The main change relates to the decrease in the discount rate used by the Actuary to discount the future cash flows of the fund. These assumptions are determined by the Actuary and represent the market conditions at the reporting date. The Authority relies and places assurance on the professional judgement of the Actuary and the assumptions used to calculate this actuarial valuation. Full details of the movement in the liability are shown in the Notes to the Accounts, Note 39.

6. Other Significant items

In 2016/17, the material item of expenditure relates to the purchase of the headlease of the Orchards Shopping Centre. This is further detailed in Paragraph 2 on the Narrative Report. Other items are disclosed in the Notes to the Accounts, Note 4.

7. Changes in accounting policy

For this year's accounts, there are no changes in accounting policy.

8. Borrowing

As part of the Orchards Shopping Centre head-lease purchase, the authority entered into £13m of borrowing with other local authorities at various rates and maturity dates. This strategy was agreed by the Audit Committee and the actual loans were described in the papers received by Audit Committee in January 2017 http://mid-sussex.cmis.uk.com/mid-sussex/MeetingsCalendar/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1752/Committee/29/Default.aspx

The intention is that these loans are repaid from a sizeable capital receipt arising from the sale of land during 2017/18.

9. Provisions

NNDR Provision for Appeals

At 31 March 2017 there is a provision of £6,511,122 relating to outstanding appeals to the Rateable Value, as detailed in the Collection Fund Section 4. The Authority's share of this is £2,604,449 (40%) as detailed in Note 26.

Employee Benefits Accrual

At 31 March 2017 there is a £150,374 provision for Employee Benefits Accrual. Employees build up an entitlement to paid holidays as they work. Under the Code, the council is required to accrue for any annual leave or flexitime earned but not taken at 31 March each year.

Municipal Mutual Insurance (MMI)

Municipal Mutual Insurance (MMI) is an insurance company established by a group of local authorities in 1903. The Company suffered substantial losses between 1990 and 1992. These losses reduced MMI's net assets to a level below the minimum regulatory solvency requirement. In September 1992 MMI ceased to write new, or to renew, general insurance business. MMI has been in run-off since 1992 and the Council, like many other local authorities, is a Scheme Creditor of MMI. Under the terms of MMI's Scheme of Arrangement, if MMI cannot complete a solvent runoff, Scheme Creditors may have to pay back part of all claims for which they have received settlements since 1992.

Whilst the Scheme of Arrangement has not been triggered it remains "held in reserve". However, following a recent judgement by the Supreme Court regarding Employers' Liability cover for Methoselioma claims there is the potential for the scheme of arrangement to be triggered. As at 31 March 2017, there is a remaining provision for £10,254.

10. Material Events after the reporting date

Following the referendum vote that backed the withdrawal of the United Kingdom from the European Union, we are carefully monitoring the political and economic outlook. At the time of writing it has had no significant effects upon the Authority's financial position; this will be kept under review.

11. Level of Financial Reserves

Last year we stated that: 'The financial climate in Mid Sussex does appear to have undergone resurgence over the last year. Income levels are up in almost every area and budgets are being exceeded particularly in the land and property-based services. This augers well for the future.' Our experience is that this has been borne out and economic activity in Mid Sussex is strong. This translates into our revenue budget as expressed earlier in this narrative.

The level of reserves increased during 2016/17, mainly from the receipt of New Homes Bonus (NHB) grant (£4,433,728) and investment interest (£587,522).

The Authority's level of General Fund Balances held at 31 March 2017 stands at £15,954,726. Given our intention to become financially independent in the medium term, our reserves will enable us to invest in revenue generating assets to replace government grant.

12. Business Rates Retention Scheme (RRS)

The income from Business Rates is part of our core funding now and is showing signs of increasing slightly as the economy improves. However, our approach to this is very prudent and given the length of time that elapses between setting a budget and knowing the outturn for the year, we have been reluctant to rely on the income in advance of its receipt. We now also are preparing for full retention of business rates to the local government sector and are keeping abreast of the working groups which together are devising the new system which is expected to start in 2019/20, (although this could change owing to the General Election in June 17). However, the increased level of funding will come with increased responsibilities which do have the potential to affect our financial strategy. The Council will be kept updated as the situation develops.

13. Council Tax Support Scheme (CTSS)

This has settled down well and is performing as expected and within the expenditure envelope that was set on its inception. Over the next year, we will be looking at alternative schemes which are simpler to operate.

14. Further Information

Interested members of the public have a statutory right to inspect the accounts from 19 June 2017 to 28 July 2017. The Notice was placed on the MSDC website, under the Finance Publications section. Further information about any aspect of the accounts is available from both the Head of Finance, Peter Stuart 01444 477315 (Peter.Stuart@midsussex.gov.uk), and the Chief Accountant, Cathy Craigen 01444 477384 (Cathy.Craigen@midsussex.gov.uk), at Mid Sussex District Council, Oaklands Road, Haywards Heath, RH16 1SS. It is our intention to be open with the information that we hold and we encourage local stakeholder enquiries.

MID SUSSEX DISTRICT COUNCIL

Statement of Accounts 2016/17

This Statement of Accounts is that upon which the auditor should enter his certificate and opinion and has been prepared under the Accounts and Audit (England) Regulations 2015.

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of the Authority at the reporting date and its income and expenditure for the year ended 31 March 2017.

P Stuart, CPFA
Head of Corporate Resources
27 September 2017

Certificate by Chairman

I confirm that the Statement of Accounts were approved by the Audit Committee on 27 September 2017.

Cllr J Belsey
Chairman Audit Committee

MID SUSSEX
DISTRICT COUNCIL

Financial Statements

Comprehensive Income and Expenditure Statement

restated 2015/16 Gross Expenditure £	restated 2015/16 Gross Income £	restated 2015/16 Net Expenditure £		2016/17 Gross Expenditure £	2016/17 Gross Income £	2016/17 Net Expenditure £
			Business Unit Net Expenditure (Note 1)			
1,142,511	(175,540)	966,971	Housing	1,409,435	(246,390)	**1,163,045**
1,181,562	(474,486)	707,076	Planning Policy	1,238,022	(565,209)	**672,813**
1,643,205	(1,338,676)	304,529	Development Management	1,773,257	(1,346,769)	**426,488**
4,863,902	(1,970,895)	2,893,007	Cleansing Services	4,734,061	(1,975,889)	**2,758,172**
1,599,187	(2,565,222)	(966,035)	Parking Services	1,610,546	(2,674,548)	**(1,064,002)**
726,705	(5,471)	721,234	Landscapes	741,832	(9,470)	**732,362**
(1,323,787)	(1,558,284)	(2,882,071)	Leisure Partnership	1,180,793	(1,578,800)	**(398,007)**
971,972	(535,537)	436,435	Performance & Partnerships	922,497	(371,846)	**550,651**
714,823	(1,500)	713,323	Community Leisure	644,730	(649)	**644,081**
2,939,984	(341,997)	2,597,987	Corporate Estates & Facilities	1,745,749	(340,696)	**1,405,053**
1,883,053	(361,694)	1,521,359	Emergency & Outdoor Services	2,225,355	(419,568)	**1,805,787**
13,229	0	13,229	Finance Accountancy	(4,970)	0	**(4,970)**
247,012	(6,403)	240,609	Finance Corporate	468,883	(13,246)	**455,637**
2,442,321	(456,609)	1,985,712	Revenues & Benefits	2,464,531	(438,194)	**2,026,337**
55,716	(7,086)	48,630	Customer Services & Communications	9,260	(8,910)	**350**
780,036	(55)	779,981	CenSus ICT	588,625	5	**588,630**
33,822	(3,511)	30,311	Human Resources & Payroll	177,907	(3,511)	**174,396**
138,085	(122,394)	15,691	Legal Services	95,386	(107,959)	**(12,573)**
1,019,296	(2,109)	1,017,187	Democratic Services	923,078	(2,319)	**920,759**
324,536	(182,210)	142,326	Land Charges	374,099	(182,530)	**191,569**
1,975,368	(736,134)	1,239,234	Environmental Health	2,011,837	(989,361)	**1,022,476**
727,308	(470,314)	256,994	Building Control	845,157	(552,916)	**292,241**
1,068,504	0	1,068,504	Strategic Core	1,291,128	0	**1,291,128**
34,753,039	(34,727,949)	25,090	Benefits	33,994,986	(34,121,718)	**(126,732)**
59,921,389	(46,044,076)	13,877,313	**Net Cost of Services**	61,466,184	(45,950,493)	**15,515,691**
		3,456,829	**Other Operating Expenditure (Note 9)**			**3,574,691**
		2,527,920	**Financing & Investment Income/Expenditure (Note 10)**			**(4,669,864)**
		(20,826,648)	**Taxation & Non-Specific Grant Income (Note 11)**			**(22,579,687)**
		(964,586)	**(Surplus) / Deficit on Provision of Services**			**(8,159,169)**
		(11,702,855)	(Surplus)/ Loss arising on revaluation of Property, Plant, Equipment assets (Note 28a)			**(4,666,918)**
		94,668	(Surplus)/ Loss arising on revaluation of Available-for-Sale Financial Assets (Note 28d)			**319,417**
		(11,772,352)	Actuarial (gains) / losses on pension fund assets and liabilities (Note 39)			**1,833,874**
		(23,380,539)	**Other Comprehensive Income and Expenditure**			**(2,513,627)**
		(24,345,125)	**Total Comprehensive Income and Expenditure**			**(10,672,796)**

Movement In Reserves Statement

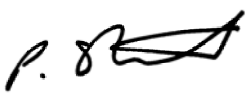
	General Fund Balance	Earmarked Specific Reserve	Usable Capital Receipts	Capital Grants Unapplied Account	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£	£	£	£	£	£	£
Balance at 1 April 2016	**(13,406,465)**	**(6,366,713)**	**(1,260,654)**	**(3,335,328)**	**(24,369,160)**	**(76,148,390)**	**(100,517,550)**
Total Comprehensive Income and Expenditure	**(8,159,169)**	**0**	**0**	**0**	**(8,159,169)**	**(2,513,627)**	**(10,672,796)**
Adjustments between accounting basis and funding basis under regulation (Note 7)	4,501,481	0	(52,979)	(1,497,754)	2,950,748	(2,950,748)	**0**
Net Increase / Decrease before Transfers to Earmarked Reserves	(3,657,688)	0	(52,979)	(1,497,754)	(5,208,421)	(5,464,375)	(10,672,796)
Transfers to /(from) Earmarked Reserves (Note 8)	1,109,427	(1,109,427)	0	0	0	0	0
Increase / Decrease in Year	(2,548,261)	(1,109,427)	(52,979)	(1,497,754)	(5,208,421)	(5,464,375)	(10,672,796)
Balance at 31 March 2017	**(15,954,726)**	**(7,476,140)**	**(1,313,633)**	**(4,833,082)**	**(29,577,581)**	**(81,612,765)**	**(111,190,346)**

	General Fund Balance	Earmarked Specific Reserve	Usable Capital Receipts	Capital Grants Unapplied Account	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£	£	£	£	£	£	£
Balance at 1 April 2015	**(10,925,411)**	**(4,666,809)**	**(1,209,288)**	**(2,813,291)**	**(19,614,799)**	**(56,557,626)**	**(76,172,425)**
Total Comprehensive Income and Expenditure	**(964,586)**	**0**	**0**	**0**	**(964,586)**	**(23,380,539)**	**(24,345,125)**
Adjustments between accounting basis and funding basis under regulation (Note 7)	(3,216,372)	0	(51,366)	(522,037)	(3,789,775)	3,789,775	**0**
Net Increase / Decrease before Transfers to Earmarked Reserves	(4,180,958)	0	(51,366)	(522,037)	(4,754,361)	(19,590,764)	(24,345,125)
Transfers to /(from) Earmarked Reserves (Note 8)	1,699,904	(1,699,904)	0	0	0	0	0
Increase / Decrease in Year	(2,481,054)	(1,699,904)	(51,366)	(522,037)	(4,754,361)	(19,590,764)	(24,345,125)
Balance at 31 March 2016	**(13,406,465)**	**(6,366,713)**	**(1,260,654)**	**(3,335,328)**	**(24,369,160)**	**(76,148,390)**	**(100,517,550)**

Balance Sheet

31 March 2016 £		Note	31 March 2017 £
84,212,619	Land and Buildings		**88,176,038**
1,611,545	Vehicles, Plant & Equipment		**1,183,436**
2,691,285	Infrastructure Assets		**2,514,357**
20,276	Community Assets		**20,275**
0	Assets Under Construction		**0**
131	Surplus Assets		**131**
88,535,856	**Property, Plant & Equipment**	13	**91,894,237**
836,751	Heritage Assets	14	**836,751**
15,645,981	Investment Properties	15	**44,842,700**
225,719	Intangible Assets	16	**151,026**
6,905,332	Long Term Investments	19	**10,585,915**
39,588	Long Term Debtors	20	**45,072**
112,189,227	**Long Term Assets**		**148,355,701**
16,154,940	Short Term Investments	19	**24,145,542**
4,910	Inventories	22	**0**
3,687,901	Short Term Debtors	21	**3,703,919**
11,158,769	Cash & Cash Equivalents	23	**5,624,511**
31,006,520	**Current Assets**		**33,473,972**
(7,200,204)	Creditors	25	**(8,589,224)**
(2,016,044)	Provisions	26	**(2,765,077)**
(152,595)	Finance Lease Payable Less 1 Year	38	**(157,602)**
(119,371)	Borrowing Payable Less 1 Year	19	**(15,172,727)**
(9,488,214)	**Current Liabilities**		**(26,684,630)**
(5,891,000)	Capital Grants & Contributions Receipts In Advance	12	**(7,908,801)**
(157,601)	Finance Lease Payable Longer 1 Year	38	**0**
(819,488)	Borrowing Payable Longer 1 Year	19	**(7,697,795)**
(26,321,894)	Liability related to Defined Benefit Pension Scheme	39	**(28,348,101)**
(33,189,983)	**Long Term Liabilities**		**(43,954,697)**
100,517,550	**Net Assets**		**111,190,346**
(24,369,160)	**Usable Reserves**	27	**(29,577,581)**
(76,148,390)	**Unusable Reserves**	28	**(81,612,765)**
(100,517,550)	**Total Reserves**		**(111,190,346)**

These financial statements replace the unaudited financial statements certified by the Head of Corporate Resources on 16 June 2017



P Stuart, CPFA
Head of Corporate Resources
27 September 2017

Cash Flow Statement

2015/16 £		Note	2016/17 £
964,586	**Net surplus / (deficit) on the provision of services**	CIES	**8,159,169**
6,957,760	Adjustments to net surplus or deficit on the provision of services for non cash movement	30	**859,047**
6,169,350	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	30	**(1,868,588)**
14,091,696	**Net cash flows from Operating Activities**		**7,149,628**
(5,322,315)	**Investing Activities**	31	**(35,307,798)**
991,820	**Financing Activities**	32	**22,623,912**
9,761,201	**Net increase / (decrease) in cash and cash equivalents**		**(5,534,258)**
1,397,568	Cash and cash equivalents at 1 April	23	**11,158,769**
11,158,769	Cash and cash equivalents at 31 March	23	**5,624,511**
9,761,201	Movement in year increase / (decrease)		**(5,534,258)**

MID SUSSEX
DISTRICT COUNCIL

Notes to the Accounts

Notes to the Accounts

1. Expenditure and Funding Analysis

2015/16 Net Expenditure Chargeable to the General Fund Balances	2015/16 Adjustments between the Funding and Accounting Basis (Note 2)	2015/16 Net Expenditure in the Comprehensive Income and Expenditure Statement		2016/17 Net Expenditure Chargeable to the General Fund Balances	2016/17 Adjustments between the Funding and Accounting Basis (Note 2)	2016/17 Net Expenditure in the Comprehensive Income and Expenditure Statement
£	£	£	**Business Unit**	£	£	£
925,938	41,033	**966,971**	Housing	1,143,510	19,535	**1,163,045**
663,737	43,339	**707,076**	Planning Policy	657,397	15,416	**672,813**
214,751	89,778	**304,529**	Development Management	379,095	47,393	**426,488**
2,463,551	429,456	**2,893,007**	Cleansing Services	2,416,327	341,845	**2,758,172**
(1,312,137)	346,102	**(966,035)**	Parking Services	(1,290,773)	226,771	**(1,064,002)**
721,234	0	**721,234**	Landscapes	732,362	0	**732,362**
(1,306,930)	(1,575,141)	**(2,882,071)**	Leisure Partnership	(1,255,277)	857,270	**(398,007)**
400,672	35,763	**436,435**	Performance & Partnerships	531,153	19,498	**550,651**
688,826	24,497	**713,323**	Community Leisure	648,814	(4,733)	**644,081**
7,482	2,590,505	**2,597,987**	Corporate Estates & Facilities	47,447	1,357,606	**1,405,053**
1,201,654	319,705	**1,521,359**	Emergency & Outdoor Services	1,368,725	437,062	**1,805,787**
(36,163)	49,392	**13,229**	Finance Accountancy	(30,771)	25,801	**(4,970)**
1,452,609	(1,212,000)	**240,609**	Finance Corporate	1,612,271	(1,156,634)	**455,637**
1,890,241	95,471	**1,985,712**	Revenues & Benefits	1,968,323	58,014	**2,026,337**
9,331	39,299	**48,630**	Customer Services & Communications	(10,930)	11,280	**350**
530,390	249,591	**779,981**	CenSus ICT	334,463	254,167	**588,630**
(292)	30,603	**30,311**	Human Resources & Payroll	163,519	10,877	**174,396**
(13,106)	28,797	**15,691**	Legal Services	(26,534)	13,961	**(12,573)**
983,361	33,826	**1,017,187**	Democratic Services	896,579	24,180	**920,759**
91,614	50,712	**142,326**	Land Charges	156,837	34,732	**191,569**
899,224	340,010	**1,239,234**	Environmental Health	990,985	31,491	**1,022,476**
206,939	50,055	**256,994**	Building Control	266,485	25,756	**292,241**
966,768	101,736	**1,068,504**	Strategic Core	1,245,690	45,438	**1,291,128**
25,090	0	**25,090**	Benefits	(126,732)	0	**(126,732)**
11,674,784	2,202,529	**13,877,313**	**Net Cost of Services**	12,818,965	2,696,726	**15,515,691**
(14,155,838)	(686,061)	**(14,841,899)**	**Other Income and Expenditure (Notes 9, 10 ,11)**	(15,367,226)	(8,307,634)	**(23,674,860)**
(2,481,054)	1,516,468	**(964,586)**	**(Surplus)/Deficit for year**	(2,548,261)	(5,610,908)	**(8,159,169)**

2015/16		2016/17
(10,925,411)	**Opening General Fund Balance**	**(13,406,465)**
(4,666,809)	**Opening Earmarked Specific Reserves**	**(6,366,713)**
(2,481,054)	**Plus/ less Surplus or Deficit on General Fund Balance in Year**	**(2,548,261)**
(13,406,465)	**Closing General Fund Balance**	**(15,954,726)**
(6,366,713)	**Closing Earmarked Specific Reserves**	**(7,476,140)**
(19,773,178)	**Closing General Fund Balances and Earmarked Specific Reserves**	**(23,430,866)**

Summary of Changes in CIES (Surplus)/Deficit

The increase in Net Cost of Service is shown in Note 1 listed by Business Unit. This can be referenced back to the Narrative Report Note 2 table on page 7 which is a summary of the Outturn reported to Cabinet on 8 May 2017 with columns showing transfers to reserves and other adjustments to agree to the Net Expenditure chargeable to the

General Fund Balance column in Note 1. The further split for the Adjustments between the Funding and Accounting Basis are detailed in Note 2. The largest change is in the line Other Income & Expenditure from the Expenditure and Funding Analysis. This is mainly for the increase in valuation of Investment Properties after the purchase of the Orchards Shopping Centre, and increase in the valuation of the Market Place Shopping Centre. The adjustments are shown in Note 7, which also shows that capital expenditure financed from revenue balances increased by approximately £600,000.

2. Note to the Expenditure and Funding Analysis

Adjustments between the Funding and Accounting Basis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2016/17 Adjustments for Capital Purposes (Note a)	2016/17 Net change for the Pensions Adjustments (Note b)	2016/17 Other Differences (Note c)	2016/17 Total Adjustments
Business Unit	£	£	£	£
Housing	0	16,089	3,446	**19,535**
Planning Policy	2,154	18,114	(4,852)	**15,416**
Development Management	0	47,691	(298)	**47,393**
Cleansing Services	329,651	12,320	(126)	**341,845**
Parking Services	201,085	26,618	(932)	**226,771**
Leisure Partnership	853,396	4,404	(530)	**857,270**
Performance & Partnerships	0	20,190	(692)	**19,498**
Community Leisure	0	6,338	(11,071)	**(4,733)**
Corporate Estates & Facilities	1,349,970	10,881	(3,245)	**1,357,606**
Emergency & Outdoor Services	420,771	18,479	(2,188)	**437,062**
Finance Accountancy	4,005	22,350	(554)	**25,801**
Finance Corporate	0	(1,156,634)	0	**(1,156,634)**
Revenues & Benefits	15,689	37,295	5,030	**58,014**
Customer Services & Communications	0	16,974	(5,694)	**11,280**
CenSus ICT	218,364	27,045	8,758	**254,167**
Human Resources & Payroll	0	12,572	(1,695)	**10,877**
Legal Services	0	14,542	(581)	**13,961**
Democratic Services	13,650	10,557	(27)	**24,180**
Land Charges	30,618	4,445	(331)	**34,732**
Planning Service Support	0	0	0	**0**
Environmental Health	0	38,072	(6,581)	**31,491**
Building Control	0	27,618	(1,862)	**25,756**
Strategic Core	0	45,705	(267)	**45,438**
Net Cost of Services	3,439,353	(718,335)	(24,292)	**2,696,726**
Movement in the fair value of Investment Properties	(3,518,355)	0	0	**(3,518,355)**
Capital expenditure financed from revenue balances	(2,914,700)	0	0	**(2,914,700)**
Capital grants and contributions unapplied credited to the CIES	(1,571,490)	0	0	**(1,571,490)**
Other Income and Expenditure from the Expenditure and Funding Analysis	(346,014)	910,668	241,684	**806,338**
Net Transfers to/from Earmarked Specific Reserves	0	0	(1,109,427)	**(1,109,427)**
Total Other Income and Expenditure from the Expenditure and Funding Analysis	(8,350,559)	910,668	(867,743)	**(8,307,634)**
Difference between General Fund (surplus)/deficit and CIES (surplus)/deficit on the Provision of Services	(4,911,206)	192,333	(892,035)	**(5,610,908)**

Adjustments between the Funding and Accounting Basis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2015/16 Adjustments for Capital Purposes (Note a)	2015/16 Net change for the Pensions Adjustments (Note b)	2015/16 Other Differences (Note c)	2015/16 Total Adjustments
Business Unit	£	£	£	£
Housing	5,000	35,886	147	**41,033**
Planning Policy	2,154	39,019	2,166	**43,339**
Development Management	0	88,070	1,708	**89,778**
Cleansing Services	400,717	26,612	2,127	**429,456**
Parking Services	301,820	42,974	1,308	**346,102**
Leisure Partnership	(1,582,790)	7,340	309	**(1,575,141)**
Performance & Partnerships	0	38,676	(2,913)	**35,763**
Community Leisure	0	17,913	6,584	**24,497**
Corporate Estates & Facilities	2,573,769	14,950	1,786	**2,590,505**
Emergency & Outdoor Services	282,022	38,133	(450)	**319,705**
Finance Accountancy	4,373	45,318	(299)	**49,392**
Finance Corporate	0	(1,212,000)	0	**(1,212,000)**
Revenues & Benefits	19,748	78,979	(3,256)	**95,471**
Customer Services & Communications	0	35,489	3,810	**39,299**
CenSus ICT	209,075	38,998	1,518	**249,591**
Human Resources & Payroll	0	28,565	2,038	**30,603**
Legal Services	0	32,638	(3,841)	**28,797**
Democratic Services	13,614	20,488	(276)	**33,826**
Land Charges	36,042	13,926	744	**50,712**
Planning Service Support	0	0	0	**0**
Environmental Health	256,665	77,249	6,096	**340,010**
Building Control	0	46,135	3,920	**50,055**
Strategic Core	0	101,587	149	**101,736**
Net Cost of Services	2,522,209	(343,055)	23,375	**2,202,529**
Movements in the fair value of Investment Properties	2,526,067	0	0	**2,526,067**
Capital Expenditure financed from revenue balances	(2,367,749)	0	0	**(2,367,749)**
Capital grants and contributions unapplied credited to the CIES	(769,740)	0	0	**(769,740)**
Other Income and Expenditure from the Expenditure and Funding Analysis	(272,412)	1,193,324	704,353	**1,625,265**
Net Transfers to/from Earmarked Specific Reserves	0	0	(1,699,904)	**(1,699,904)**
Total Other Income and Expenditure from the Expenditure and Funding Analysis	(883,834)	1,193,324	(995,551)	**(686,061)**
Difference between General Fund (surplus)/deficit and CIES (surplus)/deficit on the Provision of Services	1,638,375	850,269	(972,176)	**1,516,468**

Adjustments for Capital Purposes

(a) Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure**- 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 ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable 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 for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

(b) Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

- **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.
- For **Financing and investment income and expenditure –**the net interest on the defined benefit liability is charged to the CIES.

Other Differences

(c) 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 removal of the Accumulated Absences Account accrual for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March.
- For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.
- This also includes the net transfer to Earmarked Specific Reserves.

3. Expenditure and Income analysed by nature

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

Expenditure / Income	2016/17 £	2015/16 £
Expenditure		
Employee benefits expenses	**11,715,999**	11,680,241
Benefits	**33,994,986**	34,753,039
Premises, Transport, Supplies & Services, Third Party Payments	**11,621,922**	10,771,724
REFCUS (Narrative Report Note 2)	**1,110,017**	1,369,467
Investment Property expenditure (Note 15)	**572,576**	410,028
Investment property revaluations (increases)/decreases (Note 15)	**(3,518,355)**	2,526,067
Support service recharges	**(119,802)**	(127,659)
Depreciation*, amortisation (Note 13, Note 16)	**2,395,743**	2,339,241
Impairment (Note 18)	**794,019**	(489,316)
Interest payments (Note 19)	**97,516**	59,446
Precepts and levies (Note 9)	**3,591,541**	3,423,374
Payments to Housing Capital Receipts Pool (Note 9)	**0**	53,571
Gain on the disposal of assets (Note 9)	**(16,850)**	(20,116)
Total expenditure	**62,239,312**	66,749,107
Income		
Fees, charges and other service income	**(12,591,321)**	(12,622,380)
Interest and dividend income (Note 19)	**(587,522)**	(493,988)
Investment property income (Note 15)	**(2,141,204)**	(1,159,543)
Income from council tax and non-domestic rates (Collection Fund Note 7)	**(14,130,867)**	(13,256,063)
DWP Housing Benefit Subsidy (Note 12)	**(32,481,480)**	(32,596,984)
Other Government grants and contributions (Note 11, Note 12)	**(8,466,087)**	(7,584,735)
Total income	**(70,398,481)**	(67,713,693)
(Surplus) / deficit on the Provision of Services	**(8,159,169)**	(964,586)

* The main elements of the depreciation charge are for Leisure Centres and Community Halls, £1,293,597, for Other Buildings, £202,609, and for ICT and Playground Equipment, £475,952.

4. Material Items of Income and Expense

For the purposes of this note, the Authority considers materiality as £1,300,000, based on 2% of 2016/17 gross service expenditure. Where material items are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the nature and amount of these items would be separately disclosed. For 2016/17 the material items are:

- The receipt of New Homes Bonus of £4,433,728 as detailed in Note 11 Taxation and Non-Specific Grant Income and Expenditure.
- The receipt of £1,568,628 relating to the net rental income from Investment Property as detailed in Note15 Investment Properties.
- The increases in the fair value of the Investment Properties of £3,518,355 as detailed in Note 15 Investment Properties.

5. Events After The Reporting Period

The Statement of Accounts was authorised for issue by the Head of Corporate Resources on 27 September 2017. Events taking place after the reporting period are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Following the referendum vote that backed the withdrawal of the United Kingdom from the European Union, we are carefully monitoring the political and economic outlook. At the time of writing it has had no significant effects upon the Authority's financial position; this will be kept under review.

6. Prior Period Adjustments

Restatement of the Comprehensive Income and Expenditure Statement

The Authority's Comprehensive Income and Expenditure Statement has been revised to reflect the new format and reporting requirements and the introduction of the Expenditure and Funding Analysis by the 2016-17 Accounting Code of Practice. There are no prior period adjustments.

7. 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 Authority 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, as shown in the Movement In Reserves Statement.

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

General Fund Balance

The General Fund is a statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that 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 Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Authority 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 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 Account

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

2016/17 **Adjustments to the Revenue Resources**	General Fund Balance £	Capital Receipts Reserve £	Capital Grants Unapplied Account £
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:			
Pension costs (transferred to/from the Pensions Reserve, Note 28(e))	(192,333)	0	0
Council tax and NDR (transfers to or from Collection Fund Adjustment Account (Note 28(f))	(241,752)	0	0
Holiday pay (transferred to the Accumulated Absences Account (Note 28 (g))	24,361	0	0
Reversal of entries included in the Surplus/Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account (Note 28(b)):			
Charges for depreciation and impairment of non current assets	(2,301,679)	0	0
Revaluation losses on Property Plant and Equipment	(794,019)	0	0
Movements in the fair value of Investment Properties	3,518,355	0	0
Amortisation of intangible assets	(94,064)	0	0
Capital grants and contributions applied	920,657	0	0
Revenue expenditure funded from capital under statute	(1,110,017)	0	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(36,149)	0	0
Capital grants and contributions unapplied credited to the CIES	1,571,490	0	(1,571,490)
Total Adjustments to Revenue Resources	1,264,850	0	(1,571,490)
Adjustments between Revenue and Capital Resouces			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	52,999	(52,999)	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	0	0	0
Statutory provision for the payment of debt (transfer from the Capital Adjustment Account)	268,932	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,914,700	0	0
Total Adjustments between Revenue and Capital Resources	3,236,631	(52,999)	0
Adjustments to Capital Resouces			
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0
Application of capital grants to finance capital expenditure	0	0	73,736
Cash payments in relation to deferred capital receipts	0	20	0
Total Adjustments to Capital Resources	0	20	73,736
Total Adjustments	4,501,481	(52,979)	(1,497,754)

2015/16	General Fund Balance £	Capital Receipts Reserve £	Capital Grants Unapplied Account £
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Pension costs (transferred to/from the Pensions Reserve, Note 28(e))	(850,269)	0	0
Council tax and NDR (transfers to or from Collection Fund Adjustment Account (Note 28(f))	(706,649)	0	0
Holiday pay (transferred to the Accumulated Absences Account (Note 28 (g))	(21,079)	0	0
Reversal of entries included in the Surplus/Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account:			
Charges for depreciation and impairment of non current assets	(2,229,198)	0	0
Revaluation losses on Property Plant and Equipment	489,316	0	0
Movements in the fair value of Investment Properties	(2,526,067)	0	0
Amortisation of intangible assets	(110,043)	0	0
Capital grants and contributions applied	857,480	0	0
Revenue expenditure funded from capital under statute	(1,369,467)	0	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(296,694)	0	0
Capital grants and contributions unapplied credited to the CIES	769,740	0	(769,740)
Total Adjustments to Revenue Resources	(5,992,930)	0	(769,740)
Adjustments between Revenue and Capital Resouces			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	203,430	(203,430)	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(53,571)	53,571	0
Statutory provision for the payment of debt (transfer from the Capital Adjustment Account)	258,950	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,367,749	0	0
Total Adjustments between Revenue and Capital Resources	2,776,558	(149,859)	0
Adjustments to Capital Resouces			
Use of the Capital Receipts Reserve to finance capital expenditure	0	155,644	0
Application of capital grants to finance capital expenditure	0	0	247,703
Cash payments in relation to deferred capital receipts	0	(57,151)	0
Total Adjustments to Capital Resources	0	98,493	247,703
Total Adjustments	(3,216,372)	(51,366)	(522,037)

8. Transfers To/From Earmarked Specific Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked specific reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2016/17. The net movement in the year is shown on the Movement In Reserves Statement. Further explanation of each item included in Specific Reserve is set out in the Outturn Report 2016/17, to Cabinet on 8 May 2017.

	Balance at 1 April 2015 £	Transfers In 2015/16 £	Transfers Out 2015/16 £	Balance at 31 March 2016 £	Transfers In 2016/17 £	Transfers Out 2016/17 £	Balance at 31 March 2017 £
Specific Reserve							
Housing	(189,194)	(12,000)	1,927	(199,267)	(67,656)	30,122	**(236,801)**
Planning Policy & Economic Development	(567,043)	(646,763)	570,392	(643,414)	(1,003,709)	587,525	**(1,059,598)**
Development Management	(95,131)	(8,350)	13,713	(89,768)	(14,645)	24,723	**(79,690)**
Cleansing Services	(9,618)	(30,000)	15,699	(23,919)	(50,000)	20,583	**(53,336)**
Leisure Partnership *	(1,765)	(623,000)	0	(624,765)	(600,000)	608,024	**(616,741)**
Performance & Partnerships	(70,000)	0	0	(70,000)	(72,243)	0	**(142,243)**
Community Leisure *	(315,160)	(100,000)	284,353	(130,807)	0	59,617	**(71,190)**
Corporate Estates & Facilities	(283,483)	(300,000)	175,332	(408,151)	(100,000)	153,669	**(354,482)**
Emergency & Outdoor Services	(140,167)	(50,000)	92,928	(97,239)	0	59,000	**(38,239)**
Finance Accountancy	(2,016)	(4,500)	0	(6,516)	(4,500)	0	**(11,016)**
Finance Corporate	(176,948)	(271,000)	44,120	(403,828)	(2,102,000)	1,187,915	**(1,317,913)**
CenSus Revenues & Benefits	(300,267)	(86,869)	18,000	(369,136)	(50,000)	45,882	**(373,254)**
CenSus ICT	(28,008)	(825,650)	371,446	(482,212)	(204,655)	555,190	**(131,677)**
Human Resources & Payroll	(10,428)	(7,032)	5,605	(11,855)	(7,214)	14,680	**(4,389)**
Democratic Services	(199,148)	(101,645)	179,699	(121,094)	(84,096)	69,261	**(135,929)**
Land Charges	(17,229)	0	0	(17,229)	0	0	**(17,229)**
Planning Service Support	(25,000)	0	0	(25,000)	0	0	**(25,000)**
Environmental Health	0	0	0	0	(95,126)	0	**(95,126)**
Corporate Funds	(2,236,204)	(919,514)	513,205	(2,642,513)	(629,145)	559,371	**(2,712,287)**
Specific Reserve Total	(4,666,809)	(3,986,323)	2,286,419	(6,366,713)	(5,084,989)	3,975,562	**(7,476,140)**
General Fund Balances	(10,925,411)	(4,949,059)	2,468,005	(13,406,465)	(6,394,134)	3,845,873	**(15,954,726)**
	(15,592,220)	(8,935,382)	4,754,424	(19,773,178)	(11,479,123)	7,821,435	**(23,430,866)**

* The 2015-16 Leisure, Community Services & Culture reserve has been re-grouped to show as Community Leisure and Leisure Partnership.

Earmarked Specific Reserves – These reserves comprises amounts for particular purposes and for which Member authorisation has been obtained as to how these may be applied.

- The transfers to Finance Corporate Specific Reserve included £2,000,000 to the Land and Property Reserve as approved in the Corporate Plan and Budget Report 2016/17 to enable land and property investments to generate a revenue stream.
- The transfers to Planning Policy Specific Reserve included £440,000 to help meet planning legal consultant costs as part of the Burgess Hill housing and employment growth work. Also £300,000 was transferred to help meet the cost of the District Plan and Community Infrastructure Levy examinations and a transfer of £263,709 relates to grant income for Neighbourhood Planning (£160,000) and SAMM contributions (£103,709).

General Fund Balances – This includes amounts earmarked for the Capital Programme, amounts provided by developers as commuted sums in lieu of future maintenance, and resources available to meet future running costs for services.

9. Other Operating Expenditure

	2016/17	2015/16
	£	£
Town and Parish Council precepts	**3,581,497**	3,410,080
Levies	**10,044**	13,294
Payments to Government Housing Capital Receipts Pool (Note 7)	**0**	53,571
Net (gains)/losses on the disposal of non-current assets	**(16,850)**	(20,116)
Total	**3,574,691**	3,456,829

10. Financing and Investment Income and Expenditure

	£	£
Interest payable and similar charges (Note 19)	**97,516**	59,446
Net interest on the net defined benefit liability (asset) (Note 39)	**907,125**	1,185,910
Interest receivable and similar income (Note 19)	**(587,522)**	(493,988)
Income and expenditure for Investment Properties (Note 15)	**(1,568,628)**	(749,515)
Movement in fair value of Investment Properties (Note 15)	**(3,518,355)**	2,526,067
Total	**(4,669,864)**	2,527,920

11. Taxation and Non-Specific Grant Income and Expenditure

	2016/17	2015/16
	£	£
Revenue Support Grant	**(845,250)**	(1,669,927)
Transition Grant	**(145,327)**	0
Council Tax Freeze Grant	**0**	(90,415)
Housing Benefits Administration Grant	**(287,922)**	(348,049)
New Burden Council Tax Reform & Business Rates Scheme	**(94,127)**	(89,597)
New Homes Bonus	**(4,433,728)**	(3,262,709)
Individual Electoral Registration Grant	**(41,641)**	(59,190)
DWP Implementing Welfare Reform	**(13,167)**	(10,639)
DWP LA Data Sharing programme	**(16,376)**	(6,723)
Other DWP New Burden Grants	**(2,252)**	(3,255)
DWP New Burdens Real Time Information	**(9,043)**	(8,970)
Benefit Cap changes New Burdens	**(16,118)**	0
DWP Fraud and Error Reduction Incentive Scheme	**(13,750)**	(19,064)
Small Business and Empty Property Business Rate Relief	**(621,413)**	(881,514)
Transparency Code Set Up Grant	**(8,103)**	(8,103)
Local Council Tax New Burdens	**(5,897)**	(21,773)
Property Searches New Burdens Grant	**(7,705)**	(107,876)
Community Housing Fund	**(46,806)**	0
Self Build & Custom Housebuilding Grant	**(20,850)**	0
Brownfield Register New Burden Grant	**(14,645)**	0
Other New Burdens Grants	**(3,502)**	(4,965)
Neighbourhood Planning Grant	**(160,000)**	(160,000)
Non-ringfenced government grants	**(6,807,622)**	(6,752,769)
Council Tax Income (Collection Fund Note 7)	**(12,581,423)**	(12,041,372)
Business Rates Income (Collection Fund Note 7)	**(16,717,193)**	(16,223,691)
NDR Top-up Tariff Payment (Collection Fund Note 7)	**15,167,749**	15,009,000
Capital Grants and S106 Receipts (Note 12)	**(1,641,198)**	(817,816)
Total credited to Taxation and Non Specific Grant Income	**(22,579,687)**	(20,826,648)

12. Grant Income

The authority credited the following grants and contributions within the Net Cost of Service in the Comprehensive Income and Expenditure Statement in 2016/17. The non-ringfenced grants that have been credited to the Taxation and Non-Specific Grant Income and Expenditure line on the CIES are detailed in Note 11.

	2016/17	2015/16
	£	£
DWP Housing Benefit Subsidy	**(32,481,480)**	(32,596,984)
DWP Repair and Renew Grant	**0**	(1,500)
DWP Universal Credit	**(17,267)**	(12,650)
Disabled Facilities Grant Contribution from WSCC	**(676,558)**	(434,124)
Council Tax Collection Administration	**(2,087)**	(2,609)
WSCC Contribution- Civil Parking Enforcement/Controlled Parking Zone	**(130,015)**	(119,341)
WSCC Contribution- Recycling Credits	**(803,537)**	(746,884)
WSCC Contribution- Watercourses	**(12,500)**	(12,500)
WSCC Contribution- Local Assistance Network	**0**	(12,000)
WSCC Contribution - Microbusiness Grant	**(11,859)**	0
WSCC Contribution- Public health	**0**	(3,739)
WSCC Local Strategic Partnership	**(375,791)**	(24,024)
NNDR Cost of Collection contribution	**(175,070)**	(172,866)
Other	**(16,570)**	(18,182)
Total Credited to Services	**(34,702,734)**	(34,157,403)

The revenue grants that have yet to be recognised as income, as they have conditions attached to them that will require the monies to be returned to the giver, are held as Receipts In Advance within Creditors. The balances at the year-end are as follows:

Grants Receipts in Advance- Revenue Grants	2016/17	2015/16
	£	£
Non HRA Subsidy	**(5,597)**	0
Discretionary Housing Payments	**(21,380)**	(907)
Healthy Mid Sussex	**0**	(16,685)
Local Strategic Partners	**(82,291)**	(19,334)
Community Safety Partners	**0**	(46,715)
Healthy Walks	**(427)**	(727)
Balance at 31 March	**(109,695)**	(84,368)

Capital Grants and Contributions - Receipts In Advance

The Authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver, including Section 106s, which are time limited.

Section 106 receipts are monies paid to the Council by developers as a result of the grant of planning permission where works are required to be carried out or new facilities provided as a result of that permission (e.g. playgrounds and equipment). The sums are restricted to being spent only in accordance with the agreement concluded with the developer.

	2016/17	2015/16
	£	£
Balance at 1 April	**(5,891,000)**	(4,883,043)
Received in year	**(3,101,677)**	(2,045,080)
Applied to CIES for Capital Financing	**920,657**	857,480
Applied to CIES-transfer to Unapplied Capital Grant Account	**159,745**	168,257
Applied to CIES for revenue financing	**3,474**	11,386
Balance at 31 March	**(7,908,801)**	(5,891,000)

The year-end balance is for £7,789,298 Time Limited Section 106 receipts and £119,503 grant from WSCC.

13. Property, Plant and Equipment

Non-current assets are included in the balance sheet at their current value, determined as the amount that would be paid for the asset in its existing use (existing use value-EUV), except for infrastructure and community assets which are included at historical cost or £1 value. The current value measurement base for surplus assets is fair value, estimated at highest and best use from a market participant's perspective.

Depreciation

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

- Buildings: straight line allocation over the useful life of the property as estimated by the valuer
  Component Parts of the Leisure Centres, Council Offices and Woodside Pavilion are
  Structure-Externals 60 years life, Roof-Electrical 35 years life, Services 20 years life
- Vehicles, Plant and Equipment: straight line
  Computer equipment 5 year life, Playground equipment 5 year life, Wheeled Bins 10 year life, Car Parking Machines 7 year life, Mobile Seating Unit 10 year life
- Infrastructure: straight line over the life of the asset

Capital Commitments

At 31 March 2017, the Authority has authorised expenditure for the construction or enhancement of Property, Plant and Equipment which in 2017/18 - 2020/21 is budgeted to cost £2,690,000. Similar commitments at 31 March 2016 were £3,219,000. The commitments are as follows:

Scheme	2017/18 £	2018/19 £	2019/20 £	2020/21 £	Total £
Finches Field Community Building Pavilion & Car Park	473,000	0	0	0	473,000
Expansion of Green Waste Service	40,000	0	0	0	40,000
Council Chamber Modernisation	300,000	0	0	0	300,000
Major Capital Renewals	627,000	430,000	229,000	179,000	1,465,000
ICT	283,000	25,000	25,000	25,000	358,000
Other Schemes	40,000	14,000	0	0	54,000
Total	1,763,000	469,000	254,000	204,000	2,690,000

At 31 March 2017 the Authority's outstanding contractual commitments for the construction or enhancement of Property, Plant and Equipment were nil (£582,000 as at 31 March 2016).

Effects of Changes in Estimates

In 2016/17, the Authority made no material changes to its accounting estimates for Property, Plant and Equipment.

2016/17	Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	**Total**	Finance Leased Assets included in Vehicles, Plant & Equipment
	£	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Cost or valuation								
At 1 April 2016	86,147,498	6,203,741	4,101,290	20,276	0	131	**96,472,936**	1,817,402
Additions	1,622,874	200,437	0	0	0	0	**1,823,311**	0
Revaluation increase/(decrease) recognised in the Revaluation Reserve	3,451,165	0	0	0	0	0	**3,451,165**	0
Revaluation increase/(decrease) recognised in the Surplus/Deficit on the Provision of Services	(820,547)	0	0	0	0	0	**(820,547)**	0
Derecognition - disposals	(36,785)	0	0	0	0	0	**(36,785)**	0
Other movements in cost or valuation	2	0	(1)	(1)	0	0	**0**	0
At 31 March 2017	90,364,207	6,404,178	4,101,289	20,275	0	131	**100,890,080**	1,817,402
Accumulated Depreciation and Impairment								
At 1 April 2016	(1,934,879)	(4,592,196)	(1,410,005)	0	0	0	**(7,937,080)**	(1,507,206)
Depreciation Charge	(1,496,206)	(628,546)	(176,927)	0	0	0	**(2,301,679)**	(152,594)
Depreciation written out to the Revaluation Reserve	1,215,752	0	0	0	0	0	**1,215,752**	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	26,528	0	0	0	0	0	**26,528**	0
Derecognition - disposals	636	0	0	0	0	0	**636**	0
At 31 March 2017	(2,188,169)	(5,220,742)	(1,586,932)	0	0	0	**(8,995,843)**	(1,659,800)
Net Book Value At 31 March 2017	**88,176,038**	**1,183,436**	**2,514,357**	**20,275**	**0**	**131**	**91,894,237**	**157,602**
Net Book Value At 31 March 2016	**84,212,619**	**1,611,545**	**2,691,285**	**20,276**	**0**	**131**	**88,535,856**	**310,196**

2015/16	Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	**Total**	Finance Leased Assets included in Vehicles, Plant & Equipment
	£	£	£	£	£	£	£	£
Cost or valuation								
At 1 April 2015	70,291,263	6,086,059	4,093,079	20,277	18,034	99,047	**80,607,759**	1,817,402
Additions	903,478	167,883	0	0	1,148,000	0	**2,219,361**	0
Revaluation increase/(decrease) recognised in the Revaluation Reserve	10,591,800	0	0	2	0	0	**10,591,802**	0
Revaluation increase/(decrease) recognised in the Surplus/Deficit on the Provision of Services	2,507,942	0	0	0	(2,018,626)	0	**489,316**	0
Derecognition - disposals	(176,512)	(50,201)	0	(3)	(18,034)	0	**(244,750)**	0
Other movements in cost or valuation	2,029,527	0	8,211	0	870,626	(98,916)	**2,809,448**	0
At 31 March 2016	86,147,498	6,203,741	4,101,290	20,276	0	131	**96,472,936**	1,817,402
Accumulated Depreciation and Impairment								
At 1 April 2015	(1,632,658)	(4,019,746)	(1,233,066)	0	0	0	**(6,885,470)**	(1,359,476)
Depreciation Charge	(1,429,608)	(622,651)	(176,939)	0	0	0	**(2,229,198)**	(147,730)
Depreciation written out to the Revaluation Reserve	1,111,053	0	0	0	0	0	**1,111,053**	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	**0**	0
Derecognition - disposals	16,334	50,201	0	0	0	0	**66,535**	0
At 31 March 2016	(1,934,879)	(4,592,196)	(1,410,005)	0	0	0	**(7,937,080)**	(1,507,206)
Net Book Value At 31 March 2016	**84,212,619**	**1,611,545**	**2,691,285**	**20,276**	**0**	**131**	**88,535,856**	**310,196**
Net Book Value At 31 March 2015	**68,658,605**	**2,066,313**	**2,860,013**	**20,277**	**18,034**	**99,047**	**73,722,289**	**457,926**

Revaluations
Since 1 April 2012, the Authority has changed from undertaking a full annual revaluation to a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value or fair value is re-valued at least every five years, as detailed in the Narrative Report. The valuations of land and buildings are carried out externally by the Chartered Surveyors at Wilkes Head & Eve LLP, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). The sources of information and assumptions made in producing the various valuations for 1 April 2016 are set out in a valuation certificate and report. The increase in valuation of the 3 leisure centres has meant a previous year's reduction in value has been reversed out in the CIES (refer Note 18).

Operational assets are defined as being held, occupied and used by the Authority in the direct delivery of services for which there is a statutory or discretionary responsibility, and valued as Existing Use Value (EUV). For specialised operational properties, depreciated replacement cost (DRC) is used. Further information is in the Statement of Accounting Policies Note 42(q) Property, Plant and Equipment and Note 42(y) Fair Value Measurement.

Under a review of IFRS13 Fair Value, in 2015/16 several assets were transferred to Property, Plant and Equipment from Investment Property and valued to show their service potential.

An impairment review was conducted for 31 March 2017, by a RICS qualified chartered surveyor at Wilkes Head & Eve LLP, with no further adjustments needed to the asset values.

	Land and Buildings £	Vehicles, Plant, Equipment £	Infrastructure £	Community Assets £	Assets Under Construction £	Surplus Assets £	Total £
Valued at historical cost	0	**6,404,178**	**4,101,289**	**20,275**	**0**	**0**	**10,525,742**
Valued at fair value in:							
2016/17	**64,081,234**	**0**	**0**	**0**	**0**	**0**	**64,081,234**
2015/16	7,313,683	0	0	0	0	0	7,313,683
2014/15	2,173,993	0	0	0	0	131	2,174,124
2013/14	4,445,282	0	0	0	0	0	4,445,282
2012/13	12,350,015	0	0	0	0	0	12,350,015
Cost or Valuation	90,364,207	6,404,178	4,101,289	20,275	0	131	100,890,080

14. Heritage Assets

Reconciliation of the carrying Value of Heritage Assets Held by the Authority

	Historic Buildings £	Art Collection and furniture £	Civic Regalia £	**Total Assets £**
Cost or valuation				
At 1 April 2015	700,101	131,050	5,600	**836,751**
Additions	0	0	0	**0**
Disposals	0	0	0	**0**
Revaluations	0	0	0	**0**
Impairment Losses / (reversals) recognised in the Revaluation Reserve	0	0	0	**0**
Impairment Losses (reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	**0**
At 31 March 2016	700,101	131,050	5,600	**836,751**
Cost or valuation				
At 1 April 2016	700,101	131,050	5,600	**836,751**
Additions	0	0	0	**0**
Disposals	0	0	0	**0**
Revaluations	0	0	0	**0**
Impairment Losses / (reversals) recognised in the Revaluation Reserve	0	0	0	**0**
Impairment Losses (reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	**0**
At 31 March 2017	700,101	131,050	5,600	**836,751**

Historic Buildings
The Authority's historic building is Jill Windmill. Jill Windmill was first built in 1821 on another site on the South Downs and was moved to its present position at Clayton in 1852. It is currently a fully working, functioning windmill grinding corn. The volunteers from the Jack and Jill Windmills Society, a registered charity, www.jillwindmill.org.uk, meet on a regular basis and have carried out the vast majority of the restoration work of the timber construction, and the ongoing maintenance of Jill Windmill. The main renovation took place in 1989 after the structure suffered considerable damage in the storms of 1987.
The windmill is reported in the Balance at replacement cost value. This specialised valuation was updated on 23 January 2012 for the restated balances by a RICS qualified valuer.

Art Collection and Furniture
The Authority's external valuer for its art work (Gorringes, Lewes) carried out a full valuation of the collection of 13 paintings as at 27 April 2012. The valuations were based on commercial markets including recent transaction information from auctions where similar types of paintings are regularly being purchased. The paintings have been dated from as early as 1831 and are a mixture of portraits, still life and views of the River Thames. In addition there is a map of Sussex dated 1795.
The Authority's collection of Heritage Assets also includes an Edwardian writing desk, which is housed in the Chairman's office at the Council Offices at Oaklands.

Civic Regalia
The Authority's external valuer for its art work (Gorringes, Lewes) carried out a full valuation of the Authority's civic regalia as at 27 April 2012. The items are the Chairman's Chain of Office, the Vice-Chairman's silver gilt chain, and a silver gilt and enamel elliptical badge.

Additions / Disposals of Heritage Assets
The Authority has not purchased or sold any Heritage assets in 2016/17.

15. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The main income received is ground rent for shopping centres and industrial estates.

	2016/17	2015/16
	£	£
Rental income from investment property	**(2,141,204)**	(1,159,543)
Direct operating expenses arising from investment property	**572,576**	410,028
Net (gain) / loss	**(1,568,628)**	(749,515)

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

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

	2016/17	2015/16
	£	£
Balance at 1 April	**15,645,981**	20,981,497
Additions:		
Purchases	**25,678,364**	0
Subsequent expenditure	**0**	0
Disposals	**0**	0
Net gains/(losses) from fair value adjustments	**3,518,355**	(2,526,067)
Transfers:		
to/from Property, Plant and Equipment	**0**	(2,809,449)
Balance at 31 March	**44,842,700**	15,645,981

Purchases

The Authority has made 3 purchases in the financial year of the leasehold interest in The Orchards Shopping Centre for £24,721,969, and two industrial estate buildings at 31 Victoria Gardens, Burgess Hill for £414,750 and Unit 3 Burrell Road Industrial Estate, Haywards Heath for £541,646. The Authority is the freeholder of these properties.

Revaluations

All the Authority's Investment Properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes, (Accounting Policies Note 42(y) contains an explanation of the fair value levels) as detailed in the Narrative Report. The fair value of investment property has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the levels of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

The annual valuations are carried out by an external RICS qualified chartered surveyor from Wilkes Head Eve LLP, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The sources of information and assumptions made in producing the valuations for 1 April 2016 are set out in a valuation report. In estimating the fair value of the Authority's investment properties, the highest and best use is their current use. There has been no change in the valuation techniques used during the year for investment properties. The purchase of the head lease of the Orchards Shopping Centre, Haywards Heath for £24.7 million means an increase in the rental income to approximately £1.8 million which has been used to calculate the valuation of £29.1 million. The Orchards Shopping Centre has been revalued upwards by £2,412,131 and The Market Place Shops and Car Park, Burgess Hill have been revalued upwards by £1,231,928.

An impairment review was conducted for 31 March 2017, by Wilkes Head Eve LLP, with no further adjustments needed to the asset values.

As at 1 April 2015, under a review of IFRS13 Fair Value, several assets were transferred to Property, Plant and Equipment, including £1,053,427 for the Basepoint, Bridge Road Starter Units in Haywards Heath.

There were no disposals recorded for 2016/17 or for 2015/16.

16. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software. All software is given a 5 year useful life. The carrying amount of intangible assets are amortised on a straight line basis. The amortisation of £94,064 charged to revenue in 2016/17 (£110,043 in 2015/16) was charged to the appropriate heading in the Net Cost of Services.

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

	2016/17	2015/16
Balance at 1 April	£	£
Gross carrying amounts	**847,506**	853,500
Accumulated amortisation	**(621,787)**	(552,387)
Net carrying amount at 1 April	**225,719**	301,113
Purchases	**19,371**	39,748
Disposals	**0**	(5,099)
Amortisation for the year	**(94,064)**	(110,043)
Net carrying amount at end of year	**151,026**	225,719
Comprising:		
Gross carrying amounts	**866,877**	847,506
Accumulated amortisation	**(715,851)**	(621,787)
Balance at 31 March	**151,026**	225,719

17. Capital Expenditure and Capital Financing

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

	2016/17 £	2015/16 £
Opening Capital Financing Requirement	**1,283,375**	1,542,325
Capital Investment		
Operational Assets and Assets Under Construction (Note 13)	**1,823,311**	2,219,361
Investment Assets (Note 15)	**25,678,364**	0
Intangible Assets (Note 16)	**19,371**	39,748
Revenue expenditure funded from capital under statute / De minimis Assets	**1,110,017**	1,369,467
Source of Finance		
Capital Receipts	**0**	(155,644)
Government Grants, WSCC Contribution and Section 106 receipts in advance	**(920,657)**	(857,480)
Capital Grants Unapplied Account	**(73,736)**	(247,703)
Sums set aside from Revenue (NB: includes direct revenue financing, MRP and any voluntary set aside)	**(3,183,632)**	(2,626,699)
Closing Capital Financing Requirement	**25,736,413**	1,283,375
Explanation of Movement in Year		
Increase / (Decrease) in underlying need to borrow (supported by Government financial assistance)	**0**	0
Increase / (Decrease) in underlying need to borrow (unsupported by Government financial assistance)	**24,453,038**	(258,950)
Increase/ (Decrease) in Capital Financing Requirement	**24,453,038**	(258,950)

As part of the purchase of the head lease of The Orchards Shopping Centre the Authority entered into borrowing. Further details are given in the Narrative Report Note 8.

Capitalisation of Borrowing Costs
At 31 March the Authority has no capitalised borrowing costs.

18. Impairment Losses

During 2016/17, the Authority has recognised impairment losses of £1,222,288 and credits of £428,269 to give a net loss of £794,019 as part of the revaluation for 1 April 2016, completed by the external valuer, Wilks Head & Eve LLP, RICS qualified chartered surveyors. The main changes in valuation are as follows:

- Triangle Leisure Centre land, Burgess Hill credit back of previous impairment loss of £428,269, with the impairment credits shown on the Leisure Partnership Business Unit line in the Comprehensive Income and Expenditure Statement,
- An impairment loss of £962,522 for Oaklands Council Office has been charged to the Corporate Estates& Facilities line in the Comprehensive Income and Expenditure Statement.

Details of the revaluation are consolidated in Note 42(q), and Property, Plant and Equipment Note 13.

19. Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet

	Long Term		Current	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
Investments	£	£	£	£
Loans and receivables	**5,000,000**	3,000,000	**24,145,542**	16,154,940
Available-for-Sale Financial Assets	**5,585,915**	3,905,332	**0**	0
Total Investments	**10,585,915**	6,905,332	**24,145,542**	16,154,940
Debtors				
Loans and receivables	**45,072**	39,588	**1,071,910**	1,391,528
Cash and Cash Equivalents	**0**	0	**5,624,511**	11,158,769
Total Debtors	**45,072**	39,588	**6,696,421**	12,550,297
Borrowings				
Financial Liabilties at amortised cost	**(7,697,795)**	(819,488)	**(15,172,727)**	(119,371)
Total Borrowings	**(7,697,795)**	(819,488)	**(15,172,727)**	(119,371)
Other Long Term Liabilities				
Finance lease liabilities	**0**	(157,601)		
Total Other Long Term Liabilities	**0**	(157,601)		
Creditors				
Cash (Overdraft)	**0**	0	**0**	0
Financial Liabilties	**0**	0	**(2,040,694)**	(1,717,740)
Total Creditors	**0**	0	**(2,040,694)**	(1,717,740)

Borrowings
Borrowing was arranged with Public Works Loan Board (PWLB) on 4 March 2008 at a fixed interest rate of 4.55% with repayments of £157,610 per year for 15 years.

For the purchase of the head lease of The Orchards Shopping Centre, Haywards Heath, long term borrowing of £7,000,000 and short term borrowing of £15,000,000 was arranged at interest rates between 0.35% and 1.00% with other local authorities. The loans commenced on 21 November 2016. £2,000,000 of the long term borrowing matures on 20 November 2020 and £5,000,000 matures on 22 November 2021. Further detail is given in the Narrative Report Note 8.

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	Financial Liabilities measured at Amortised Cost 2016/17 £	Financial Assets: Loans and receivables 2016/17 £	Financial Assets: Available-for-Sale 2016/17 £	Total 2016/17 £
Interest expense (Note 10)	**97,516**	**0**	**0**	**97,516**
Total expense in Surplus or Deficit on the Provision of Services	**97,516**	**0**	**0**	**97,516**
Interest income, dividend income (Note 10)	**0**	**(342,896)**	**(244,626)**	**(587,522)**
Total income in Surplus or Deficit on the Provision of Services	**0**	**(342,896)**	**(244,626)**	**(587,522)**
Gains on revaluation	**0**	**0**	**0**	**0**
Losses on revaluation (Note 28 (d))	**0**	**0**	**319,417**	**319,417**
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**0**	**0**	**319,417**	**319,417**
Net (gain)/loss for the year	**97,516**	**(342,896)**	**74,791**	**(170,589)**

	Financial Liabilities measured at Amortised Cost 2015/16 £	Financial Assets: Loans and receivables 2015/16 £	Financial Assets: Available-for-Sale 2015/16 £	Total 2015/16 £
Interest expense (Note 10)	59,446	0	0	59,446
Total expense in Surplus or Deficit on the Provision of Services	59,446	0	0	59,446
Interest income (Note 10)	0	(366,911)	(127,077)	(493,988)
Total income in Surplus or Deficit on the Provision of Services	0	(366,911)	(127,077)	(493,988)
Net (gain)/loss for the year	59,446	(366,911)	(127,077)	(434,542)
Gains on revaluation	0	0	0	0
Losses on revaluation (Note 28 (d))	0	0	94,668	94,668
Surplus/deficit arisng on revaluation of financial assets in Other Comprehensive Income and Expenditure	0	0	94,668	94,668
Net (gain)/loss for the year	**59,446**	**(366,911)**	**(32,409)**	**(339,874)**

Fair Value of assets and liabilities

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

- For Public Works Loans Board (PWLB) loans, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB redemption procedures
- For loans receivable prevailing benchmark market rates have been used to provide the fair value
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade or other receivables is taken to be the invoiced or the billed amount.

The fair values are calculated as follows:

	Amortised Cost 31 March 2017	Fair Value 31 March 2017	Amortised Cost 31 March 2016	Fair Value 31 March 2016
Financial Liabilities	£	£	£	£
Borrowing	**(22,870,522)**	**(23,040,026)**	(939,441)	(1,047,643)
Other liabilities	**(2,198,296)**	**(2,198,296)**	(2,027,936)	(2,027,936)
Financial Assets				
Money market investments greater than 1 year	**5,000,000**	**5,142,211**	3,000,000	3,107,729
Available-for-sale financial assets- CCLA Property Fund	**5,585,915**	**5,585,915**	3,905,332	3,905,332
Money market investments less than 1 year	**24,145,542**	**24,135,484**	16,154,940	16,116,016
Cash Equivalents less than 1 month	**5,620,000**	**5,631,902**	10,300,000	10,364,221
Other assets	**1,121,493**	**1,121,493**	2,289,885	2,289,885

Available-for-Sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument. The valuation technique to measure the money market investments and the CCLA Property Fund is in the category, Level 1, as explained in the Accounting Policy Note 42 (y). There has been no change in the valuation technique used during the year for the financial instruments.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value. Debtor and Creditor amounts relating to such things as council tax, non-domestic rates, general rates etc. are outside the scope of the accounting provisions as they are statutory debts and do not arise from contracts.

Nature and Extent of Risks Arising From Financial Instruments

The Authority's activities expose it to a variety of financial risks. The key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
- Re-financing risk – the possibility that the Authority might need to renew a financial instrument on maturity at disadvantageous interest rates or terms
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Adur-Worthing shared service, under policies approved by the Authority in the Treasury Management Strategy Statement and Annual Investment Strategy 2016/17 to 2018/19. The Authority provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Standard & Poor's and Moody's Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located within each category.

For the Authority, the credit criteria in respect of financial assets held by the Authority are detailed below:

- Credit ratings of Short Term of F1, Long Term A-, Support AA- (Fitch or equivalent rating), with the lowest available rating being applied to the criteria
- UK institutions provided with support from the UK Government
- Building Societies with assets in excess of £1 billion

Limits on the size and length of time of deposits are:

- Banks - £4,000,000 (up to £5,000,000 for group) for a maximum of 5 years;
- Buildings Societies - £4,000,000 for the Nationwide, Yorkshire and Coventry Building Societies and £3,000,000 for the others on the approved list, for a maximum of 3 years;
- Money Market Funds (MMF) - £3,000,000 (for any one MMF) for short term operational cash flow purposes. Total investments in MMFs shall not exceed £9,000,000 or 25% of the total investment portfolio, whichever is the higher, for more than one week at any one time;
- Local Authorities - £3,000,000 for a maximum of 5 years

The full investment strategy for 2016/17 was approved by the Authority on 23 March 2016 and is available on the Authority's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Authority.

The Authority's maximum exposure to credit risk in relation to its total investments of £34,620,000 in banks, building societies and money market funds cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for investment counterparties with which the Authority holds investments to be unable to meet their commitments. Although the potential risk of irrecoverability applies to all of the Authority's deposits, there was no evidence at the 31 March 2017 that this was likely to crystallise.

The following analysis summaries the Authority's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2017	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2017	Estimated maximum exposure to default and uncollectability at 31 March 2017	Estimated maximum exposure at 31 March 2016
	£	%	%	£	£
Customers	**931,796**	**0.6**	**0.6**	**17,037**	**24,964**
Total	**931,796**	**0.6**	**0.6**	**17,037**	**24,964**

No credit limits were exceeded during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Authority does not generally allow credit for customers, such that £931,796 is past its due date for payment (£1,019,355 at 31 March 2016). The £931,796 past due but not impaired amount can be analysed by age as follows:

	31 March 2017	31 March 2016
	£	£
Less than three months	**627,497**	818,504
Three to six months	**170,397**	94,016
Six months to one year	**36,253**	25,637
Greater than one year	**97,649**	81,198
Total	**931,796**	1,019,355

Liquidity risk

The Authority manages its liquidity positions through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury Management Strategy Statement and Annual Investment Strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Authority has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is, therefore, no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets, excluding sums due from customers, is as follows:

	31 March 2017 £ 000s	31 March 2016 £ 000s
Less than one year	**29,620**	26,300
Between one and two years	**5,000**	0
Between two and three years	**0**	3,000
Total	**34,620**	29,300
Local Authority Property Fund	**6,000**	4,000
Total	**40,620**	33,300

Refinancing and Maturity Risk

The Authority maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedure, longer-term risk to the Authority relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Authority approved treasury and investment strategies address the main risks and the central treasury team addresses the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by the Authority in the Treasury Management Strategy):

	Approved minimum limits %	Approved maximum limits %	Actual at 31 March 2017 %	Actual at 31 March 2017 £ 000s	Actual at 31 March 2016 %	Actual at 31 March 2016 £ 000s
Less than 1 year	30	50	45	**10,331**	22	272
Between 1 and 2 years	0	40	22	**5,127**	22	279
Between 2 and 5 years	25	70	32	**7,418**	32	400
Between 5 and 10 years	0	10	1	**153**	24	298
More than 10 years	0	0	0	**0**	0	0
Total			100	**23,029**	100	1,249

Market risk

a) Interest Rate Risk

The Authority is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates - the interest expense charged to the Surplus or Deficit on the Provision of Service will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall (no impact on revenue balances)
- investments at variable rates – the interest income credited to the Surplus of Deficit on the Provision of Services will rise
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure Statement.

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Authority's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

According to this assessment strategy, at 31 March 2017, if interest rates had been 1% higher with all other variable held constant, the financial effect would be:

	£000s
Increase in Interest payable on variable borrowings	**0**
Increase in Interest receivable on variable investments	**71**
Increase in Surplus or defict on the Provision of Services	**71**
Decrease in fair value of fixed rate investment assets	**203**
Impact on Other Comprehensive Income and Expenditure	**203**
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	**160**

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the paragraph – Fair Value of Assets and Liabilities carried at Amortised.

b) Price Risk

The Authority does not invest in equity shares and does not have shareholdings in joint ventures or local industry. Therefore, the Authority has no exposure to losses arising from movements in the prices of shares.

c) Foreign Exchange risk

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

20. Long Term Debtors

	1 April 2015 £	Advances in year £	Repayments £	31 March 2016 £	Advances in year £	Repayments £	31 March 2017 £
Mortgages	115,139	0	(97,471)	17,668	0	20	**17,688**
Personal Loan Scheme	16,824	13,289	(8,193)	21,920	15,000	(9,536)	**27,384**
	131,963	13,289	(105,664)	39,588	15,000	(9,516)	**45,072**

21. Debtors

Amounts falling due within one year	31 March 2017 £	31 March 2017 £	31 March 2016 £	31 March 2016 £
Central Government Departments		**1,012,134**		474,611
Other Local Authorities		**122,073**		284,987
Other Entities and Individuals	**5,858,970**		6,344,815	
less Allowance for general Bad Debts	**(2,333,196)**		(2,254,746)	
less Allowance for Collection Fund Bad Debts	**(956,062)**		(1,161,766)	
Net Debtors for Other Entities and Individuals		**2,569,712**		2,928,303
Total		**3,703,919**		3,687,901

22. Inventories

	31 March 2017 £	31 March 2016 £
ICT - Computer Consumables	**0**	3,857
ICT - Telephones	**0**	1,053
	0	4,910

23. Cash and Cash Equivalents

The balance of Cash, Cash on hand and demand deposits, and Cash equivalents, short-term , highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, is made up of the following elements:

	31 March 2017 £	31 March 2016 £
Cash held by the Authority	**310**	310
Bank current accounts	**4,201**	858,459
Cash Equivalents	**5,620,000**	10,300,000
	5,624,511	11,158,769

24. Assets Held for Sale

The Authority has no assets held for sale at 31 March 2017 or for 31 March 2016.

25. Creditors

	31 March 2017 £	31 March 2016 £
Government Departments	**(2,175,111)**	(1,752,609)
Other Local Authorities	**(3,176,054)**	(2,503,807)
Other entities and individuals	**(3,238,059)**	(2,943,788)
	(8,589,224)	(7,200,204)

26. Provisions

The provisions held at 31 March 2017 are as follows:

- £150,374 for Employee Benefits Accrual. Employees build up an entitlement to be paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Authority is required to accrue for any annual leave earned but not taken at 31 March each year.
- £10,254 is in relation to MMI, further details are set out in the Narrative Report.
- £2,604,449 NNDR Appeals Outstanding Provision, MSDC share, further detail is in the Collection Fund Section 4.

	1 April 2015 £	Movement in Year £	31 March 2016 £	Movement in Year £	31 March 2017 £
Employee Benefits Provision	(153,656)	(21,079)	(174,735)	24,361	**(150,374)**
MMI Provision	(11,621)	1,367	(10,254)	0	**(10,254)**
Termination Benefits Provision	(38,296)	(1,204)	(39,500)	39,500	**0**
Business Rates Appeals Provision	(708,355)	(1,083,200)	(1,791,555)	(812,894)	**(2,604,449)**
	(911,928)	(1,104,116)	(2,016,044)	(749,033)	**(2,765,077)**

27. Usable Reserves

All movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Note 7. Also, full details of the movements in Earmarked Specific Reserve and General Fund Balances are shown in Note 8.

28. Unusable Reserves

1 April 2016 £	Unusable Reserves	Purpose of Reserve	31 March 2017 £	see below
(41,983,337)	**Revaluation Reserve**	Represents gains on revaluation of Land & Building Assets since 1 April 2007	**(45,868,859)**	(a)
(61,834,898)	**Capital Adjustment Account**	Represents timing differences between consumption of non current assets and financing of capital expenditure	**(65,976,746)**	(b)
(17,668)	**Deferred Capital Receipts Reserve**	Amounts of capital income still to be received	**(17,688)**	(c)
94,668	**Available-for-Sale Financial Instruments Reserve**	Amounts of gains/losses from the increase/decrease in the value of investments that have quoted market prices or otherwise do not have fixed or determinable payments.	**414,085**	(d)
26,321,894	**Pensions Reserve**	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	**28,348,101**	(e)
1,096,216	**Collection Fund Adjustment Account**	Balance due to or from the Authority for Deficit / (Surplus)	**1,337,968**	(f)
174,735	**Accumulated Absences Account**	Balancing account to allow inclusion of Provision for Employee Benefits Accrual	**150,374**	(g)
(76,148,390)	**Total Unusable Reserves**		**(81,612,765)**	

(a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment, Intangible Assets and Heritage Assets. The balance is reduced when assets with accumulated gains are:

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

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

2015/16 £	2015/16 £	Revaluation Reserve	2016/17 £	2016/17 £
	(31,033,067)	**Balance at 1 April**		**(41,983,337)**
(11,791,583)		Upward revaluation of assets	**(5,120,964)**	
88,728		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	**454,046**	
	(11,702,855)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		**(4,666,918)**
658,202		Difference between fair value depreciation and historical cost depreciation	**767,339**	
94,383		Accumulated gains on assets sold or scrapped	**14,057**	
	752,585	Amount written off to the Capital Adjustment Account		**781,396**
	(41,983,337)	**Balance at 31 March**		**(45,868,859)**

(b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangement for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2015/16 £	2015/16 £	Capital Adjustment Account	2016/17 £	2016/17 £
	(63,123,560)	**Balance at 1 April**		**(61,834,898)**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
2,229,198		Charges for depreciation and impairment of non-current assets	**2,301,679**	
(489,316)		Revaluation losses/(gains) on Property, Plant and Equipment	**794,019**	
110,043		Amortisation of intangible assets	**94,064**	
1,369,467		Revenue expenditure funded from capital under statute	**1,110,017**	
183,314		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	**36,149**	
	3,402,706			**4,335,928**
	(752,585)	Adjusting amounts written out of the Revaluation Reserve		**(781,396)**
	2,650,121	Net written out amount of the cost of non-current assets consumed in the year		**3,554,532**
		Capital financing applied in the year:		
(155,644)		Use of the Capital Receipts Reserve to finance new capital expenditure	**0**	
(2,367,749)		Capital expenditure charged against the General Fund balances	**(2,914,700)**	
(857,480)		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	**(920,657)**	
(247,703)		Application of grants to capital financing from the Capital Grants Unapplied Account	**(73,736)**	
(258,950)		Statutory provision for the financing of capital investment charged against the General Fund balance	**(268,932)**	
	(3,887,526)			**(4,178,025)**
	2,526,067	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		**(3,518,355)**
	(61,834,898)	**Balance at 31 March**		**(65,976,746)**

(c) Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. They consist of the principal outstanding from mortgage loans on sales of Council houses, advances to Housing Associations, Housing Advances and other miscellaneous loans.

Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2015/16 £	Deferred Capital Receipts Reserve	2016/17 £
(188,199)	**Balance at 1 April**	**(17,668)**
113,380	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
57,151	Transfer to Capital Receipts Reserve upon receipt of cash	**(20)**
(17,668)	**Balance at 31 March**	**(17,688)**

(d) Available-for-Sale Financial Instruments Reserve

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

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

2015/16 £	2015/16 £	Available-for-sale Financial Instruments Reserve	2016/17 £	2016/17 £
	0	**Balance at 1 April**		**94,668**
0		Upward revaluation of assets	**0**	
94,668		Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	**319,417**	
	94,668			**319,417**
	0	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income		**0**
	94,668	**Balance at 31 March**		**414,085**

(e) Pensions Reserve

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

2015/16 £	Pensions Reserve	2016/17 £
37,243,977	**Balance at 1 April**	**26,321,894**
(11,772,352)	Actuarial gains or losses on pensions assets and liabilities	**1,833,874**
3,452,054	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	**2,931,089**
(2,601,785)	Employer's pensions contributions and direct payments to pensiors payable in the year	**(2,738,756)**
26,321,894	**Balance at 31 March**	**28,348,101**

(f) Collection Fund Adjustment Account

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

2015/16 £	Collection Fund Adjustment Account	2016/17 £
389,567	**Balance at 1 April**	**1,096,216**
(4,229)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements.	**22,680**
710,878	Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements.	**219,072**
1,096,216	**Balance at 31 March**	**1,337,968**

(g) Accumulated Absences Account

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

2015/16 £	2015/16 £	Accumulated Absences Account	2016/17 £	2016/17 £
	153,656	**Balance at 1 April**		**174,735**
(153,656)		Settlement or cancellation of accrual made at the end of the preceding year	**(174,735)**	
174,735		Amounts accrued at the end of the current year	**150,374**	
	21,079	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		**(24,361)**
	174,735	**Balance at 31 March**		**150,374**

29. Trust Funds

The Authority is the sole trustee of and administers a number of Trust Funds which have been consolidated within Service Net Expenditure as follows. The accounts for these charities are subject to independent examination. The Trust Fund Assets are not consolidated within the Authority's Assets.

Total Assets Less Current Liabilities 31 March 17 £	Trust Fund	2016/17 Gross Expenditure £	2016/17 Gross Income £	2016/17 Net Expenditure £	2015/16 Net Expenditure £
1,669,875	Beech Hurst Gardens	140,804	(125,946)	**14,858**	(22,398)
386,434	St.Johns Park	51,225	(41,786)	**9,439**	7,990
61,706	Fairfield Road Recreation Ground	15,204	(14,409)	**795**	18
159,000	Richard Worsley Recreation Ground	35,830	(26,793)	**9,037**	8,433
2	Lucastes Avenue Open Space	345	(345)	**0**	0
1	West Common Open Space	808	(808)	**0**	0
117,191	Ashurst Wood Recreation Ground	13,454	(12,744)	**710**	2,363
1	Brooklands Park	5,826	(5,826)	**0**	0
164,734	John Pears Recreation Ground	41,047	(40,464)	**583**	583
2,558,944		304,543	(269,121)	**35,422**	(3,011)

30. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2015/16 £		2016/17 £
(308,522)	Interest received	**(352,295)**
60,109	Interest paid	**49,499**
(78,120)	Dividends received	**(230,112)**

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2015/16 £		2016/17 £
(2,229,198)	Depreciation	**(2,301,679)**
489,316	Impairment and downward valuations	**(794,019)**
(110,043)	Amortisation of Intangible Assets	**(94,064)**
(328,463)	(Increase) / decrease in impairment for bad debts	**127,254**
663	(Increase) / decrease in interest creditors	**359**
(202,866)	(Increase) / decrease in creditors	**(169,280)**
58,389	Increase / (decrease) in interest and dividend debtors	**(9,398)**
27,263	Increase / (decrease) in debtors	**(105,772)**
945	Increase / (decrease) in inventories	**(4,910)**
0	Adjustments for effective interest rates	**(48,378)**
(850,269)	Movement in pension liability	**(192,333)**
(1,104,116)	Contributions (to)/from Provisions	**(749,033)**
(183,314)	Carrying amount of non-current assets sold or de-recognised	**(36,149)**
(2,526,067)	Movement in Investment Property values	**3,518,355**
(6,957,760)		**(859,047)**

The surplus or deficit on the provision of services has been adjusted for the following items that are investing or financing activities:

2015/16 £		2016/17 £
1,627,220	Capital grants credited to the surplus or deficit on the provision of services	**1,815,589**
(8,000,000)	Net adjustment from the sale of short and long term investments	**0**
203,430	Proceeds from the sale of non-current assets	**52,999**
(6,169,350)		**1,868,588**

31. Cash Flow Statement – Investing Activities

2015/16 £		2016/17 £
2,258,393	Purchase of property, plant and equipment, investment property and intangible assets	**27,194,167**
29,000,000	Purchase of short-term and long-term investments	**44,000,000**
(373,961)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**(52,979)**
(23,000,000)	Proceeds from short-term and long-term investments	**(32,000,000)**
(2,562,117)	Capital grants and S106 contributions received	**(3,833,390)**
5,322,315	**Net Cashflows from investing activities**	**35,307,798**

32. Cash Flow Statement – Financing Activities

2015/16 £		2016/17 £
0	Cash receipts of short term and long term borrowing	**(22,000,000)**
0	Other receipts from financing activities	**0**
147,730	Cash payments for the reduction of the outstanding liabilities relating to finance leases	**152,594**
111,220	Repayments of short term and long term borrowing	**116,338**
(1,250,770)	Other payments for financing activities	**(892,844)**
(991,820)	**Net cash flows from financing activities**	**(22,623,912)**

33. Agency Services

The Authority provides a Civil Parking Enforcement Service (CPE) and Controlled Parking Zone Service (CPZ) on behalf of West Sussex County Council (WSCC). West Sussex County Council fund any deficit incurred in the operation by the Authority of these services. Commencing from 2016/17, MSDC is also allowed to retain 30% of any budgeted surplus. The cost includes non-cash accounting entries in respect of IAS19 Retirement Benefits.

The Authority, as the billing authority, also acts as agent for the Government in collecting Nation Non-Domestic Rates (NNDR). The Government paid an allowance for the cost of this collection of £175,070 in 2016/17 (£172,866 in 2015/16).

	2016/17	2015/16
	£	£
Expenditure incurred in providing a CPE/CPZ service to WSCC	**574,220**	576,992
Fees and charges	**(447,828)**	(418,014)
Management fee payable by WSCC	**(130,015)**	(119,341)
Net (Surplus) / Deficit arising on the agency arrangement	**(3,623)**	39,637
Government contribution for cost of collection of NNDR	**(175,070)**	(172,866)
Net (Surplus) / Deficit arising on the agency arrangement	**(175,070)**	(172,866)

34. Members' Allowances

The Authority paid the following amounts to Members of the council during the year.

	2016/17	2015/16
	£	£
Allowances	**367,620**	362,568
Expenses	**18,366**	19,224
Total	**385,986**	381,792

35. Officers' Remuneration

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

		Salary (including fees & Allowances)	**Expenses Allowances**	**Compensation for Loss of Office**	**Pension contributions**	**Total**
		£	£	£	£	£
Assistant Chief Executive	2016/17	80,872	2,053		15,424	98,349
Assistant Chief Executive	2015/16	74,329	1,804		13,399	89,532
Chief Executive	2016/17	119,705	1,998		22,637	144,340
Chief Executive	2015/16	110,000	1,761		19,670	131,431
Head of Digital and Customer Services (formally Head of Digital and Communications)	2016/17	72,309	0		13,473	85,782
Head of Digital and Communications (Note a)	2015/16	46,290	0		8,147	54,437
Head of Econ.Promotion & Planning (Note b)	2016/17	8,892	0		1,654	10,546
Head of Econ. Promotion & Planning	2015/16	61,797	0		10,876	72,673
Head of Corporate Reources (and S151 Officer) (formally Head of Finance and HR)	2016/17	79,875	1,555		15,717	97,147
Head of Finance & HR	2015/16	77,372	1,377		13,860	92,609
Head of Housing Services (Note c)	2016/17	1,387	0		258	1,645
Head of Housing Services	2015/16	61,797	0		10,876	72,673
Head of Leisure & Sustainability (Note d)	2016/17	35,111	879	81,744	6,694	124,428
Head of Leisure & Sustainability	2015/16	69,526	1,585		12,516	83,627
Head of Revenues & Benefits (CenSus)	2016/17	65,990	1,429		12,877	80,296
Head of Revenues & Benefits (CenSus)	2015/16	65,337	1,195		12,042	78,574
Head of Regulatory Services (and Monitoring Officer) (formally Solicitor to the Council)	2016/17	71,230	0		13,264	84,494
Solicitor to the Council	2015/16	69,526	0		12,237	81,763

(Expenses allowances comprise BUPA Medical Insurance payments only)

Note a: This employee was appointed on 3 August 2015 and the table therefore shows a part year cost. As their costs were less than £50,000, they have been excluded from the Remuneration Banding Note below for 2015/16.

Note b: This employee left the Council on 22 May 2016, and their costs were less than £50,000. Therefore they have been excluded from the Remuneration Banding Note below for 2016/17. A subsequent Management restructure now means this post is redundant.

Note c: This employee left the Council on 8 April 2016, and their costs were less than £50,000. Therefore they have been excluded from the Remuneration Banding Note below for 2016/17. A subsequent Management restructure now means this post is redundant.

Note d: This post was declared redundant and this employee left the Council on 30 September 2016. .

Banding Note

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions), were paid the following amounts (this includes posts disclosed in the senior employees table unless specifically excluded within the notes):

	Number of Employees	
Remuneration Band	2016/17	2015/16
£120,000 - £124,999	**1**	0
£115,000 - £119,999	**1**	0
£110,000 - £114,999	**0**	1
£85,000 - £89,999	**1**	0
£80,000 - £84,999	**2**	0
£75,000 - £79,999	**0**	2
£70,000 - £74,999	**2**	1
£65,000 - £69,999	**1**	2
£60,000 - £64,999	**1**	2
£55,000 - £59,999	**2**	2
£50,000 - £54,999	**2**	4

Exit Packages

The numbers 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 Bands (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	(a)		(b)		(a + b)			
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17 £	2015/16 £
£100,001 - £150,000	**-**	-	**1**	-	**1**	-	**101,857**	**-**
£80,001 - £100,000	**-**	-	**2**	-	**2**	-	**178,613**	**-**
£40,001 - £60,000	**-**	-	**1**	-	**1**	-	**42,763**	**-**
£20,001 - £40,000	**-**	-	**-**	1	**-**	1	**-**	**35,000**
£0,000 - £20,000	**-**	-	**3**	6	**3**	6	**33,500**	**27,020**
	-	**-**	**7**	**7**	**7**	**7**	**356,733**	**62,020**
Provision	**-**	-	**-**	2	**-**	2	**0**	**39,500**
Total	**-**	**-**	**7**	**9**	**7**	**9**	**356,733**	**101,520**

The table above includes £356,733 (£62,020 in 2015/16) for exit packages that have been charged to the Authority's Comprehensive Income and Expenditure Statement in the current year. In addition, in 2015/16, the Statement includes a provision of £39,500 for 2 officers which were not included in the bands and therefore an additional line has been added to reconcile the total cost of termination benefits reported in the Comprehensive Income and Expenditure Statement.

Termination Benefits

The Authority terminated the contracts of a number of employees in 2016/17, incurring gross liabilities of £356,733 (compared to £101,520 in 2015/16). It should be noted that for 2015/16, £4,956 of these costs have been recovered from our Census partners giving a net cost to the Authority of £96,564 for that year.

36. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts:

	2016/17	2015/16
	£	£
Fees payable to Ernst & Young LLP with regard to external audit services carried out by the appointed auditor for the year	**50,542**	50,542
	50,542	50,542

37. Related Parties

The Authority 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 Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority 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 Authority. In this context, related parties include Central Government, Members, Chief Officers, partnerships.

We have sent a letter for confirmation of any related party transactions to all members and senior officers, and 50 out of 54 signed declarations have been returned.

Related Parties for the Authority include the following:

Central Government

Central government has significant influence over the general operations of the Authority. It is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the Note 11 and 12. Grant receipts outstanding at 31 March 2017 are shown in Note 12.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2016/17 is shown in Note 34. During 2016/17 one Member disclosed that they are the principal of a supplier to a new Authority contractor. Given the degree of removal from the Authority, we consider that this interest has been adequately declared. A review of the Register of Members' Interests has been undertaken to ascertain if any related party interests exist. No material disclosures have been identified. The Register of Members' Interest is open to public inspection at the council office during office hours, on application, and is also available on the Council's website.

Officers

Senior Officers have not disclosed any material transactions with related parties.

Census Partnership

As a result of the Census Partnership Joint arrangement between Adur, Horsham and Mid Sussex District Councils, there is an agreement to share costs and benefits in respect of the partnership according to percentage shares which are subject to ongoing review. The agreed shares for 2016/17 for Revenues and Benefits were Adur (28.46%), Horsham (34.98%) and Mid Sussex (36.56%). For ICT, these shares were Adur (42.58%), Horsham (26.20%) and Mid Sussex (31.22%). During the financial year 2016/17, the expenditure costs for ICT CenSus paid to Horsham DC were £820,928. Contributions due for the year in respect of the Revenue and Benefits service were £1,003,731 for Horsham and £816,801 for Adur. As at 31 March 2017, the following amounts were due in respect of expenditure in that year:

Census ICT	£	**Census Revenues and Benefits**	£
Mid Sussex liability to Horsham	**27,840**	Horsham liability to Mid Sussex	**74,272**
Mid Sussex liability to Adur	**0**	Adur Liability to Mid Sussex	**40,091**

38. Leases

Lessee - Finance Leases

The Authority has a contract with SERCO for the provision of waste collection. The vehicles used to provide the service are shown as Property, Plant and Equipment in the Balance Sheet, with a vehicle life of 10 ½ years.

	31 March 2017	31 March 2016
	£	£
Vehicles, Plant, Equipment	**157,602**	**310,196**
	157,602	**310,196**

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the asset acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

Finance Lease liabilites	2016/17	2015/16
(net present value of minimum lease payments)	£	£
Current	**160,836**	**160,836**
Non- current	**0**	**160,836**
Less finance costs payable in future years	**(3,234)**	**(11,476)**
Minimum lease payments	**157,602**	**310,196**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		**Finance Lease Liabilities**	
	2016/17	2015/16	2016/17	2015/16
	£	£	£	£
Not later than one year	**157,602**	152,595	**157,602**	152,595
Later than one year and not later than five years	**0**	157,601		157,601
Later than five years	**0**	0	**0**	0
	157,602	310,196	**157,602**	310,196

Lessee - Operating Leases

The Authority has operating lease agreements covering equipment, photocopiers and vehicles (for pest control, car parking and leisure). The amounts paid under these arrangements in 2016/17 were £32,040 (£49,236 in 2015/16) and the total commitments at 31 March 2017 amounted to £36,428 (£32,876 in 2015/16).
The future minimum lease payments due under non-cancellable leases in future years are:

	2016/17	2015/16
	£	£
Not later than one year	**5,542**	3,615
Later than one year and not later than five years	**30,886**	29,261
Later than five years	**0**	0
	36,428	32,876

The expenditure charged to the Business Units in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2016/17	2015/16
	£	£
Minimum lease payments	**748**	2,158
	748	2,158

Lessor – Finance Leases

The Authority does not lease out assets under a finance lease.

Lessor – Operating Leases
The Authority leases out a range of properties under operating leases for community services and commercial rents. The future minimum lease payments receivable under non-cancellable leases in future years are:

	2016/17	2015/16
	£	£
Not later than one year	**2,932,653**	1,037,637
Later than one year and not later than five years	**9,969,267**	4,032,408
Later than five years	**64,304,670**	65,478,242
	77,206,590	70,548,287

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. The Authority received contingent rent of £270,255 in 2016/17 (£354,597 in 2015/16).

39. Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its employees, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority contributes to the Local Government Pension Scheme which is administered by West Sussex County Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund calculated at a level intended to balance the pension liabilities with investment assets.

Census Shared Service
On 1 February 2010 Adur DC and Horsham DC revenues and benefits shared service staff were transferred to the Authority and became our employees. All sums payable to the pension fund now or at any future date arising out of or in connection with any service occurring prior to the that date will be borne by the Authority by whom that employee was employed immediately prior to that date; ie not by the Authority.

Freedom Leisure/Places for People
In July 2009 Leisure Services Staff were transferred to Freedom Leisure under TUPE Regulations. Freedom Leisure were admitted to the LGPS under a ‘pass through’ arrangement whereby there was a sharing of Pension risks with the Authority (as scheme Employer) as detailed below. This arrangement ceased on 30 June 2014, following a retender of Leisure Services.

New contractors, Places for People, were appointed following a retender of the Leisure Services Contract on 1 July 2014. Places for People have been admitted to the LGPS under a ‘cap and collar’ arrangement whereby there is a sharing of Pension risks with the Authority (as scheme Employer) as detailed below.

- Places for People are responsible for paying the employers contribution rate in line with the triennial valuation. The increase is capped at 1% every three years. Places for people are also responsible for paying any strain on the pension fund caused by granting early retirements and exercising discretions such as giving members added years, which are not covered by the contribution rate agreed. These contributions of £225,300 are included within the total Employers’ contribution estimated by the actuary for 2015/16.
- The Authority is responsible for paying the differential between the capped contribution rate and the revised employer’s contribution rate following the valuation of the fund as a whole. The Authority is also liable for any surplus / deficits on exit that are not met by increased employer contribution payments. As such, the Authority retains the net liability for the transferred staff as reflected in the statements.

Transactions relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge we are required to make against council tax is based on cash payable in year, so the real cost of post employments/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 Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Comprehensive Income and Expenditure Statement Costs for the year to 31 March 2017	2016/17	2015/16
Cost of Services:	£'000	£'000
Current Service Cost	**1,900**	2,266
Past Service Cost/Gain	**124**	0
Financing and Investment Income and Expenditure:		
Net Interest Expense	**907**	1,186
Total Post Employment Benefit Charges to the Surplus or Deficit on the Provision of Services	**2,931**	3,452
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
Remeasurements		
Return on plan assets (excluding the amount included in the net interest expense)	**(17,254)**	922
Actuarial (Gains)/Losses arising on changes in demographic assumptions	**(3,327)**	0
Actuarial (Gains)/Losses arising on changes in financial assumptions	**21,014**	(10,978)
Other experience (Gains)/Losses	**1,401**	(1,716)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**1,834**	(11,772)
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	**(2,931)**	(3,452)

	2016/17	2015/16
	£'000	£'000
Actual amount charged to the General Fund Balance for pensions in the year:		
Employers' contributions payable to the scheme	**2,739**	2,602

The total contributions expected to be paid to the Local Government Pension Scheme by the council in the year to 31 March 2018 is £2,616,000.

Pensions Assets and Liabilities recognised in the Balance Sheet

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

	31 March 2017	31 March 2016
	£ 000	£ 000
Present value of defined benefit obligation	**(133,046)**	(111,050)
Fair value of plan assets	**104,698**	84,728
Net Liability arising from defined benefit obligation	**(28,348)**	(26,322)

Reconcilation of the present value of the Scheme Liabilities (Defined Benefit Obligation):

Year ended:	31 March 2017 £ 000	31 March 2016 £ 000
Opening Defined Benefit Obligation	**111,050**	120,451
Current service Cost*	**1,900**	2,266
Interest Cost	**3,874**	3,848
Contributions by Members	**517**	511
Remeasurement		
Actuarial Gains/(Losses) arising on changes in demographic assumptions	**(3,327)**	0
Actuarial Gains/(Losses) arising on changes in financial assumptions	**21,014**	(10,978)
Other experience	**1,401**	(1,716)
Past Service Costs/(Gains)	**124**	0
Estimated Unfunded Benefits Paid	**(110)**	(119)
Estimated Benefits Paid	**(3,397)**	(3,213)
Closing Defined Benefit Obligation	**133,046**	111,050

Reconciliation of the movements in the Fair Value of Scheme (Plan) Assets:

Year ended:	31 March 2017 £ 000	31 March 2016 £ 000
Opening Fair Value of Employer Assets	**84,728**	83,207
Interest income	**2,967**	2,662
Remeasurement		
Return on plan assets (excluding the amount included in the net interest expense)	**17,254**	(922)
Contributions by Members	**517**	511
Contributions by the Employer	**2,629**	2,483
Contributions in respect of Unfunded Benefits	**110**	119
Benefits Paid	**(3,397)**	(3,213)
Unfunded Benefits Paid	**(110)**	(119)
Census proportional sharing (Losses) / Gains*	**0**	0
Closing Fair Value of Employer Assets	**104,698**	84,728

*The service cost figures include an allowance for administration expenses of 0.3% of payroll. This is recognised within Cost of services along with other Current Service costs.

Local Government Pension Scheme Assets comprised:

Year ended:	Fair value of scheme assets 31 March 2017 £ 000	Percentage of Total Assets 31 March 2017 %	Fair value of scheme assets 31 March 2016 £ 000	Percentage of Total Assets 31 March 2016 %
Cash and cash equivalents	**2,694**	**3%**	1,746	2%
Equity Instruments:				
By industry type:				
Consumer	**14,894**	**13%**	13,841	17%
Manufacturing	**9,569**	**9%**	2,895	3%
Energy and Utilities	**5,056**	**5%**	2,930	3%
Financial Institutions	**17,053**	**16%**	13,724	16%
Health and Care	**7,255**	**7%**	5,468	6%
Information Technology	**14,307**	**14%**	10,945	13%
Other	**4,824**	**5%**	7,416	9%
Sub-total equity	**72,958**		57,219	
Bonds:				
Government	**1,942**	**2%**	1,475	2%
Sub-total Bonds	**1,942**		1,475	
Private Equity:				
All*	**4,501**	**4%**	4,072	5%
Sub-total private Equity	**4,501**		4,072	
Property:				
Uk Property	**8,256**	**8%**	7,652	9%
Overseas property	**0**	**0%**	9	0%
Sub-total Property	**8,256**		7,661	
Investment funds and Unit Trusts:				
Bonds	**13,119**	**13%**	11,905	14%
Other	**1,228**	**1%**	650	1%
Sub-total Investment Funds	**14,347**		12,555	
Totals	**104,698**	**100%**	84,728	100%

*All scheme assets have quotes prices in active markets except those relating to private equity which have quoted prices not in active markets.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The pension scheme is assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2016.

Financial Assumptions

The assumptions used by the Actuary in preparing the pensions information are:

Year ended:	MSDC 31 March 2017	MSDC 31 March 2016	Census 31 March 2017	Census 31 March 2016
Pension Increase Rate	**2.4%**	2.2%	**2.4%**	2.2%
Salary Increase Rate	**3.1%**	3.7%	**3.1%**	3.7%
Discount rate	**2.6%**	3.5%	**2.6%**	3.6%

Mortality

Life expectancy is based on actuarial tables, which now show an improvement over earlier years' assumptions. The average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	23.6 years	25.0 years
Future Pensioners	26.0 years	27.8 years

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax free cash for post-April 2008 service.

Further information can be found in the West Sussex County Council Pension Fund's Annual Report, which is available on request from County Hall, Chichester, West Sussex.

40. Contingent Liabilities

A contingent liability is a potential liability which depends on the occurrence or non-occurrence of one or more uncertain future events. The Council has identified the following contingent liabilities as at 31 March 2017 that might result in an obligation on the Council.

The Council has an outstanding Court case for which the costs are likely to be less than £35,000. The Council has guaranteed deposits to private landlords under the Deposit Guarantee Scheme. At 31 March 2017 the amount guaranteed was £67,071 (£65,582 as at 31 March 2016). The Deposit Guarantee is time limited and is equal to the tenancy term that the landlord has granted the tenant which is typically 6 or 12 months (but can be longer), therefore the potential liability will have mostly expired by 31 March 2018.

41. Contingent Assets

There are no contingent assets as at 31 March 2017.

42. Accounting Policies

(a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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.

(b) Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority 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 Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- 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 is accounted for as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract. Interest payable on £1.7 million borrowing is at a fixed rate over the life of the 15 year loan from Public Works Loan Board (PWLB). Interest payable has also been accrued on the long term borrowing for The Orchards Shopping Centre.

- 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.

Exceptions to this principle relate to:

- Quarterly and monthly payments for utilities are charged at the date of billing each year rather than being apportioned between financial years, with allowances made to ensure a full years expenditure in any given year;
- Council Taxpayers, where no account is taken for possible changes arising from new entries, late notification from Council Taxpayers and amendments to the valuation list until the transaction is actioned. This means late changes in the year may not be accounted for until the following year.
- Housing Benefit payments, where payments are made in conformity with the legislative requirements.
- Members Allowances, where payments are made in the year claims from councillors are processed.
- Employee overtime and car mileage claims, where payments are made in the year claims are processed following overtime worked or mileage incurred.
- Garden Waste, where annual fee income is accounted for in the year received, although renewal dates vary throughout the year and service is provided for a year from renewal.
- Car Park Penalty Notice income is recorded as income on the date the cash is received.
- Mobile phone payments are charged monthly allowing for 12 payments each year. This covers the period March 2016 to February 2017 rather than April 2016 to March 2017.
- Refunds relating to Sports pitch bookings fee income for the year are accounted for in May of the following year, being the end of the season.
- Council tax and Non Domestic Rate billing and the associated housing benefit and CTRS notifications where although the printing and despatch of bills is carried out within the accounting year, the cost clearly relates to the billing year and is matched thereto.
- Car park income is recorded as income on the date the cash is banked, not the date it is collected by the third party.

These policies are consistently applied each year and therefore do not have a material effect on the year's accounts.

(c) 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 highly liquid investments that mature in one month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. We have applied this approach in our accounting policy since 2012/13, which ensures we are compliant with IAS7.

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

(d) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

(e) Charges to Revenue for Non- Current Assets

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

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

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision (MRP)) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

(f) Employee Benefits

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, and non-monetary benefits (e.g cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision or Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service, or where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

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

Post-Employment Benefits

Employees of the council are members of the Local Government Pensions Scheme, administered by West Sussex County Council.

The West Sussex Local Government Pension Scheme

The West Sussex Local Government Pension Scheme is accounted for as a defined benefit scheme.

The liabilities of the West Sussex County Council pension scheme attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method, that is, an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projections of projected earnings for current employees. Liabilities are discounted to their value at current prices, using a nominal discount rate of 2.6% (based on the indicative rate of return on a high quality corporate bond).

The assets of the West Sussex County Council pension scheme attributable to the Authority are included in the Balance Sheets at their fair value:

- Quoted securities - current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value

The change in the net pension liability is analysed into the following components:

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year –allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

  - Past service costs – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - Net interest on the net defined benefit (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Re-measurements comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the West Sussex pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the events of early retirements. It is not the Authority's policy to make such payments.

(g) 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.

(h) Financial Instruments

Financial Liabilities

Financial liabilities 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 and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Annual charges to the Comprehensive Income and Expenditure Statement for interest payable on borrowing are at a fixed rate over the life of a 15 year loan from Public Works Loan Board (PWLB). Annual charges are also payable for borrowing on The Orchards Shopping Centre. The amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Financial Assets

Financial assets are classified into two types:

- Loans and receivables - assets that have fixed or determinable payments but are not quoted on an active market.
- Available-for-sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments.

Investments are shown in the Balance Sheet at cost. Short Term Investments are deposits made for a fixed period, where repayment would incur the penalty of reduced interest, with maturity up to 364 days. Long Term Investments are those that will mature in one year or more.

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For all the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable, and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event and payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on derecognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

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

Assets are maintained in the Balance Sheet at fair value. Values are based on the principle that the equity shares with no quoted market prices are valued by the independent appraisal of company valuations.

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

Where assets are identified as impaired because fair value falls below cost, the asset is written down and a charge is made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

(i) 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 Authority when there is reasonable assurance that

- The Authority will comply with the conditions attached to the payments and
- The grants or contributions will be received

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Unapplied Grants and Contributions Receipts In Advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

(j) Heritage Assets

Tangible and intangible Heritage Assets (described in this summary as heritage assets)
The Authority's Heritage Assets are held in the Council offices, and on the South Downs at Clayton, West Sussex. These heritage assets are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the Authority's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The Authority's heritage assets are accounted for as follows:

- **Historical Buildings**

  The historic building is Jill Windmill. This item is reported in the Balance sheet at replacement cost value. The War Memorial is in Ardingly.

- **Art Collection and Civic Regalia**

  The works of art includes oil paintings and these are reported in the Balance Sheet on the basis of an insurance valuation undertaken 27 April 2012. These are valued on a 5 year basis and the items are valued by an external valuer. The assets are deemed to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation.

  Acquisitions are made by donation, which are recognised at valuation with valuations provided by the external valuers and with reference to appropriate commercial markets for the paintings using the most relevant and recent information from sales at auctions.

Heritage Assets – General
The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets. Eg where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment (see note 42(q)) in this summary of significant accounting policies. The Authority will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for display. The proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (see notes 42(t) and 42(q)).

(k) Intangible Assets

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

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and

Expenditure Statement. This has been set as 5 years. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

(l) Inventories and Long Term Contract

Inventories are valued at actual cost. This is a departure from the requirements of the code and IAS 2, which require stocks to be shown at the lower of actual cost or net realisable value, but the impact is not material.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

(m) Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

(n) Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

(o) Leases

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases
Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between

- A charge for the acquisition of the payments made to the lessor in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).
The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases
Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting 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 rent free period at the commencement of the lease).

The Authority as Lessor

Finance Leases
The Authority has not granted any finance leases over a property, or item of plant or equipment.

Operating Leases
Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

(p) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principle of the CIPFA Service Reporting Code of Practice 2016/17 (SeRCOP). The total absorption costing principle is used - the budgeted cost of over heads and support services are shared between users in proportion to the benefits received with the exception of:

- Corporate and Democratic Core – costs relating to the council's status as a multi-functional, democratic organisation. These costs are reported within the Strategic Core Business Unit totals within Net Cost of Services
- Non Distributed Cost – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on Assets Held for Sale. These costs are reported within the Finance Corporate Business Unit within Net Cost of Services.

(q) Property, Plant and Equipment

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

Recognition: expenditure costs of £10,000 or more, on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement: assets are initially measured at cost, comprising

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

The Authority 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. Open spaces (community assets) have been included at a nominal value of £1 per item.
- Surplus assets, the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- All other assets – 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 fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.
- Where non-property assets that have short useful lives or low values (or both) depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued on a five year rolling programme, to ensure that their carrying amount is not materially different from their fair value at the year-end. The asset valuations, as at 1st April 2016, were carried out by an external RICS qualified chartered surveyor employed by Wilkes Head Eve LLP. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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 in the Comprehensive Income and Expenditure Statement.

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

Impairment: 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 that the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

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

Depreciation: 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 life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie 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
- Vehicles, plant, and equipment - Computer equipment and new playground equipment is depreciated using the straight- line method over 5 years; for Wheelie Bins and Skate Park Equipment straight line over 10 years and 7 year straight line for the Car Parking Machines.
- Infrastructure – straight line allocation over the life of the asset

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

Componentisation: The Code required the Authority to adopt new accounting policies in respect of componentisation and de-recognition of components from 1 April 2010, and to apply these policies prospectively from that date. For the Authority, the basis of componentisation of Assets and limits are set out below:

- All assets with values of over £500,000 before depreciation have been deemed to be material and considered for componentisation. i.e. It has been considered whether any part of these assets should have a different useful life or method of depreciation.
- Each asset has been reviewed individually. The assets that are required to be componentised in line with our policy are the Leisure Centres, Civic Halls and 'Oaklands' Council Offices and Woodside Pavilion. These 7 assets have been split into the following four components:
  - Land,
  - Structure/externals with 60 year life,
  - Roof/electrical with 35 year life, and
  - Services (including boilers, heating systems, lifts) with 20 year life.

The leisure centres, halls and pavilion are valued on a Depreciated Replacement Cost (DRC) basis, and the council offices valued on Existing Use Value (EUV) basis. For the Authority, pavilions are valued individually on a DRC basis. In relation to componentisation, they have similar characteristics and have been considered collectively for their impact on depreciation calculations. (total value around £3million). To explain further, apart from Woodside Pavilion, each Pavilion is valued less than £500,000, and therefore falls below the trigger value for componentisation. In addition, examination of individual Pavilions has identified that the land value forms an insignificant part of the asset, and there are no parts of the building of a value significant enough to warrant separate componentisation.

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

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

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

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

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

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

(r) Provisions, Contingent Liabilities and Contingent Assets

Provisions: Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable

estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.
Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

Contingent Liabilities: A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measure reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets: A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

(s) Reserves and Balances

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

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

(t) Revenue Expenditure Funded from Capital under Statute

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

(u) 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.

(v) Officer Personal Loan Scheme

Balances held are shown as long term debtors in the Balance Sheet. Loans in their last year are still shown as long term debtors with the exception of season ticket loans which are included as sundry debtors in the Balance Sheet as the maximum period allowed is twelve months.

(w) Borrowing Costs

The Authority charges borrowing costs to the Comprehensive Income and Expenditure Statement in the period to which the borrowing relates. It does not capitalise any borrowing costs against its assets.

(x) Redemption of Debt

There is a legal requirement to make a charge to the Comprehensive Income and Expenditure Statement to contribute towards reducing the overall borrowing. The Authority's policy is to charge this Minimum Revenue Provision (MRP) on an annuity basis over the life of the loans.

(y) Fair Value Measurement

The Authority measures some of its assets and liabilities at fair value at the 31 March 2017. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- Without a principal market, in the most advantageous market for the asset or liability.

The Authority uses external Valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant.

Inputs to the valuation techniques in respect of the Authority's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

- Level 1 – quoted prices(unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

43. Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

The Code of Practice on Local Council Accounting in the United Kingdom 2016/17 (the Code) requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. This applies to the adoption of new or amended standards within the 2017/18 Code as follows:

- Amendment to the reporting of pension fund scheme transaction costs;
- Amendments to the reporting of investment concentration

These amendments refer to additional disclosures that the pension fund is required to make in its accounts. There is no change to the disclosures that employers in the fund are required to make in their accounts.

There is no impact on the 2016/17 Statement of Accounts as the Code requires implementation from 1 April 2017.

44. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 42, the Authority 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:

Funding

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

Leases

The Authority has examined its leases, and classified them as either operational or finance leases. The Authority uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In reassessing the leases the Authority has estimated the implied interest rate within each lease to calculate the present value of the minimal lease payment.

Joint arrangements

IFRS 12 requires that the accounts disclose the judgements made to assess the type of Joint Arrangement to determine the Authority's correct accounting treatment.

The Authority is currently contracted into a shared arrangement for its ICT and Revenues and Benefits functions, called CenSus Shared Services Partnership. From September 2009, these functions were discharged to the Census Joint Committee, comprising of Members of each of the three participating authorities, each with joint control. CenSus Shared Services Partnership therefore meets the definition of a Joint Arrangement.

IFRS 11 replaced IAS 31 from 1 January 2013 and requires a Joint Arrangement to be classified as either a Joint Venture or a Joint Operation. The CenSus Shared services Partnership Joint Arrangement is not structured through a separate vehicle and therefore meets the definition of a Joint Operation. As such we recognise our proportional share of assets, liabilities, revenues and expenses of the arrangement in our accounts.

Investment Properties
Investment properties have been assessed using the identifiable criteria under the international accounting standards as being held for rental income or for capital appreciation. Properties have been assessed using this criteria, which is subject to interpretation to determine if there is operational service potential.

45. Assumptions Made About The Future And Other Major Sources Of Estimation Uncertainty

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

The items in the Authority’s Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Property, Plant and Equipment: Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relations to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £57,535 if the life of the assets was reduced by one year.

Business Rates: Since the introduction of Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in earlier financial years in their proportionate share. Therefore, a provision for the Authority’s share of £2,604,449 (2015/16 £1,791,555) has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2017. The estimate has been calculated using the Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2017.

Pension 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 Authority with expert advice about the assumptions to be applied. The effects on the net pension liability of changes in individual assumptions can be measured. For instance a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £12,600,000. In addition, a 0.5% increase in the Pension Increase Rate would increase liabilities by £10,300,000. However, the assumptions interact in complex ways. During 2016/17, the Authority's actuaries advised that the net pension liability had decreased by £17,100,000, as a result of estimates being corrected as a result of experience and increased by £19,100,000 attributable to updating of the assumptions.

Pension Liability (IAS19 disclosures): In terms of the pension liability, the substance of the arrangement with Places for People (from 1 July 2014) who run our leisure services contract, is that the transferred staff are being treated as though they are employees of the Authority and are included as part of IAS19 disclosures.

Arrears: The Authority has provided within its financial statements an impairment of doubtful debts of £3,289,258 (2015/16 £3,416,512) as set out in Note 21. This allowance is considered adequate to cover future bad debts, but is by its nature an estimate. If collection rates were to deteriorate an increase in the amount of the impairment of doubtful debts would be required.

Collection Fund

Collection Fund

Income and Expenditure Account

2015/16 £ Council Tax	2015/16 £ Business Rates	2015/16 £ Total		Note	2016/17 £ Council Tax	2016/17 £ Business Rates	2016/17 £ Total
			Income				
			Council Tax				
(87,776,496)	0	(87,776,496)	Council Tax Receivable	2	**(92,456,296)**	**0**	**(92,456,296)**
			Business Rates				
0	(43,698,124)	(43,698,124)	Business Rates Receivable	3	**0**	**(44,173,877)**	**(44,173,877)**
(87,776,496)	(43,698,124)	(131,474,620)			**(92,456,296)**	**(44,173,877)**	**(136,630,173)**
			Expenditure				
			Apportionment of Previous Year Surplus / (Deficit)				
588,080	(67,713)	520,367	West Sussex County Council		**989,970**	**(174,258)**	**815,712**
71,430	0	71,430	Sussex Police & Crime Commissioner		**122,600**	**0**	**122,600**
105,490	(270,852)	(165,362)	Mid Sussex District Council	5	**178,430**	**(697,031)**	**(518,601)**
0	(338,565)	(338,565)	Central Government		**0**	**(871,289)**	**(871,289)**
			Demands and Precepts and Shares				
66,198,570	4,301,355	70,499,925	West Sussex County Council		**70,028,147**	**4,408,324**	**74,436,471**
8,198,553	0	8,198,553	Sussex Police & Crime Commissioner		**8,633,147**	**0**	**8,633,147**
11,931,653	17,205,421	29,137,074	Mid Sussex District Council	7	**12,425,673**	**17,633,296**	**30,058,969**
0	21,506,776	21,506,776	Central Government		**0**	**22,041,619**	**22,041,619**
			Charges to Collection Fund				
113,969	168,168	282,137	Write Offs of uncollectable amounts	4	**421,960**	**614,085**	**1,036,045**
543,383	89,863	633,246	Increase/(decrease)in bad debt allowance	4	**(195,147)**	**(440,494)**	**(635,641)**
0	2,708,000	2,708,000	Increase/(decrease) provision for appeals	4	**0**	**2,032,235**	**2,032,235**
0	172,866	172,866	Cost of Collection Allowance		**0**	**175,070**	**175,070**
87,751,128	45,475,319	133,226,447			**92,604,780**	**44,721,557**	**137,326,337**
(25,368)	1,777,195	1,751,827	**(Surplus)/Deficit arising in the year**		**148,484**	**547,680**	**696,164**
			Collection Fund Balance				
(997,559)	1,317,998	320,439	(Surplus)/Deficit at 1 April 2016		**(1,022,927)**	**3,095,193**	**2,072,266**
(25,368)	1,777,195	1,751,827	Movement on Fund Balance		**148,484**	**547,680**	**696,164**
(1,022,927)	**3,095,193**	**2,072,266**	**(Surplus) / Deficit at 31 March 2017**	6	**(874,443)**	**3,642,873**	**2,768,430**
			Shares of (Surplus)/Deficit at 31 March 2017				
(783,874)	309,519	(474,355)	West Sussex County Council		**(672,399)**	**364,287**	**(308,112)**
(97,192)	0	(97,192)	Sussex Police & Crime Commissioner		**(82,863)**	**0**	**(82,863)**
(141,861)	1,238,077	1,096,216	Mid Sussex District Council		**(119,181)**	**1,457,149**	**1,337,968**
0	1,547,597	1,547,597	Central Government		**0**	**1,821,437**	**1,821,437**
(1,022,927)	**3,095,193**	**2,072,266**		6	**(874,443)**	**3,642,873**	**2,768,430**

Notes to the Income and Expenditure Account

1. Collection Fund

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

The administrative costs associated with the collection process are charged to the General Fund.

Collection Fund surpluses or deficits declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequest financial year. The Council Tax precepting bodies are West Sussex County Council and Sussex Police and Crime Commissioner.

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give councils a greater incentive to grow businesses in the District. It does however, also increase the financial risk due to non-collection and the volatility of the NDR base. The scheme shares are 40% retained by the Authority, 50% share paid to Central Government and 10% share paid to West Sussex County Council.

The NDR surpluses or deficits declared by the billing authority in relation to Business Rates are apportioned to the relevant bodies in the subsequent financial year in their respective proportions detailed above.

2. Council Tax

The Authority is required to calculate a tax base each year and this is divided into the total precept requirement to produce the band D council tax figure.

The tax base is calculated by estimating the number of dwellings in the district in each tax band, taking into account an estimate of additions and deletions during the year, and adjusted for the effects of various reliefs, exemptions and discounts where applicable. Each band total is then adjusted to give band D equivalents. Finally, an adjustment is made to cover non-collection of arrears.

A summary of the calculation, as agreed by the Authority on 24 February 2016, is shown below.

Property Value	Number of Net Dwellings	Ratio to Band D	No of Band D Equivalents	less (0.7%) adjustment for non-collection	**Council Tax Base**
up to £40,000	1,364.18	6/9	909.4		
between £40,001 & £52,000	4,066.91	7/9	3,163.2		
between £52,001 & £68,000	10,506.79	8/9	9,339.4		
between £68,001 & £88,000	14,431.80	9/9	14,431.8		
between £88,001 & £120,000	9,954.66	11/9	12,166.8		
between £120,001 & £160,000	7,592.03	13/9	10,966.3		
between £161,001 & £320,000	4,033.92	15/9	6,723.2		
over £320,000	342.11	18/9	684.2		
			58,384.3	(408.7)	**57,975.6**

The average band D Council Tax can be calculated by estimating the amount of income required to be taken from the Collection Fund by West Sussex County Council, Sussex Police & Crime Commissioner and the Council (including parish and town council requirements) for the forthcoming year and dividing this by the Council Tax Base as below.

Authority	**Demand or Precept** £		**Council Tax Base**		**Band D Council Tax** £	
West Sussex County Council	**70,028,147**	÷	57,975.6	=	**1,207.89**	
Sussex Police & Crime Commissioner	**8,633,147**	÷	57,975.6	=	**148.91**	
Mid Sussex District Council	**12,425,673**	÷	57,975.6	=	**214.33**	(average)
Average Band D Council Tax Charge For 2016/17					**1,571.13**	

To calculate the Council Tax for each band, the band D Council Tax is then multiplied by the ratio specified above for the particular band. There were 24 actual Council Taxes levied for band D properties for each parish area in the district and these ranged from £1,515.21 to £1,623.89.

3. Business Rates Income

The Authority collects Non Domestic Rates (Business Rates) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government. The Rateable Value of Non Domestic Properties as at 31 March 2017 was £108,626,833 (£108,714,000 at 31 March 2016). The standard multiplier for the year was 49.7p, an increase from 49.3p in 2015/16. The Small Business Rate Relief Multiplier for the year was 48.4p, an increase from 48.0p in 2015/16.

Under the business rates retention scheme local authorities retain a proportion of the total collectable rates due. This is 40% for the Authority and 10% for WSCC with the remaining 50% to Central Government.

The business rates shares payable for 2016/17 were estimated before the start of the year as £22,041,619 (£21,506,776 in 2015/16) to Central Government, £17,633,296 (£17,205,421 in 2015/16) for the Authority and £4,408,324 (£4,301,355 in 2015/16) for WSCC. These amounts have been charged to the Collection Fund in year. The final share of income for the Authority is £16,717,193 (£16,223,691 in 2015/16) which is part of the Taxation and Non-Specific Grant Income shown on the Comprehensive Income and Expenditure Statement on page 14.

When the scheme was introduced in 2013/14, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities to Central Government are used to finance the top ups of those authorities who do not achieve their targeted baseline funding or receive no monies directly, ie County Councils. The Authority made an estimated tariff payment of £14,990,935 (£14,867,043 in 2015/16).

As part of the scheme, a 'safety net' figure is calculated at 92.5% of baseline amount to ensure authorities are protected to this level of business rates income. If the income share exceeds the baseline, then a tariff payment is due calculated on the growth amount. The final tariff payment is calculated as £15,167,749 (£15,009,000 in 2015/16), and shown as part of the Taxation and Non-Specific Grant Income on the Comprehensive Income and Expenditure Statement on page 14.

The calculation adjusts for losses in collection, losses on appeal, transitional protection payments, the cost of collection and revision to Small Business Rate Relief (announced in the Autumn Statement 2012). For the Authority the growth amount is £353,628 (£261,077 in 2015/16) and a tariff payment of 50% of the growth is due to central government.

The total income from business ratepayers collected in 2016/17 was £44,173,877 (£43,698,124 in 2015/16), which is net of transitional protection payments for ratepayers of £177,708 (£182,675 in 2015/16). This sum has to be repaid to Central Government.

The appeals against the NDR rateable values are financed according to the authority's proportional share. The authority has estimated the value of outstanding appeals which may result in lower collectable rates and made a provision of £6,511,122 (£4,478,887 in 2015/16) in the Collection Fund.

4. Bad and Doubtful Debts and Provision for NDR Valuation Appeals

Council Tax An allowance has been made for Council Taxpayers' Bad and Doubtful Debts using an analysis of the recovery position of the debts outstanding as at 31 March 2017. A total of £3,128,982 (£3,307,911 in 2015/16) has been allowed against debts of £4,107,278 (£4,206,904 in 2015/16) outstanding as at 31 March 2017. The Authority's share of the allowance is £421,744 (£451,250 in 2015/16).

In the year 2016/17, there has been £421,960 of uncollectable amounts written off (£113,969 in 2015/16).

Business Rates An allowance has been made for Business Ratepayers' Bad and Doubtful Debts using an analysis of the recovery position of the debts outstanding as at 31 March 2017. A total of £1,335,795 (£1,776,289 in 2015/16) has been allowed against debts of £2,200,894 (£2,608,034 in 2015/16) outstanding as at 31 March 2017. The Authority's share of the allowance is £534,318 (£710,516 in 2015/16).

In the year 2016/17, there has been £614,085 of uncollectable amounts written off (£168,168 in 2015/16).

A provision for appeals made against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31 March 2017 has been made of £6,511,122 (£4,478,887 in 2015/16). The Authority's share (40%) is £2,604,449 (£1,791,555 in 2015/16).

5. Contribution to Previous Year's (Surplus) /Deficit

Council Tax In accordance with legislation, the estimated balance as at 31 March 2016 on the Collection Fund for Council Tax was £1,291,000 surplus and this was notified to both the County Council and Police & Crime Commissioner. This estimated surplus has been made to each of these principal authorities in proportion to their Council Tax for the year 2016/17, as follows:

Authority	Estimated Surplus at 31 March 2016 £	%	Estimated Surplus at 31 March 2015 £
West Sussex County Council	**(989,970)**	**76.68**	(588,080)
Sussex Police & Crime Commissioner	**(122,600)**	**9.50**	(71,430)
Mid Sussex District Council	**(178,430)**	**13.82**	(105,490)
Estimated (Surplus)/Deficit at year end	**(1,291,000)**	**100.00**	(765,000)

Business Rates The estimated deficit is shared as shown below for 2016/17 and 2015/16.

Authority	Estimated Deficit at 31 March 2016 £	%	Estimated Deficit at 31 March 2015 £
Central Government	**871,289**	**50.00**	338,565
Mid Sussex District Council	**697,031**	**40.00**	270,852
West Sussex County Council	**174,258**	**10.00**	67,713
Estimated (Surplus)/Deficit at year end	**1,742,578**	**100.00**	677,130

6. Collection Fund Year End (Surplus) / Deficit

Council Tax At 31 March 2017, the council tax part of the fund has a surplus of £874,443. The contributions to be made to West Sussex County Council and the Sussex Police & Crime Commissioner are included as part of Local Authority Creditors on the Balance Sheet, page 16, detailed in Financial Statements Note 25. The in year movement of £22,680 for the Authority's contribution is shown in the Collection Fund Adjustment Account on the Balance Sheet, Note 28(f).

Council Tax Authority Share	31 March 2017 £	%	31 March 2016 £	%	31 March 2015 £
West Sussex County Council	**(672,399)**	76.90	(783,874)	76.90	(766,411)
Sussex Police & Crime Commissioner	**(82,863)**	9.50	(97,192)	9.50	(93,516)
Mid Sussex District Council	**(119,181)**	13.60	(141,861)	13.60	(137,632)
Actual (Surplus) / Deficit at year end	**(874,443)**	100.00	(1,022,927)	100.00	(997,559)

Business Rates At 31 March 2017, the business rates part of the fund has a deficit of £3,642,873 (£3,095,193 in 2015/16). The contributions to be made from Central Government and West Sussex County Council are included in the Creditors balance on the Balance Sheet, page 16, detailed in Financial Statements Note 25. The Authority's share of £1,457,149 (£1,238,077 in 2015/16) is shown in the Collection Fund Adjustment Account on the Balance Sheet, Note 28(f).

Business Rates Authority Share	31 March 2017 £	%	31 March 2016 £	%	31 March 2015 £
Central Government	**1,821,437**	50	1,547,597	50	658,999
Mid Sussex District Council	**1,457,149**	40	1,238,077	40	527,199
West Sussex County Council	**364,287**	10	309,519	10	131,800
Actual (Surplus) / Deficit at year end	**3,642,873**	100	3,095,193	100	1,317,998

7. Income and Expenditure transferred to Comprehensive Income and Expenditure Statement

Council Tax The total income for the Authority on the Comprehensive Income and Expenditure Statement (CIES) as detailed in Notes to the Accounts, Note 11 is made up as follows:

	2016/17	2015/16
	£	**£**
Council Tax Demand (Note 2)	**(12,425,673)**	(11,931,653)
Contribution to previous year estimated (surplus)/deficit (Note 5)	**(178,430)**	(105,490)
Change in year of the year end (surplus)/deficit position (Note 6)	**22,680**	(4,229)
Total Council Tax Income on CIES	**(12,581,423)**	(12,041,372)

Business Rates The total income and expenditure for the Authority on the Comprehensive Income and Expenditure Statement (CIES) as detailed in Note to the Accounts, Note 11 is made up as follows:

	2016/17	2015/16
	£	**£**
Share of Estimated Business Rates Income (Note 3)	**(17,633,296)**	(17,205,421)
Business Rates Tariff Payment (Note 3)	**15,167,749**	15,009,000
Contribution to previous year estimated (surplus)/deficit (Note 5)	**697,031**	270,852
Change in year of the year end (surplus)/deficit position (Note 6)	**219,072**	710,878
Total Business Rates Income and Expenditure	**(1,549,444)**	(1,214,691)

MID SUSSEX
DISTRICT COUNCIL

Annual Governance Statement

Annual Governance Statement

1. Scope of responsibility

Mid Sussex District Council ("the Authority") is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and including arrangements for the management of risk.

2. The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks, the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised, (and the impact should they be realised), and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Authority for the year ending 31 March 2017 and up to the date of approval of the Statement of Accounts.

3. The Authority's governance framework

The Authority's Constitution, which is updated annually, (and last updated April 2017), sets out how the Authority operates. It states what matters are reserved for decision by the whole Council, the responsibilities of the Cabinet and the matters reserved for collective and individual decision, and any powers delegated to other bodies such as the Census Joint Committee.

Decision-making powers not reserved for councillors are delegated to the Chief Executive and Heads of Service. The Monitoring Officer ensures that all decisions made are legal and supports the Standards Committee in promoting high standards of conduct amongst members and the wider Parish Council community in Mid Sussex.

The Scrutiny Committees are dual role in that they offer advice on the formulation of new policies to Cabinet and Council both collectively and to Cabinet members individually and will scrutinise decisions made by the Cabinet, individual Cabinet members, and Executive decisions taken by officers and those published on the Members' Information Service. Whilst there have been no Call-ins in the last year, the structure exists within which they can be made.

The overall budget and policy framework of the Authority is set by the Authority and all decisions are made within this framework. The Authority's overall policy is represented through the Corporate Plan, which is a combination of service and financial plans.

The Corporate Plan is a key reference for the Medium Term Financial Plan, which enables the Authority to forecast forward and make best use of financial, human, technological and other resources available to it and to enable the continued provision of value for money services that meet the needs of residents, businesses and other stakeholders. At the broadest level, the Authority also works with a number of key strategic partners through the local strategic partnership group of organisations.

From the Corporate Plan, service plans and business plans are developed and individual officer work plans are drawn up, with performance targets agreed at every level. More detailed budgets are aligned to corresponding plans following a robust budget process, which challenges managers to demonstrate efficiency and value for money. Performance is monitored and managed at every level on a regular basis.

The Authority also monitors its performance through feedback from its residents and service users. An analysis of complaints raised under the Authority's Corporate Complaints Policy is regularly reported and considered by the Scrutiny Committee for Customer Services and Service Delivery; the last instance being as part of the Corporate Performance report in September 2016. The Authority also has a Whistleblowing Policy, which encourages, staff to report any instances of suspected unlawful conduct, financial malpractice, or actions that are dangerous to the public or environment.

The Authority's financial management arrangements conform to the standards of the Chartered Institute of Public Finance and Accountancy (CIPFA), and have regard to the 'Statement on the Role of the Chief Financial Officer in Local Government'. The Head of Corporate Resources has statutory responsibility for the proper management of the Authority's finances and is a key member of the Management Team. The four Heads of Service with the Chief Executive sit as a Management Team and may further devolve decision making to Business Unit Leaders through written schemes of management. The Head of Corporate Resources will also provide detailed finance protocols, procedures and guidance and training for managers, staff and Members.

The Authority's Risk Management Strategy ensures proper management of the risks to the achievement of the Authority's priorities and helps decision-making. In the Authority's day-to-day operations, a framework of internal controls (e.g. authorisation, reconciliations, separation of duties, etc.) control the risks of fraud or error, and this framework is reviewed by Internal Audit. Partnership working is governed by agreements, protocols or memoranda of understanding relevant to the type of work or relationship involved. The Authority's legal services and procurement teams ensure that all are fit for purpose and the Authority's interests are protected.

The Audit Committee is responsible for monitoring the effective development and operation of corporate governance in the Authority. It provides independent assurance of the adequacy of the Authority's governance arrangements, including the associated control environment, the Authority's financial (and non-financial) performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, oversight of the financial reporting process and scrutiny of the treasury management strategy and policies.

4. Review of effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit annual report, and by comments made by the external auditors and other review agencies and inspectorates. The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes the following:

- The Authority's internal management processes, such as performance monitoring and reporting; the staff performance appraisal framework; monitoring of policies, such as the corporate complaints and health and safety policies; and the corporate budget challenge process;

- The work of the corporate Joint Procurement Board partnered with Horsham District Council and Crawley Borough Council;
- The Authority's internal audit coverage (purchased from Crawley Borough Council under a shared service arrangement), which is planned using a risk based approach. The outcome from the internal audit coverage helps form the Chief Internal Auditor's opinion on the overall adequacy of the Authority's internal control framework, which is reported in his annual report. This year we are reviewing the purchase of The Orchards Shopping Centre to ascertain that the correct procedures and approvals were obtained in developing the business case through to final contractual purchase:
- The Chief Internal Auditor's annual report on anti-fraud and corruption activities, including the use of the National Fraud Initiative data matching exercise;
- The annual review of the effectiveness of the internal audit function;
- External audit review of the work of the internal audit service and comment on corporate governance and performance management in their Annual Audit Letter and other reports;
- Workforce assessments and accreditation where appropriate and affordable;
- The External Auditor's opinion on the Council's financial statements;
- The work of the Audit Committee, which reviews the outcomes from the annual audit plan and the annual report of the audit function;
- The work of the Scrutiny Committees;
- An annual review of the constitution by the Constitutional Review Group, which recommends amendments, where appropriate, to the Constitution for agreement by the Authority;
- Work of the Standards Committee, which includes monitoring the operation of the members' Code of Conduct and the Member and Officer Protocol.

Significant governance issues

The review, as detailed above, provides good assurance of the effectiveness of the Authority's system of internal control. There have been no governance issues identified during the year that are considered significant in relation to the Authority's overall governance framework. Specific opportunities for improvement in governance and internal controls identified as part of the assurance processes detailed above have been addressed or are included in action plans for the relevant managers.

Cllr Garry Wall
Leader of Council
June 2017

Kathryn Hall
Chief Executive
June 2017

MID SUSSEX DISTRICT COUNCIL

Glossary of Terms

Glossary of Terms

Accounting Polices - These are the specific principles, bases, conventions, rules and practices applied by the Authority in preparing and presenting the financial statements.

Accounting Standards - These are set by CIPFA /LASAAC and comprise International Financial Reporting Standards (IFRSs) developed by the Financial Reporting Advisory Board ((FRAB). The Code of Practice on Local Authority Accounting is based on approved Accounting Standards issued by the International Accounting Standards Board (IASB) as well as approved Accounting Standards issued by the International Public Sector Accounting Standards Board (IPSAS) and the UK Accounting Standards Board. Therefore, the IFRS-based Code of Practice on Local Authority Accounting is based on the accounting standards issued by various standard setting bodies, Auditors could expect the guidance to be complied with, and any departure must be disclosed in the published accounts.

Accruals - The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Actuarial Gains and Losses (Pensions IAS 19)- Actuaries assess financial and non-financial information provided by the Council to project levels of future pension fund requirements. Actuarial gains and losses are the changes in actuarial deficits or surpluses that arise because:

Events have not coincided with actuarial assumptions made for the last revaluation (experience gains or losses) or the actuarial assumptions have changed.

These are recognised by appropriation from the pensions reserve and have no impact on the Comprehensive Income and Expenditure Account.

Agency Services - Services which are performed by or for another authority or public body, where the principal (i.e. the authority responsible for the service) reimburses the agent (i.e. the authority carrying out the work) for the cost of the work carried out.

Allowance for Bad and Doubtful Debts - The amount set aside in the Council's accounts to cover debts which may be un-collectable and written off.

Balances - In general, this is the accumulated surplus of income over expenditure, on any account, at the end of the financial year. Balances form part of the Council's reserves, and the authority may use its revenue balances to reduce the requirement from the council tax.

Band D Equivalent - The weighted number of properties subject to council tax in a local authority's area, calculated on the basis of prescribed proportions in relation to band D.

Billing Authority – This is the local authority responsible for the billing and collection of the council tax from all properties in their areas. In shire areas the District Councils are the billing authorities.

Capital Accounting - The recording in local authority balance sheets of the value of all capital assets and the use of these values to charge services with capital charges.

Capital Adjustment Account – this represents timing differences between the amount of the historical cost of non-current assets consumed and the amount that has been financed.

Capital Expenditure – On the acquisition or construction of assets which have a long-term value to the authority in the provision of its services (e.g. land; purchasing existing buildings or erecting new ones; purchasing furniture or equipment etc.)..

Capital Programme - an authority's plan for capital projects and spending over future years. Included in this category are the purchase of land and buildings, the erection of new buildings, design fees and the acquisition of vehicles and major items of equipment.

Capital Receipts - Income received from the sale of land or other assets, which is available to finance other items of capital (but not revenue) spending, subject to the provisions contained within the Local Government Act 2003, or to repay outstanding debt on assets originally financed from loan.

Chargeable Dwelling – A dwelling which is subject to council tax.

CIPFA (The Chartered Institute of Public Finance and Accountancy) - This is the professional body for accountants working in local government and public bodies and is a Member of the Consultative Committee of Accountancy Bodies. The Institute provides financial and statistical information services for local government and advises central government and other bodies on local government and public finance matters. Members of the Institute are entitled to use the letters CPFA after their names, and membership is by examination. CIPFA is an entirely privately funded body.

Collection Fund - A fund administered by each billing authority (the District Council in shire areas), recording receipts from Council Tax, and payments to the General Fund and other public authorities. It also records receipts of non-domestic rates collected on behalf of Central Government, County Council and MSDC, and payments made to these organisations for their share of the total Business Rates collected.

Community Assets - Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Communities and Local Government - CLG

Contingent Liability and Asset - A contingent liability or asset is a possible loss or gain which is not recognised in the accounts because it cannot be accurately estimated or because the event giving rise to the possible loss or gain is not considered sufficiently certain. This item is disclosed by way of a note to the accounts.

Costs Payable to the Pension Fund and any Payments to Pensioners (Pensions IAS 19) - These are appropriated to the Comprehensive Income and Expenditure Account from the Pensions Reserve, to replace all IAS 19 debits and credits, so that they remain, as previously, the actual amount to be met from government grants and local taxation.

Council Tax - The local tax payable on most residential properties in a local authority's area, in the year. Properties are valued within eight valuation bands (A-H), which determines the amount of council tax payable. See band D equivalents.

Creditors- Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the date of the Balance Sheet.

Current Assets - An asset which will be consumed or realised in the next accounting period e.g. short-term investments, inventories, short term debtors, cash and cash equivalents.

Current Liabilities - An amount which will be payable or could be called in within the next accounting period e.g. creditors, provision for accumulated absences, finance leases payable less than 1 year, cash overdrawn, and borrowing payable less than 1 year.

Current Service Cost (Pensions IAS 19) This represents the increase in present value of the scheme's liabilities expected to arise from employee service in the current period.

Debtors – These are sums of money due to the Council that have not been received at the date of the Balance Sheet.

Discount Rate – A calculation using a specified discount rate to estimate the present value of a future liability.

Depreciation – is provided for on all Property, Plant and Equipment. Depreciation is the measure of the wearing out, consumption, or other reduction in the useful economic life of a non-current asset, whether arising from use, effluxation of time or obsolescence through technological or other changes.

DWP – Department for Work and Pensions

Exceptional Items – These are material items in terms of the authority's overall net expenditure which derive from events or transactions which are not expected to recur frequently or regularly that fall within the ordinary activities of the authority. They are disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Extraordinary Items - Material items which derive from events or transactions that fall outside the ordinary activities of the authority. It would be rare for an item to be classified as extraordinary and would only be likely where ultra vires transactions occur.

External Audit - The independent examination of the accounts of local authorities. The Mid Sussex audit is carried out by the Ernst &Young LLP.

Fair Value – Fair value is the price at which an asset could be exchanged in an arm's length transaction, less any grants receivable towards the purchase or use of the asset.

Finance Lease - A lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. Other types of lease are termed "operating leases".

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. This covers both financial simple assets and financial liabilities e.g. trade debtors and trade creditors. In its most complex form these include derivatives and embedded derivatives.

Gains and Losses on Settlements (Pensions IAS 19) - An irrecoverable action that relieves the employer of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. This also is charged to Non Distributed Costs.

General Fund Balance- The main revenue fund of a billing authority. Day-to-day spending on services is met from the fund.

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

Impairment – Impairment occurs when an asset has been re-valued and the valuation is downward. It is caused by a consumption of economic benefits (e.g. physical damage, or deterioration in the quality of service provided by the asset) or a general fall in prices.

Infrastructure Assets – Non-current assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways, footpaths and culverts.

Intangible Assets – Intangible assets are defined as "non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events

Interest Cost (Pensions IAS 19) – The expected increase during the year in the present value of the schemes liabilities because the benefits are one year closer to settlement.

International Financial Reporting Standard (IFRS) – 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 the other entities.

Minimum Revenue Provision (MRP) – is the minimum amount which must be charged to an Authority's revenue account each year and set aside as provision for credit liabilities, under the Local Government and Housing Act 1989.

National Non-Domestic Rates (NNDR) - Nationally set tax charged on the rateable value of non-domestic properties (also known as business rates). The rate is set by the CLG. The proceeds are pooled nationally and redistributed as a fixed amount per head of resident population.

Net Book Value (NBV)- is the amount at which non-current assets are included in the Balance Sheet, e.g. historical cost or current value less cumulative depreciation.

Net Realisable Value (NRV) – is the existing use value of the non-current asset less any expenses incurred in realising the asset.

Non-current Assets (formally Fixed Assets) – Tangible assets that yield benefits to the local authority and the services it provides for more than one accounting year, e.g. land buildings, vehicles, vehicles plant and equipment, infrastructure assets and Community Assets. Collectively these are now referred to as Property Plant and Equipment.

Operating Lease – is a lease other than a Finance Lease. A type of lease, usually of computer equipment, office equipment, furniture etc., which is similar to renting. Ownership of the asset must remain with the lessor for a lease to be classed as an operating lease.

Past Service Costs (Pensions IAS 19) - The increase or decrease in the present value of the scheme liabilities related to employee service in prior periods, as a result of the introduction of or improvement to retirement benefits or changes in indexation. This is charged or credited within the net cost of services under Non Distributed costs in the Comprehensive Income and Expenditure Account. Discretionary Pension benefits awarded on early retirement are treated as past service costs.

Pension Fund - An employees' pension fund maintained by an authority, or group of authorities, to make pension payments on retirement of participants; it is financed from contributions from the employing authority, the employee and investment income. This Council contributes to the West Sussex Pension Fund.

Precept - The levy made by West Sussex County Council and Police & Crime Commissioner for Sussex on the Collection Fund, and Parish and Town Councils on the General Fund, for their net expenditure requirements.

Provisions and Reserves - Amounts set aside in one year to cover expenditure in the future. Provisions are for liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain. Reserves are amounts set aside which do not fall within the definition of provisions and include general reserves (or "balances") which every authority must maintain as a matter of prudence. This Council has established the General Reserve, and the Specific Reserve. These are further described in the Statement of Accounts.

Rateable Value (RV) - A value of all non-domestic properties subject to rating, to which rate pound ages are applied to arrive at a rate payable. The value is based on a notional rent that the property could be expected to yield after deducting the cost of repairs.

Related Parties – Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, all senior officers from Heads of Service and above and the Pension Fund. For individuals identified as related parties, the following are also presumed to be related parties:-

- Members of the close family, or the same household; and
- Partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

Reserves - See Provisions and Reserves.

Return on Plan Assets (IAS 19) is interest, dividends and other income derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less:

a) Any costs of managing plan assets, and
b) Any tax payable by the plan itself, other than tax included in the actuarial assumptions used to measure the present value of the defined benefit obligation.

Revaluation Reserve – This Reserve records the accumulated gains on the non-current assets held by the Council resulting from inflationary increases in values or upward revaluations resulting from other factors.

Revenue Expenditure – is expenditure on the day-to-day running of Council services. E.g. employee costs, premises costs, transport costs and supplies and services.

Revenue Expenditure Funded From Capital Under Statute (REFCUS) – Expenditure 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 & Expenditure Statement.

Service Reporting Code of Practice (SeRCOP) – This is Cifpa's authoritive guide that establishes proper practices with regard to consistent financial reporting for services in local authorities.

Surplus – is where income exceeds expenditure.

Transitional Relief – Scheme whereby the Council Tax is reduced for properties which would otherwise have seen a large increase in the Council Tax bill in comparisons with the actual 1992/93 community charge bill for the particular property.

MID SUSSEX DISTRICT COUNCIL

Auditor’s Opinion and Certificate

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MID SUSSEX DISTRICT COUNCIL

Opinion on the Authority's financial statements

We have audited the financial statements of Mid Sussex District Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- and the related notes 1 to 45, including the Authority Expenditure and Funding Analysis.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

Respective responsibilities of the Head of Corporate Resources and auditor

As explained more fully in the Statement of the Head of Corporate Resources Responsibilities set out on page 4, the Head of Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Corporate Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Mid Sussex District Council as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Conclusion on Mid Sussex District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether the Mid Sussex District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Mid Sussex District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Mid Sussex District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the accounts of Mid Sussex District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Paul King
for and on behalf of Ernst & Young LLP, Appointed Auditor Southampton
28 September 2017

The following foot note should be added to the audit report when it is published or distributed electronically:
The maintenance and integrity of the **Mid Sussex District Council** web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
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