

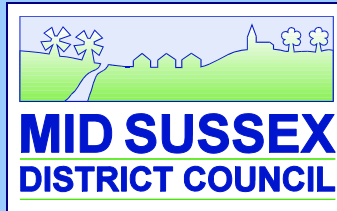


# Statement of Accounts 2017– 2018 (Unaudited Version)



31 May 2018



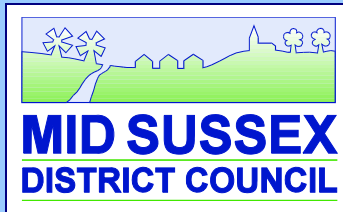


# Statement of Accounts for the Year Ended 31 March 2018 (unaudited)

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**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) 2017/18 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

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 local authority Code;

The Head of Corporate Resources has also:

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

I declare that the Statement of Accounts presents a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2018. I confirm that the date of this declaration is the date up to which events have been considered for inclusion within the Authority's Statement of Accounts, and are therefore authorised for issue.

P Stuart FCPFA  
Head of Corporate Resources  
31 May 2018

### **Approval for the Statement of Accounts**

Cllr J Belsey  
Chairman Audit Committee  
Xx July 2018

## 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 2017/18, supported by International Financial Reporting Standards (IFRS), and are in respect of the financial year ended 31 March 2018.

The pages that follow are the Authority's Accounts for 2017/18. 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 statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and 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 'unusable reserves'. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

**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 are 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.

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 2017/18 was reported to Cabinet on 8 May 2018.

During the year, Cabinet received five 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 2018.

In summary, increased income levels experienced in 2017/18 and Mid Sussex's embedded culture of seeking efficiencies, have both contributed to this year's underspend of £418,000, the majority of which has been transferred to Earmarked Reserves, leaving a balance of £6,000 to return to General Reserve.

This outturn position is set out in the table overleaf.

### Interest

Interest receipts for the year totalled £345,000; being £35,000 more 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 under spend position means that no interest was required to support the outturn. Therefore, a net total of £344,000 was transferred to General Reserve.

### Specific Items and Reserves

Specific items financed from the Specific Reserves and General Reserve totalled £21,188,000. Of this total £13,985,000 relates to the earmarking of General Reserve for some specific uses. As part of Outturn Report 2017/18 Members agreed that the Land and Property Specific Reserve is increased by £4m. This is to reflect a long term commitment to the Council's financial strategy to purchase a number of income generating assets to support the Council in its policy of being financially independent. In addition, £4m has been transferred to a Temporary Accommodation Specific Reserve to support work to secure better accommodation for vulnerable families through investing in assets with long term value whilst reducing the revenue strain for the Council. £5m has been transferred to the Oaklands Improvement Specific Reserve to allow the funding of improvements given the Council's long term commitment to the Centre and its development. The balance of £985,000 relates to a £250,000 contribution to support leisure improvements, and £735,000 relates to pooling of Strategic Access Management and Monitoring (SAMM) funding as part of the joint SAMM Strategy. Further detail is contained in the Outturn Report 2017/18 to Cabinet 8<sup>th</sup> May 2018.

The largest utilisation of General Reserve amounted to £665,000 to finance the Capital Programme, whilst the largest utilisation of Specific Reserve amounted to £2,528,000 in the Rates Retention Scheme Equalisation Reserve, which is used to smooth out any variations during the year.

In addition, just over £25,000,000 has been transferred into Reserves, (£19,760,000 to Specific Reserve [of which £13,985,000 is explained above] and £5,565,000 to General Reserve). The largest contributions to General Reserve in the year include:

- £4,408,000 grant relating to New Homes Bonus allocation
- £561,000 being the annual contribution budgeted to be paid to General Reserve, to fund the Authority's Major Capital Renewals programme
- £345,000 interest receipts generated mainly from treasury management activity
- £106,000 received to fund future costs of Suitable Alternative Green Space (SANG).

Overall there has been a net increase of £4,150,000 in the level of the General Fund Balance as at 31 March 2018. Further details are contained within the Transfers to /from Earmarked Specific Reserves, Note 7 to the accounts, and are also set out in the Appendix C of the Outturn Report to Cabinet 8 May 2018.



## Outturn Summary

## Reconciliation of Outturn to Statement of

Revenue Expenditure 2017/18	Estimate*	Actual	Variation**	Transfer	Other	Total Net Cost of
				to/from	Adjustments #	Services (CIES
Service Area	2017/18	2017/18	2017/18	Reserves	2017/18	EFA Note 1)
	£'000	£'000	£'000	2017/18	£'000	2017/18
				£'000		£'000
Housing	1,142	1,203	61	95	0	1,298
Planning Policy & Economic Development	612	612	0	(242)	(1)	369
Development Management	614	393	(221)	36	1	430
Cleansing Services	2,694	2,643	(51)	(241)	(165)	2,237
Parking Services	(1,226)	(1,268)	(42)	42	3	(1,223)
Landscapes and Leisure	973	909	(64)	(179)	2	732
Policy and Performance	675	645	(30)	(50)	5	600
Community Services	494	470	(24)	73	1	544
Corporate Estates and Facilities	(1,443)	(1,413)	30	(383)	1,892	96
Finance Accountancy	(14)	(43)	(29)	130	0	87
Finance Corporate	1,506	1,479	(27)	18	1	1,498
Revenues & Benefits	1,887	1,970	83	205	83	2,258
Customer Services and Communications	0	5	5	3	(1)	7
ICT	(21)	(16)	5	176	0	160
Human Resources & Payroll	0	25	25	87	1	113
Legal Services	0	(48)	(48)	0	1	(47)
Democratic Services	919	919	0	(40)	33	912
Land Charges	139	113	(26)	0	(1)	112
Planning & Building Control Support	0	(15)	(15)	0	15	0
Environmental Health	1,024	993	(31)	50	(1)	1,042
Building Control	338	291	(47)	0	(5)	286
Strategic Core	1,044	1,134	90	156	10	1,300
Benefits	(119)	(119)	0	(288)	0	(407)
Drainage levies	1	1	0	0	0	1
Balance Unallocated	12	0	(12)	0	0	0
<b>Council Net Expenditure</b>	<b>11,251</b>	<b>10,883</b>	<b>(368)</b>	<b>(352)</b>	<b>1,874</b>	<b>12,405</b>
Less:						
Drainage levies				0	(1)	(1)
<b>Total excluding drainage levies</b>	<b>11,251</b>	<b>10,883</b>	<b>(368) ***</b>	<b>(352)</b>	<b>1,873</b>	<b>12,404</b>
Contribution to Reserves employees	50	50				
Contribution to Rate Relief Equal. Reserve	200	200				
Contribution to ICT Reserve	600	600				
Contribution to Burgess hill Growth Reserve	500	500				
Contribution to Economic & Community Development Reserve	220	220				
less transfer to Specific Reserves (previously reported)		62	62			
	12,821	12,515	(306)			12,404
less proposed utilisation of Revenue Underspend		300	300			
<b>Total</b>	<b>12,821</b>	<b>12,815</b>	<b>(6) ****</b>			<b>12,404</b>

\* Includes approved variations including utilisation of Balance Unallocated

\*\* Variations are explained in the Outturn Report to Cabinet on 8 May 2018.

\*\*\* Total after requests for carry forward of budgets (£50k) but before transfers to Specific Reserves approved during 17/18 (£62k).

\*\*\*\* Total underspend after previously reported (£62k) and proposed (£300k) 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.

**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 £3,477,000 including £1,129,000 relating to non-programmed projects which are projects that do not form part of the planned Capital Programme. This was £925,000 less than the updated 2017/18 programme of £4,402,000. (When excluding these non-programmed projects, the outturn total is £2,348,000, which is £2,054,000 less than the updated 2017/18 programme of £4,402,000). Included in this year's variation, is slippage of projects totalling £2,045,000. Of this slippage, £171,000 relates to ICT Projects, and £1,591,000 relates to Corporate Estates and Facilities projects including Major Capital Renewals schemes and £270,000 relates to Disabled Facilities Grants. These amounts have been rolled over and added to the Capital Programme for 2018/19.

<b>Capital Expenditure 2017/18</b>	
<b>Property, Plant and Equipment</b>	<b>2017/18</b>
<b>Land and Buildings</b>	<b>£</b>
Oaklands Office	119,948
Leisure Centres	636,976
Pavilions	27,871
Car Parks	392,503
<b>Land and Buildings</b>	<b>1,177,298</b>
<b>Plant / Vehicles / Equipment</b>	
Playground and Skaepark Equipment	160,900
Green Waste Wheeled Bins	36,720
ICT Hardware	25,002
<b>Plant / Vehicles / Equipment</b>	<b>222,622</b>
<b>Total Property, Plant and Equipment (Note 12)</b>	<b>1,399,920</b>
<b>Intangible Assets (Note 15)</b>	
Software and software licences	42,280
<b>Investment Property (Note 14)</b>	
The Orchards Shopping Centre	165,500
Other Investment Property and Industrial Estate Buildings	326,442
	491,942
<b>Revenue Expenditure funded from Capital Under Statute</b>	
Housing - Disabled Facilities Grants (DFG)	713,674
Other expenditure	828,969
<b>Total REFCUS Expenditure</b>	<b>1,542,643</b>
<b>Total Capital Expenditure</b>	<b>3,476,785</b>
<b>Financed by:</b>	
General Reserve	665,213
Earmarked Specific Reserve	1,312,032
<b>Total General Fund Balances</b>	<b>1,977,245</b>
<b>Government Grants, Contributions &amp; Section 106s RIA</b>	<b>1,187,462</b>
<b>Capital Grants Unapplied Account</b>	<b>312,078</b>
<b>Total</b>	<b>3,476,785</b>

Usable capital receipts for 2017/18 totalled £10,062 (Note 6). Other contributions received in 2017/18 totalled £1,263,788 (Note 11 Grant Income – Capital Grants and Contributions Receipts in Advance), as shown below:





Time Limited Section 106 agreements & Local Authority contributions	£299,047
Disabled Facilities Grant (contribution from WSCC)	£964,741

The available year-end balance of Usable Capital Receipts is £1,323,344 (MIRS), Capital Grants Unapplied Account is £5,324,019 (MIRS) and Section 106 Contributions and Capital Grants Receipts in Advance is £7,240,961 (Note 11).

### 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. The table below shows the summary comparative information as at the end of December 2017.

Quarter 3	 Green	 Amber	 Red	 Health check	Total
2017/18	32 (76%)	5 (12%)	5 (12%)	13	55
2016/17	29 (74%)	4 (10%)	6 (15%)	10	49

#### Employees

The number of employees has remained the same as last year at 277 full time equivalents. This number is expected to reduce by approximately 40 due to the disaggregation of the Census partnership. 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 2017/18 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 2018/19 by Cabinet.

### 4. Local Taxpayers

During the year, the Authority collected £97,587,535 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 £9,182,875 of this was passed on to the other authorities. The collection rate for the year was 98.7% of the total amount due and most of the remainder will be collected in the first few months of 2018/19.

### 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 £29,287,000 as at 31 March 2018, from £28,348,101 as at 31 March 2017. This is mainly due to the change in financial assumptions used by the actuary at 31 March 2018. 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 35.

### 6. Other Significant items

Other items are disclosed in the Notes to the Accounts, Note 3.

### 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 the outstanding loans are repaid from capital receipts arising from the sale of land during 2018/19 or refinanced over the short term if receipts are not available.

## 9. Provisions

### **NNDR Provision for Appeals**

At 31 March 2018 there is a provision of £3,762,753 relating to outstanding appeals to the Rateable Value, as detailed in the Collection Fund Section 4. The Authority's share of this is £1,505,101 (40%) as detailed in Note 24.

### **Termination Benefits Provision**

At 31 March 2018 there is a provision of £270,381 relating to 6 officers, as detailed in the Exit Package Note 31, of which £70,870 is met by our CenSus partners.

### **Employee Benefits Accrual**

Under the Code, the council is required to accrue for any annual leave or flexitime earned but not taken at 31 March each year. At 31 March 2018 this amounts to a £138,381 provision.

### **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 Mesothelioma claims there is the potential for the scheme of arrangement to be triggered. As at 31 March 2018, 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 2017/18, mainly from the receipt of New Homes Bonus (NHB) grant (£4,412,902) and investment interest (£615,151).

The Authority's level of General Fund Balances held at 31 March 2018 stands at £6,853,655. At Outturn, the Cabinet agreed to earmark sums for investing in property, temporary accommodation and an entertainment facility in Haywards Heath and these now form specific reserves. These reserves will enable us to invest in revenue generating assets to improve income whilst offering a prudent level of protection against any economic downturn that may affect service delivery.

## 12. Business Rates Retention Scheme (RRS)

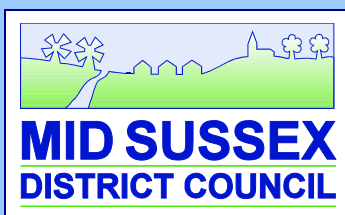
The income from Business Rates is part of our core funding now and is showing signs of increasing slightly as the economy improves. However, our approach to this is very prudent and given the length of time that elapses between setting a budget and knowing the outturn for the year, we have been reluctant 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 2020/21. 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. In the meantime we are anticipating the Fair Funding Review which has the potential to amend the Council's funding via Business Rates.

### **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 1 June 2018 to 12 July 2018. 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](mailto:Peter.Stuart@midsussex.gov.uk)), and the Chief Accountant, Cathy Craigen 01444 477384 ([Cathy.Craigen@midsussex.gov.uk](mailto: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.



## **Financial Statements**

## Comprehensive Income and Expenditure Statement

restated 2016/17 Gross Expenditure £	restated 2016/17 Gross Income £	restated 2016/17 Net Expenditure £		2017/18 Gross Expenditure £	2017/18 Gross Income £	2017/18 Net Expenditure £
<b>Business Unit Net Expenditure (Note 1)</b>						
1,409,435	(246,390)	1,163,045	Housing	1,635,514	(258,125)	<b>1,377,389</b>
1,238,022	(565,209)	672,813	Planning Policy	1,017,140	(570,655)	<b>446,485</b>
1,773,257	(1,346,769)	426,488	Development Management	2,086,060	(1,443,702)	<b>642,358</b>
4,731,903	(1,975,889)	2,756,014	Cleansing Services	5,059,564	(2,347,701)	<b>2,711,863</b>
1,610,546	(2,674,548)	(1,064,002)	Parking Services	1,763,243	(2,723,144)	<b>(959,901)</b>
3,928,940	(1,993,120)	1,935,820	Landscapes & Leisure	5,186,080	(2,070,822)	<b>3,115,258</b>
1,013,123	(371,846)	641,277	Policy & Performance	1,036,885	(341,858)	<b>695,027</b>
644,730	(649)	644,081	Community Leisure	564,674	(1,650)	<b>563,024</b>
1,876,321	(355,414)	1,520,907	Corporate Estates & Facilities	1,270,771	(457,811)	<b>812,960</b>
(4,970)	0	(4,970)	Finance Accountancy	172,604	0	<b>172,604</b>
468,883	(13,246)	455,637	Finance Corporate	2,881,416	(14,362)	<b>2,867,054</b>
2,464,531	(438,194)	2,026,337	Revenues & Benefits	2,802,130	(422,286)	<b>2,379,844</b>
9,260	(8,910)	350	Customer Services & Communications	84,898	(4,164)	<b>80,734</b>
588,625	5	588,630	ICT	484,618	(70)	<b>484,548</b>
177,907	(3,511)	174,396	Human Resources & Payroll	163,715	0	<b>163,715</b>
95,386	(107,959)	(12,573)	Legal Services	148,002	(135,662)	<b>12,340</b>
923,078	(2,319)	920,759	Democratic Services	972,740	(2,213)	<b>970,527</b>
374,099	(182,530)	191,569	Land Charges	330,951	(170,061)	<b>160,890</b>
2,011,837	(989,361)	1,022,476	Environmental Health	2,256,578	(1,036,295)	<b>1,220,283</b>
845,157	(552,916)	292,241	Building Control	957,131	(548,509)	<b>408,622</b>
1,291,128	0	1,291,128	Strategic Core	1,518,848	0	<b>1,518,848</b>
33,994,986	(34,121,718)	(126,732)	Benefits	33,592,071	(33,998,794)	<b>(406,723)</b>
61,466,184	(45,950,493)	15,515,691	<b>Net Cost of Services</b>	65,985,633	(46,547,884)	<b>19,437,749</b>
3,574,691	0	3,574,691	<b>Other Operating Expenditure (Note 8)</b>	3,786,344	0	<b>3,786,344</b>
1,577,217	(6,247,081)	(4,669,864)	<b>Financing &amp; Investment Income/Expenditure (Note 9)</b>	3,098,699	(3,420,779)	<b>(322,080)</b>
0	(22,579,687)	(22,579,687)	<b>Taxation &amp; Non-Specific Grant Income (Note 10)</b>	0	(23,251,023)	<b>(23,251,023)</b>
<b>66,618,092</b>	<b>(74,777,261)</b>	<b>(8,159,169)</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>72,870,676</b>	<b>(73,219,686)</b>	<b>(349,010)</b>
		(4,666,918)	(Surplus)/ Loss arising on revaluation of Property, Plant, Equipment assets (Note 26a)			<b>(1,206,853)</b>
		319,417	(Surplus)/ Loss arising on revaluation of Available-for-Sale Financial Assets (Note 26d)			<b>(265,274)</b>
		1,833,874	Actuarial (gains) / losses on pension fund assets and liabilities (Note 35)			<b>(3,110,242)</b>
		<b>(2,513,627)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(4,582,369)</b>
		<b>(10,672,796)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(4,931,379)</b>

## Movement In Reserves Statement

	General Fund Reserves	Usable Capital Receipts	Capital Grants Unapplied Account	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£	£	£	£	£	£
<b>Balance at 1 April 2017</b>	<b>(23,430,866)</b>	<b>(1,313,633)</b>	<b>(4,833,082)</b>	<b>(29,577,581)</b>	<b>(81,612,765)</b>	<b>(111,190,346)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(349,010)</b>	<b>0</b>	<b>0</b>	<b>(349,010)</b>	<b>(4,582,369)</b>	<b>(4,931,379)</b>
Adjustments between accounting basis and funding basis under regulation (Note 6)	(3,787,859)	(9,711)	(490,937)	(4,288,507)	4,288,507	0
<b>Increase / Decrease in Year</b>	<b>(4,136,869)</b>	<b>(9,711)</b>	<b>(490,937)</b>	<b>(4,637,517)</b>	<b>(293,862)</b>	<b>(4,931,379)</b>
<b>Balance at 31 March 2018</b>	<b>(27,567,735)</b>	<b>(1,323,344)</b>	<b>(5,324,019)</b>	<b>(34,215,098)</b>	<b>(81,906,627)</b>	<b>(116,121,725)</b>
<b>General Fund Balances</b>	<b>(6,853,655)</b>					
<b>Earmarked Specific Reserves</b>	<b>(20,714,080)</b>					
<b>General Fund Reserves balance at 31 March 2018 (Note 7)</b>	<b>(27,567,735)</b>					

	General Fund Reserves	Usable Capital Receipts	Capital Grants Unapplied Account	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£	£	£	£	£	£
<b>Balance at 1 April 2016</b>	<b>(19,773,178)</b>	<b>(1,260,654)</b>	<b>(3,335,328)</b>	<b>(24,369,160)</b>	<b>(76,148,390)</b>	<b>(100,517,550)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(8,159,169)</b>	<b>0</b>	<b>0</b>	<b>(8,159,169)</b>	<b>(2,513,627)</b>	<b>(10,672,796)</b>
Adjustments between accounting basis and funding basis under regulation (Note 6)	4,501,481	(52,979)	(1,497,754)	2,950,748	(2,950,748)	0
<b>Increase / Decrease in Year</b>	<b>(3,657,688)</b>	<b>(52,979)</b>	<b>(1,497,754)</b>	<b>(5,208,421)</b>	<b>(5,464,375)</b>	<b>(10,672,796)</b>
<b>Balance at 31 March 2017</b>	<b>(23,430,866)</b>	<b>(1,313,633)</b>	<b>(4,833,082)</b>	<b>(29,577,581)</b>	<b>(81,612,765)</b>	<b>(111,190,346)</b>
<b>General Fund Balances</b>	<b>(15,954,726)</b>					
<b>Earmarked Specific Reserves</b>	<b>(7,476,140)</b>					
<b>General Fund Reserves balance at 31 March 2017 (Note 7)</b>	<b>(23,430,866)</b>					



## Balance Sheet

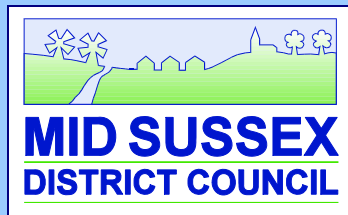
31 March 2017		31 March 2018
£		£
88,176,038	Land and Buildings	88,189,465
1,183,436	Vehicles, Plant & Equipment	796,557
2,514,357	Infrastructure Assets	2,347,613
20,275	Community Assets	20,278
0	Assets Under Construction	0
131	Surplus Assets	300
<u>91,894,237</u>	<b>Property, Plant &amp; Equipment</b>	<u>91,354,213</u>
836,751	Heritage Assets	836,751
44,842,700	Investment Properties	43,935,111
151,026	Intangible Assets	109,486
10,585,915	Long Term Investments	9,851,190
45,072	Long Term Debtors	38,502
<u>148,355,701</u>	<b>Long Term Assets</b>	<u>146,125,253</u>
24,145,542	Short Term Investments	21,164,545
3,703,919	Short Term Debtors	4,133,168
5,624,511	Cash & Cash Equivalents	6,550,310
<u>33,473,972</u>	<b>Current Assets</b>	<u>31,848,023</u>
0	Bank Overdraft	(40,527)
(8,589,224)	Creditors	(10,608,719)
(2,765,077)	Provisions	(1,924,117)
(157,602)	Finance Lease Payable Less 1 Year	0
<u>(15,172,727)</u>	Borrowing Payable Less 1 Year	<u>(5,179,724)</u>
<u>(26,684,630)</u>	<b>Current Liabilities</b>	<u>(17,753,087)</u>
(7,908,801)	Capital Grants & Contributions Receipts In Advance	(7,240,961)
0	Finance Lease Payable Longer 1 Year	0
(7,697,795)	Borrowing Payable Longer 1 Year	(7,570,503)
<u>(28,348,101)</u>	Liability related to Defined Benefit Pension Scheme	<u>(29,287,000)</u>
<u>(43,954,697)</u>	<b>Long Term Liabilities</b>	<u>(44,098,464)</u>
<u>111,190,346</u>	<b>Net Assets</b>	<u>116,121,725</u>
(15,954,726)	General Fund Balances	(6,853,655)
(7,476,140)	Earmarked Specific Reserve	(20,714,080)
(1,313,633)	Usable Capital Receipts Reserve	(1,323,344)
(4,833,082)	Capital Grants Unapplied Account	(5,324,019)
<u>(29,577,581)</u>	<b>Usable Reserves</b>	<u>(34,215,098)</u>
(45,868,859)	Revaluation Reserve	(46,377,978)
(65,976,746)	Capital Adjustment Account	(64,357,769)
(17,688)	Deferred Capital Receipts Reserve	(17,126)
414,085	Available-for-Sale Financial Instruments Reserve	148,811
28,348,101	Pensions Reserve	29,287,000
1,337,968	Collection Fund Adjustment Account	(727,946)
150,374	Accumulated Absences Account	138,381
<u>(81,612,765)</u>	<b>Unusable Reserves</b>	<u>(81,906,627)</u>
<u>(111,190,346)</u>	<b>Total Reserves</b>	<u>(116,121,725)</u>



P Stuart, CPFA  
Head of Corporate Resources  
31 May 2018

## Cash Flow Statement

2016/17 £		Note	2017/18 £
8,159,169	<b>Net surplus / (deficit) on the provision of services</b>	CIES	<b>349,010</b>
859,047	Adjustments to net surplus or deficit on the provision of services for non cash movement	28	<b>8,221,170</b>
(1,868,588)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	28	<b>(1,999,977)</b>
<u>7,149,628</u>	<b>Net cash flows from Operating Activities</b>	28	<b>6,570,203</b>
(27,194,167)	Purchase of property, plant and equipment, investment property and intangible assets		<b>(2,468,910)</b>
(44,000,000)	Purchase of short-term and long-term investments		<b>(23,000,000)</b>
52,979	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		<b>10,062</b>
32,000,000	Proceeds of short-term and long-term investments		<b>27,000,000</b>
<u>3,833,390</u>	Capital grants and S106 contributions received		<b>1,322,637</b>
<u>(35,307,798)</u>	<b>Investing Activities</b>		<b>2,863,789</b>
22,000,000	Cash receipts of short-term and long-term borrowing		<b>5,000,000</b>
(152,594)	Cash payments for the reduction of the outstanding liabilities relating to finance leases		<b>(157,602)</b>
(116,338)	Repayments of short-term and long-term borrowing		<b>(15,121,692)</b>
<u>892,844</u>	Other payments for financing activities		<b>1,730,574</b>
<u>22,623,912</u>	<b>Financing Activities</b>		<b>(8,548,720)</b>
<u>(5,534,258)</u>	<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>885,272</b>
11,158,769	Cash and cash equivalents at 1 April	21	<b>5,624,511</b>
<u>5,624,511</u>	Cash and cash equivalents at 31 March	21	<b>6,509,783</b>
<u>(5,534,258)</u>	Movement in year increase / (decrease)		<b>885,272</b>



## Notes to the Accounts

## 1. Expenditure and Funding Analysis

	2017/18	2017/18	2017/18	2017/18	2017/18	2017/18
<b>Business Unit</b>	<b>Net Expenditure Chargeable to the General Fund Balances</b>	<b>Adjustments for Capital purposes (Note a)</b>	<b>Net change for the Pensions adjustments (Note b)</b>	<b>Other Differences (Note c)</b>	<b>Total Adjustments between the Funding and Accounting Basis</b>	<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>
	£	£	£	£	£	£
Housing	1,298,416	0	79,744	(771)	78,973	1,377,389
Planning Policy	368,780	0	75,596	2,109	77,705	446,485
Development Management	430,134	0	215,223	(2,999)	212,224	642,358
Cleansing Services	2,237,155	432,673	47,469	(5,434)	474,708	2,711,863
Parking Services	(1,222,867)	132,976	128,303	1,687	262,966	(959,901)
Landscapes & Leisure	732,054	2,282,936	96,224	4,044	2,383,204	3,115,258
Policy & Performance	600,495	0	91,520	3,012	94,532	695,027
Community Services	543,633	0	19,392	(1)	19,391	563,024
Corporate Estates & Facilities	95,911	644,586	70,997	1,466	717,049	812,960
Finance Accountancy	87,230	0	88,368	(2,994)	85,374	172,604
Finance Corporate	1,497,834	0	1,369,220	0	1,369,220	2,867,054
Revenues & Benefits	2,257,867	15,688	111,271	(4,982)	121,977	2,379,844
Customer Services & Communications	7,183	0	73,158	393	73,551	80,734
ICT and Digital	160,134	212,253	112,769	(608)	324,414	484,548
Human Resources & Payroll	112,595	0	53,233	(2,113)	51,120	163,715
Legal Services	(47,590)	0	60,283	(353)	59,930	12,340
Democratic Services	911,608	13,650	48,416	(3,147)	58,919	970,527
Land Charges	112,044	26,532	22,160	154	48,846	160,890
Environmental Health	1,041,823	0	176,678	1,782	178,460	1,220,283
Building Control	286,329	0	125,656	(3,363)	122,293	408,622
Strategic Core	1,299,841	0	218,882	125	219,007	1,518,848
Benefits	(406,723)	0	0	0	0	(406,723)
<b>Net Cost of Services</b>	<b>12,403,886</b>	<b>3,761,294</b>	<b>3,284,562</b>	<b>(11,993)</b>	<b>7,033,863</b>	<b>19,437,749</b>
Town & Parish Precepts and Levies	3,775,722	0	0	0	0	3,775,722
Net gain/loss on disposal of non current assets	0	10,271	0	0	10,271	10,271
Payment to Housing Capital Receipts Pool	0	351	0	0	351	351
Net interest receivable	(463,666)	0	0	0	0	(463,666)
Net interest on pension net defined benefit liability	0	0	764,579	0	764,579	764,579
Investment Properties	(2,031,140)	1,408,147	0	0	1,408,147	(622,993)
Capital grants and contributions unapplied credited to the CIES	(230,360)	(803,015)	0	0	(803,015)	(1,033,375)
Council Tax Income	(13,068,079)	0	0	(77,116)	(77,116)	(13,145,195)
Business Rates Income	(199,301)	0	0	(1,988,798)	(1,988,798)	(2,188,099)
Non-ringfenced government grants	(6,884,354)	0	0	0	0	(6,884,354)
Capital Expenditure financed from revenue balances	1,977,245	(1,977,245)	0	0	(1,977,245)	0
S106 funding assets	203,884	(203,884)	0	0	(203,884)	0
Statutory provision for payment of debt, Minimum Revenue Provision	379,294	(379,294)	0	0	(379,294)	0
<b>Other Income and Expenditure (Notes 8, 9, 10)</b>	<b>(16,540,755)</b>	<b>(1,944,669)</b>	<b>764,579</b>	<b>(2,065,914)</b>	<b>(3,246,004)</b>	<b>(19,786,759)</b>
<b>(Surplus)/Deficit for year</b>	<b>(4,136,869)</b>	<b>1,816,625</b>	<b>4,049,141</b>	<b>(2,077,907)</b>	<b>3,787,859</b>	<b>(349,010)</b>
<b>Opening General Fund Reserves</b>	<b>(23,430,866)</b>					
<b>Plus/ less Surplus or Deficit on General Fund Balance in Year</b>	<b>(4,136,869)</b>					
<b>Closing General Fund Reserves</b>	<b>(27,567,735)</b>					

The Net Expenditure Chargeable to the General Fund Balances shown above is 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 2018 with columns showing transfers to reserves and other adjustments. The columns showing the Adjustments between the Funding and Accounting Basis give details of the adjustments to reach the total Net Expenditure in the CIES. These adjustments are also shown in Note 6.

#### 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.

	restated 2016/17	restated 2016/17	restated 2016/17	restated 2016/17	restated 2016/17	restated 2016/17
<b>Business Unit</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
		Adjustments for Capital purposes (Note a)	Net change for the Pensions adjustments (Note b)	Other Differences (Note c)	Total Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
Housing	1,143,510	0	16,089	3,446	19,535	1,163,045
Planning Policy	657,397	2,154	18,114	(4,852)	15,416	672,813
Development Management	379,095	0	47,691	(298)	47,393	426,488
Cleansing Services	2,414,169	329,651	12,320	(126)	341,845	2,756,014
Parking Services	(1,290,773)	201,085	26,618	(932)	226,771	(1,064,002)
Landscapes & Leisure	654,086	1,263,777	20,369	(2,412)	1,281,734	1,935,820
Policy & Performance	624,299	0	22,037	(5,059)	16,978	641,277
Community Services	648,814	0	6,338	(11,071)	(4,733)	644,081
Corporate Estates & Facilities	148,183	1,360,360	11,548	816	1,372,724	1,520,907
Finance Accountancy	(30,771)	4,005	22,350	(554)	25,801	(4,970)
Finance Corporate	1,612,271	0	(1,156,634)	0	(1,156,634)	455,637
Revenues & Benefits	1,968,323	15,689	37,295	5,030	58,014	2,026,337
Customer Services & Communications	(10,930)	0	16,974	(5,694)	11,280	350
ICT and Digital	334,463	218,364	27,045	8,758	254,167	588,630
Human Resources & Payroll	163,519	0	12,572	(1,695)	10,877	174,396
Legal Services	(26,534)	0	14,542	(581)	13,961	(12,573)
Democratic Services	896,579	13,650	10,557	(27)	24,180	920,759
Land Charges	156,837	30,618	4,445	(331)	34,732	191,569
Environmental Health	990,985	0	38,072	(6,581)	31,491	1,022,476
Building Control	266,485	0	27,618	(1,862)	25,756	292,241
Strategic Core	1,245,690	0	45,705	(267)	45,438	1,291,128
Benefits	(126,732)	0	0	0	0	(126,732)
<b>Net Cost of Services</b>	<b>12,818,965</b>	<b>3,439,353</b>	<b>(718,335)</b>	<b>(24,292)</b>	<b>2,696,726</b>	<b>15,515,691</b>
Town & Parish Precepts and Levies	3,591,541	0	0	0	0	3,591,541
Net gain/loss on disposal of non current assets	0	(16,850)	0	0	(16,850)	(16,850)
Net interest receivable	(490,006)	0	0	0	0	(490,006)
Net interest on pension net defined benefit liability	(3,543)	0	910,668	0	910,668	907,125
Investment Properties	(1,568,560)	(3,518,355)	0	(68)	(3,518,423)	(5,086,983)
Capital grants and contributions unapplied credited to the CIES	(69,708)	(1,571,490)	0	0	(1,571,490)	(1,641,198)
Council Tax Income	(12,604,103)	0	0	22,680	22,680	(12,581,423)
Business Rates Income	(1,768,516)	0	0	219,072	219,072	(1,549,444)
Non-ringfenced government grants	(6,807,622)	0	0	0	0	(6,807,622)
Capital Expenditure financed from revenue balances	2,914,700	(2,914,700)	0	0	(2,914,700)	0
S106 funding assets	60,232	(60,232)	0	0	(60,232)	0
Statutory provision for payment of debt, Minimum Revenue Provision	268,932	(268,932)	0	0	(268,932)	0
<b>Other Income and Expenditure (Notes 8, 9, 10)</b>	<b>(16,476,653)</b>	<b>(8,350,559)</b>	<b>910,668</b>	<b>241,684</b>	<b>(7,198,207)</b>	<b>(23,674,860)</b>
<b>(Surplus)/Deficit for year</b>	<b>(3,657,688)</b>	<b>(4,911,206)</b>	<b>192,333</b>	<b>217,392</b>	<b>(4,501,481)</b>	<b>(8,159,169)</b>
<b>Opening General Fund Reserves</b>	<b>(19,773,178)</b>					
<b>Plus/ less Surplus or Deficit on General Fund Balance in Year</b>	<b>(3,657,688)</b>					
<b>Closing General Fund Reserves</b>	<b>(23,430,866)</b>					

## 2. Expenditure and Income analysed by nature

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

<b>Expenditure / Income</b>	2017/18 £	restated 2016/17 £
<b>Expenditure</b>		
Employee benefits expenses	16,405,531	11,715,999
Benefits (CIES)	33,592,071	33,994,986
Premises, Transport, Supplies & Services, Third Party Payments REFCUS (Narrative Report Note 2)	12,091,403	12,482,347
Investment Property expenditure (Note 14)	1,542,643	1,110,017
Investment property revaluations (net decreases) (Note 14)	774,488	572,576
Support service recharges	1,408,147	0
Depreciation, amortisation (Note 12, Note 15)	(83,665)	(119,802)
Impairment (Note 17)	2,227,667	2,395,743
Interest payments (Note 18)	974,562	794,019
Precepts and levies (Note 8)	151,485	97,516
Payments to Housing Capital Receipts Pool (Note 8)	3,775,722	3,591,541
Net (Gain)/Loss on the disposal of assets (Note 8)	351	0
<b>Total Expenditure</b>	<b>72,870,676</b>	<b>66,618,092</b>
<b>Income</b>		
Fees, charges and other service income	(11,565,512)	(10,951,082)
Interest and dividend income (Note 18)	(615,151)	(587,522)
Investment property income (Note 14)	(2,805,628)	(2,141,204)
Investment property revaluations (net increases) (Note 14)	0	(3,518,355)
Income from council tax and non-domestic rates (Note 10)	(15,333,294)	(14,130,867)
Housing Benefit Gross Income (CIES)	(33,998,794)	(34,121,718)
Government grants and contributions (Note 10, Note 11)	(8,901,307)	(9,326,513)
<b>Total Income</b>	<b>(73,219,686)</b>	<b>(74,777,261)</b>
<b>(Surplus) / deficit on the Provision of Services</b>	<b>(349,010)</b>	<b>(8,159,169)</b>

## 3. Material Items of Income and Expense

For the purposes of this note, the Authority considers materiality as £1,300,000, based on 2% of 2017/18 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 2017/18 the material items are:

- The receipt of New Homes Bonus of £4,412,902 as detailed in Note 10 Taxation and Non-Specific Grant Income and Expenditure.
- The receipt of £2,031,140 relating to the net rental income from Investment Property as detailed in Note 14 Investment Properties.
- The net decreases in the fair value of the Investment Properties of £1,408,147 as detailed in Note 14 Investment Properties.

## 4. Events After The Reporting Period

The Statement of Accounts was authorised for issue by the Head of Corporate Resources on 31 May 2018. 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 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.



## 5. Prior Period Adjustments

There are no prior period adjustments.

## 6. Adjustments between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the 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.



2017/18	General Fund Balance £	Capital Receipts Reserve £	Capital Grants Unapplied Account £
<b>Adjustments to the Revenue Resources</b>			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Pension costs (transferred to/from the Pensions Reserve, Note 26(e))	(4,049,141)	0	0
Council tax and NDR (transfers to or from Collection Fund Adjustment Account (Note 26(f)))	2,065,914	0	0
Holiday pay (transferred to the Accumulated Absences Account (Note 26 (g)))	11,993	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	(2,143,848)	0	0
Revaluation losses on Property Plant and Equipment	(974,562)	0	0
Movements in the fair value of Investment Properties	(1,408,147)	0	0
Amortisation of intangible assets	(83,819)	0	0
Capital grants and contributions applied	1,187,462	0	0
Revenue expenditure funded from capital under statute	(1,542,643)	0	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(19,771)	0	0
Capital grants and contributions unapplied credited to the CIES	803,015	0	(803,015)
<b>Total Adjustments to Revenue Resources</b>	<b>(6,153,547)</b>	<b>0</b>	<b>(803,015)</b>
<b>Adjustments between Revenue and Capital Resources</b>			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	9,500	(9,500)	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(351)	351	0
Statutory provision for the payment of debt (transfer to the Capital Adjustment Account)	379,294	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,977,245	0	0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>2,365,688</b>	<b>(9,149)</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>			
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0
Application of capital grants to finance capital expenditure	0	0	312,078
Cash payments in relation to deferred capital receipts	0	(562)	0
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>(562)</b>	<b>312,078</b>
<b>Total Adjustments on MIRS</b>	<b>(3,787,859)</b>	<b>(9,711)</b>	<b>(490,937)</b>

2016/17	General Fund Balance £	Capital Receipts Reserve £	Capital Grants Unapplied Account £
<b>Adjustments to the Revenue Resources</b>			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Pension costs (transferred to/from the Pensions Reserve, Note 26(e))	(192,333)	0	0
Council tax and NDR (transfers to or from Collection Fund Adjustment Account (Note 26(f)))	(241,752)	0	0
Holiday pay (transferred to the Accumulated Absences Account (Note 26 (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 268(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)
<b>Total Adjustments to Revenue Resources</b>	<b>1,264,850</b>	<b>0</b>	<b>(1,571,490)</b>
<b>Adjustments between Revenue and Capital Resources</b>			
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 to 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
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>3,236,631</b>	<b>(52,999)</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>			
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
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>20</b>	<b>73,736</b>
<b>Total Adjustments on MIRS</b>	<b>4,501,481</b>	<b>(52,979)</b>	<b>(1,497,754)</b>

## 7. 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 2017/18. 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 2017/18, to Cabinet on 8 May 2018.

Specific Reserve	Balance at 1 April 2016 £	Transfers In 2016/17 £	Transfers Out 2016/17 £	Balance at 31 March 2017 £	Transfers In 2017/18 £	Transfers Out 2017/18 £	Balance at 31 March 2018 £
Housing	(199,267)	(67,656)	30,122	(236,801)	(4,281,804)	108,689	<b>(4,409,916)</b>
Planning Policy & Economic Development	(643,414)	(1,003,709)	587,525	(1,059,598)	(1,610,968)	355,602	<b>(2,314,964)</b>
Development Management	(82,637)	(14,645)	24,723	(72,559)	(5,485)	57,124	<b>(20,920)</b>
Parking	0	(95,126)	0	(95,126)	(23,513)	65,126	<b>(53,513)</b>
Cleansing Services	(23,919)	(50,000)	20,583	(53,336)	(161,330)	24,688	<b>(189,978)</b>
Landscapes & Leisure *	(722,004)	(600,000)	667,024	(654,980)	(572,000)	670,687	<b>(556,293)</b>
Policy & Performance	(70,000)	(72,243)	0	(142,243)	(50,000)	0	<b>(192,243)</b>
Community Services	(130,807)	0	59,617	(71,190)	(220,000)	73,088	<b>(218,102)</b>
Corporate Estates & Facilities	(408,151)	(100,000)	153,669	(354,482)	(6,000,000)	1,043,781	<b>(5,310,701)</b>
Finance Accountancy	(6,516)	(4,500)	0	(11,016)	(4,500)	10,000	<b>(5,516)</b>
Finance Corporate	(403,828)	(2,102,000)	1,187,915	(1,317,913)	(4,200,001)	942,905	<b>(4,575,009)</b>
CenSus Revenues & Benefits	(369,136)	(50,000)	45,882	(373,254)	0	126,787	<b>(246,467)</b>
ICT	(489,343)	(204,655)	555,190	(138,808)	(600,000)	405,834	<b>(332,974)</b>
Human Resources & Payroll	(11,855)	(7,214)	14,680	(4,389)	(7,162)	8,760	<b>(2,791)</b>
Democratic Services	(121,094)	(84,096)	69,261	(135,929)	(75,429)	35,463	<b>(175,895)</b>
Land Charges	(17,229)	0	0	(17,229)	0	15,229	<b>(2,000)</b>
Planning Service Support	(25,000)	0	0	(25,000)	0	0	<b>(25,000)</b>
Environmental Health	0	0	0	0	(50,000)	50,000	<b>0</b>
Corporate Funds	(2,642,513)	(629,145)	559,371	(2,712,287)	(1,897,510)	2,527,999	<b>(2,081,798)</b>
<b>Specific Reserve Total</b>	<b>(6,366,713)</b>	<b>(5,084,989)</b>	<b>3,975,562</b>	<b>(7,476,140)</b>	<b>(19,759,702)</b>	<b>6,521,762</b>	<b>(20,714,080)</b>
<b>General Fund Balances</b>	<b>(13,406,465)</b>	<b>(6,394,134)</b>	<b>3,845,873</b>	<b>(15,954,726)</b>	<b>(5,565,373)</b>	<b>14,666,444</b>	<b>(6,853,655)</b>
	<b>(19,773,178)</b>	<b>(11,479,123)</b>	<b>7,821,435</b>	<b>(23,430,866)</b>	<b>(25,325,075)</b>	<b>21,188,206</b>	<b>(27,567,735)</b>

\* Landscapes & Leisure is a regrouping of Emergency & Outdoor Services 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 Housing Specific Reserve included £4,000,000 to the Temporary Accommodation Reserve as approved in the Outturn Report 2017/18 to help secure better accommodation for vulnerable families.
- The transfers to Planning Policy Specific Reserve included £500,000 to help meet planning legal consultant costs as part of the Burgess Hill housing and employment growth work, as approved in the Corporate Plan and Budget Report 2017/18. Also, £971,791 relates to SAMM contributions.
- The transfers to Corporate Estates and Facilities Specific Reserve included £5,000,000 to the Orchards Improvement Reserve as approved in the Outturn Report 2017/18 to enable the Orchards Centre to be updated for the next decade and change in shoppers' habits.
- The transfers to Finance Corporate Specific Reserve included £4,000,000 to the Land and Property Reserve as approved in the Outturn Report 2017/18 to enable further land and property investments to generate a revenue stream.
- The transfers to Corporate Funds Planning Policy Specific Reserve included £1,609,788 to the Rate Retention Scheme Equalisation of which £1,370,217 relates to DCLG grants and £200,000 relates to the budgeted 2017/18 Corporate Plan contribution. £2,527,999 has been utilised including £1,098,373 NNDR3 levy accruals and £1,386,476 Revenue Budget financing.

**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.

## 8. Other Operating Expenditure

	2017/18 £	2016/17 £
Town and Parish Council precepts	3,774,844	3,581,497
Levies	878	10,044
Payments to Government Housing Capital Receipts Pool (Note 6)	351	0
Net (gains)/losses on the disposal of non-current assets	10,271	(16,850)
<b>Total</b>	<b>3,786,344</b>	<b>3,574,691</b>

## 9. Financing and Investment Income and Expenditure

	2017/18 £	2016/17 £
Interest payable and similar charges (Note 18)	151,485	97,516
Net interest on the net defined benefit liability/(asset) (Note 35)	764,579	907,125
Interest receivable and similar income (Note 18)	(615,151)	(587,522)
Income and expenditure for Investment Properties (Note 14)	(2,031,140)	(1,568,628)
Movement in fair value of Investment Properties (Note 14)	1,408,147	(3,518,355)
<b>Total</b>	<b>(322,080)</b>	<b>(4,669,864)</b>

## 10. Taxation and Non-Specific Grant Income and Expenditure

	2017/18 £	2016/17 £
Revenue Support Grant	(128,360)	(845,250)
Transition Grant	(144,811)	(145,327)
Housing Benefits Administration Grant	(281,655)	(287,922)
New Burden Council Tax Reform & Business Rates Scheme	(91,127)	(94,127)
New Homes Bonus	(4,412,902)	(4,433,728)
Individual Electoral Registration Grant	(32,549)	(41,641)
Various DWP New Burden Grants	(60,148)	(70,706)
Small Business, Empty Property and Business Rate Reliefs	(1,421,788)	(621,413)
Local Council Tax New Burdens	(11,726)	(5,897)
Transparency Code Set Up Grant	(8,103)	(8,103)
Property Searches New Burdens Grant	(23,629)	(7,705)
Community Housing Fund	0	(46,806)
Self Build & Custom Housebuilding Grant	(30,000)	(20,850)
Brownfield Register New Burden Grant	(5,485)	(14,645)
Homelessness Grants	(230,804)	0
Other New Burdens Grants	(1,267)	(3,502)
Neighbourhood Planning Grant	0	(160,000)
Non-ringfenced government grants	(6,884,354)	(6,807,622)
Council Tax Income (Collection Fund)	(13,145,195)	(12,581,423)
Retained Business Rates (Collection Fund)	(2,188,099)	(1,549,444)
Capital Grants and S106 Receipts (Note 11)	(1,033,375)	(1,641,198)
<b>Total credited to Taxation and Non Specific Grant Income</b>	<b>(23,251,023)</b>	<b>(22,579,687)</b>

## 11. Grant Income

The authority credited the following grants and contributions within the Net Cost of Service in the Comprehensive Income and Expenditure Statement in 2017/18. 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 10.

	2017/18	2016/17
	£	£
DWP Housing Benefit Subsidy	(32,044,911)	(32,481,480)
DWP Universal Credit	0	(17,267)
Disabled Facilities Grant Contribution from WSCC	(964,741)	(676,558)
Council Tax Collection Administration	(1,244)	(2,087)
WSCC Contribution- Civil Parking Enforcement/Controlled Parking Zone	(134,366)	(130,015)
WSCC Contribution- Recycling Credits	(1,058,025)	(803,537)
WSCC Contribution- Watercourses	(12,500)	(12,500)
WSCC Contribution - Microbusiness Grant	(59,541)	(11,859)
WSCC Partnerships	(54,035)	(375,791)
WSCC Public Health	(284,685)	0
WSCC Rough Sleepers Grant	(21,000)	0
NNDR Cost of Collection contribution	(172,939)	(175,070)
New River contribution to Martlets Relocation	(125,000)	0
Other	(6,828)	(16,570)
<b>Total Credited to Services</b>	<b>(34,939,815)</b>	<b>(34,702,734)</b>

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:

<b>Grants Receipts in Advance- Revenue Grants</b>	2017/18	2016/17
	£	£
Non HRA Subsidy	0	(5,597)
Discretionary Housing Payments	0	(21,380)
Mid Sussex Partnership	(88,373)	(82,291)
Healthy Walks	(420)	(427)
Balance at 31 March	<b>(88,793)</b>	<b>(109,695)</b>

### 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.

	2017/18	2016/17
	£	£
Balance at 1 April	(7,908,801)	(5,891,000)
Received in year	(1,263,787)	(3,101,677)
Applied to CIES for Capital Financing	1,187,462	920,657
Applied to CIES-transfer to Unapplied Capital Grant Account	719,524	159,745
Applied to CIES for revenue financing	24,641	3,474
Balance at 31 March	<b>(7,240,961)</b>	<b>(7,908,801)</b>

The year-end balance is for £6,808,582 Time Limited Section 106 receipts and £432,379 Local Authority contributions.

## 12. 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

The main elements of the depreciation charge are for Leisure Centres and Community Halls, £1,165,234 (£1,293,597 in 2016/17), for Other Buildings, £202,240 (£202,609 in 2016/17), and for ICT and Playground Equipment, £443,589 (£475,952 in 2016/17).

### Capital Commitments

At 31 March 2018, the Authority has authorised expenditure for the construction or enhancement of Property, Plant and Equipment which in 2018/19 - 2021/22 is budgeted to cost £3,737,000. Similar commitments at 31 March 2017 were £2,690,000. The commitments are as follows:

Scheme	2018/19 £	2019/20 £	2020/21 £	2021/22 £	Total £
<b>Council Chamber Modernisation</b>	300,000	0	0	0	300,000
<b>Mount Noddy Pavilion - extension &amp; alterations</b>	250,000	0	0	0	250,000
<b>Worlds End Recreation Grounds Refurbishment</b>	290,000	0	0	0	290,000
<b>Upgrade pay and display machines</b>	179,000	0	0	0	179,000
<b>Major Capital Renewals</b>	694,000	229,000	179,000	271,000	1,373,000
<b>ICT</b>	522,000	150,000	30,000	30,000	732,000
<b>Other Schemes including playground equipment &amp; infrastructure</b>	514,000	99,000	0	0	613,000
<b>Total</b>	<u>2,749,000</u>	<u>478,000</u>	<u>209,000</u>	<u>301,000</u>	<u>3,737,000</u>

At 31 March 2018 the Authority's outstanding contractual commitments for the construction or enhancement Of Property, Plant and Equipment were £159,873 (nil as at 31 March 2017).

### Effects of Changes in Estimates

In 2017/18, the Authority made no material changes to its accounting estimates for Property, Plant and Equipment.



## Section 3

2017/18	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
	£	£	£	£	£	£	£	£
<b>Cost or valuation</b>								
At 1 April 2017	90,364,207	6,404,178	4,101,289	20,275	0	131	<b>100,890,080</b>	1,817,402
Additions	1,177,298	222,622	0	0	0	0	<b>1,399,920</b>	0
Revaluation increase/(decrease) recognised in the Revaluation Reserve	(153,209)	0	8,439	4	0	169	<b>(144,597)</b>	0
Revaluation increase/(decrease) recognised in the Surplus/Deficit on the Provision of Services	(1,408,904)	0	0	0	0	0	<b>(1,408,904)</b>	0
Derecognition - disposals	(11,460)	(63,260)	0	(1)	0	0	<b>(74,721)</b>	0
Other movements in cost or valuation	(8,616)	0	0	0	0	0	<b>(8,616)</b>	0
<b>At 31 March 2018</b>	<b>89,959,316</b>	<b>6,563,540</b>	<b>4,109,728</b>	<b>20,278</b>	<b>0</b>	<b>300</b>	<b>100,653,162</b>	<b>1,817,402</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2017	(2,188,169)	(5,220,742)	(1,586,932)	0	0	0	<b>(8,995,843)</b>	(1,659,800)
Depreciation Charge	(1,367,474)	(601,191)	(175,183)	0	0	0	<b>(2,143,848)</b>	(157,602)
Depreciation written out to the Revaluation Reserve	1,351,450	0	0	0	0	0	<b>1,351,450</b>	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	434,342	0	0	0	0	0	<b>434,342</b>	0
Derecognition - disposals	0	54,950	0	0	0	0	<b>54,950</b>	0
<b>At 31 March 2018</b>	<b>(1,769,851)</b>	<b>(5,766,983)</b>	<b>(1,762,115)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(9,298,949)</b>	<b>(1,817,402)</b>
<b>Net Book Value At 31 March 2018</b>	<b>88,189,465</b>	<b>796,557</b>	<b>2,347,613</b>	<b>20,278</b>	<b>0</b>	<b>300</b>	<b>91,354,213</b>	<b>0</b>
<b>Net Book Value At 31 March 2017</b>	<b>88,176,038</b>	<b>1,183,436</b>	<b>2,514,357</b>	<b>20,275</b>	<b>0</b>	<b>131</b>	<b>91,894,237</b>	<b>157,602</b>

## Section 3

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



## Revaluations

The Authority has a rolling programme for revaluation that ensures 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 2017 are set out in a valuation certificate and report.

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 (EUUV). For specialised operational properties, depreciated replacement cost (DRC) is used. Further information is in the Statement of Accounting Policies Note 38(q) Property, Plant and Equipment and Note 38(y) Fair Value Measurement.

An impairment review was conducted for 31 March 2018, 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	<b>6,563,540</b>	<b>4,109,728</b>	<b>20,278</b>	<b>0</b>	<b>0</b>	<b>10,693,546</b>
Valued at fair value in:							
<b>2017/18</b>	<b>72,138,734</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>300</b>	<b>72,139,034</b>
2016/17	3,938,791	0	0	0	0	0	3,938,791
2015/16	7,262,516	0	0	0	0	0	7,262,516
2014/15	2,173,993	0	0	0	0	0	2,173,993
2013/14	4,445,282	0	0	0	0	0	4,445,282
Cost or Valuation	<b>89,959,316</b>	<b>6,563,540</b>	<b>4,109,728</b>	<b>20,278</b>	<b>0</b>	<b>300</b>	<b>100,653,162</b>

## 13. Heritage Assets

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

	Historic Buildings £	Art Collection and furniture £	Civic Regalia £	Total Assets £
<b>Cost or valuation</b>				
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
<b>At 31 March 2017</b>	<b>700,101</b>	<b>131,050</b>	<b>5,600</b>	<b>836,751</b>
<b>Cost or valuation</b>				
At 1 April 2017	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
<b>At 31 March 2018</b>	<b>700,101</b>	<b>131,050</b>	<b>5,600</b>	<b>836,751</b>

#### 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](http://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 (Gorrings, 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 (Gorrings, 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 2017/18.

## 14. 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.

	2017/18 £	2016/17 £
Rental income from investment property	<b>(2,805,628)</b>	(2,141,204)
Direct operating expenses arising from investment property	<b>774,488</b>	572,576
Net (gain) / loss	<b>(2,031,140)</b>	<b>(1,568,628)</b>

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:

	2017/18 £	2016/17 £
Balance at 1 April	<b>44,842,700</b>	15,645,981
Additions:		
Purchases	<b>252,000</b>	25,678,364
Subsequent expenditure	<b>239,942</b>	0
Disposals	<b>0</b>	0
Net gains/(losses) from fair value adjustments	<b>(1,408,147)</b>	3,518,355
Transfers:		
to/from Property, Plant and Equipment	<b>8,616</b>	0
Balance at 31 March	<b>43,935,111</b>	<b>44,842,700</b>

### Purchases

In 2017/18 the Authority purchased the leasehold interest in 29 Paddockhall Road, Haywards Heath for £252,000, and the leasehold interest in a Flat in The Orchards Shopping Centre for £165,500.

In 2016/17 the Authority made 3 purchases:- 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 38(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 2017 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 main changes are for the Orchards Shopping Centre which has been revalued downwards by £2,809,300, due to tenant incentives, and Victoria Road Industrial Estate, Burgess Hill which has been revalued upwards by £1,095,710.

An impairment review was conducted for 31 March 2018, by Wilkes Head Eve LLP, with no further adjustments needed to the asset values.

There were no disposals recorded for 2017/18 or for 2016/17.

## 15. 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 £83,819 charged to revenue in 2017/18 (£94,064 in 2016/17) was charged to the appropriate Business Unit in the Net Cost of Services.

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

	2017/18	2016/17
	£	£
Balance at 1 April		
Gross carrying amounts	866,877	847,506
Accumulated amortisation	(715,851)	(621,787)
Net carrying amount at 1 April	151,026	225,719
Purchases	42,280	19,371
Disposals (NBV)	(1)	0
Amortisation for the year	(83,819)	(94,064)
Net carrying amount at end of year	109,486	151,026
Comprising:		
Gross carrying amounts	853,540	866,877
Accumulated amortisation	(744,054)	(715,851)
Balance at 31 March	109,486	151,026

## 16. 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.

	2017/18	2016/17
	£	£
Opening Capital Financing Requirement	25,736,413	1,283,375
<b>Capital Investment</b>		
Operational Assets and Assets Under Construction (Note 12)	1,399,920	1,823,311
Investment Assets (Note 14)	491,942	25,678,364
Intangible Assets (Note 15)	42,280	19,371
Revenue expenditure funded from capital under statute (Note 6)	1,542,643	1,110,017
<b>Source of Finance</b>		
Capital Receipts (Note 6)	0	0
Government Grant, WSCC Contribution, Sect 106 receipts in advance (Note 6)	(1,187,462)	(920,657)
Capital Grants Unapplied Account (Note 6)	(312,078)	(73,736)
Capital expenditure financed from revenue balances (Note 6)	(1,977,245)	(2,914,700)
Statutory provision for the payment of debt-MRP from revenue (Note 6)	(379,294)	(268,932)
<b>Closing Capital Financing Requirement</b>	<b>25,357,119</b>	<b>25,736,413</b>
<b>Explanation of Movement in Year</b>		
Increase / (Decrease) in underlying need to borrow (unsupported by Government financial assistance)	(379,294)	24,453,038
<b>Increase/ (Decrease) in Capital Financing Requirement</b>	<b>(379,294)</b>	<b>24,453,038</b>

As part of the purchase of the head lease of The Orchards Shopping Centre the Authority entered into borrowing in November 2016. Further details are given in the Narrative Report Note 8.

### Capitalisation of Borrowing Costs

At 31 March the Authority has no capitalised borrowing costs.

## 17. Impairment Losses

During 2017/18, the Authority has recognised impairment losses of £2,616,848 and credits of £1,642,286 to give a net loss of £974,562 as part of the revaluation for 1 April 2017, 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 £1,098,569, with the impairment credits shown on the Landscapes and Leisure Business Unit line in the Comprehensive Income and Expenditure Statement,
- An impairment loss of £1,066,511 for Clair Hall, an impairment loss of £461,138 for Martlets Hall and impairment loss of £209,361 for Martlets Mult Storey Car Park have been changed to the Landscapes and Leisure Business Unit line in the Comprehensive Income and Expenditure Statement,
- An impairment loss of £190,382 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 38(q), and Property, Plant and Equipment Note 12.

## 18. Financial Instruments

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

	Long Term		Current	
	31 March 2018 £	31 March 2017 £	31 March 2018 £	31 March 2017 £
<b>Investments</b>				
Loans and receivables	4,000,000	5,000,000	21,164,545	24,145,542
Available-for-Sale Financial Assets	5,851,190	5,585,915	0	0
<b>Total Investments</b>	<b>9,851,190</b>	<b>10,585,915</b>	<b>21,164,545</b>	<b>24,145,542</b>
<b>Debtors</b>				
Loans and receivables	38,502	45,072	1,546,518	1,071,910
Cash and Cash Equivalents	0	0	6,550,310	5,624,511
<b>Total Debtors</b>	<b>38,502</b>	<b>45,072</b>	<b>8,096,828</b>	<b>6,696,421</b>
<b>Borrowings</b>				
Financial Liabilities at amortised cost	(7,570,503)	(7,697,795)	(5,179,724)	(15,172,727)
<b>Total Borrowings</b>	<b>(7,570,503)</b>	<b>(7,697,795)</b>	<b>(5,179,724)</b>	<b>(15,172,727)</b>
<b>Other Long Term Liabilities</b>				
Finance lease liabilities	0	0		
<b>Total Other Long Term Liabilities</b>	<b>0</b>	<b>0</b>		
<b>Creditors</b>				
Cash (Overdraft)	0	0	(40,527)	0
Financial Liabilities	0	0	(1,399,942)	(2,040,694)
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>(1,440,469)</b>	<b>(2,040,694)</b>

### 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. The short term borrowing of £5,000,000 matures on 19 November 2018. 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 2017/18 £	Financial Assets: Loans and receivables 2017/18 £	Financial Assets: Available-for-Sale 2017/18 £	Total 2017/18 £
Interest expense (Note 9)	151,485	0	0	151,485
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>151,485</b>	<b>0</b>	<b>0</b>	<b>151,485</b>
Interest income, dividend income (Note 9)	0	(345,561)	(269,590)	(615,151)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(345,561)</b>	<b>(269,590)</b>	<b>(615,151)</b>
Gain on revaluation (Note 26 (d))	0	0	(265,274)	(265,274)
<b>Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>(265,274)</b>	<b>(265,274)</b>
<b>Net (gain)/loss for the year</b>	<b>151,485</b>	<b>(345,561)</b>	<b>(534,864)</b>	<b>(728,940)</b>

	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 9)	97,516	0	0	97,516
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>97,516</b>	<b>0</b>	<b>0</b>	<b>97,516</b>
Interest income, dividend income (Note 9)	0	(342,896)	(244,626)	(587,522)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(342,896)</b>	<b>(244,626)</b>	<b>(587,522)</b>
<b>Net (gain)/loss for the year</b>	<b>97,516</b>	<b>(342,896)</b>	<b>(244,626)</b>	<b>(490,006)</b>
Losses on revaluation (Note 26 (d))	0	0	319,417	319,417
<b>Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>319,417</b>	<b>319,417</b>
<b>Net (gain)/loss for the year</b>	<b>97,516</b>	<b>(342,896)</b>	<b>74,791</b>	<b>(170,589)</b>

### 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 2018 £	Fair Value 31 March 2018 £	Amortised Cost 31 March 2017 £	Fair Value 31 March 2017 £
<b>Financial Liabilities</b>				
Borrowing	(12,750,227)	(12,880,682)	(22,870,522)	(23,040,026)
Other liabilities	(1,440,470)	(1,440,470)	(2,198,296)	(2,198,296)
<b>Financial Assets</b>				
Money market investments greater than 1 year	4,000,000	4,015,570	5,000,000	5,142,211
Available-for-sale financial assets- CCLA Property Fund	5,851,190	5,851,190	5,585,915	5,585,915
Money market investments less than 1 year	21,164,545	21,129,272	24,145,542	24,135,484
Cash Equivalents less than 1 month	6,550,000	6,602,746	5,620,000	5,631,902
Other assets	1,585,330	1,585,330	1,121,493	1,121,493

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 38 (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.

#### Overall procedures for managing risk

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 annual Treasury Management Strategy Statement and Annual Investment Strategy. 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 2017/18 was approved by the Authority on 29 March 2017 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 investments of £31,550,000 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 2018 that this was likely to crystallise.

The following analysis summarises 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 2018 £	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2018 %	Estimated maximum exposure to default and uncollectability at 31 March 2018 £	Estimated maximum exposure at 31 March 2017 £
Customers	<b>1,070,602</b>	<b>0.6</b>	<b>0.6</b>	<b>18,170</b>	<b>17,037</b>
<b>Total</b>	<b>1,070,602</b>	<b>0.6</b>	<b>0.6</b>	<b>18,170</b>	<b>17,037</b>

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 £1,070,602 is past its due date for payment (£931,796 at 31 March 2017) and is analysed by age as follows:

	31 March 2018 £	31 March 2017 £
Less than three months	<b>875,846</b>	627,497
Three to six months	<b>9,494</b>	170,397
Six months to one year	<b>32,350</b>	36,253
Greater than one year	<b>152,912</b>	97,649
<b>Total</b>	<b>1,070,602</b>	<b>931,796</b>

### 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 2018 £ 000	31 March 2017 £ 000
Less than one year	27,550	29,620
Between one and two years	4,000	5,000
Between two and three years	0	0
<b>Total</b>	<b>31,550</b>	<b>34,620</b>
Local Authority Property Fund	6,000	6,000
<b>Total</b>	<b>37,550</b>	<b>40,620</b>

### 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 2018 %	Actual at 31 March 2018 £ 000	Actual at 31 March 2017 %	Actual at 31 March 2017 £ 000
Less than 1 year	30	50	41	5,175	45	10331
Between 1 and 2 years	0	40	1	133	22	5127
Between 2 and 5 years	25	70	58	7,438	32	7418
Between 5 and 10 years	0	10	0	0	1	153
More than 10 years	0	0	0	0	0	0
<b>Total</b>			100	<b>12,746</b>	100	<b>23,029</b>

### 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure 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 2018, if interest rates had been 1% higher with all other variable held constant, the financial effect would be:

	£000
Increase in Interest payable on variable borrowings	<u>0</u>
Increase in Interest receivable on variable investments	<u>84</u>
Increase in Surplus or deficit on the Provision of Services	<u>84</u>
Decrease in fair value of fixed rate investment assets Impact on Other Comprehensive Income and Expenditure	<u>175</u>
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)	<u>271</u>

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 Cost.

#### b) Price Risk

The Authority does not invest in equity shares and does not have shareholdings in joint ventures or local industry. The Council holds £6,000,000 in the Local Authorities' Property Fund and the value varies. However this is classified as an Available-for-Sale asset, meaning that all movements in price will impact on gains and losses recognised in the Available-for-Sale Reserve.

#### 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.

### 19. Long Term Debtors

	1 April 2016	Advances in year	Repayments	31 March 2017	Advances in year	Repayments	31 March 2018
	£	£	£	£	£	£	£
Mortgages	17,668	0	20	17,688	0	(562)	17,126
Personal Loan Scheme	21,920	15,000	(9,536)	27,384	3,000	(9,008)	21,376
	<u>39,588</u>	<u>15,000</u>	<u>(9,516)</u>	<u>45,072</u>	<u>3,000</u>	<u>(9,570)</u>	<u>38,502</u>

## 20. Debtors

	31 March 2018 £	31 March 2018 £	31 March 2017 £	31 March 2017 £
<b>Amounts falling due within one year</b>				
Central Government Departments		945,290		1,012,134
Other Local Authorities		413,118		122,073
Other Entities and Individuals	5,956,771		5,858,970	
less Allowance for general Bad Debts	(2,339,567)		(2,333,196)	
less Allowance for Collection Fund Bad Debts	(842,444)		(956,062)	
Net Debtors for Other Entities and Individuals		2,774,760		2,569,712
<b>Total</b>		<b>4,133,168</b>		<b>3,703,919</b>

## 21. 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 2018 £	31 March 2017 £
Cash held by the Authority	310	310
Bank current accounts	(40,527)	4,201
Cash Equivalents	6,550,000	5,620,000
	<b>6,509,783</b>	<b>5,624,511</b>

## 22. Assets Held for Sale

The Authority has no assets held for sale at 31 March 2018 or for 31 March 2017.

## 23. Creditors

	31 March 2018 £	31 March 2017 £
Government Departments	(4,166,193)	(2,175,111)
Other Local Authorities	(3,611,342)	(3,176,054)
Other entities and individuals	(2,831,184)	(3,238,059)
	<b>(10,608,719)</b>	<b>(8,589,224)</b>

## 24. Provisions

The provisions held at 31 March 2018 are as follows:

- £138,381 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.
- £270,381 for Termination Benefits Provision. Further details are set out in Note 31.
- £1,505,101 NNDR Appeals Outstanding Provision, MSDC share, further detail is in the Collection Fund Section 4.

	1 April 2016 £	Movement in Year £	31 March 2017 £	Movement in Year £	31 March 2018 £
Employee Benefits Provision	(174,735)	24,361	(150,374)	11,993	(138,381)
MMI Provision	(10,254)	0	(10,254)	0	(10,254)
Termination Benefits Provision	(39,500)	39,500	0	(270,381)	(270,381)
Business Rates Appeals Provision	(1,791,555)	(812,894)	(2,604,449)	1,099,348	(1,505,101)
	<u>(2,016,044)</u>	<u>(749,033)</u>	<u>(2,765,077)</u>	<u>840,960</u>	<u>(1,924,117)</u>

## 25. Usable Reserves

All movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Note 6. Also, full details of the movements in Earmarked Specific Reserve and General Fund Balances are shown in Note 7.

## 26. Unusable Reserves

### (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.

2016/17 £	2016/17 £	Revaluation Reserve	2017/18 £	2017/18 £
	(41,983,337)	<b>Balance at 1 April</b>		<b>(45,868,859)</b>
(5,120,964)		Upward revaluation of assets	<b>(4,760,159)</b>	
454,046		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	<b>3,553,306</b>	
	(4,666,918)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		<b>(1,206,853)</b>
767,339		Difference between fair value depreciation and historical cost depreciation	<b>689,235</b>	
14,057		Accumulated gains on assets sold or scrapped	<b>8,499</b>	
	<u>781,396</u>	Amount written off to the Capital Adjustment Account		<b>697,734</b>
	<u>(45,868,859)</u>	<b>Balance at 31 March</b>		<b>(46,377,978)</b>

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

2016/17 £	2016/17 £	Capital Adjustment Account	2017/18 £	2017/18 £
	(61,834,898)	<b>Balance at 1 April</b>		<b>(65,976,746)</b>
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
2,301,679		Charges for depreciation and impairment of non-current assets	2,143,848	
794,019		Revaluation losses/(gains) on Property, Plant and Equipment	974,562	
94,064		Amortisation of intangible assets	83,819	
1,110,017		Revenue expenditure funded from capital under statute	1,542,643	
36,149		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	19,771	
	4,335,928			4,764,643
	(781,396)	Adjusting amounts written out of the Revaluation Reserve		(697,734)
	3,554,532	Net written out amount of the cost of non-current assets consumed in the year		4,066,909
		Capital financing applied in the year:		
0		Use of the Capital Receipts Reserve to finance new capital expenditure	0	
(2,914,700)		Capital expenditure charged against the General Fund balances	(1,977,245)	
(920,657)		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,187,462)	
(73,736)		Application of grants to capital financing from the Capital Grants Unapplied Account	(312,078)	
(268,932)		Statutory provision for the financing of capital investment charged against the General Fund balance	(379,294)	
	(4,178,025)			(3,856,079)
	(3,518,355)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		1,408,147
	<b>(65,976,746)</b>	<b>Balance at 31 March</b>		<b>(64,357,769)</b>

### (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.

2016/17 £	<b>Deferred Capital Receipts Reserve</b>	2017/18 £
(17,668)	<b>Balance at 1 April</b>	<b>(17,688)</b>
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	<b>0</b>
(20)	Transfer to Capital Receipts Reserve upon receipt of cash	<b>562</b>
<u>(17,688)</u>	<b>Balance at 31 March</b>	<u><b>(17,126)</b></u>

#### (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.

2016/17 £	2016/17 £	<b>Available-for-sale Financial Instruments Reserve</b>	2016/17 £	2016/17 £
	94,668	<b>Balance at 1 April</b>		<b>414,085</b>
0		Upward revaluation of assets	<b>(265,274)</b>	
319,417		Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services		<b>(265,274)</b>
	<u>319,417</u>			
	0	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income		<b>0</b>
	<u>414,085</u>	<b>Balance at 31 March</b>		<u><b>148,811</b></u>

#### (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.



2016/17		Pensions Reserve	2017/18
£			£
26,321,894		<b>Balance at 1 April</b>	<b>28,348,101</b>
1,833,874		Actuarial gains or losses on pensions assets and liabilities	<b>(3,110,242)</b>
2,931,089		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	<b>7,028,807</b>
(2,738,756)		Employer's pensions contributions and direct payments to pensions payable in the year	<b>(2,979,666)</b>
<u>28,348,101</u>		<b>Balance at 31 March</b>	<u><b>29,287,000</b></u>

#### (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.

2016/17		Collection Fund Adjustment Account	2017/18
£			£
1,096,216		<b>Balance at 1 April</b>	<b>1,337,968</b>
22,680		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.	<b>(77,116)</b>
219,072		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.	<b>(1,988,798)</b>
<u>1,337,968</u>		<b>Balance at 31 March</b>	<u><b>(727,946)</b></u>

#### (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.

2016/17	2016/17	Accumulated Absences Account	2017/18	2017/18
£	£		£	£
	174,735	<b>Balance at 1 April</b>		<b>150,374</b>
(174,735)		Settlement or cancellation of accrual made at the end of the preceding year	<b>(150,374)</b>	
<u>150,374</u>		Amounts accrued at the end of the current year	<b>150,374</b>	
	(24,361)	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		<b>(11,993)</b>
	<u>150,374</u>	<b>Balance at 31 March</b>		<u><b>138,381</b></u>

## 27. 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 18 £	Trust Fund	2017/18 Gross Expenditure £	2017/18 Gross Income £	2017/18 Net Expenditure £	2016/17 Net Expenditure £
2,156,500	Beech Hurst Gardens	115,575	(136,607)	(21,032)	14,858
378,674	St.Johns Park	73,386	(65,626)	7,760	9,439
152,100	Fairfield Road Recreation Ground	12,056	(12,032)	24	795
149,885	Richard Worsley Recreation Ground	49,497	(40,382)	9,115	9,037
2	Lucastes Avenue Open Space	351	(351)	0	0
1	West Common Open Space	822	(822)	0	0
145,561	Ashurst Wood Recreation Ground	15,061	(13,565)	1,496	710
1	Brooklands Park	6,376	(6,376)	0	0
164,152	John Pears Recreation Ground	14,750	(14,168)	582	583
<u>3,146,876</u>		<u>287,874</u>	<u>(289,929)</u>	<u>(2,055)</u>	<u>35,422</u>

## 28. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2016/17 £		2017/18 £
(352,295)	Interest received	(326,558)
(230,112)	Dividends received	(269,844)
49,499	Interest paid	150,071

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

2016/17 £		2017/18 £
(2,301,679)	Depreciation	(2,143,848)
(794,019)	Impairment and downward valuations	(974,562)
(94,064)	Amortisation of Intangible Assets	(83,819)
127,254	(Increase) / decrease in impairment for bad debts	107,247
359	(Increase) / decrease in interest creditors	48,756
(169,280)	(Increase) / decrease in creditors	(823,672)
(9,398)	Increase / (decrease) in interest and dividend debtors	18,749
(105,772)	Increase / (decrease) in debtors	316,248
(4,910)	Increase / (decrease) in inventories	0
(48,378)	Adjustments for effective interest rates	(50,170)
(192,333)	Movement in pension liability	(4,049,141)
(749,033)	Contributions (to)/from Provisions	840,960
(36,149)	Carrying amount of non-current assets sold or de-recognised	(19,771)
<u>3,518,355</u>	Movement in Investment Property values	<u>(1,408,147)</u>
<u>(859,047)</u>		<u>(8,221,170)</u>

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

2016/17		2017/18
£		£
1,815,589	Capital grants credited to the surplus or deficit on the provision of services	<b>1,990,477</b>
52,999	Proceeds from the sale of non-current assets	<b>9,500</b>
<u>1,868,588</u>		<u><b>1,999,977</b></u>

## 29. Agency Services

The Authority provides a Civil Parking Enforcement Service (CPE) and Controlled Parking Zone Service (CPZ) on behalf of West Sussex County Council (WSSC). 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 £172,939 in 2017/18 (£175,070 in 2016/17).

	2017/18	2016/17
	£	£
Expenditure incurred in providing a CPE/CPZ service to WSSC	<b>743,031</b>	574,220
Fees and charges	<b>(514,190)</b>	(447,828)
Management fee payable by WSSC	<b>(134,314)</b>	(130,015)
<b>Net (Surplus) / Deficit arising on the agency arrangement</b>	<b>94,527</b>	(3,623)
Government contribution for cost of collection of NNDR	<b>(172,939)</b>	(175,070)
<b>Net (Surplus) / Deficit arising on the agency arrangement</b>	<b>(172,939)</b>	(175,070)

## 30. Members' Allowances

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

	2017/18	2016/17
	£	£
Allowances	<b>374,469</b>	367,620
Expenses	<b>14,915</b>	18,366
Total	<b>389,384</b>	385,986

## 31. Officers' Remuneration

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

		Salary		Compensation for Loss of Office	Pension contributions	Total
		(including fees & Allowances)	Expenses Allowances			
		£	£	£	£	£
Assistant Chief Executive	2017/18	84,254	2,340		16,106	102,700
Assistant Chief Executive	2016/17	80,872	2,053		15,424	98,349
Chief Executive	2017/18	129,775	2,271		24,560	156,606
Chief Executive	2016/17	119,705	1,998		22,637	144,340
Head of Digital and Customer Services	2017/18	81,779	0		15,211	96,990
Head of Digital and Customer Services	2016/17	72,309	0		13,473	85,782
Head of Econ.Promotion & Planning (Note a)	2017/18	0	0		0	0
Head of Econ. Promotion & Planning (Note a)	2016/17	8,892	0		1,654	10,546
Head of Corporate Reources (and S151 Officer)	2017/18	81,920	1,760		15,564	99,245
Head of Corporate Reources (and S151 Officer)	2016/17	79,875	1,555		15,717	97,147
Head of Housing Services (Note b)	2017/18	0	0		0	0
Head of Housing Services (Note b)	2016/17	1,387	0		258	1,645
Head of Leisure & Sustainability (Note c)	2017/18	0	0	0	0	0
Head of Leisure & Sustainability (Note c)	2016/17	35,111	879	81,744	6,694	124,428
Head of Revenues & Benefits (CenSus) (Note d)	2017/18	44,433	1,134	56,000	8,703	110,271
Head of Revenues & Benefits (CenSus)	2016/17	65,990	1,429		12,877	80,296
Head of Regulatory Services (and Monitoring Officer)	2017/18	72,678			13,518	86,196
Head of Regulatory Services (and Monitoring Officer)	2016/17	71,230	0		13,264	84,494

**(Expenses allowances comprise BUPA Medical Insurance payments only)**

Note a: 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 and 2017/18. A subsequent Management restructure has made this post redundant with no costs in 2017/18.

Note b: 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 and 2017/18. A subsequent Management restructure has made this post redundant with no costs in 2017/18.

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

Note d: This post was declared redundant and this employee left the Council on 30 November 2017.

**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):

Remuneration Band	Number of Employees	
	2017/18	2016/17
£130,000 - £134,999	1	0
£125,000 - £129,999	0	0
£120,000 - £124,999	0	1
£115,000 - £119,999	0	1
£110,000 - £114,999	0	0
£105,000 - £109,999	0	0
£100,000 - £104,999	1	0
£95,000 - £99,999	0	0
£90,000 - £94,999	0	0
£85,000 - £89,999	1	1
£80,000 - £84,999	2	2
£75,000 - £79,999	0	0
£70,000 - £74,999	1	2
£65,000 - £69,999	1	1
£60,000 - £64,999	1	1
£55,000 - £59,999	2	2
£50,000 - £54,999	2	2

## 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)		2017/18	2016/17
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	£	£
£100,001 - £150,000	-	-	-	1	-	1	-	101,857
£80,001 - £100,000	-	-	1	2	1	2	82,317	178,613
£60,001 - £80,000	1	-	-	-	1	-	68,440	-
£40,001 - £60,000	-	-	1	1	1	1	56,000	42,763
£20,001 - £40,000	-	-	2	-	2	-	58,699	-
£0,000 - £20,000*	-	-	4	3	4	3	27,684	33,500
	<b>1</b>	<b>-</b>	<b>8</b>	<b>7</b>	<b>9</b>	<b>7</b>	<b>293,140</b>	<b>356,733</b>
Provision	<b>1</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>270,381</b>	<b>-</b>
Total	<b>2</b>	<b>-</b>	<b>13</b>	<b>7</b>	<b>15</b>	<b>7</b>	<b>563,521</b>	<b>356,733</b>

\* This banding totals £27,684 as it contains costs totalling £11,796 that relate to 3 employees who left in 2016/17, but whose costs have since been adjusted in 2017/18. Therefore, the balance of £15,888 relates to 1 officer only.

The table above includes £563,521 (£356,733 in 2016/17) for exit packages in the current year. This includes a provision of £270,381 for 6 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 and debtors.

## Termination Benefits

The Authority terminated the contracts of a number of employees in 2017/18, incurring gross liabilities of £563,521 (compared to £356,733 in 2016/17). It should be noted that £277,627 of these costs are being held as debtor balances as they are being recovered from our Census partners giving a net cost to the Authority of £285,894 for the year.

### 32. External Audit Costs

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

	2017/18	Restated 2016/17*
	£	£
Fees payable to Ernst & Young LLP with regard to external audit services carried out by the appointed auditor for the year	<b>50,542</b>	53,342
	<b>50,542</b>	53,342

\* Includes scale fee variation of £2,800 in respect of additional work on the valuation of the Orchards Shopping Centre

### 33. 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 all 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). Grant receipts outstanding at 31 March 2018 are shown in Note 11.

#### Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2017/18 is shown in Note 30. During 2017/18 one Member continued their disclosure that they are the principal of a supplier to the Authority. Given the contractual sum is minor, we consider that this interest has been adequately declared. A list of organisations that have received grant funding has also been reviewed. Discounting town and parish councils, only minor (<£500) sums have been advanced to any that have a Councillor interest. No disclosures have been received for the larger grants and there is no reason to suspect that any individual has failed to declare the appropriate interest. 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

Under the Census Partnership Joint arrangement between Adur, Horsham and Mid Sussex District Councils, there was an agreement to share costs and benefits in respect of the partnership according to percentage shares. The agreed shares for 2017/18 for Revenues and Benefits were Adur (28.46%), Horsham (34.98%) and Mid Sussex (36.56%) until 30 September 2017, after which Adur District Council exited the Partnership. The agreed shares for the remaining six months were Horsham (48.49%) and Mid Sussex (51.11%). For ICT, these shares were Adur (39.44%), Horsham (27.70%) and Mid Sussex (32.86%). During the financial year 2017/18, the expenditure costs for ICT CenSus paid to Horsham DC were £472,932. Contributions due for the year in respect of the Revenues and Benefits service were £1,223,137 for Horsham and £438,762 for Adur (part year effect to 30 September 2017 when Adur exited the Partnership). As at 31 March 2018, the following amounts were due in respect of expenditure in that year:

<b>Census ICT</b>	£	<b>Census Revenues and Benefits</b>	£
Horsham liability to Mid Sussex	<b>30,184</b>	Horsham liability to Mid Sussex	<b>76,965</b>
Mid Sussex liability to Adur	<b>0</b>	Adur Liability to Mid Sussex	<b>0</b>

### 34. 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 which ends 31 March 2018.

	31 March 2018	31 March 2017
	£	£
Vehicles, Plant, Equipment	0	157,602
	<b>0</b>	<b>157,602</b>

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 future minimum lease payments are made up of the following amounts:

	31 March 2018	31 March 2017
	£	£
Finance Lease liabilities (net present value of minimum lease payments)		
Current	0	160,836
Non-current	0	0
Less finance costs payable in future years	0	(3,234)
Minimum lease payments	<b>0</b>	<b>157,602</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2017/18	2016/17	2017/18	2016/17
	£	£	£	£
Not later than one year	0	157,602	0	157,602
Later than one year and not later than five years	0	0	0	0
Later than five years	0	0	0	0
	<b>0</b>	<b>157,602</b>	<b>0</b>	<b>157,602</b>

#### Lessee - Operating Leases

The Authority has operating lease agreements covering equipment, photocopiers and vehicles (for pest control, car parking and leisure). The expenditure charged to the Business Units in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £30,616 (£32,040 in 2016/17) and the total commitments at 31 March 2018 amounted to £16,356 (£36,428 in 2016/17).

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

	2017/18	2016/17
	£	£
Not later than one year	16,356	5,542
Later than one year and not later than five years	0	30,886
Later than five years	0	0
	<b>16,356</b>	<b>36,428</b>

#### Lessors - 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:

	2017/18 £	2016/17 £
Not later than one year	3,069,079	2,932,653
Later than one year and not later than five years	10,204,956	9,969,267
Later than five years	65,236,665	64,304,670
	<b>78,510,700</b>	<b>77,206,590</b>

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 £377,801 in 2017/18 (£270,255 in 2016/17).

### 35. 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.

#### 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 £252,500 are included within the total Employers' contribution estimated by the actuary for 2017/18.
- 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.

#### Census Shared Service

On 1 February 2010 Adur DC and Horsham DC revenues and benefits shared service staff were transferred to Mid Sussex and became our employees. All sums payable to the pension fund arising out of or in connection with any service occurring prior to the that date was borne by Adur DC and Horsham DC respectively.

Census Shared Services arrangement ceased entirely on 31 March 2018, having operated under a two partner arrangement between Mid Sussex and Horsham, after Adur DC exited the partnership on 30 September 2018. A restructure occurred to reduce the number of staff from 1 October onwards, but there we no TUPE transfers to either Adur DC or Horsham DC.

The tables below show the effect on Mid Sussex, having calculated our proportional share of Census Income, Expenditure, Assets and Liabilities. The proportional shares are applied to results provided by the Actuary, Hymans Robertson LLP, which for 2017/18, include four separate reports as follows:

**Employer:**

Mid Sussex District Council  
 Mid Sussex Census(Old) to 30 September 2017  
 Mid Sussex Census(New) from 1 October 2017 to 31 March 2018  
 Horsham Census to 31 May 2017

**MSDC Share:**

100%  
 36.56%  
 51.11%  
 32.86%

Due to the cessation of the partnership, the Actuaries have provided some additional accounting disclosures to set out the treatment for the three Census reports as follows:

**Census ICT (Horsham) to 31 May 2017**

- Cash Equivalent Transfer Value (CETV) payments were made to Horsham, Mid Sussex and Adur/Worthing in respect of active members of ICT transferring their past service into these employers on 31 May 2017. The CETV payments have been estimated by rolling forward the 2016 valuation data for the effected members. The respective authorities will see this payment plus the liabilities of those members transferring into their position valued on an accounting basis.
- An estimated cessation for Census ICT was carried out as at 26 August 2017 (when the last member left active status). This was done by rolling forward the 2016 valuation of Census ICT and adjusting for the above transfer out of actives as at 31 May 2017. The remaining cessation surplus was split between Horsham (27.7%), Mid Sussex (32.86%) and Adur / Worthing JC (39.44%).
- The net position of the above is shown as a business combination in the councils' IAS19 reports.

**Census (Old) Revenues and Benefits(R&B) (Mid Sussex) to 30 September 2017**

- CETV payments were made into a new Census admission agreement on 30 September 2017 in respect of active members that moved across to the new service. These have been estimated by rolling forward membership data from the 2016 valuation of the Fund and calculating individual CETV's for members notified as transferring to the new Census.
- An estimated cessation for Census R&B was carried out as at 30 September 2017 by rolling forward the 2016 valuation of Census R&B and adjusting for the above transfer out of actives as at 30 September 2017. The remaining cessation surplus was split between Adur / Worthing (28.46%), Horsham (34.98%) and Mid Sussex (36.56%).
- The net position of the above is shown as a business combination in the council IAS19 reports.

**Census (New) Revenues and Benefits (Mid Sussex) to 31 March 2018**

- This started fully funded on an ongoing basis as at 30 September 2017. The opening liabilities have been estimated by rolling forward Census R&B members' 2016 valuation data and valuing those transferring on an ongoing funding basis. The CETV payments made from Census R&B were less than the liabilities valued on the ongoing funding basis, therefore, a 'top-up' was required from the sponsoring employers. The 'top-up' was assumed to come from Horsham (48.89%) and Mid Sussex (51.11%) and is shown as a settlement in the council reports. It was originally anticipated that the actives moving into Mid Sussex then moved back out to New Census (in effect the whole 'top-up' was coming out of Mid Sussex's position), however, this would have left Mid Sussex out of pocket given Horsham is getting a share of any 'left over assets'. Hence the revised method where assumed the 'top-up' came out of both council positions.
- New Census ceased on 31 March 2018. Active members moved to LGSS (former Horsham staff), Mid Sussex or Adur / Worthing JC (mostly by members electing to take new jobs in these employers). All members have elected to aggregate their past service such that CETVs were effectively paid from New Census to the active members' new employers. The CETV's were estimated by rolling forward the 2016 valuation data. Any remaining assets were split between Horsham (48.89%) and Mid Sussex (51.11%) and shown as a business combination in their accounts.
- Therefore, the effected councils will have figures within settlements and business combinations for New Census.

### 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:

	2017/18 £000	2016/17 £000
<b>Cost of Services:</b>		
Current Service Cost	3,527	1,900
Past Service Cost/Gain	183	124
Losses/(Gains) on Curtailment and Settlements	1,539	0
Effect of Business Combinations and Disposals	1,015	0
<b>Financing and Investment Income and Expenditure:</b>		
Net Interest Expense	765	907
<b>Total Post Employment Benefit Charges to the Surplus or Deficit on the Provision of Services</b>	<b>7,029</b>	<b>2,931</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:</b>		
<b>Remeasurements</b>		
Return on plan assets (excluding the amount included in the net interest expense)	(2,964)	(17,254)
Actuarial (Gains)/Losses arising on changes in demographic assumptions	0	(3,327)
Actuarial (Gains)/Losses arising on changes in financial assumptions	59	21,014
Other experience (Gains)/Losses	(205)	1,401
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(3,110)</b>	<b>1,834</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	7,029	(2,931)
	2017/18 £000	2016/17 £000
<b>Actual amount charged to the General Fund Balance for pensions in the year:</b>		
Employers' contributions payable to the scheme	2,980	2,739

The total contributions expected to be paid to the Local Government Pension Scheme by the council in the year to 31 March 2018 is £2,540,000.

### 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 2018 £ 000	31 March 2017 £ 000
Present value of defined benefit obligation	(136,946)	(133,046)
Fair value of plan assets	107,659	104,698
<b>Net Liability arising from defined benefit obligation</b>	<b>(29,287)</b>	<b>(28,348)</b>

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

<b>Year ended:</b>	31 March 2018 £ 000	31 March 2017 £ 000
<b>Opening Defined Benefit Obligation</b>	<b>133,046</b>	111,050
Current service Cost*	3,527	1,900
Interest Cost	3,445	3,874
Contributions by Members	566	517
<b>Remeasurement</b>		
Actuarial Gains/(Losses) arising on changes in demographic assumptions	0	(3,327)
Actuarial Gains/(Losses) arising on changes in financial assumptions	58	21,014
Other experience	(205)	1,401
Past Service Costs/(Gains)	183	124
Liabilities Extinguished on Settlements	(8,840)	0
Liabilities Assumed in a Business Combination	8,737	0
Estimated Unfunded Benefits Paid	(106)	(110)
Estimated Benefits Paid	(3,465)	(3,397)
<b>Closing Defined Benefit Obligation</b>	<b>136,946</b>	133,046

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

<b>Year ended:</b>	31 March 2018 £ 000	31 March 2017 £ 000
<b>Opening Fair Value of Employer Assets</b>	<b>104,698</b>	84,728
Interest income	2,680	2,967
<b>Remeasurement</b>		
Return on plan assets (excluding the amount included in the net interest expense)	2,963	17,254
Contributions by Members	566	517
Contributions by the Employer	2,874	2,629
Contributions in respect of Unfunded Benefits	106	110
Assets Distributed on Settlements	(10,379)	0
Assets Acquired in a Business Combination	7,722	0
Benefits Paid	(3,465)	(3,397)
Unfunded Benefits Paid	(106)	(110)
Census proportional sharing (Losses) / Gains*		0
<b>Closing Fair Value of Employer Assets</b>	<b>107,659</b>	104,698

\*The service cost figures include an allowance for administration expenses of 0.4% 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	Percentage of	Fair value of	Percentage of
	scheme assets	Total Assets	scheme assets	Total Assets
	31 March	31 March	31 March	31 March
	2018	2018	2017	2017
	£ 000	%	£ 000	%
Cash and cash equivalents	2,771	3%	2,694	3%
<b>Equity Instruments:</b>				
<i>By industry type:</i>				
Consumer	15,316	13%	14,894	13%
Manufacturing	9,840	9%	9,569	9%
Energy and Utilities	5,199	5%	5,056	5%
Financial Institutions	17,535	16%	17,053	16%
Health and Care	7,460	7%	7,255	7%
Information Technology	14,712	14%	14,307	14%
Other	4,960	5%	4,824	5%
<b>Sub-total equity</b>	<b>75,022</b>		<b>72,958</b>	
<b>Bonds:</b>				
Government	1,996	2%	1,942	2%
<b>Sub-total Bonds</b>	<b>1,996</b>		<b>1,942</b>	
<b>Private Equity:</b>				
All*	4,628	4%	4,501	4%
<b>Sub-total private Equity</b>	<b>4,628</b>		<b>4,501</b>	
<b>Property:</b>				
Uk Property	8,490	8%	8,256	8%
Overseas property	0	0%	0	0%
<b>Sub-total Property</b>	<b>8,490</b>		<b>8,256</b>	
<b>Investment funds and Unit Trusts:</b>				
Bonds	13,490	13%	13,119	13%
Other	1,262	1%	1,228	1%
<b>Sub-total Investment Funds</b>	<b>14,752</b>		<b>14,347</b>	
<b>Totals</b>	<b>107,659</b>	<b>100%</b>	<b>104,698</b>	<b>100%</b>

\*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	MSDC	Census	Census
	31 March	31 March	31 March	31 March
	2018	2017	2018	2017
Pension Increase Rate	2.4%	2.4%	2.4%	2.4%
Salary Increase Rate	3.1%	3.1%	3.4%	3.1%
Discount rate	2.6%	2.6%	2.7%	2.6%

## 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.

## 36. 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 2018 that might result in an obligation on the Council.

The Council has guaranteed deposits to private landlords under the Deposit Guarantee Scheme. At 31 March 2018 the amount guaranteed was £57,606 (£67,071 as at 31 March 2017). 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 2019.

## 37. Contingent Assets

There are no contingent assets as at 31 March 2018.

## 38. Accounting Policies

### (a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. 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 2017/18.

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 2017 to February 2018 rather than April 2017 to March 2018.
- 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. 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 38(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 38(t) and 38(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 2017/18 (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 2017, 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 than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line 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 EUV 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 measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

**Contingent Assets:** A contingent asset arises where an event has taken place that gives the 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.

**39. Accounting Standards That Have Been Issued But Have Not Yet Been Adopted**

The Code of Practice on Local Council Accounting in the United Kingdom 2017/18 (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 2018/19 Code as follows:

- IFRS 9 Financial Instruments. IFRS 9 has made changes to the accounting for local authority investments including collective investment vehicles, which will have an impact on General Reserve balances. The new standard will introduce a new model for financial assets including new classifications,;
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers. IFRS 15 will require local authorities to recognise revenue in such a way that it represents the transfer of promised goods or services to the service recipient (customer) in an amount that reflects the consideration to which the authority expects to be entitled in exchange for those goods or services;
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses;
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The transitional reporting requirements for IFRS 9 and IFRS 15 have been adopted such that the preceding year is not restated. There is no requirement to provide financial information relating to the impact of IFRS 9 for the 2017/18 year in the 2017/18 financial statements. There is no impact on the 2017/18 Statement of Accounts as the Code requires implementation from 1 April 2018.

The other narrow scope amendments and IFRIC included in the consultation in the 2018/19 Code are:

- IAS 40 Investments Property: Transfers of Investment Property;
- Annual Improvements to IFRS Standards 2014-2016 cycle;
- IFRIC 22 Foreign Currency Transactions and Advance Considerations

but these were not adopted by the EU in time for inclusion in the 2018/19 code and therefore they have been rolled forward into the development programme for the 2019/20 Code.

**40. Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 38, 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 was 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. The Partnership ceased under the existing arrangement on 30<sup>th</sup> September 2017 at which point Adur District Council exited the arrangement. The remaining Partnership continued between Mid Sussex District Council and Horsham District Council until 31/03/18, when the partnership ceased entirely.

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.

## 41. 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 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

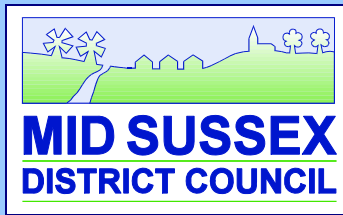
**Property, Plant and Equipment:** Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relations to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain 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 £43,593 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 £1,505,101 (2016/17 £2,604,449) has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2018. 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 2018.

**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 £13,926,000. In addition, a 0.5% increase in the Pension Increase Rate would increase liabilities by £11,372,000. However, the assumptions interact in complex ways. During 2017/18, the Authority's actuaries advised that the net pension liability had increased by £781,000, as a result of estimates being corrected as a result of experience and decreased by £147,000 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 £3,182,011 (2016/17 £3,289,258) as set out in Note 20. 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  
Statement**



## Collection Fund Statement

### Income and Expenditure Account

2016/17 £	2016/17 £	2016/17 £	Note	2017/18 £	2017/18 £	2017/18 £		
<b>Business</b>			<b>Income</b>			<b>Business</b>		
<b>Council Tax</b>	<b>Rates</b>	<b>Total</b>	<b>Council Tax</b>	<b>Rates</b>	<b>Total</b>	<b>Council Tax</b>	<b>Rates</b>	<b>Total</b>
(92,456,296)	0	(92,456,296)	2	(97,587,535)	0	(97,587,535)		
0	(44,173,877)	(44,173,877)	3	0	(43,231,268)	(43,231,268)		
(92,456,296)	(44,173,877)	(136,630,173)		(97,587,535)	(43,231,268)	(140,818,803)		
<b>Expenditure</b>								
<b>Apportionment of Previous Year</b>								
<b>Estimated Surplus / (Deficit)</b>								
989,970	(174,258)	815,712		621,960	(380,229)	241,731		
122,600	0	122,600		76,680	0	76,680		
178,430	(697,031)	(518,601)		110,360	(1,520,914)	(1,410,554)		
0	(871,289)	(871,289)		0	(1,901,142)	(1,901,142)		
1,291,000	(1,742,578)	(451,578)		809,000	(3,802,285)	(2,993,285)		
<b>Precepts, Demands and Shares</b>								
70,028,147	4,408,324	74,436,471		74,095,003	4,435,738	78,530,741		
8,633,147	0	8,633,147		9,082,552	0	9,082,552		
12,425,673	17,633,296	30,058,969		12,957,719	17,742,952	30,700,671		
0	22,041,619	22,041,619		0	22,178,690	22,178,690		
91,086,967	44,083,239	135,170,206		96,135,274	44,357,380	140,492,654		
<b>Charges to Collection Fund</b>								
421,960	614,085	1,036,045	4	504,786	405,682	910,468		
(195,147)	(440,494)	(635,641)	4	(445,112)	(126,075)	(571,187)		
0	2,032,235	2,032,235	4	0	(2,748,369)	(2,748,369)		
0	175,070	175,070		0	172,939	172,939		
226,813	2,380,896	2,607,709		59,674	(2,295,823)	(2,236,149)		
92,604,780	44,721,557	137,326,337		97,003,948	38,259,272	135,263,220		
148,484	547,680	696,164		(583,587)	(4,971,996)	(5,555,583)		
<b>Collection Fund Balance</b>								
(1,022,927)	3,095,193	2,072,266		(874,443)	3,642,873	2,768,430		
148,484	547,680	696,164		(583,587)	(4,971,996)	(5,555,583)		
(874,443)	3,642,873	2,768,430		(1,458,030)	(1,329,123)	(2,787,153)		
<b>Shares of (Surplus)/Deficit at 31 March 2018</b>								
(672,399)	364,287	(308,112)		(1,123,095)	(132,912)	(1,256,007)		
(82,863)	0	(82,863)		(138,638)	0	(138,638)		
(119,181)	1,457,149	1,337,968		(196,297)	(531,649)	(727,946)		
0	1,821,437	1,821,437		0	(664,562)	(664,562)		
(874,443)	3,642,873	2,768,430		(1,458,030)	(1,329,123)	(2,787,153)		



## Notes to the Collection Fund Account

### 1. General

The Collection Fund statement 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 subsequent financial year. The Council Tax precepting bodies are West Sussex County Council and Sussex Police and Crime Commissioner.

The Business Rates Retention Scheme was introduced from 1 April 2013. 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 1 March 2017, is shown below.

Property Value	Number of Net Dwellings	Ratio to Band D	No of Band D Equivalents	less (0.6%) adjustment for non-collection	Council Tax Base
up to £40,000	1,369.65	6/9	913.1		
between £40,001 & £52,000	4,214.98	7/9	3,278.3		
between £52,001 & £68,000	10,752.06	8/9	9,557.4		
between £68,001 & £88,000	14,607.43	9/9	14,607.4		
between £88,001 & £120,000	10,113.72	11/9	12,361.2		
between £120,001 & £160,000	7,667.51	13/9	11,075.3		
between £161,001 & £320,000	4,130.01	15/9	6,883.4		
over £320,000	346.09	18/9	692.2		
			<u>59,368.3</u>	<u>(356.2)</u>	<u>59,012.1</u>

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	<b>74,095,003</b>	÷	59,012.1	=	<b>1,255.59</b>
Sussex Police & Crime Commissioner	<b>9,082,552</b>	÷	59,012.1	=	<b>153.91</b>
Mid Sussex District Council	<b>12,957,719</b>	÷	59,012.1	=	<b>219.58</b> (average)
<b>Average Band D Council Tax Charge For 2017/18</b>					<u><b>1,629.08</b></u>

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 £1,570.68 to £1,678.82.

### 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 2018 was £119,233,112 (£108,626,833 at 31 March 2017). The standard multiplier for 2017/18 was 47.9p (49.7p in 2016/17) and the Small Business Rate Relief Multiplier for the year was 46.6p (48.4p in 2016/17).

The business rates shares payable for 2017/18 were estimated before the start of the year as £22,178,690 (£22,041,619 in 2016/17) to Central Government (50%), £17,742,952 (£17,633,296 in 2016/17) for the Authority (40%) and £4,435,738 (£4,408,324 in 2016/17) for WSCC (10%). These amounts have been charged to the Collection Fund in year.

As part of the scheme, 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 payable to Central Government are used to pay the top ups of those authorities who do not received their baseline funding amount, ie County Councils.

In addition, a 'safety net' figure is calculated at 92.5% of baseline funding 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. The Authority was required to make a tariff payment of £14,978,997 (£15,167,749 in 2016/17) from its General Fund to Central Government.

The total income from business ratepayers collected in 2017/18 was £43,231,268 (£44,173,877 in 2016/17), net of transitional protection payments for ratepayers of £625,577 (£177,708 in 2016/17).

Successful appeals against the NDR rateable values are refunded to the ratepayers according to the proportional shares.

### 4. Allowance for Bad Debts and Provision for NDR Valuation Appeals

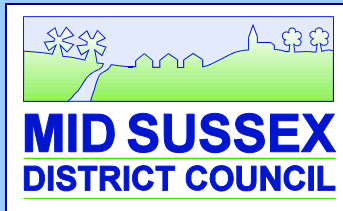
**Council Tax** An allowance has been made for Council Taxpayers' Bad Debts using an analysis of the recovery position of the debts outstanding as at 31 March 2018. A total of £672,294 (£3,128,982 in 2016/17) has been allowed against debts of £3,647,693 (£4,107,278 in 2016/17) outstanding as at 31 March 2018. The Authority's share of the allowance is £358,556 (£421,744 in 2016/17).

In year, £504,786 of uncollectable amounts has been written off (£421,960 in 2016/17).

**Business Rates** An allowance of £1,209,720 (£1,335,795 in 2016/17) has been made for Business Ratepayers' Bad Debts using an analysis of the recovery position of the debts outstanding as at 31 March 2018 against debts outstanding of £2,010,932 (£2,200,894 in 2016/17). The Authority's share of the allowance is £483,888 (£534,318 in 2016/17).

In year, £405,682 of uncollectable amounts has been written off (£614,085 in 2016/17).

A provision for appeals made against the rateable value not settled as at 31 March 2018 has been made of £3,762,753 (£6,511,122 in 2016/17). The Authority's share (40%) is £1,505,101 (£2,604,449 in 2016/17).



## **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 2018 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 March 2018), 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 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, and in the formulation of new policies. 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 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 agreed, with performance targets agreed at every level. More detailed budgets are aligned to corresponding plans following a robust budget challenge 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 in February 2018. 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;

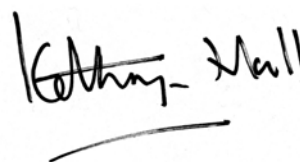
- The work of the corporate Joint Procurement Board partnered with Horsham District Council and Crawley Borough Council;
- The Authority's internal audit coverage (purchased from Crawley Borough Council under a shared service arrangement), which is planned using a risk based approach. The outcome from 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. The last review, reported to, and agreed by, Council in March 2018 increased some financial limits for delegations, improved the consultation process for new commercial lettings and disbanded the Census Joint Committee now that the partnership is ceasing.
- 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

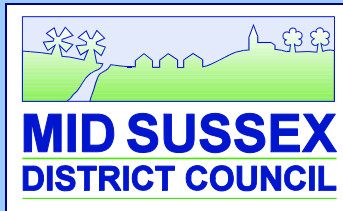
The review, as detailed above, provides good assurance of the effectiveness of the Authority's system of internal control. There have been no governance issues identified during the year that are considered significant in relation to the Authority's overall governance framework. Specific opportunities 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  
April 2018



Kathryn Hall  
Chief Executive  
April 2018



## **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 that 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 authoritative 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.

