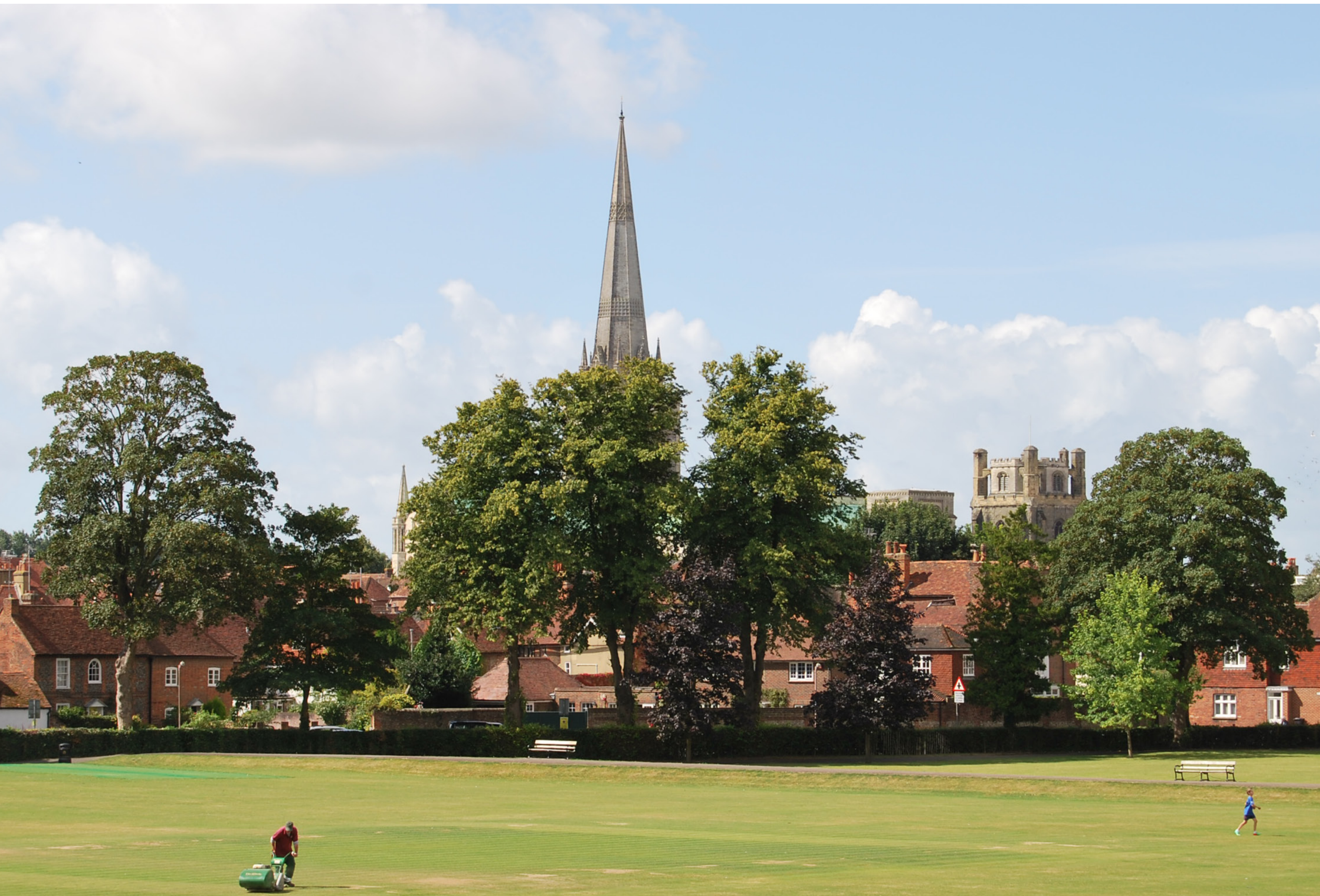
Statement of Accounts 2013/2014



This page has been left intentionally blank.

Contents

Council Offices

Headquarters
East Pallant House, 1 East Pallant, Chichester, West Sussex. PO19 1TY
Telephone (01243) 785166
Fax (01243) 776766
Email:Helpline@chichester.gov.uk
Email: finance@chichester.gov.uk

Website www.chichester.gov.uk

Council Officials

Chairman
Mr M Bell

Leader
Mrs H Caird

Deputy Leader
Mr M Cullen

Senior Leadership Team

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

Mr P Over, Executive Director of Support Services and the Economy

Mr S Carvell, Executive Director of Environment

Mr J Ward, Head of Finance and Governance Services and
Section 151 'Responsible Finance Officer'

Introduction

The Statement of Accounts provides information on how the council has used the financial resources available to it. The report is required by law and sets out in concise form various statutory and other relevant information. In accordance with the Council's commitment to openness, the Explanatory Foreword presents an overview to the Statement of the Accounts for 2013-14 and aims provide a more straightforward and clear explanation of often complex local government financial and accounting issues.

District Profile

Chichester District Council serves a population of some 114,500, in an area of some 300 square miles, from Selsey and the Witterings, along the southern coastal strip to Linchmere and Loxwood, north of the Downs. There are 67 parishes in the District and 48 elected members of the council. The administrative centre is in the city of Chichester, and there is an area office at Midhurst.

The Council's Political Structure

The council holds elections for all members once every four years. At 31 March 2014 there were 36 Conservatives, 8 Liberal Democrats, and 4 Independent Group. The next elections for Chichester District Council will be held in May 2015.

The council operates with a Cabinet, a Scrutiny Committee, a Planning Committee, and a Corporate Governance and Audit.

The Cabinet is chaired by the Leader of the council. The Cabinet has executive decision making powers and generally meets monthly.

Although a number of areas of decision making are delegated to the Cabinet or to the Corporate Management Team, the Full Council remains the ultimate decision making body of Chichester District Council. Each of the Cabinet members has an area of policy or portfolio for which they have responsibility. At the 31 March 2014, Cabinet Members and their responsibilities were:

Leader of the Council	Cllr. Heather Caird
Deputy Leader of the Council and Cabinet Member for Commercial Services	Cllr. Myles Cullen
Cabinet Member for Support Services	Cllr. Josef Ransley
Cabinet Member for Finance and Governance	Cllr. Tony Dignum
Cabinet Member for Housing and Planning	Cllr. Carol Purnell
Cabinet Member for Environment	Cllr. John Connor
Cabinet Member for Wellbeing and Community Services	Cllr. Eileen Lintell

Performance Management

1. Sustainable Community Strategy and Corporate Plan

The council agreed a new Corporate Plan on 5th March 2013 that sets out the areas the council wants to focus on over the next five years. The themes and priorities are:

- **Council**
  - Promotes Economic development
  - Ensure housing is relevant and balanced to meet those most in need
  - Uses resources effectively and efficiently
  - Provide clear leadership and effective influence
  - Support vulnerable people and communities
  - Protect and maintain our natural and built environments

- **Promote Economic development**
  - Attract and retain working age talent.
  - Create the conditions to support growth-orientated businesses.
  - Match skills to business and economic needs.
  - Make best use of the District's natural and cultural assets.

- **Ensure Housing is Relevant & Balanced to meet those most in need**
  - Develop a Local Development Plan to meet current and future housing needs and progress infrastructure solutions.
  - Promote initiatives to make housing more affordable and accessible.
  - Work with all stakeholders to promote specific housing types to meet defined shortages.
  - Facilitate the development of more affordable homes in our Local Plan.

- **Use resources effectively and efficiently**
  - Provide value for money service delivery.
  - Provide core customer services measured against customer needs.
  - Balance low council tax with resources.
  - Explore opportunities for the commissioning of services.

- **Provide clear leadership and effective influence**
  - Provide focus and delivery of services to respond to local need.
  - Be inclusive in decision making.
  - Bring together partner organisations and facilitate delivery for common benefit.

- **Support vulnerable people and communities**
  - Reduce homelessness and rough sleeping working with the voluntary sector.
  - Work with partners to maintain current low crime levels and reduce the perception of crime.
  - Work with partners to support and influence improved health and wellbeing of residents.
  - Work with city, town and parish councils and voluntary sector to establish self-help communities and deliver the localism agenda.
  - Support and promote joint working arrangements with other local authority organisations and agencies to achieve better outcomes for residents in health care, education and family support services.
  - Identify areas of need, prioritise and influence delivery of effective solutions.

- **Protect and maintain our natural and built environments**
  - Use available resources to protect our coastline and other designated areas.

- o Reduce the carbon footprint of the Council's operations where economically viable.
- o Continue to reduce the amount of household waste collected and maximise our recycling rate.

The Corporate Plan serves a number of purposes. As well as setting out the goals and objectives of the council, it acts as a public information document and a reference manual for councillors and staff alike. Individual services will then set out how they will contribute to achieving the high level objectives through their individual service plans and targets.

2. Performance Indicators and Continuous Improvement

As well as recording our performance against a number of nationally set performance indicators, we also have a number of local indicators that measure the key actions and targets in the Corporate Plan and service areas.

For all of our performance indicators we set targets for continuous year on year improvements that are robust and challenging yet realistic. We aim to ensure continuous improvement and better outcomes for local communities. Where it is possible and relevant we benchmark our performance with other councils.

A detailed schedule of key performance indicators together with outturns are reviewed and reported annually in the Council's Annual Report.

3. External Audit Assessment

The External Auditor's assessment of the council's performance will be contained within their Audit Results Report (ARR). The ARR for 2013-14 is due to be reported to the Corporate Governance & Audit Committee along with the post audit Statement of Accounts, in September 2014. The key messages arising from the Auditor's work will be reported at that time and we will summarise the key findings here prior to publishing the audited statement of accounts.

Financial Strategy

The council's financial position remains strong relative to many local authorities. However, the Council faces increasing financial pressures for the foreseeable future.

Although the council has been able to achieve a balanced position over recent years, including 2013-14 outturn and 2014-15 budget, further government reductions in our settlement are expected and we are planning for the impact of that, as well as other budgetary pressures over the next five year period. The council's financial plan, approved by members in 2013, sets out the key principles to aid the council to achieve and maintain a balanced budget in the future. Additionally the financial plan includes a risk analysis of the major financial issues potentially impacting on the Council's finances over the next 5 years and beyond. In tandem with this the council has also approved a "Deficit Reduction Programme" which identifies how the anticipated budget deficit will be met over the medium term. Several of the initiatives identified in the programme have already been delivered ahead of schedule, and thereby contributing to the 2013-14 surplus.

The Council continues to track national events, quantifying local impact and taking early action to manage those impacts. It is prudent for the Council to take proactive management and continue preparing resilient budgets for future years. The objective is to put the Council in the best possible position to deal with the financial issues it faces. It is important that the issues and the scale of the financial problem are understood and the Council is committed to finding solutions that minimise the impact on residents.

The issues currently facing the Council include:

Government Issues

- o Level of Government Funding
- o Specific Government Grants
- o Localisation of Business Rates

- o Localisation of Council Tax Support
- o Council Tax Capping
- o Welfare Reform

Economic Issues

- o Inflation
- o Interest Rates

Local Issues

- o Income Streams
- o Use of Reserves

The Statement of Accounts

The accounts shown on the following pages have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) supported by the International Financial Reporting Standards (IFRS) and are in respect of the financial year ended 31 March 2014. The accounts consist of the following principal statements:-

Comprehensive Income and Expenditure Statement (pages 21-22)
This provides a summary of the resources generated and consumed by the council in the year that have contributed to the changes in resources shown in the Movement in Reserves Statement (MiRS).

The Balance Sheet (pages 23-24)
This sets out all the council's assets and liabilities at the end of the financial year. The statement shows the balances and reserves at the council's disposal, its long-term indebtedness and assets employed in its operations, together with summarised information on the assets held.

The Movement in Reserves Statement (pages 25-26)
This statement shows the movement in the year on the different reserves held by the council, analysed into those reserves that can be used to fund expenditure or reduce council tax 'Usable Reserves', and 'Unusable Reserves'.

The Cash Flow Statement (page 27)
The Cash Flow Statement shows the changes in cash and cash equivalents of the council during the year and how the movements in cash resources have been reflected in cash flows.

The Collection Fund (pages 89-91)
The Collection Fund is an agent's statement that reflects the council's statutory requirement as a billing authority to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection of council tax and national non-domestic rates (NNDR) from taxpayers and its distribution to precepting bodies. For council tax, the precepting bodies are the District Council, West Sussex County Council, and the Police and Crime Commissioner for Sussex.

From 1 April 2013, the regime around the income that local councils collect from NNDR changed from one where the council collects purely on behalf of central government, to one where this income is shared between central government, the local council and other major precepting bodies (such as West Sussex County Council in Chichester's case). The main aim of the scheme (known as the Business Rates Retention scheme) is to give councils a greater incentive to grow businesses in their area. It does however also increase the financial risk due to non-collection and the volatility of the NNDR aggregate rateable value.

The scheme allows the council to retain a proportion of the total NNDR received. Chichester's share is 40% with the remainder being paid to central government (50% share) and West Sussex County Council (10% share). However, a complicated mechanism of tariffs and levies means that the Council's actual share of NNDR is reduced to just 5% of the amount collected. The scheme also provides for the council to retain 20% of any growth above a baseline determined by the government.

The Collection Fund is incorporated in the Balance Sheet and the Cash Flow Statement.

The Statement of Responsibilities for the Statement of Accounts appears on page 16 and details the respective responsibilities of the Head of Finance and Governance Services and the Council. A glossary is provided at the end of the Statement of Accounts to assist the reader.

Review of the Year

Revenue expenditure is generally on items that are consumed within one year, and is financed from government grants, council tax, fees and charges. The council has provided its wide and varied range of services very much in line with its original spending plans and within budget. The Council's financial position remains strong with only limited use of reserves being made to enhance services.

1. Expenditure on Services

In 2013-14 the net expenditure of the council including Parish Council precepts and the Internal Drainage Board Levy was £14,653,219 as shown in table below:-

	Estimate £000	Actual £000
Cost of Services	16,119	16,363
Parish Precepts	2,176	2,176
Internal Drainage Board Levy	47	47
Interest and Investment Income	(385)	(545)
Appropriations	(2,892)	(3,636)
Carry forward requests	0	248
Net Expenditure	**15,065**	**14,653**
Less Funding	15,065	15,480
(Surplus) / Deficit for the year	**0**	(827)

Funding		
Council Tax	8,900	8,990
Revenue Support Grant	2,957	2,957
Retained Business Rates	1,820	1,530
Small Business Rate Relief Grant	0	560
New Homes Bonus Scheme	1,388	1,404
Other Non Ringfenced Grants	0	39
Total	**15,065**	**15,480**

2. Analysis of 2013-14 General Fund position

The main variances between the council's original base budget and the outturn position in 2013-14 were as follows:-

	£'000
Underspends / Additional Income	
Revenues and Housing Benefits	-424
Business Rates Retention Scheme	-270
Additional surplus on Chichester Contract Services activities	-260
Estates	-220
Business Improvement	-142
Community Engagement and Development	-104
Planning services	-99
Emergency planning	-48
Leisure and wellbeing	-41
Government grants	-39
Corporate training	-34
Fees and charges review	-25
	-1,706
Overspend / Shortfall of Income	
Approved management restructure	421
Provision for bad debts	272
Car parks and CCTV	110
Careline	66
District Council Elections	40
	909
Other minor variations (net)	-30
Total variance	-827

The following paragraphs provide an explanation for the main variances:

- Revenues and Housing Benefits – A decrease in costs of £423,600:
  There have been several significant variances within the revenues and housing benefits functions during 2013-14, they include the following:

  - The Department for Work and Pensions (DWP) have assisted with the increasing demand on the welfare system through the provision of several one-off grants. This has meant the welfare reform contingency budget of £100,000 has not been required during 2013-14 and has been removed from the 2014-15 base budget.

  - The residual effect of underpayments and overpayments from the old council tax benefit scheme is an underspend of £93,800. This has now been replaced by the council tax reduction scheme.

  - The receipt of a higher rate of housing benefit subsidy than was budgeted for has meant additional income of £123,300, representing a variation of 0.35% on the £34.9m of gross expenditure.

  - The funding mechanism for discretionary rate relief has now transferred in full to the Business Rate Retention Scheme, meaning this budget of £44,500 will no longer be required. This has been identified since the budget so will be a further saving during 2014-15 before being built into the 2015-16 base budget.

  - Discretionary housing payments attract subsidy of £233,500 per annum, with a further £37,500 set aside from the Council's base budget in 2013-14. Actual awards during 2013-14 have been managed within the Government's subsidy figure, therefore the Council funded element was removed as part of the 2014-15 budget process.

- Staffing underspend of £38,100, primarily from a Benefits post being held vacant to fund external support when required, and the temporary secondment of a Cashiers post to cover maternity leave.

- Business Rates Retention Scheme – Additional income of £270,000:
From 1 April 2013, the regime around the income that local councils collect from NNDR or Business Rates changed following the introduction of the Business Rates Retention Scheme. Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectable rates due. For Chichester the local share is 40%. The remainder is distributed to the other preceptors; central government (50%) and West Sussex County Council (10%).

When the Business Rates Retention Scheme was introduced, the government set a business rates baseline 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 funding amount. Tariffs payable to Central Government are used to pay the tops ups to those authorities who do not receive their baseline funding amount. In respect of Chichester, the business rates baseline was set at £16,694m, and the council was required to make a tariff payment of £14.727m from its General Fund in 2013-14. The net result is a business rates funding amount of £1.967m. Any business rates generated above the council's baseline funding amount is shared equally between central government and the council.

In addition to the top up, a safety net figure is calculated at 92.5% of the baseline funding amount which ensures that authorities are protected to this level of business rates income. The safety net figure for Chichester is £1.820m. The council did not qualify for a safety net payment in 2013-14.

The aim of the scheme is to give councils an incentive to grow businesses in their area but also increases the financial risk due to the volatility and non-collection of business rates. It was for these reasons that when the 2013-14 base budget was set, the council took the decision to budget at the safety net level of £1.820m.

For 2013-14, the council's share of retained business rates has exceeded the baseline funding amount of £1.967m by £246k. The council is required under the scheme to pay 50% of this sum to central government in the form of a levy, resulting in an additional £123k being retained locally. The impact of these transactions results in £2,090m of business rates funding for 2013-14 which is £270k higher than the budget estimate of £1.820m.

- Chichester Contract Services (CCS) Surplus – An increase in operating surplus of £259,900:
During 2013-14, Chichester Contract Services (CCS) has continued to identify operational efficiency savings and has also generated additional income from the services that it provides. The increased operating surplus is generated from the following significant variations:

  - Savings on vehicle maintenance as a result of the introduction of new vehicles (-£91,500);

  - Fuel savings have been achieved due to a reduction in the number of fleet vehicles, and the new fleet vehicles being more fuel efficient to the vehicles they have replaced (-£92,200);

  - Use of savings and additional green waste income (-£38,100) to purchase a new green waste vehicle to support service expansion (+£112,800);

  - Grounds maintenance service staff vacancy and materials savings. These posts remained vacant and have been removed from the 2014-15 budget as part of the service review. (-£41,400);

  - Street Cleansing service staff savings due to posts being held vacant whilst the effect of a reduced service was reviewed. Posts have now removed from the 2014-15 base budget (-£27,700);

  - Trade waste service operational savings and agency budget not required and this has been reduced for the 2014-15 base budget. (-£14,800);

- Additional income generated from the sale of second hand bins from the rationalisation of mini-recycling sites (-£26,800);

- Savings from the public convenience service review materialised earlier than expected (-£12,800);

- Recycling credits inflationary increase that was not expected (-£10,600);

- Income from the emptying and maintenance of litter and dog waste bins from Parishes, Highways and other organisations was higher than expected and has now been reflected in the 2014-15 base budget (-£11,500).

Of the total operating surplus achieved during 2013-14, some £204,200 is recurring and has already been reflected in the base budget for 2014-15.

During 2014-15, the efficiency performance of council vehicles and round reconfigurations will be reviewed to assess whether the additional fuel savings and vehicle maintenance savings achieved over and above the budget forecast and can be reflected in the 2015-16 base budget.

- Estates – Additional income of £219,800:
  Additional income has been received by the Estates service during 2013-14 from a variety of activities, the more significant ones being £153,300 of rental and licence income received during 2013-14, primarily due to £40,000 and £72,000 received from two plots at Terminus Road. A further £22,000 was received for the Estates service provided to Arun District Council. The Estates team also generated an additional £12,200 from charging fees for works completed for tenants.

- Business Improvement – A decrease in costs of £142,200:
  The Deficit Reduction Plan targeted various savings within the Business Improvement service with effect from 2014-15. These savings have been achieved ahead of schedule, primarily through staff savings within Public Relations, Office Support, Area Offices and the Print Room.

- Community Engagement and Development – A decrease in costs of £104,000:
  The Deficit Reduction Plan included a £53,000 target for the review of the Communities functions. These savings have been achieved ahead of schedule. In addition, further staff savings have arisen within the Voluntary Sector and Youth services through a combination of staff vacancies and maternity leave.

- Planning Services – A decrease in costs of £99,900:
  This includes additional income of £67,900 as a result of an increase in the number of planning applications received; this has been reflected in the 2014-15 budget. There was also a £45,700 underspend on Building Control staffing due to in year vacancies and one frozen post.

- Emergency Planning – A decrease in costs of £47,800:
  The Deficit Reduction Plan target of £10,000 has been exceeded and achieved ahead of schedule through a £15,100 staff saving. There were additional one-off savings during 2013-14 from a post being vacant during the year.

- Leisure and Wellbeing – A decrease in costs of £41,300:
  Reduction in Leisure and Wellbeing staffing budgets by a total of 1.40 full time equivalents (FTEs). These savings have been achieved across Health Development and Sports Development and have been accounted for within the 2014-15 base budget.

- Government Grants – Additional income of £39,400:
  Additional grant can be paid to a local authority in England towards expenditure incurred or to be incurred by it. These grants are known as Section 31 grants under the Local Government Act 2003. During 2013-14 these included;
  - Efficiency support for services in sparse areas (ESSSA) - £21,200.
  - Transparency code setup grant - £2,600.
  - Capitalisation provision redistribution grant - £15,600.

- Corporate Training – A decrease in costs of £34,000:
  A 20% reduction on all Council training budgets formed part of the Deficit Reduction Plan for 2014-15. This saving has been achieved ahead of schedule, with all staff training requirements still being funded.

- Fees and Charges Review – Additional income of £25,300:
  Above inflation increases for trade and domestic waste income implemented ahead of the 2014-15 deficit reduction plan target.

- Approved management restructure – One-off costs of £420,700
  The Deficit Reduction Plan includes the restructure of management and the review of several Council services. These reviews have generated significant revenue savings, helping to keep council tax increases to a minimum. The one-off costs have been accommodated within the revenue budget for 2013-14, thereby removing the need to replenish the restructuring reserve.

- Provisions for Bad Debts – An increase in costs of £272,100:
  Adjustments to the various provisions held for debts owed to the Council, either because of a change in the value of the debt compared to 31st March 2012, or a change in the calculation to reflect a more appropriate value of provision based on the likelihood of the debt being repaid. The adjustments are as follows:

    - General +£50,600
    - Council tax and business rates court costs +£26,000
    - Housing benefits +£205,300
    - Rent deposits -£9,800

- Car Parks and CCTV – A shortfall of income / decrease in costs of £109,600:
  The main variances include a £156,600 shortfall in car park income at the end of 2013-14. This is due to a reduction in income being received and the fact there were no car parking charges in New Park car park for the first 4 months of the year. The reduction in income being received has been reflected in the 2014-15 budget. Following negotiations with WSCC they agreed to pay us an additional £30,000 for providing them with the Civil Parking Zones (CPZ) service. This is to bring the WSCC service to a cost neutral position for the Council. WSCC have also agreed to pay an additional £35,000 in 2014-15. There is also a further £15,000 saving from reduced rental costs for New Park car park as a result of building works.

- Careline – A shortfall in income of £65,800:
  This includes the loss of £61,400 following the decision by West Sussex County Council to withdraw the Supporting People grant.

- District Council Elections – An increase in costs of £40,000
  An annual contribution of £30,000 is set aside to fund the District Council elections that are held every four years, with the next elections taking place in May 2015. This additional contribution is expected to cover the total expenditure without requiring any further revenue funding.

3. Reconciliation of the General Fund Outturn position to the financial statements

	£000
(Surplus) or Deficit on Provision of Services	
Comprehensive Income and Expenditure Statement (CIES) on pages 21-22	68
Adjustments between accounting basis & funding under regulations The reversal of accounting transactions contained within the CIES required in accordance with proper accounting practice but under statutory provisions not met by the resources of the Council	(3,881)
As per Note 6 on page 46	
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(3,813)
Transfers to / (from) Earmarked Reserves	2,986
As per the Note 7 on page 51 (Net Transfers)	
General Fund underspend for year	(827)
As per the Movement in Reserves Statement for 2013-14 on page 26	

4. Capital Expenditure

Capital expenditure can be defined as that which generates an asset that has a useful life of more than one year. The expenditure in the year amounted to £7.53 million.

The main items of expenditure in the year were:

	£'000
Grange Leisure Centre Development	4,473
Investment Opportunity	727
Disabled Facilities Grants	653
Vehicle Replacement	456

The council has a five-year Capital programme that totals some £20.9 million for the years 2014-15 to 2019-20.

In terms of the financial balances held by the council, the position remains strong with some £22.2million held in earmarked reserves, £8.9million in the General Fund and a further £1.7 million in capital receipts to support the capital programme, plus future capital receipts anticipated from the preserved right to buy sales under the housing stock transfer agreement.

5. Pension Costs

The council is required under IAS19 to show in its accounts the costs, assets and liabilities associated with its share of the pension fund administered by West Sussex County Council. Any deficit or surplus on the Council's Pension Fund is shown within the Balance Sheet.

In 2013-14 the estimated return on the investments within the fund was 9.6% (14.8% in 2012-13). The effect on the council's share of the Pension Fund has been assessed by the scheme's actuary as at 31 March 2014. This valuation highlighted that the council's deficit on the fund has decreased to £9.459 million at 31 March 2014 from a deficit of £10.040 million at 31 March 2013.

The actual contributions payable by the council are based on the Actuary's own assumptions in a valuation that is undertaken on a triennial basis. This valuation was last undertaken at 31 March 2013 and shows the council's share of the pension fund is currently funded to 99%. This takes a longer-term view of the pension fund rather than the annual adjustments required by IAS19.

Further Information

Further information about the accounts may be obtained from the Accountancy Services Team at the council headquarters at East Pallant House, 1 East Pallant, Chichester PO19 1TY. In addition, interested residents of the district and members of the public have a statutory right to inspect the accounts on dates advertised in the local press prior to the commencement of the audit.

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

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

J. Ward CPFA
Head of Finance and Governance Services

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The council is required to:

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

The Head of Finance and Governance Services' Responsibilities

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

In preparing this Statement of Accounts, the Head of Finance and Governance Services has:

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

The Head of Finance and Governance Services has also:

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

I declare that the Statement of Accounts presents a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2014. I confirm that the date of this declaration is the date up to which events have been considered for inclusion within the council's Statement of Accounts, and are therefore authorised for issue.

John Ward CPFA **Date 24 September 2014**
Head of Finance and Governance Services

Approval for the Statement of Accounts

Patricia Tull **Date 25 September 2014**

Chairman of the Corporate Governance and Audit Committee

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

Opinion on the Authority's financial statements

We have audited the financial statements of Chichester District Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 36; and Collection Fund and the related notes 1 to 3. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013-14.

This report is made solely to the members of Chichester District Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Finance and Governance Services and auditor

As explained more fully in the Statement of the Head of Finance and Governance Services' Responsibilities set out on page 16, the Head of Finance and Governance Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013-14, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance and Governance Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2013-14 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Chichester District Council as at 31 March 2014 and of its expenditure and income for the year then ended; and

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Opinion on other matters

In our opinion, the information given in Statement of Accounts 2013-14 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012);

- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;

- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or

- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Paul King
for and on behalf of Ernst & Young LLP
Appointed Auditor
Southampton

26 September 2014

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Chichester District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

We certify that we have completed the audit of the accounts of Chichester District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Paul King
for and on behalf of Ernst & Young LLP
Appointed Auditor
Southampton
26 September 2014

Comprehensive Income and Expenditure Statement

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

2012-13				2013-14		
Gross Expenditure Restated £000	Gross Income Restated £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
9,476	(8,255)	1,221	Central Services to the public	2,349	(980)	1,369
7,853	(3,312)	4,541	Cultural and Related Services	8,403	(3,159)	5,244
9,085	(3,823)	5,262	Environment and Regulatory Services	9,497	(4,250)	5,247
6,565	(3,803)	2,762	Planning Services	6,738	(3,838)	2,900
2,387	(5,015)	(2,628)	Highways, Roads and Transport Services	2,066	(5,114)	(3,048)
39,395	(37,398)	1,997	Housing Services	39,543	(37,888)	1,655
904	(959)	(55)	Social Services	1,052	(957)	95
2,752	(226)	2,526	Corporate and Democratic Core	2,263	(228)	2,035
186	(34)	152	Non Distributed Costs	890	(24)	866
78,603	**(62,825)**	**15,778**	**Cost of Services**	**72,801**	**(56,438)**	**16,363**
			Other operating Expenditure			
2,270	0	2,270	Parish Council Precepts	2,176	0	2,176
48	0	48	Levies Payable	47	0	47
926	(745)	181	Gain (-)/or loss on the disposal of Fixed Assets	421	(2,804)	(2,383)
3,244	**(745)**	**2,499**		**2,644**	**(2,804)**	**(160)**
			Financing and Investment Income and Expenditure			
28	0	28	Interest payable and similar charges	25	0	25
330	0	330	Net interest on the net defined Pension liability (asset)	472	0	472

2012-13				2013-14		
Gross Expenditure Restated £000	**Gross Income Restated £000**	**Net Expenditure £000**		**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
0	(559)	(559)	Interest receivable and similar income	0	(416)	(416)
109	(289)	(180)	Income and Expenditure in relation to investment Properties and changes in their fair value (see note 9)	298	(394)	(96)
0	(76)	(76)	Interest Element of Finance Leases (Lessor)	0	(77)	(77)
0	(80)	(80)	Other investment income	0	(78)	(78)
467	**(1,004)**	**(537)**		**795**	**(965)**	**(170)**
			Taxation and Non-Specific Grant Income and Expenditure (see note 26)			
0	(9,299)	(9,299)	Council tax income	0	(8,990)	(8,990)
0	(4,294)	(4,294)	Non domestic rates (NNDR)	14,850	(16,381)	(1,531)
0	(503)	(503)	Capital grants and contributions	0	(484)	(484)
0	(1,100)	(1,100)	Non ringfenced government grants	0	(4,960)	(4,960)
0	**(15,196)**	**(15,196)**		**14,850**	**(30,815)**	**(15,965)**
82,314	**(79,770)**	**2,544**	**(Surplus) or Deficit on Provision of Services**	**91,090**	**(91,022)**	**68**
		(1,670)	(Surplus) or Deficit on revaluation of non-current assets			(2,095)
		0	(Surplus) or Deficit on revaluation of available for sale assets			0
			Re-measurement (gains) and losses on Pension Fund assets and liabilities:			
		12,340	- Actuarial (gains)/losses on pension assets/liabilities			5,317
		(9,730)	- Return on Assets excluding amounts included in net interest			(7,297)
		3	- Any other (gains)/losses *			6
		943	**Other Comprehensive Income and Expenditure**			**(4,069)**
		3,487	**Total Comprehensive Income and Expenditure**			**(4,001)**

* This represents the small difference in the actual employer's contributions made to the pension fund by the council and the Actuary's estimate for the same period used when preparing the IAS19 report.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the council. The net assets of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example 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 Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2013 £000		Notes	31 March 2014 £000
	Property, Plant and Equipment	8	
77,806	▪ Land and Buildings		84,288
6,037	▪ Vehicles, plant, furniture and equipment		6,090
2,520	▪ Infrastructure		2,210
137	▪ Community Assets		19
3,222	▪ Assets under construction		352
6,163	▪ Surplus Assets not held for sale		5,201
3,981	**Investment Property**	9	4,676
	Intangible Assets	10	
651	▪ Software		603
0	**Assets held for sale**		0
	Heritage Assets	11	
5,925	▪ Tangible		5,925
22	▪ Intangible		22
6,000	**Long Term Investments**	12	11,000
742	**Long Term Debtors**	12	785
113,206	**Total Long-Term Assets**		**121,171**
	Current Assets		
23,143	Short term investments		19,075
239	Inventories		140
5,107	Short Term Debtors	13	6,452
6,758	Cash and Cash Equivalents	14	7,241
378	Assets held for sale – current <1yr	15	628
35,625	**Total Current Assets**		**33,536**

31 March 2013 £000		Notes	31 March 2014 £000
	Current Liabilities		
(4,931)	Short Term Creditors	16	(6,184)
(37)	Provisions	17	0
(4,968)	**Total Current Liabilities**		**(6,184)**
	Long-Term Liabilities		
(2,515)	Long Term Creditors (over 12 months)	18	(2,703)
(113)	Provisions	17	(833)
(10,040)	Pensions Asset / (Liability)	32	(9,459)
(182)	Capital grants Receipts in Advance	26	(514)
(12,850)	**Total Long-Term Liabilities**		**(13,509)**
131,013	**Net Assets**		**135,014**
	Usable Reserves	19	
(8,041)	General Fund		(8,868)
(5,215)	Capital Receipts Reserve		(1,674)
(64)	Capital Grants Unapplied Account		0
(19,264)	Earmarked Reserves		(22,250)
(32,584)	**Total Usable Reserves**		**(32,792)**
	Unusable Reserves	20	
(26,768)	Revaluation Reserve		(28,623)
(81,514)	Capital Adjustment Account		(83,028)
70	Financial Instruments Adjustment Account		61
(498)	Deferred Capital Receipts Reserve		(493)
10,040	Pension Reserve		9,459
71	Collection Fund Adjustment Account		228
170	Accumulated Absences Account		174
(98,429)	**Total Unusable Reserves**		**(102,222)**
(131,013)	**Total Reserves**		**(135,014)**

John Ward CPFA **Date 24 September 2014**
Head of Finance and Governance Services

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves £000**
Balance at 31 March 2012	**6,631**	**18,139**	**12,382**	**2**	**37,154**	**97,346**	**134,500**
Movement in reserves during 2012-13 (Restated)							
Surplus or (deficit) on the provision of services	(2,544)	0	0	0	**(2,544)**	0	**(2,544)**
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	(943)	**(943)**
Total Comprehensive Income and Expenditure	**(2,544)**	**0**	**0**	**0**	**(2,544)**	**(943)**	**(3,487)**
Adjustments between accounting basis & funding under regulations (Note 6)	5,079	0	(7,167)	62	**(2,026)**	2,026	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**2,535**	**0**	**(7,167)**	**62**	**(4,570)**	**1,083**	**(3,487)**
Transfers to / from Earmarked Reserves (Note 7)	**(1,125)**	**1,125**	**0**	**0**	**0**	**0**	**0**
Increase / (Decrease) in 2012-13	**1,410**	**1,125**	**(7,167)**	**62**	**(4,570)**	**1,083**	**(3,487)**
Balance at 31 March 2013 carried forward	**8,041**	**19,264**	**5,215**	**64**	**32,584**	**98,429**	**131,013**

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves £000**
Balance at 31 March 2013	**8,041**	**19,264**	**5,215**	**64**	**32,584**	**98,429**	**131,013**
Movement in reserves during 2013-14							
Surplus or (deficit) on the provision of services	(68)	0	0	0	**(68)**	0	**(68)**
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	4,069	**4,069**
Total Comprehensive Income and Expenditure	**(68)**	**0**	**0**	**0**	**(68)**	**4,069**	**4,001**
Adjustments between accounting basis & funding under regulations (Note 6)	3,881	0	(3,541)	(64)	**276**	(276)	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**3,813**	**0**	**(3,541)**	**(64)**	**208**	**3,793**	**4,001**
Transfers to/from Earmarked Reserves (Note 7)	**(2,986)**	**2,986**	**0**	**0**	**0**	**0**	**0**
Increase / (Decrease) in 2013-14	**827**	**2,986**	**(3,541)**	**(64)**	**208**	**3,793**	**4,001**
Balance at 31 March 2014 carried forward	**8,868**	**22,250**	**1,674**	**0**	**32,792**	**102,222**	**135,014**

The Cash Flow Statement shows the changes in cash and cash equivalents of the council during the reporting period. The statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. 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 council. Investing activities represent the extent to which cash outflows have been made for resources that are intended to contribute to the council'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 council.

Restated 2012-13 £000		**2013-14 £000**
2,544	Net (surplus) or deficit on the provision of services	68
(1,661)	Adjustments to net surplus or deficit on the provision of services for non-cash	(2,690)
647	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	630
1,530	**Net Cash flows from Operating Activities**	**(1,992)**
(646)	Interest Received	**(630)**
	Investing Activities	
5,891	Purchase of property, plant and equipment, investment property and intangible assets	6,192
189,823	Purchase of short-term and long-term investments	176,150
65	Other payments for investing activities	62
(802)	Proceeds from the sale of property, plant and equipment, non-current assets held for sale, investment property and intangible assets	(1,882)
(199,823)	Proceeds from short-term and long-term investments	(175,150)
(1,425)	Capital Grants	(1,538)
(949)	Other receipts from investing activities	(394)
(7,220)		**3,440**
	Financing Activities	
(21)	Other receipts from financing activities	(1,990)
1,427	Other payments from financing activities	689
1,406		**(1,301)**
(4,930)	**Net (increase) / decrease in cash and cash equivalents**	**(483)**
1,828	**Cash and cash equivalents at the beginning of the reporting period**	**6,758**
	Cash or cash equivalents at the end of the reporting period (see Note 14)	
5	Cash held	7
903	Current bank accounts	284
5,850	Short-term deposits	6,950
6,758		**7,241**

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the council's transactions for the 2013-14 financial year and its position at the year-end of 31 March 2014. The council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14 and the Service Reporting Code of Practice (SeRCOP) 2013-14, supported by International Financial Reporting Standards (IFRS).

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

An underlying assumption in the preparation of the financial statements is the concept of a going concern. This concept assumes that the council's financial statements shall be prepared on a going concern basis; that is, the accounts should be prepared on the assumption that the functions of the council will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.

1.2 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 council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the council.

- Revenue from the provision of services is recognised when the council 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 council.

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

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

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

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

1.3 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 within three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

1.4 Exceptional Items

When items of income and expense of this type are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement, or in the notes to the accounts, depending on how significant the items are to an understanding of the council's financial performance.

1.5 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 council'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.

1.6 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 fixed 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 fixed assets attributable to the service.

The council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation.

1.7 Accounting for Council Tax

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

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

1.8 Accounting for Non-Domestic Rates (NNDR)

From 1 April 2013, the regime around the income that local councils collect from National Non Domestic Rates (NNDR) or Business Rates changed from one where the council collects purely on behalf of central government, to one where this income is shared between central government, the local council and other major precepting bodies (such as West Sussex County Council in Chichester's case).

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

Since the collection of NNDR income is in substance an agency arrangement, the council as the billing authority shall recognise a creditor in its Balance Sheet for cash collected from NNDR ratepayers on behalf of the government and major preceptors but not yet paid to them, or a debtor for cash paid to government and major preceptors in advance of it receiving the cash from NNDR ratepayers.

Top-ups and Tariffs
Top-up income receivable and tariff expenditure payable is recognised by the council in the Comprehensive Income and Expenditure Statement on an accruals basis under the heading of Taxation and Non-specific Grant Income and Expenditure.

Safety net income and levy expenditure
Safety net income and levy expenditure is recognised by the council in in the Comprehensive Income and Expenditure Statement on an accruals basis under the heading of Taxation and Non-specific Grant Income and Expenditure. Debtors and creditors in respect of these items is recognised in the Balance Sheet.

1.9 Business Improvement District (BID)

A Business Improvement District (BID) applies to the City Centre area of Chichester. This scheme is funded by a BID levy paid by non-domestic ratepayers. The council is the billing authority for the scheme and as such collects and distributes the relevant levy income.

As the BID levy income is the BID body's revenue, the council as the billing authority is not required to show any transactions in its Comprehensive Income and Expenditure statement since it is collecting the BID levy income as an agent on behalf of the BID body.

1.10 Employee Benefits

i. Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the council. 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 year in which the benefit was earned. The accrual is charged to Surplus or Deficit on the Provision of Services, within the Comprehensive Income and Expenditure Statement but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

ii. Termination Benefits

Termination benefits are amounts payable as a result of a decision by the council 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 council can no longer withdraw the offer of those benefits or when the council 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 council 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.

iii. Post-employment Benefits

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

This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council.

<u>The Local Government Pension Scheme (LGPS)</u>

The Local Government Scheme is accounted for as a defined benefits scheme. The liabilities of the West Sussex County Council pension fund attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. 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, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 4.3%. The discount rate is derived from a Corporate bond yield curve constructed from the constituents of the iBoxx £ Corporates AA index and using the UBS delta curve fitting methodology. Separate discount rates are set for individual employers, dependent upon their own weighted average duration (or term) of their benefit obligation.

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

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

The change in the net pensions 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 cost** – 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 liability (asset), i.e. net interest expense for the council -** the change during the period in the net defined liability (asset) that arises from the passage of time charged to the Financing and

Investment Income and Expenditure line of 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 – taking into account any changes in the net defined 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 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 County Council 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 council 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, this means that there are transfers to and from the Pension 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 are earned by employees.

Discretionary Benefits

The council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.11 Events after the Balance Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events

- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.12 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are 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.

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

- available-for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

i. Loans and Receivables

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

However, the council has made a number of loans to individuals under the housing private sector renewal scheme and to tenants of certain council owned shops for improvements where the tenant has a repair obligation. These loans have been provided interest free. Where a loan is issued at less than market rates it qualifies as a Soft Loan:

Soft Loans

When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable, if any, from the individual or organisation given a soft loan, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. However, if these soft loans are considered not to be material to the council's accounts (i.e. the present value of the interest that will be forgone over the life of the instrument is less than 10% of the value of investment income received in the year) the amount presented in the Balance Sheet is the outstanding principal receivable, and the 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 that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

ii. Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the council 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 council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – 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 of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset’s original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition 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).

The Council has no Available for Sale Assets as at 31 March 2014.

1.13 Government Grants and Contributions

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

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

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. 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 to the council as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. 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 and Expenditure (non-ring-fenced 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 Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

<u>New Homes Bonus</u>

The New Homes Bonus (NHB) is a general grant allocated by central government directly to local authorities as additional revenue funding. The NHB is non-ring fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

1.14 Heritage Assets

<u>Tangible and Intangible Heritage Assets</u>

The heritage assets held by the council are a collection of assets or artefacts either exhibited or stored at a number of sites in the district including the Novium Museum, Pallant House Gallery and Fishbourne Roman Palace. The Museum Collections consist of geological, archaeological, social history and local history artefacts, images and associated information. The principal collections include:

- The Hussey Bequest collection including furniture, paintings and other domestic wares, which is based at the Pallant House Gallery
- Archaeological collections which are held both at the Novium Museum and Fishbourne Roman Palace
- Guildhall, Priory Park (Listed Grade 1 & Scheduled Monument)

Heritage assets are recognised and measured (including the treatment of valuation gains and losses) in accordance with the council'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 accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also presented below. The council's collection of heritage assets are accounted for as follows.

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where this is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage, damage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the council's general policies on impairment. The Leisure and Wellbeing Service will occasionally dispose of heritage assets which are unsuitable for display in accordance with its disposal policy. The proceeds of such items are accounted for in accordance with the council'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.

Assets above deminimis are recorded separately and any other items below the deminimis, where a value can be obtained are recorded collectively.

Hussey Bequest Collection

The Hussey Bequest collection is reported in the balance sheet on an insurance valuation. This collection was a donated asset. No further acquisitions will be made or any disposals unless allowed under the terms of the bequest.

Archaeological/Museum Collections

These values have been based upon; either there historical rarity, market value or purchase price, as recommended by a panel of independent experts at the British Museum (the Treasure Valuation Committee). The council use these values for insurance purposes.

1.15 Interest

Gross interest earned by the council is in the first instance credited in total to the Comprehensive Income and Expenditure Account. For 2013-14 this amounted to £407,227. In accordance with council policy the interest is subsequently transferred to the council's Capital Projects Reserve and used to finance the Capital Programme.

1.16 Intangible Assets

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

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 council 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 council's goods or services.

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the council can be determined by reference to an active market. In practice, no intangible asset held by the council 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. 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(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment 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.

1.17 Inventories and Long Term Contracts

Inventories are included in the Balance Sheet. Works in progress are shown at cost, whereas stocks held at year-end are shown at latest invoice price. Although this is a departure from normal accounting practice the overall effect on the accounts is immaterial.

1.18 Investments

Investments are shown in the Balance Sheet at cost. They consist of temporary loans to other bodies and are not subject to market value fluctuations.

1.19 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, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are re-valued 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 sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.20 Leases

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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.

i. The council as Lessee

Finance Leases

The council has no finance leases.

Operating Leases

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

The council has only one operating lease above the de-minimis level of £10,000.

ii. The council as Lessor

Finance Leases

Where the council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, 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. A gain, representing the council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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 therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the council 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.

1.21 Minimum Revenue Provision

Local authorities are required by statute to set aside each year some of their revenue to provide for repayment of debt in respect of capital expenditure financed by borrowing or credit arrangements, known as the Minimum Revenue Provision (MRP).

The council's policy is:

- **Asset Life Method** – MRP will be based on the estimated life of an asset on either an equal instalment method or an annuity basis. With this option payment of MRP charges may be postponed until the financial year following the one in which the asset becomes operational.

1.22 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 principles of the CIPFA Service Reporting Code of Practice 2013-14 (SeRCOP). The total absorption costing principle is used – the full cost of overheads 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 multifunctional, democratic organisation.

- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

1.23 Property, Plant and Equipment

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

Recognition

Expenditure 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 council 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.

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

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair 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 re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

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

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(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) 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 useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

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

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

International Accounting Standard 16 (IAS16) – Property, Plant and Equipment (PPE) contains the accounting requirements for the separate recognition, depreciation and derecognition of parts of assets (referred to as componentisation). Componentisation shall be applied for depreciation purposes on enhancement or acquisition expenditure incurred and revaluations carried out from 1 April 2010.

Components that are required to be depreciated separately are those that have a cost that is significant in relation to the total cost of the asset, a different useful life and method of depreciation. The Council's policy on componentisation is:

- Only assets with a gross book value of £500,000 and over will be considered for componentisation.

- Of those assets, for the purpose of determining a 'significant' component of an asset, components with a value of 20% in relation to the overall value of the asset and over £100,000 will be considered and then only if the component has a different useful life for depreciation purposes, so as to result in depreciation charges that differ materially from the depreciation charges had the asset not been componentised.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a 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 on 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 (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. 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. Normally 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. However, the pooling arrangement for housing capital receipts does not apply to the council's share of receipts from sales under the preserved rights to buy arising from the Large Scale Voluntary Transfer of the Council's housing stock that took place in 2001. Capital receipts received are credited to the Capital Receipts Reserve, and can be used for new capital investment or set aside to reduce the council'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 fixed 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.

1.24 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the council 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 council 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 council 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 council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the council 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 council. 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 council 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 council.

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.

1.25 Reserves

The council 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, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

1.26 Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

1.27 Section 106 Developer Contributions

Section 106 of the Town and Country Planning Act 1990 permit local planning authorities to enter into enforceable ‘planning obligations’ with landowners and/or developers which restrict the development or use of the land in any specified way, require specific operations or activities to be carried out in, on, under or over land, require the land to be used in any specified way and/or require a sum or sums to be paid to the local planning authority on a specified date or periodically.

There are two types of agreement; those for providing some form of service e.g. maintenance of bus shelters and those to assist undertaking some form of capital project.

Money received under a Section 106 agreement is not applied for any other purpose than that provided under the agreement. The agreements provide for the return of monies if works are not carried out after a specified period. Section 106 advances received are initially recognised as a creditor in the council’s accounts whilst the monies remain unspent to reflect the liability the council has to the developer if the agreement is not fulfilled. Once the conditions of the agreement are met the advances are recognised as revenue income or capital contributions.

1.28 VAT

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

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

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued, but has not yet been adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14.

For 2013-14 the following accounting standard changes that need to be reported relate to:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 Separate Financial Statements (as amended in 2011)
- IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)
- IAS 32 Financial Instrument Presentation
- IAS 1 Presentation of the Financial Statements

.

IFRS 10 Consolidated Financial Statements – This standard introduces a new definition of control, which is used to determine which entities are consolidated for purposes of group accounts. The Council does not have any subsidiaries and therefore is not required to produce consolidated accounts.

IFRS 11 Joint Arrangements – This standard addresses the accounting for a ‘joint arrangement’, which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as a joint venture or joint operation. The Council does not have any material joint venture arrangements.

IFRS 12 Disclosure of Interests in Other Entities – This is a consolidated disclosure standard requiring a range of disclosures about an entity’s interest in subsidiaries, joint ventures, associates and unconsolidated ‘structured’ entities. The Council does not have any material interests in Other Entities under IFRS 12.

IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Both standards relate to the consolidation, joint arrangements and disclosures which are also covered by the changes to IFRS 10, IFRS 11 and IFRS 12 above. The Council does not have any group accounts, joint ventures or interests in other entities, therefore these standards do not apply.

IAS 32 Financial Instrument Presentation – The changes in this standard relate to the offsetting of financial assets and financial liabilities. As the gains and losses are disclosed separately on the face of the Comprehensive Income and Expenditure Statement, no further disclosure is required.

IAS 1 Presentation of the Financial Statements – The changes to this standard clarifies the disclosure requirements in respect of comparative information for the previous period. As the Statement of Accounts fully discloses comparative information for the preceding period, these changes will have no material impact on the financial statements.

3. Critical judgements in applying accounting policies

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

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

- Under IFRIC4, the council is required to determine whether any contractual arrangements have the substance of a lease. Officers have obtained and considered information provided by the council's service departments relating to contractual arrangements that exist. In all cases, it has been judged that these arrangements do not constitute any form of lease.

- As the accounting treatment and disclosures for operating and finance leases are significantly different, the Council has made judgements on whether its lease arrangements for land and buildings are operating leases or finance leases under the criteria of IAS17. These judgements are made in accordance with the council's accounting policy on leases, and are based on a series of tests designed to assess whether the risks and rewards of ownership have been transferred from the lessor to the lessee.

- Judgements made by the firm of consulting actuaries engaged to provide the council with expert advice about the assumptions to be applied and the disclosure requirements required under IAS19 (See Pensions Liability in Note 4). Changes in these assumptions can have a significant effect on the value of the council's net pension liability at the year end.

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

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

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

<u>Business Rates</u>

The new arrangements for the retention of business rates came into effect on 1 April 2013. From this date local authorities are liable for refunding ratepayers who have successfully appealed against the business rates charged to their businesses in 2012-13 and earlier financial years in their proportionate share. A provision has therefore been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2014. The estimate has been calculated using the Valuation Office 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 2014.

<u>Pensions Liability</u>

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the council with expert advice about the assumptions to be applied. A Sensitivity Analysis provided by the Actuary highlighting the effects of changes in the principal assumptions used to measure the pension scheme obligations is shown in Note 34 Defined Benefit Pension Schemes.

<u>Allowance for Bad Debts</u>

The council has provided within its financial statements an estimated allowance for bad debts to cover all major items of income and expenditure (see Note 15 to the accounts). This allowance is considered adequate to cover future bad debts, but is by its nature an estimate.

<u>Asset Valuations and Impairments</u>

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

S106 Developer Contributions

The council has within its accounts treated S106 developer contributions as long- term creditors and as short-term creditors. This classification of liability is based upon the repayment terms contained within the planning agreement with the developer.

5. Events after the Reporting Period

The Statement of Accounts was authorised for issue by John Ward, the Head of Finance and Governance Services for the council, on 24 September 2014.

Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. The Statement of Accounts was approved by the Corporate Governance and Audit Committee on 25 September 2014.

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 council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2013-14

	Usable Reserves				
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non-current assets	2,230	0	0	**2,230**	**(2,230)**
Revaluation losses on Property Plant and Equipment	1,221	0	0	**1,221**	**(1,221)**
Movements in the market value of Investment Properties	236	0	0	**236**	**(236)**
Movements in the value of held for sale assets	715	0	0	**715**	**(715)**
Amortisation of Intangible Assets	210	0	0	**210**	**(210)**
Capital Grants and contributions applied	(1,222)	0	0	**(1,222)**	**1,222**
Movement in the Donated Assets Account	0	0	0	**0**	**0**
Revenue expenditure funded from capital under statute	1,382	0	0	**1,382**	**(1,382)**
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	396	0	0	**396**	**(396)**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	0	0	0	**0**	**0**
Capital expenditure charged against the General Fund	(53)	0	0	**(53)**	**53**
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0	0	0	**0**	**0**
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(64)	**(64)**	**64**
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,804)	2,814	0	**10**	**(10)**
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(6,335)	0	**(6,335)**	**6,335**
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	25	(25)	0	**0**	**0**

2013-14	Usable Reserves				
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	**Movement in Unusable Reserves £000**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	5	0	**5**	**(5)**
Adjustments primarily involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(9)	0	0	**(9)**	**9**
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 34)	3,464	0	0	**3,464**	**(3,464)**
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,071)	0	0	**(2,071)**	**2,071**
Adjustments primarily involving the Collection Fund Adjustment Account:					
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from the council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	157	0	0	**157**	**(157)**
Adjustments primarily involving the Accumulated Absences Account:					
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	4	0	0	**4**	**(4)**
TOTAL ADJUSTMENTS	**3,881**	**(3,541)**	**(64)**	**276**	**(276)**

2012-13 Comparative Figures

(Restated)

	Usable Reserves				
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non-current assets	2,151	0	0	**2,151**	**(2,151)**
Revaluation losses on Property Plant and Equipment	272	0	0	**272**	**(272)**
Movements in the market value of Investment Properties	44	0	0	**44**	**(44)**
Movements in the value of held for sale assets	0	0	0	**0**	**0**
Amortisation of Intangible Assets	243	0	0	**243**	**(243)**
Capital Grants and contributions applied	(1,231)	0	0	**(1,231)**	**1,231**
Movement in the Donated Assets Account	0	0	0	**0**	**0**
Revenue expenditure funded from capital under statute	2,675	0	0	**2,675**	**(2,675)**
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	919	0	0	**919**	**(919)**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	0	0	0	**0**	**0**
Capital expenditure charged against the General Fund	(37)	0	0	**(37)**	**37**
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(62)	0	62	**0**	**0**
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	**0**	**0**
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(745)	729	0	**(16)**	**16**
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(7,895)	0	**(7,895)**	**7,895**
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	6	(6)	0	**0**	**0**

2012-13 Comparative Figures

(Restated)

	Usable Reserves				
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	**Movement in Unusable Reserves £000**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	5	0	**5**	**(5)**
Adjustments primarily involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	4	0	0	**4**	**(4)**
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 34)	2,870	0	0	**2,870**	**(2,870)**
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,063)	0	0	**(2,063)**	**2,063**
Adjustments primarily involving the Collection Fund Adjustment Account:					
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from the council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	28	0	0	**28**	**(28)**
Adjustments primarily involving the Accumulated Absences Account:					
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	5	0	0	**5**	**(5)**
TOTAL ADJUSTMENTS	**5,079**	**(7,167)**	**62**	**(2,026)**	**2,026**

7. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund in 2013-14.

	Balance at 1 April 2012 £000	Transfers Out 2012-13 £000	Transfers In 2012-13 £000	**Balance at 31 March 2013 £000**	Transfers Out 2013-14 £000	Transfers In 2013-14 £000	**Balance at 31 March 2014 £000**
Revenue Reserve	**6,337**	30	531	**6,838**	6,838	0	**0**
Insurance Reserve	**7**	0	0	**7**	0	219	**226**
Housing Reserve	**5,000**	0	0	**5,000**	4,000	0	**1,000**
Theatre and Gallery Reserve	**2,211**	394	0	**1,817**	395	0	**1,422**
Restructuring Reserve	**662**	82	44	**624**	0	0	**624**
Asset Reserve	**1,035**	60	741	**1,716**	770	5,481	**6,427**
Capital Projects Reserve	**0**	0	0	**0**	506	6,417	**5,911**
Planning Delivery Grant Reserve	**40**	4	0	**36**	1	0	**35**
LABGIS Reserve	**68**	12	0	**56**	25	0	**31**
Revenue Budget Support Reserve	**0**	0	0	**0**	0	1,300	**1,300**
Grants and Contribution Reserve	**404**	277	342	**469**	267	321	**523**
Carry Forwards Reserve	**303**	303	70	**70**	70	248	**248**
New Homes Bonus Scheme Reserve	**457**	7	839	**1,289**	516	1,404	**2,177**
New Homes Bonus Grants Scheme Reserve	**0**	0	0	**0**	173	457	**284**
Retained Business Rates Equalisation Reserve	**0**	0	0	**0**	0	247	**247**
Planning Appeals Reserve	**25**	22	10	**13**	83	197	**127**
Carbon Reduction Reserve	**190**	22	0	**168**	49	0	**119**
Building Repairs Reserve	**0**	0	59	**59**	45	88	**102**
Grant and Concessions Reserve	**56**	0	30	**86**	0	37	**123**
Pump Prime Initiatives Reserve	**0**	0	97	**97**	10	108	**195**
Other Usable Reserves	**1,344**	674	249	**919**	320	530	**1,129**
Total	**18,139**	1,887	3,012	**19,264**	14,068	17,054	**22,250**

8. Property, Plant and Equipment

Movements in 2013-14:

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Property, Plant & Equipment Under Construction £000	**Total Property, Plant and Equipment £000**
Cost or Valuation							
At 1 April 2013	**82,752**	**9,541**	**3,970**	**180**	**6,750**	**3,222**	**106,415**
Additions	104	891	0	13	0	4,189	**5,197**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	968	0	0	0	420	0	**1,388**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,379)	0	0	0	(85)	0	**(3,464)**
Derecognition – disposals	0	(149)	(7)	0	0	0	**(156)**
Assets reclassified (to) / from Held for Sale	(1,344)	0	0	0	0	0	**(1,344)**
Other reclassifications – transfers	8,381	22	0	(131)	(1,417)	(7,059)	**(204)**
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	**0**
At 31 March 2014	**87,482**	**10,305**	**3,963**	**62**	**5,668**	**352**	**107,832**
Accumulated Depreciation and Impairment							
At 1 April 2013	**(4,946)**	**(3,504)**	**(1,450)**	**(43)**	**(587)**	**0**	**(10,530)**
Depreciation charge	(1,040)	(846)	(306)	0	(38)	0	**(2,230)**
Depreciation written out to the Revaluation Reserve	586	0	0	0	121	0	**707**
Depreciation written out to the Surplus/Deficit on the Provision of Services	2,213	0	0	0	30	0	**2,243**
Impairment (losses) / reversals recognised in the Revaluation Reserve	0	0	0	0	0	0	**0**
Impairment (losses) / reversals recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	**0**
Derecognition – disposals	0	135	3	0	0	0	**138**
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0	**0**
Reclassifications – transfers	(7)	0	0	0	7	0	**0**
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	**0**
At 31 March 2014	**(3,194)**	**(4,215)**	**(1,753)**	**(43)**	**(467)**	**0**	**(9,672)**
Net Book Value							
At 31 March 2014	**84,288**	**6,090**	**2,210**	**19**	**5,201**	**352**	**98,160**
At 31 March 2013	**77,806**	**6,037**	**2,520**	**137**	**6,163**	**3,222**	**95,885**

Movements in 2012-13:

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Property, Plant & Equipment Under Construction £000	**Total Property, Plant and Equipment £000**
Cost or Valuation							
At 1 April 2012	**78,219**	**6,375**	**3,986**	**180**	**5,850**	**6,281**	**100,891**
Additions	727	2,157	0	0	0	3,638	**6,522**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	958	0	(10)	0	399	0	**1,347**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(707)	0	0	0	0	0	**(707)**
Derecognition – disposals	(23)	(547)	(6)	0	(881)	0	**(1,457)**
Assets reclassified (to) / from Held for Sale	0	0	0	0	0	(120)	**(120)**
other reclassifications – transfers	3,578	1,556	0	0	1,382	(6,577)	**(61)**
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	**0**
At 31 March 2013	82,752	9,541	3,970	180	6,750	3,222	**106,415**
Accumulated Depreciation and Impairment							
At 1 April 2012	**(4,987)**	**(2,890)**	**(1,138)**	**(43)**	**(529)**	**0**	**(9,587)**
Depreciation charge	(792)	(645)	(318)	0	(47)	0	**(1,802)**
Depreciation written out to the Revaluation Reserve	231	0	0	0	0	0	**231**
Depreciation written out to the Surplus/Deficit on the Provision of Services	435	0	0	0	0	0	**435**
Impairment (losses) / reversals recognised in the Revaluation Reserve	0	0	0	0	0	0	**0**
Impairment (losses) / reversals recognised in the Surplus/Deficit on the Provision of Services	0	(349)	0	0	0	0	**(349)**
Derecognition – disposals	2	474	6	0	60	0	**542**
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0	**0**
Reclassifications – transfers	165	(94)	0	0	(71)	0	**0**
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	**0**
At 31 March 2013	(4,946)	(3,504)	(1,450)	(43)	(587)	0	**(10,530)**
Net Book Value							
At 31 March 2013	77,806	6,037	2,520	137	6,163	3,222	**95,885**
At 31 March 2012	73,232	3,485	2,848	137	5,321	6,281	**91,304**

Depreciation

Fixed assets other than land are depreciated on a straight-line basis over their useful economic lives as identified in the table below, except where the council believes that the useful life is so long as to make the depreciation immaterial.
The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Land and Buildings - 5 to 60 years
- Vehicles, Plant, & Equipment - 3 to 20 years
- Infrastructure - 5 to 25 years

- Intangible Assets - 5 to 8 years
- Community Assets and Assets Under Construction are not depreciated.

Capital Commitments

At 31 March 2014 the council has entered into a number of contracts for the purchase, construction or enhancement of Property, Plant and Equipment. The similar commitments at 31 March 2013 were £4.77million. The only major commitment is the replacement of council vehicles of £0.3million.

Effects of Changes in Estimates

At 1 April 2013, the Council reviewed the useful lives and residual values of its fleet of vehicles in accordance to their condition so that the depreciation charge to the Comprehensive Income and Expenditure Account accurately reflects the use of the asset in the year. There were not significant changes and therefore no adjustments impacted on the accounts.

Revaluations

The council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on depreciated historic cost.

	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
Carried at historic cost	0	6,090	2,210	19	0	0	**8,319**
Valued at fair value as at:							
2013-14	33,053	0	0	0	1,705	352	**35,110**
2012-13	14,482	0	0	0	1,254	0	**15,736**
2011-12	4,986	0	0	0	0	0	**4,986**
2010-11	5,002	0	0	0	12	0	**5,014**
2009-10	26,765	0	0	0	2,230	0	**28,995**
Total	**84,288**	**6,090**	**2,210**	**19**	**5,201**	**352**	**98,160**

9. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2013-14	2012-13
	£000	£000
Rental income from investment property	(394)	(289)
Direct operating expenses arising from investment property	62	65
Changes in fair value	236	44
Net (gain) / loss	(96)	(180)

There are no restrictions on the council's ability to realise the value inherent in its investment property or on the council's right to the remittance of income and the proceeds of disposal. The council 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:

	2013-14 £000	2012-13 £000
Balance at start of the year	3,981	4,025
Additions:		
• Purchases	727	0
• Construction	0	0
• Subsequent expenditure	0	0
Disposals	0	0
Net gain / losses from fair value adjustments	(236)	(44)
Transfers:		
• to/from Inventories	0	0
• to/from Property, Plant and Equipment	204	0
Other changes	0	0
Balance at end of the year	4,676	3,981

10. Intangible Assets

The council 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 software and the relevant software licenses.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the council. The useful live assigned to software used by the council is 6 years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £163,131 was charged to revenue in 2013-14 was mainly charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

	Internally Generated Assets £000	Other Assets £000	2013-14 Total £000	Internally Generated Assets £000	Other Assets £000	2012-13 Total £000
Balance at start of year:						
• Gross carrying amounts	0	2,478	2,478	0	2,396	2,396
• Accumulated amortisation	0	(1,827)	(1,827)	0	(1,594)	(1,594)
Net carrying amount at start of year	0	651	651	0	802	802
Additions:						
• Internal development	0	0	0	0	0	0
• Purchases	0	162	162	0	59	59
• Acquired through business combinations	0	0	0	0	0	0
Assets reclassified as held for sale	0	0	0	0	0	0
Other disposals	0	0	0	0	(4)	(4)
Revaluations increases or decreases	0	0	0	0	0	0
Impairment losses recognised or reversed directly in the Revaluation Reserve	0	0	0	0	0	0
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0
Reversals of past impairment losses written back to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0
Amortisation for the period	0	(210)	(210)	0	(243)	(243)
Other changes	0	0	0	0	37	37
Net carrying amount at end of year	0	603	603	0	651	651
Comprising:						
Gross carrying amounts	0	2,640	2,640	0	2,478	2,478
Accumulated amortisation	0	(2,037)	(2,037)	0	(1,827)	(1,827)
	0	603	603	0	651	651

There are no items of capitalised software that are individually material to the financial statements.

11. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Council

	Tangible Assets		Intangible Assets	
	Pallant House Gallery Collection	Novium Museum	Novium Museum	**Total Assets**
	£000	£000	£000	£000
Cost of Valuation				
1 April 2012	5,833	0	0	5,833
Additions	0	0	0	0
Disposals	0	0	0	0
Revaluation Increases/(decreases) to the Revaluation Reserve	0	0	22	22
Revaluation Increases/(decreases) to the Surplus or Deficit on the Provision of Services	0	92	0	92
Depreciation	0	0	0	0
Revaluation Losses	0	0	0	0
31 March 2013	**5,833**	**92**	**22**	**5,947**

There were not any additions, disposals or revaluations during 2013-14.

12. Financial Instruments

	Long-term		Current	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
Investments				
Loans and receivables	11,000	6,000	19,000	23,000
Available-for-sale financial assets	0	0	0	0
Unquoted equity investment at cost	0	0	74	143
Financial assets at fair value through profit and loss	0	0	7,241	6,758
Total investments	11,000	6,000	26,315	29,901
Debtors				
Loans and receivables	292	244	1,209	1,003
Financial assets carried at contract amounts	493	498	1,121	169
Total included in Debtors	785	742	2,330	1,172

	Long-term		Current	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
Borrowings				
Financial liabilities at amortised cost	0	0	0	0
Financial liabilities at fair value through profit and loss	0	0	0	0
Total included in borrowings	0	0	0	0

Other Long Term Liabilities		
PFI and finance lease liabilities	0	0
Total other long term liabilities	0	0

Creditors				
Financial liabilities at amortised cost	0	0	3,271	3,914
Financial liabilities carried at contract amount	2,703	2,515	199	37
Total Creditors	2,703	2,515	3,470	3,951

Income, Expense, Gains and Losses

	2013-14					2012-13				
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	**Total £000**	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Assets and liabilities at Fair Value through Profit and Loss £000	**Total £000**
Interest expense	25	-	-	-	**25**	28	-	-	-	**28**
Losses on derecognition	-	-	-	-	**0**	-	-	-	-	**0**
Reductions in fair value	-	-	-	298	**298**	-	-	-	109	**109**
Impairment losses	-	-	-	-	**0**	-	-	-	-	**0**
Fee expense	-	-	-	-	**0**	-	-	-	-	**0**
Total expense in Surplus or Deficit on the Provision of Services	**25**	**0**	**0**	**298**	**323**	**28**	**0**	**0**	**109**	**137**
Interest income	-	(493)	-	-	**(493)**	-	(635)	-	-	**(635)**
Interest income accrued on impaired financial assets	-	-	-	-	**0**	-	-	-	-	**0**
Increases in fair value	-	-	-	-	**0**	-	-	-	-	**0**
Gains on derecognition	-	-	-	-	**0**	-	-	-	-	**0**
Fee income	(78)	-	-	(394)	**(472)**	(80)	-	-	(289)	**(369)**
Total income in Surplus or Deficit on the Provision of Services	**(78)**	**(493)**	**0**	**(394)**	**(965)**	**(80)**	**(635)**	**0**	**(289)**	**(1,004)**
Gains on revaluation	-	-	-	-	**0**	-	-	-	-	**0**
Losses on revaluation	-	-	-	-	**0**	-	-	-	-	**0**
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-	**0**	-	-	-	-	**0**
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**-**	**-**	-	**-**	**0**	**-**	**-**	-	**-**	**0**
Net gain/(loss) for the year	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables 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 will take place over the remaining term of the instruments, using the following assumptions:

- where an investment matures beyond 12 months the fair value is based on the effective interest rate rather than transaction value and contract interest rate
- 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 and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2014 Carrying amount £000	31 March 2014 Fair value £000	31 March 2013 Carrying amount £000	31 March 2013 Fair value £000
Financial liabilities	0	0	0	0
Long-term creditors	2,703	2,703	2,515	2,515

	31 March 2014 Carrying amount £000	31 March 2014 Fair value £000	31 March 2013 Carrying amount £000	31 March 2013 Fair value £000
Loans and receivables	11,000	11,135	6,000	6,243
Long-term debtors	785	785	742	742

The fair value of the assets is higher than the carrying amount because the council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2014) attributable to the commitment to receive interest slightly above current market rates.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

13. Short Term Debtors

	31 March 2014		31 March 2013	
	£000	£000	£000	£000
Central Government Bodies	1,331		1,933	
Less Impairment Allowance	0		0	
		1,331		1,933
Council Tax	780		756	
Less Impairment Allowance	(429)		(425)	
		351		331
Business Rates	632		0	
Less Impairment Allowance	(295)		0	
		337		0
Other local authorities and public bodies	704		274	
Less Impairment Allowance	0		0	
		704		274
Right to Buy Sharing Agreement	1,086		146	
Less Impairment Allowance	0		0	
		1,086		146
Housing Rents	186		153	
Less Impairment Allowance	(151)		(130)	
		35		23
Other Sundry Debtors	3,780		3,340	
Less Impairment Allowance	(1,616)		(1,376)	
		2,164		1,964
Total Debtors net of Impairment (Bad Debts) Allowance		6,008		4,671
Payments in advance		444		436
Total net Debtors & Payments in advance		6,452		5,107

14. Cash and cash equivalents

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

Short-term deposits are those that are held ‘on call’ with the bank or building society rather than being invested in longer term fixed deposits.

	31 March 2014 £000	31 March 2013 £000
Cash held by the Authority	7	5
Bank current accounts	284	903
Short-term deposits	6,950	5,850
	7,241	6,758

15. Assets held for sale

	Current		Non Current	
	2013-14	2012-13	2013-14	2012-13
	£000	£000	£000	£000
Balance outstanding at start of year	378	258	0	0
Assets newly classified as held for sale:				
• Property, Plant and Equipment	1,344	120	0	0
• Intangible Assets	0	0	0	0
• Other assets/liabilities in disposal groups	0	0	0	0
Revaluation Losses	(716)	0	0	0
Revaluation Gains	0	0	0	0
Impairment Losses	0	0	0	0
Assets newly declassified as held for sale:				
• Property, Plant and Equipment	0	0	0	0
• Intangible Assets	0	0	0	0
• Other assets/liabilities in disposal groups	0	0	0	0
Assets Sold	(378)	0	0	0
Transfers from non-current to current	0	0	0	0
[Other Movements]				
Balance outstanding at year end	628	378	0	0

16. Short Term Creditors (less than 12 months)

	31 March 2014	31 March 2013
	£000	£000
Council Tax	268	241
Business Rates	239	0
Other local authorities and public bodies	864	191
Sundry Creditors	2,430	3,187
S106 Developer Contributions	199	37
Central Government Bodies	1,343	426
Housing Rents	16	5
Receipts in advance	0	122
Accrued Leave	174	170
Other Creditors	651	552
Total	6,184	4,931

17. Provisions

	MMI Claw-back of claims	NNDR Appeals	Total
	£000	£000	£000
Balance at 1 April 2013	150	0	150
Additional provisions made in 2013-14	0	833	833
Amounts used in 2013-14	(37)	0	(37)
Unused amounts reversed in 2013-14	(113)	0	(113)
Balance at 31 March 2014	0	833	833

MMI Claw-back of claims

Municipal Mutual Insurance Ltd (MMI), the Council's previous insurer, was the predominant insurer of public sector bodies prior to ceasing its underwriting operations in September 1992, having suffered substantial losses. The Council and most of MMI's public sector members elected to participate in a 'Scheme of Arrangements' effectively becoming 'Scheme Creditors', meaning they may have to pay back part of all claims for which they have received settlements since 1993 in the event of the Scheme of Arrangements being triggered.

The decision of the Supreme Court on 28 March 2012 on the 'mesothelioma trigger litigation' placed additional financial pressures on the residual funds of MMI. It has also increased the potential for a claw-back on settlements the Council has received from MMI since 1993.
On 13 November 2012, the directors of MMI triggered the Scheme of Arrangements under section 425 of the Companies Act 1985 (now section 899 of the Companies Act 2006). Ernst & Young LLP were appointed to manage the business affairs and assets of MMI in accordance with the terms of the scheme.

The Council was informed by Ernst & Young LLP in their capacity as administrators on 13 May 2013 that an initial levy of 15% will be required in 2013-14. This equates to £37,000 which has been paid during 2013-14. Based upon their current assessment, the administrators have informed the council that no further provision is necessary. This position is reviewed on an annual basis.

Business Rates

The new arrangements for the retention of business rates came into effect on 1 April 2013. From this date local authorities are liable for refunding ratepayers who have successfully appealed against the business rates charged to their businesses in 2012-13 and earlier financial years in their proportionate share. A provision has therefore been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2014. The estimate has been calculated using the Valuation Office 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 2014.

18. Long Term Creditors

	Balance 31 March 2014 £000	Balance 31 March 2013 £000
S106 Developer Contributions	2,703	2,515
Total	2,703	2,515

19. Usable Reserves

Movements in the council's usable reserves are detailed in the Movement in Reserves Statement on pages 25 and 26.

20. Unusable Reserves

Revaluation Reserve

The Revaluation Reserve contains the gains made by the council arising from increases in the value of its non-current assets. The balance is reduced when assets with accumulated gains are:

- Re-valued 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.

2012-13 £000		2013-14 £000
(25,509)	**Balance at 1 April**	**(26,768)**
(2,481)	Upward revaluation of assets	(2,880)
811	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	785
(1,670)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(2,095)
205	Difference between fair value depreciation and historical cost depreciation	236
206	Accumulated gains on assets sold or scrapped	4
411	Amount written off to the Capital Adjustment Account	240
(26,768)	**Balance at 31 March**	**(28,623)**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the council 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:

- Re-valued downwards or impaired and the gains are lost
- disposed of and the gains are realized.

The council does not have any available for sale financial instruments.

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. 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 and gains recognised on donated assets that have yet to be consumed by the council. 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.

2012-13 £000		2013-14 £000
(78,731)	**Balance at 1 April**	**(81,514)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
2,151	• Charges for depreciation and impairment of non-current assets	2,230
272	• Revaluation losses on Property, Plant and Equipment	1,221
243	• Amortisation of intangible assets	210
2,675	• Revenue expenditure funded from capital under statute	1,382
919	• 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	406
6,260		5,449
(411)	Adjusting amounts written out of the Revaluation Reserve	(240)
5,849	Net written out amount of the cost of non-current assets consumed in the year	5,209
	Capital financing applied in the year:	
(7,895)	• Use of the Capital Receipts Reserve to finance new capital expenditure	(6,335)
(1,231)	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,222)
0	• Application of grants to capital financing from the Capital Grants Unapplied Account	(64)
(37)	• Capital expenditure charged against the General Fund	(53)
(9,163)		(7,674)
44	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	236
0	Movements in the value of Assets Held for Sale debited or credited to the Comprehensive Income and Expenditure Statement	715
(15)	Adjusting amounts written out to the capital receipts reserve	0
502	Adjusting amounts written out to the deferred capital receipts reserve	0
(81,514)	**Balance at 31 March**	**(83,028)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.
The adjustments in this account relate to the soft loans given by the council in respect of the Housing Private Sector Renewal Scheme, and the council owned shop improvements at Hardham Road and the Ridgeway where tenants are responsible for the repairs and maintenance of the properties under the agreements. The transactions represent the interest foregone by the council under the loan arrangements.

2012-13 £000			2013-14 £000
65	**Balance at 1 April**		**70**
5	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(9)	
0	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	0	
5	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		(9)
70	**Balance at 31 March**		**61**

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 council 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 council makes employer’s contributions to pension funds, or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the council 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.

2012-13 Restated £000		2013-14 £000
6,620	**Balance at 1 April**	**10,040**
2,610	Remeasurements of the net defined benefit liability/(asset)	(1,980)
2,870	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	3,464
(2,063)	Employer’s pensions contributions and direct payments to pensioners payable in the year	(2,071)
3	Difference in the payment to the pension find and the Actuary’s estimate of the same in preparing the IAS 19 report	6
10,040	**Balance at 31 March**	**9,459**

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. Under statutory arrangements, the council 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.

2012-13 £000		2013-14 £000
0	**Balance at 1 April**	**(498)**
(502)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
4	Transfer to the Capital Receipts Reserve upon receipt of cash	5
(498)	**Balance at 31 March**	**(493)**

Collection Fund Adjustment Account

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

2012-13 £000		2013-14 £000
43	**Balance at 1 April**	**71**
28	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	157
71	**Balance at 31 March**	**228**

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.

2012-13 £000			2013-14 £000
166	**Balance at 1 April**		**170**
(166)	Settlement or cancellation of accrual made at the end of the preceding year	(170)	
170	Amounts accrued at the end of the current year	174	
4	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		4
170	**Balance at 31 March**		**174**

21. Amounts reported for resource allocation decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the council's Cabinet on the basis of budget reports analysed across portfolios.

The income and expenditure of the council's portfolio's recorded in the budget reports for the year is as follows:

PORTFOLIO Income & Expenditure	Corporate Services & Communications £000	Environment £000	Economy, Property & Tourism £000	Finance £000	Housing & Planning £000	Leader & Service Provision £000	Leisure and Wellbeing & Community Services £000	**Total** **£000**
2013-14								
Fees, charges & other service income	1,807	2,592	5,178	507	2,747	34	4,165	**17,030**
Funding	0	0	0	0	0	0	0	**0**
Government grants and contributions	10	1,222	35	36,669	844	8	619	**39,407**
Total Income	**1,817**	**3,814**	**5,213**	**37,176**	**3,591**	**42**	**4,784**	**56,437**
Employee expenses	631	3,694	987	1,875	3,590	143	4,538	**15,458**
Other operating expenses	1,107	3,668	1,260	37,464	2,196	20	6,410	**52,125**
Support service recharges	777	760	406	1,047	1,322	26	879	**5,217**
Total operating expenses	**2,515**	**8,122**	**2,653**	**40,386**	**7,108**	**189**	**11,827**	**72,800**
Net Expenditure	**698**	**4,308**	**(2,560)**	**3,210**	**3,517**	**147**	**7,043**	**16,363**
2012-13								
Fees, charges & other service income	1,730	2,548	5,045	572	2,537	35	4,213	**16,680**
Funding	0	0	0	0	0	0	0	**0**
Government grants and contributions	0	897	33	43,467	929	5	814	**46,145**
Total Income	**1,730**	**3,445**	**5,078**	**44,039**	**3,466**	**40**	**5,027**	**62,825**
Employee expenses	622	3,560	867	2,036	3,263	134	4,490	**14,972**
Other operating expenses	1,036	3,338	1,411	43,220	2,543	34	6,653	**58,235**
Support service recharges	779	806	378	1,340	1,229	35	829	**5,396**
Total operating expenses	**2,437**	**7,704**	**2,656**	**46,596**	**7,035**	**203**	**11,972**	**78,603**
Net Expenditure	**707**	**4,259**	**(2,422)**	**2,557**	**3,569**	**163**	**6,945**	**15,778**

22. Agency Services

The council provides a Civil Parking Enforcement Service (CPE) on behalf of West Sussex Council (WSCC).

	2013-14 £000	2012-13 £000
Expenditure incurred in providing a CPE Service to WSCC	323	281
Management fee payable by WSCC	(323)	(281)
Net (Surplus)/Deficit arising on the agency arrangement	0	0

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

	2013-14 £000	2012-13 £000
Expenditure incurred in providing a Planning Service to SDNPA	1,068	1,159
Management fee payable by SDNPA	(1,067)	(1,095)
Net (Surplus)/Deficit arising on the agency arrangement	1	64

23. Members' Allowances

The council paid the following amounts to members of the council during the year. A detailed list of the allowances paid to each member can be found on the council website.

	2013-14 £000	2012-13 £000
Allowances	286	290
Expenses	21	23
Total	307	313

24. Officers' Remuneration

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

Post Title		Salary, Fees and Allowances £	Compensation for Loss of Office £	Pension Contribution £	Total £
Chief Executive	2013-14	114,689	0	17,941	132,630
	2012-13	114,929	0	17,941	132,870
Executive Director of Home and Community (see note 1)	2013-14	90,620	77,318	13,855	181,793
	2012-13	89,860	0	13,855	103,715
Executive Director of Environment	2013-14	89,689	0	13,866	103,555
	2012-13	89,929	0	13,866	103,795
Executive Director of Support Services and the Economy	2013-14	89,689	0	13,866	103,555
	2012-13	89,929	0	13,866	103.795
Head of Finance and Governance / S151 Officer	2013-14	67,595	0	10,468	78,064
	2012-13	67,295	0	10,391	77,686
Principal Solicitor / Monitoring Officer	2013-14	54,934	0	8,649	63,583
	2012-13	56,098	0	8,566	64,664

Note 1
The post of Executive Director of Home and Community to be made redundant on 31st May 2014. The cost has been recognised in the financial year where the authority is demonstrably committed to the exit package.

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

Remuneration Band	2013-14 Number of employees	2012-13 Number of employees
£50,000 - £54,999	6	3
£55,000 - £59,999 *	1	6
£60,000 - £64,999	5	4
£65,000 - £69,999	1	2
£80,000 - £84,999 *	1	1
£85,000 - £89,999	2	3
£100,000 - £104,999 *	1	0
£105,000 - £109,999 *	1	0
£110,000 - £114,999	1	1
£115,000 - £119,999 *	1	0
£165,000 - £169,999 *	1	0

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

* Includes payments for officers made redundant.

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
							£	£
£0 - £20,000	4	2	3	-	7	2	55,527	10,304
£20,001 - £40,000	2	-	5	2	7	2	222,694	59,709
£40,001 - £60,000	1	-	1	1	2	1	106,645	46,290
£60,001 - £80,000	1	-	1	1	2	1	144,531	60.538
£80,001 - £100,000	-	-	-	-	-	-	0	0
Total	8	2	10	4	18	6	529,397	176,841

25. External Audit Costs

The council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the council's external auditors:

	2013-14 £000	2012-13 £000
Fees payable to the Ernst and Young with regard to external audit services carried out by the appointed auditor for the year	65	65
Fees payable to the Ernst and Young in respect of statutory inspections	0	0
Fees payable to the Ernst and Young for the certification of grant claims and returns for the year	5	9
Total	70	74

26. Grant Income

The council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013-14

For the purposes of this note only individual receipts in excess of £50,000 have been disclosed seperately. Subsidy payments received from central government for housing and council tax benefits are excluded from this disclosure note as they are not grant income but receipts for the reimbursement of unavoidable statutory expenditure.

	2013-14 £000	2012-13 £000
Credited to Taxation and Non Specific Grant Income and Expenditure		
Council Tax income	8,990	9,299
Retained Business Rates	1,531	0
Contribution from National Non-Domestic Rate Pool	0	4,294
Capital grants and contributions	484	503
Revenue Support Grant	2,957	83
New Homes Bonus Scheme	1,404	839
Council Tax Freeze Grant	0	178
Small Business Rate Relief Grant	560	0
Other Non ringfenced Government Grants	39	0
Total	15,965	15,196

	2013-14 £000	2012-13 £000
Credited to Services		
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	738	790
Neighbourhood Planning	70	50
Localisation of Council Tax Support	77	84
Priority Need for Accommodation	0	113
Ordinary Watercourses	50	0
Other Revenue Grants	124	95
Total	1,059	1,132

The council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	31 March 2014 £000	31 March 2013 £000
Grant Receipts in Advance (Capital Grants)		
Midhurst Leisure and Community Centre Grant	415	167
Coast Protection Lifeboat Way Contributions	85	0
Other Receipts below £50,000	14	15
Total	514	182
Donated Assets Account		
No donated assets	0	0
Total	0	0
Grant Receipts in Advance (Revenue Grants)		
DEFRA Air Quality Grant 2013*	0	51
Other Receipts below £50,000	138	71
Total	138	122

*Below £50,000 as at 31 March 2014.

27. Related Parties

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

Central Government

Central government has significant influence over the general operations of the council – it is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 21 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2014 are shown in Note 26.

Members and Officers

Members of the council have direct control over the council's financial and operating policies. A survey of the council's members, its chief and statutory officers and staff was undertaken. The disclosures identified that one council officer is a nominated Director of Visit Chichester, a company set up to promote tourism within the Chichester District. They represent 1/15 of the company board. The council paid Visit Chichester an operating grant of £2,500 in 2013-14.

The remaining disclosures made are considered immaterial to the council's Statement of Accounts and to the bodies and individuals identified, and are therefore not separately identified.

A review of the Register of Members' Interests and the schedule of payments to suppliers greater than £500 has been undertaken to ascertain if any additional significant related party interests exist. No material disclosures have been identified.

28. 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 and PFI/PP contracts), 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 council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the council that has yet to be financed. The CFR is analysed in the second part of this note.

	2013-14 £000	2012-13 £000
Opening Capital Financing Requirement	(1,297)	(1,372)
Capital Investment		
Property, Plant and Equipment	5,197	6,522
Intangible Assets	162	59
Revenue Expenditure Funded from Capital under Statute	1,382	2,674
Investment Property	727	0
Deferred Debtor	63	0
Sources of Finance		
Capital Receipts	(6,335)	(7,912)
Government grants and other contributions	(1,286)	(1,231)
Sums set aside from revenue	(53)	(37)
Closing Capital Financing Requirement	(1,440)	(1,297)

29. Leases

Council as Lessor

Finance Leases

The council has three leased out properties; Chichester Rugby Club, Chichester Lawn and Tennis Club and the Chichester Crematorium.

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

	31 March 2014 £000	31 March 2013 £000
Finance lease debtor (net present value of minimum lease payments):		
• Current	5	5
• Non-current	471	476
Unearned finance income	22,624	22,694
Unguaranteed residual value of property	17	17
Gross investment in the lease	23,117	23,192

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

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
Not later than one year	92	92	75	75
Later than one year and not later than five years	301	301	301	301
Later than five years	22,724	22,799	22,724	22,799
	23,117	23,192	23,100	23,175

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

Operating Leases

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

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses.

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

	31 March 2014 £000	31 March 2013 £000
Not later than one year	1,335	1,279
Later than one year and not later than five years	3,785	3,609
Later than five years	52,444	54,968
	57,564	59,856

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

Council as Lessee

The council access a number of pieces of land that are classified as operating leases. There are two leases disclosed, Orchard Street and New Park car parks which have rental values over the £10,000 deminimis.

For Orchard Street, the council is committed to making a lease payment to West Sussex County Council. The amount is based on 43% of the car park net income received during the year, as this is variable the future minimum payments have not been disclosed. The income received during 2013-14 was £35k.

The New Park lease expires in 2033 and is reviewed every 5 years. The future minimum lease payments are as follows:

	31 March 2014 £000	31 March 2013 £000
Not later than one year	30	35
Later than one year and not later than five years	120	0
Later than five years	435	0
	585	35

30. Impairment Losses

During 2013-14 the council carried out an impairment review. No impairment losses were identified as a result.

31. Termination Benefits

The council terminated the contracts of a number of employees in 2013-14, incurring costs of £529,397 (£176,841 in 2012-13) – see note 24 for the number of exit packages and total cost per band.

32. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The council operates a defined benefit pension scheme that is administered by West Sussex County Council. This is a funded scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

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

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

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

Discretionary Post-retirement Benefits

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

Transactions Relating to Post-employment Benefits

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

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

	Local Government Pension Scheme	
	2013-14 £000	Restated 2012-13 £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Service cost comprising**:**		
• current service cost	2,931	2,360
• past service cost	61	110
• (gain)/loss from settlements	0	70
Financing and Investment Income and Expenditure:		
Net interest expense	472	330
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**3,464**	**2,870**
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement:		
Remeasurement of the net defined benefit liability comprising:		
• Return on plan assets (excluding the amount included in the net interest expense)	(7,297)	(9,730)
• Actuarial (gains) and losses arising on changes in demographic assumptions	6,651	0
• Actuarial (gains) and losses arising on changes in financial assumptions	(1,459)	12,510
Other experience (gains) or losses	125	(170)
Total Other Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement	**(1,980)**	**2,610**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(3,464)	(2,870)
Actual amount charged against the General Fund Balance for Pensions in the Year:		
Employers contributions payable to scheme	**2,065**	**2,063**

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 plans is as follows:

	Local Government Pension Scheme	
	2013-14	Restated 2012-13
	£000	£000
Present value of the defined benefit obligation	131,032	120,710
Fair value of plan assets	(121,573)	(110,670)
Sub-total	9,459	10,040
Other movements in the liability (asset)	0	0
Net liability arising from defined benefit obligation	**9,459**	**10,040**

Reconciliation of the Movements in the Fair Value of Scheme Assets

	Local Government Pension Scheme	
	2013-14	Restated 2012-13
	£000	£000
Opening fair value of scheme assets	110,670	97,660
Interest income	4,947	4,650
Remeasurement gain/(loss):		
• the return on plan assets, excluding the amount included in the net interest expense	7,297	9,730
Contributions from employer	2,065	2,060
Contributions from employees into the scheme	781	780
Benefits paid	(4,187)	(4,210)
Closing fair value of scheme assets	**121,573**	**110,670**

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Local Government Pension Scheme	
	2013-14	Restated 2012-13
	£000	£000
Opening balance at 1 April	120,710	104,280
Current Service Cost	2,931	2,360
Interest Cost	5,419	4,980
Contributions from scheme participants	781	780
Remeasurement (gains) and losses:		
• Actuarial (gains)/losses arising from changes in demographic assumptions	6,651	0
• Actuarial (gains)/losses arising from changes in financial assumptions	(1,459)	12,510
• Other experience (gains) or losses	125	(170)
Past service cost	61	180
Benefit paid	(4,187)	(4,210)
Closing balance at 31 March	**131,032**	**120,710**

Local Government Pension Scheme assets comprised:

	Fair Value of scheme assets	
	2013-14 £000	Restated 2012-13 £000
Cash and Cash equivalents	2,612	1,681
Equity Securities:		
• Consumer	20,463	16,272
• Manufacturing	10,884	8,769
• Energy and Utilities	6,267	5,952
• Financial Institutions	18,927	10,954
• Health and Care	8,414	6,170
• Information Technology	14,233	9,278
• Other	3,298	1,987
Debt Securities:		
• UK Government	3,063	4,110
Private Equity:		
All	7,404	7,414
Sub-total property		
Private equity:		
• UK Property	9,475	8,381
• Overseas Property	272	266
Investment Funds and Unit Trusts:		
• Equities	0	15,713
• Bonds	10,928	11,611
• Other	5,333	2,112
Total assets	121,573	**110,670**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2013.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2013-14	2012-13
Long-term expected rate of return on assets in the scheme:		
Equities	4.3%	4.5%
Bonds	4.3%	4.5%
Property	4.3%	4.5%
Cash	4.3%	4.5%
Mortality assumptions		
Longevity at 65 for current pensioners:		
Men	24.4	22.7
Women	25.8	24.2
Longevity at 65 for future pensioners:		
Men	26.9	24.3
Women	28.5	26.4
Financial assumptions		
Rate of inflation	2.8	2.8
Rate of increase in salaries	4.1	5.1
Rate of increase in pensions	2.8	2.8
Rate for discounting scheme liabilities	4.3	4.5

Sensitivity Analysis

The estimation of the defined obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Change in assumptions at year ended 31 March 2014:	Approximate % increase to Employer Obligation	Approximate monetary Amount (£000)
0.5% decrease in Real Discount Rate	10%	12,544
1 year increase in member life expectancy	3%	3,931
0.5% increase in the Salary Increase Rate	3%	4,050
0.5% increase in the Pension Increase Rate	6%	8,320

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as a constant a rate as possible. West Sussex County Council, the Administering Authority of the scheme, commissioned the Actuary to carry out extensive modelling to explore the long term effect on the Fund of capping future contribution increases. For an employer that adopts such a strategy, this effectively means that they will pay slightly less than the theoretical contribution rate in 'bad' times but to justify this, they will in turn pay slightly more than the theoretical rate in 'good' times.

The result of the modelling work indicates that it is justifiable to limit employer contribution rate changes to +1%/-1% of employers' contributions per annum from 1 April 2011, subject to the Administering Authority being satisfied that the status of the employer merits adoption of the stabilised approach (i.e. they are low risk).

In the interest of stability and affordability of employer contributions, West Sussex County Council on the advice of the actuary believes that the results of the modelling demonstrate that stabilising contributions can still be viewed as a prudent longer-term approach.

Funding levels are monitored on an annual basis. The next triennial valuation is due to completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Actuary estimates that the council's employer's contributions for the period to 31 March 2015 will be approximately £2,088,000. The Council's budget for 2014-15 includes £2,267,100 for total employer contributions to the Pension Fund.

The weighted average duration of the defined benefit obligation for scheme members is 18.9 years.

33. Contingent Liabilities

International Accounting Standard 37 (IAS37) requires the council to disclose contingent liabilities. These arise from past events that might result in an obligation on the council.

The council has a number of potential claims relating to planning applications. At this time the council is unable to provide a reliable estimate of amounts involved.

34. Contingent Assets

International Accounting Standard 37 (IAS37) requires the council to disclose contingent assets. These arise from past events that might provide a possible asset to the council.

There are no contingent assets that may materially affect the amounts included in any of the financial statements.

35. Nature and extent of risks arising from Financial Instruments

The council'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 council i.e. failure to meet their contractual obligations, potentially causing a loss to the council

- **Liquidity Risk** – the possibility that the council might not have the funds available to meet its commitments to make payments, thereby causing a loss to the other party

- **Market Risk** – the possibility that a financial loss might arise for the council as a result of changes to the value of a financial instrument due to changes in interest rates, market prices, exchange rates etc.

Overall Procedures for Managing Risk

The council's overall risk management procedure focuses on the unpredictability of financial markets, and seeks to minimise any potential adverse effects of those risks. The council gives priority to corporate risk management well beyond the focus upon traditional insurable risk. Both the Corporate Management Team and Corporate Governance and Audit Committee, under the direction of, and in accordance with the policies approved by Council, are responsible for the governance arrangements of risk management. The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and it has set treasury management indicators within its Treasury Management Strategy to control key financial instrument risks.

The financial risks posed to the council are considered by the Cabinet in relation to the Council's Financial Strategy, which sets out the anticipated spending plans of the Council for both revenue and capital for a five year period, and those plans are linked to the Treasury Management Strategy. The Treasury Management Strategy sets out the specific areas of risk and how they are managed in relation to interest rate risk, liquidity risk and the investment of surplus funds.

Credit Risk

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

The council seeks to minimise risk through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet the approved minimum credit criteria, as set out in the Strategy. Therefore the council only uses those banks and other financial institutions, which have been rated independently, and meet the criteria, set out in the table below. The Strategy also sets out the maximum amount of investment permitted with each institution dependent upon the counter parties rating scores.

The criteria applied during the year were:

	Fitch	Moody's	S&P's	Maximum Investment Permitted
				£m
Money Market Fund	AAA	Aaa/	AAA	5
UK Government	-	-	-	unlimited
UK Local Authorities	-	-	-	8
Banks – Lower Limit	A-	A3	A-	2
Banks – Higher Limit	A+	A1	A+	8
Building Societies – Lower Limit	BBB+	Baa1	BBB+	2 (up to 6 months)
Building Societies – Higher Limit	A+	A1	A+	8
Building Societies – Non Rated (Assets £250m+)	BBB (if rated)	Baa1 (if rated)	BBB (if rated)	2 (up to 3 months)

The Investment Strategy also sets out the country and sector considerations to be taken into account when placing investments to ensure minimization of risk in relation to the country, group and sector exposure of the council's investments. In part the country selection will be chosen by the credit rating of the Sovereign state i.e. AAA (Fitch). In addition:

- No more than £5m will be placed with any non-UK country at any time;
- Limits in place above will apply to Group companies;
- Sector limits will be monitored regularly for appropriateness.

The council continually monitored individual credit ratings and the financial standing of its counterparties throughout the year. Of the council's £36.95m investments as at 31st March 2014, all of which were either in UK banks, building societies or other local authorities.

The council's maximum exposure to credit risk in relation to its investments in the banks and building societies of £20.95m 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 it is rare for such entities to be unable to meet their commitments. A risk of un-recoverability applies to all of the council's deposits, but there was no evidence at the 31 March 2014 that this was likely to crystallise.

No credit limits were exceeded during the reporting period. To date, the council has not experienced any losses from non-performance by any of its counter parties in relation to its investments and none are currently anticipated in the coming reporting period.

The following analysis summarises the council's potential maximum exposure to credit risk on other financial assets, based on experience of default and un-collectability over the last 5 years:

	Amount as 31 March 2014 £000	Historical Experience of default %	Historical experience adjusted for market conditions at 31 March 2014 %	Estimated maximum exposure to default & un-collectability at 31 March 2014 £000	Estimated maximum exposure at 31 March 2013 £000
Deposits with banks & financial Institutions	(a)	(b)	(c)	(a * c)	(a * c)
AAA rated counterparties	0	0.0%	0.0%	0	0
AA rated counterparties	6,950	0.03%	0.03%	2	5
A rated counterparties	14,000	0.07%	0.07%	10	8
Trade Debtors	1,741	10.97%	10.97%	191	156
Total	22,691			203	169

The council does not generally allow credit for customers, as all accounts raised are due within seven days. The past due amounts from trade customers can be analysed by age as follows:

	31st March 2014 £'000	31st March 2013 £'000
Less than 90 days	658	850
91 to 360 days	73	113
More than 361 days	158	104
	889	1,067

In considering the customers of the council, it has a prudent bad/doubtful debt set aside allowance (see Note 15) to cover cases of default.

Liquidity Risk

The council has been debt free since 2001, and no borrowing was undertaken in the current reporting period and it is not anticipated that any borrowing will take place in the coming period. As such, the envisaged liquidity risk under the Code does not apply, as the council has no exposure where it needs to replenish any borrowings when the prevailing market may have high interest rates. In terms of the council meeting its financial obligations, the council is able to access its agreed overdraft facility to cover any short-term cash deficits. In the longer term should the council require to raise finance there is no significant exposure to risk, as it has access to longer term loans which are readily available from the Public Works Loans Board.

The council's Strategy states that 65% of investments are to remain liquid (specified investments) with a maturity date of 12 months or less, thereby ensuring flexibility in its cash flow management.

Market Risk

Interest Rate Risk

The council is exposed to risk in terms of its exposure to interest rate movements on its investments. Movements in interest rates have a complex impact on the council, for instance, a rise in interest rates would have the following effects on its investments:

- Investments at variable rates – the interest income credited to the Surplus or Deficit on the provision of services will rise

- Investments at fixed rates – the fair value of the assets will fall.

The council has invested short term in the current reporting period, with the majority arranged at fixed rates to try to ensure stability and a balanced portfolio of investments. During 2013-14 new long-term investments were undertaken reflecting the view held at the time that the Bank of England base rate would not increase until mid to late 2016. The value of long-term investments held at 31 March 2014 amounted to £11m. Some of the existing long term investments are structured so that the council will receive the benefit of any significant future interest rate rises, and are protected from any interest rate falls by way of a minimum interest rate agreed at the time of placing the investment. The majority of surplus funds are now held in short term notice or call accounts due to low interest rates but also to aid cash flow management in accordance with the liquidity criteria.

The council has a number of strategies for managing interest rate risk, as the policy states the aim is to keep investments up to a maximum of 60% at variable interest rates, so that the treasury management operations can react to market rate fluctuations, taking into account the maximum limit for fixed interest rates of 100%. The council sets out the maximum amount of investments that can be placed for more than 12 months.

When the Cabinet considers the spending plans of the council as part of the annual budget and a review of the Financial Strategy, which is linked to both the Treasury Management and capital spending plans, a prudent view of future interest rates is taken in order to minimise any potential exposure to the risk of changing interest rates.

In relation to risk the council's Treasury Management Strategy stated for 2013-14:

"The council's investment strategy primary objectives are safeguarding the re-payment of the principal and interest of its investments on time first and ensuring adequate liquidity second – the investment return being a third objective. Following the economic background regarding the banking crisis and world economy, the current investment climate has one over-riding risk consideration that of counterparty security risk. As a result of these underlying concerns officers continue to review the operational investment strategy, which tightens the controls already in place in the approved investment strategy."

If all interest rates had been 1% higher (with all other variable held constant) the financial effect would have been:

	2013-14 £'000
Decrease in fair value of fixed investment assets	270
Impact on other Comprehensive Income and Expenditure	270

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk
The council does not invest in equity shares, so is not exposed to losses arising from movements in the prices of shares.

Foreign Exchange Risk
The council has no financial assets or liabilities denominated in foreign currencies and therefore have no exposure to losses arising from movements in exchange rates.

36. Prior period adjustments

The 2012-13 comparative year on the Comprehensive Income and Expenditure Statement has been restated to reflect the June 2011 changes to IAS 19 (Employee Benefits) that came into effect for accounting periods starting on or after 1 January 2013. The key change affecting Local Government Pension Scheme employers relates to the expected return on assets. Advance credit for anticipated outperformance of return seeking assets (such as equities) is no longer permitted.

The expected return on assets was credited to the Comprehensive Income and Expenditure Statement, however from 2013 this is effectively replaced with an equivalent figure calculated using the discount rate (as opposed to that calculated using the Expected Return on Assets assumption).

The effect of the change to IAS 19 on the Comprehensive Income and Expenditure Statement for 2012-13 is an expense increase of £970,000. However, as all IAS 19 entries are mitigated through the Movement in Reserves Statement, there are no implications for the General Fund Balance. There is also no impact on the council's balance sheet.

In accordance with IAS8 (Accounting Policies, Changes in Accounting Estimates and Errors), the changes to IAS 19 have been retrospectively applied for the 2012-13 financial year. Essentially, this means that the 2012-13 comparator year in the Comprehensive Income and Expenditure Statement for 2013-14 has been rebased onto the IAS 19 (Revised) reporting basis.

The effect of the change on the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and related disclosure note is provided as follows:

Effect on the Comprehensive Income and Expenditure Statement

	Originally Stated 2012-13	**Restated 2012-13**	**Amount of Restatement 2012-13**	**Originally Stated 2012-13**	**Restated 2012-13**	**Amount of Restatement 2012-13**	**Original Net Expenditure 2012-13**	**Restated Net Expenditure 2012-13**
	Gross Expenditure £000	Gross Expenditure £000	£000	Gross Income £000	Gross Income £000	£000	£000	£000
Pension Interest Cost and expected return on pension Assets	4,980	0	(4,980)	(5,620)	0	5,620	(640)	0
Net interest on the net defined liability (asset)	-	330	330	-	-	-	-	330
Financing and Investment Income and Expenditure	**5,117**	**467**	**(4,650)**	**(6,624)**	**(1,004)**	**5,620**	**(1,507)**	**(537)**
(Surplus) or Deficit on Provision of Services	**86,964**	**82,314**	**(4,650)**	**(85,390)**	**(79,770)**	**5,620**	**1,574**	**2,544**
Actuarial (gains)/losses on pensions assets/liabilities							3,580	12,340
Return on Assets excluding amounts included in net interest							0	(9,730)
Other Comprehensive Income and Expenditure							**1,913**	**943**

Effect on the Movement in Reserves Statement	**General Fund Balance**			**Total Usable Reserves**			**Unusable Reserves**			**Total Council Reserves**		
	Originally stated £000	Restated £000	Amount of Restatement £000	Originally stated £000	Restated £000	Amount of Restatement £000	Originally stated £000	Restated £000	Amount of Restatement £000	Originally stated £000	Restated £000	Amount of Restatement £000
Movement in reserves during 2012-13												
Surplus or (deficit) on the provision of services	(1,574)	(2,544)	(970)	(1,574)	(2,544)	(970)	0	0	0	(1,574)	(2,544)	(970)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(1,913)	(943)	970	(1,913)	(943)	970
Total Comprehensive Income and Expenditure	**(1,574)**	**(2,544)**	**(970)**	**(1,574)**	**(2,544)**	**(970)**	**(1,913)**	**(943)**	**970**	**(3,487)**	**(3,487)**	**0**
Adjustments between accounting basis & funding under regulations (Note 6)	4,109	5,079	970	(2,996)	(2,026)	970	2,996	2,026	(970)	0	0	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**2,535**	**2,535**	**0**	**(4,570)**	**(4,570)**	**0**	**1,083**	**1,083**	**0**	**(3,487)**	**(3,487)**	**0**

Effect on Note 6
Adjustments between accounting basis & funding basis under regulations

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,900	2,870	970	1,900	2,870	970	(1,900)	(2,870)	(970)	-	-	-
TOTAL ADJUSTMENTS	**4,109**	**5,079**	**970**	**(2,996)**	**(2,026)**	**970**	**2,996**	**2,026**	**(970)**	**-**	**-**	**-**

Effect on the Cash Flow Statement

	Originally Stated 2012-13	Restated 2012-13	Amount of Restatement 2012-13
	£000	£000	£000
Net (surplus) or deficit on the provision of services	1,574	2,544	970
Adjustments to net surplus or deficit on the provision of services for non-cash	(691)	(1,661)	(970)

Collection Fund Statement

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

	2012-13			2013-14		
Collection Fund Income and Expenditure Account for the year ended 31 March 2014	**Business Rates**	**Council Tax**	**Total**	**Business Rates**	**Council Tax**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
INCOME						
Council Tax Receivable		70,896	70,896		73,230	73,230
Transfers from General Fund: • Council Tax Benefits		7,299	7,299		-	-
Business Rates Receivable	40,985		40,985	43,502		43,502
Transitional Protection payments received	0		0	0		0
Total Income	40,985	78,195	119,180	43,502	73,230	116,732
EXPENDITURE						
Apportionment of Previous Year Estimated Surplus / (Deficit)						
Central Government	0		0	0		0
West Sussex County Council	0	(273)	(273)	0	(506)	(506)
Chichester District Council	0	(41)	(41)	0	(77)	(77)
The Police and Crime Commissioner for Sussex		(33)	(33)		(60)	(60)
	0	(347)	(347)	0	(643)	(643)
Precepts, Demands and Shares						
Central Government	40,793		40,793	20,785		20,785
West Sussex County Council	0	61,901	61,901	4,157	57,189	61,346
Chichester District Council	0	9,367	9,367	16,627	8,977	25,604
The Police and Crime Commissioner for Sussex	0	7,374	7,374		6,813	6,813
	40,793	78,642	119,435	41,569	72,979	114,548
Charges to the Collection Fund						
Write-offs of uncollectable amounts	0	84	84	73	125	198
Increase / (Decrease) in Bad Debts Provision	0	46	46	105	25	130
Increase / (Decrease) in Provision for Appeals	0		0	223		223
Increase / (Decrease) in Provision for Backdated Appeals	0		0	1,858		1,858
Cost of Collection Allowance	192		192	192		192
Transitional Protection payments made	0		0	98		98
	192	130	322	2,549	150	2,699
Total Expenditure	40,985	78,425	119,410	44,118	72,486	116,604
Surplus / (Deficit) arising during the year	0	(230)	(230)	(616)	744	128
Surplus / (Deficit) b/fwd 1 April	0	(365)	(365)	0	(595)	(595)
Surplus / (Deficit) c/fwd 31 March	0	(595)	(595)	(616)	149	(467)

Notes to the Collection Fund Account

1. General

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

2. Income From Business Rates

The Council collects national non-domestic rates (NNDR) for its area based upon the rateable values provided by the Valuation Office Agency (VOA), multiplied by a uniform business rate multiplier set national by the government. In previous financial years the total amount due, less certain allowances, was paid to a central pool (the NNDR pool) administered by the government. The government then paid to local authorities their share of the pool based upon a standard amount per head of the local adult population.

From 1 April 2013, the regime around the income that local councils collect from NNDR or Business Rates changed following the introduction of the Business Rates Retention Scheme. Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectable rates due. For Chichester the local share is 40%. The remainder is distributed to the other preceptors; central government (50%) and West Sussex County Council (10%).

The business rates shares payable were estimated before the start of the financial year as £20.785m to Central Government, £4.157m to West Sussex County Council, and £16.627m to Chichester District Council. These sums have been paid in 2013-14 and charged to the collection fund in the year.

When the Business Rates Retention Scheme was introduced, the government set a business rates baseline 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 funding amount. Tariffs payable to Central Government are used to pay the tops ups to those authorities who do not receive their baseline funding amount. In respect of Chichester, the council was required to make a tariff payment of £14.727m from its General Fund in 2013-14.

In addition to the top up, a safety net figure is calculated at 92.5% of the baseline funding amount which ensures that authorities are protected to this level of business rates income. The safety net figure for Chichester is £1.820m. The council did not qualify for a safety net payment in 2013-14.

From 2013-14, councils are also liable for refunding ratepayers who have successfully appealed against the business rates charged to their businesses, in their proportionate share. A provision has therefore been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2014. The total provision charged to the collection fund for 2013-14 has been calculated at £2.081m.

The total non-domestic rateable value at the 31 March 2014 was £109,232,878 (compared with £108,553,086 on 31 March 2013). The national multipliers for 2013-14 were 47.1p (45.8p in 2012-13) for the standard non-domestic rating multiplier, and 46.2p (45.0p in 2012-13) for qualifying small businesses.

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

3. Council Tax

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

The Council Tax base is the amount required by the Local Government Finance Act 1995, to be used in the calculation of the council tax by Chichester District Council, Parish Councils, West Sussex County Council and The Police and Crime Commissioner for Sussex. Each authority uses the approved tax base to calculate the amount of precept payable to it from the Collection Fund. The tax base is calculated by reference to the number of chargeable dwellings listed in each valuation band, adjusted for estimated new, exempt, demolished and void properties in the year. Further adjustments are made in respect of the estimated number of discounts to be given and an allowance for the estimated losses on collection.

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

Council Tax Band	No. of Chargeable Dwellings	Ratio to Band D	Chargeable Base	Tax Base
Disabled Band A	2.7	5/9	1.5	1.5
Band A	2,173.3	6/9	1,448.9	1,434.4
Band B	4,587.5	7/9	3,568.1	3,532.4
Band C	11,872.7	8/9	10,553.5	10,448.0
Band D	10,350.4	9/9	10,350.4	10,246.9
Band E	7,322.2	1/9	8,949.4	8,859.9
Band F	5,127.0	13/9	7,405.7	7,331.6
Band G	5,057.5	15/9	8,429.2	8,344.9
Band H	1,031.0	18/9	2,062.0	2,041.4
Total	**47,524.3**		**52,768.7**	**52,241.0**

<u>Adjustments required as per The Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003</u>

Classes A & B (Second homes)	**1,524.1**
Class C (Exempt properties)	**426.7**
Tax base reduction for Council tax support	**(4,975.2)**
Tax Base	**49,216.50**

In 2013-14, the local government finance regime was revised and Council Tax Benefit is no longer received by the council. This has been replaced by a Council Tax Reduction Scheme (a discount scheme) which is administered by each authority.

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

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

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

Actuarial Gains & Losses (Pension)
Actuaries assess financial and non-financial information provided by the council to project levels of future pension fund requirements. Changes in actuarial surpluses or deficits can arise leading to a loss or a gain due to:

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

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

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

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

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

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

Carrying Amount
The cost or value less depreciation.

Central Services to the Public
This covers services to the public that are often provided by central departments and includes Local Tax Collection, Elections, Emergency Planning Local Land Charges and General Grants.

CIPFA
The Chartered Institute of Public Finance and Accountancy

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

Contingent Liability
A liability that, at the balance sheet date, can be anticipated to arise if a particular event occurs. A

typical example is a court case pending against the Council, the outcome of which is uncertain, but if the judgement were to be awarded against the Council the contingent liability would be required.

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

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

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

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

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

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

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

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

Fair Value
IFRS does not have a consistent definition of Fair Value. For land and buildings it is the amount that would be paid for an asset in its existing use.

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

General Fund
The main revenue fund of the Council which contains the revenue income and expenditure of all services provided by the District Council.

Gross Book Value (GBV)
The GBV of a fixed asset is the purchase of re-valued value before depreciation has been deducted.

Historic Cost
Is deemed to be the carrying amount of an assets as at 1 April 2007 (the date the revaluation reserve was created) or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment (if applicable).

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

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

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

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

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

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

Net Current Replacement Cost
Gross current replacement cost reduced to reflect obsolescence and environmental factors.

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

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

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

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

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

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

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

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

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

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

Revaluation Reserve (RR)
A reserve that over time will be built up by the upward revaluations of individual assets of the Council.

Revenue Support Grant (RSG)
A general government grant in support of local authority expenditure, fixed each year in relation to Standing Spending Assessment.

SeRCOP
The Service Reporting Code of Practice is the authoritative guide to financial reporting for local authorities in England and Wales. It is reviewed annually and establishes proper practices to ensure consistent and therefore comparable financial reporting for services.

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

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

Weighted average duration
The weighted average time until payment of all expected future discounted cashflows, determined based on membership and the financial and demographic assumptions as at the most recent actuarial valuation. The shorter the duration, the most ‘mature’ the employer.

Produced by Accountancy Services
East Pallant House, 1 East Pallant,
Chichester, West Sussex PO19 1TY

Printed by Chichester District Council.
Sept 2014. Please recycle after use.

Chichester District Council
www.chichester.gov.uk