CHICHESTER DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2016-17

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

Facebook www.facebook.com/ChichesterDistrictCouncil

Twitter www.twitter.com/ChichesterDC

Council Officials

Chairman
Mrs E Hamilton

Leader
Mr T Dignum

Deputy Leader
Mrs E Lintill

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 Officer

Introduction by the Head of Finance & Governance

The Council has strong financial management processes in place to ensure that its financial position remains sustainable and that it holds adequate levels of reserves.

The Council's Financial Strategy and principles underpin the budget process using the Medium Term Financial Plan to aid its forward planning, along with in year monitoring to identify any significant variances to the budget, so that any remedial action can be taken where necessary. This is especially important, as the Council continues to cope with the challenge of providing services that meet community needs with significantly reduced level of government resources. As part of our journey of improvement for sound financial management, the Accountancy Services team, assisted by IT colleagues, have now fully implemented all modules of the new financial system Civica, including this year, the new fixed asset register, payroll and e-budgeting modules. This has transformed not only the budget process with service managers, but also changed how we undertake the in-year budget monitoring process. This project was delivered on time and within budget.

Looking forward, the Accountancy Services team are improving other working practices with the aim to produce and publish the accounts with the earlier statutory deadline next year in mind, as part of the culture of continuous improvement adopted across the Council.

Early closure means that the Accountancy Services team can focus on the current year sooner to monitor the delivery of the new deficit reduction strategy as approved by the Council in September 2016. During the 2017-18 budget cycle the Council also took up the Government's offer of the four year financial settlement to aid its future financial planning.

The information presented in these accounts is presented as simply and clearly as possible. However, the accounts of a diverse organisation such as Chichester District Council are, by nature, technical and complex.

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

The sections contained in the Narrative Statement are:

1. Key Facts the Chichester District
2. Key Facts about the Council
3. Council performance
4. Summary of the Financial Performance
5. Key Risks
6. Explanation of the Accounts

1. **Introduction to Chichester**

As the largest district in West Sussex, Chichester District is a unique area, boasting a historic city, glorious countryside and the beautiful south coast. It has a population of 117,000 and covers over 300 square miles, stretching from Selsey in the south to Lynchmere in the north. A large part of the district falls within the area of the South Downs National Park.

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

There are 67 parishes in the District and 48 elected members of the Council representing 29 wards. A Boundary Commission review recently completed concluded that from the next scheduled election in 2019, the number of Chichester District councillors would reduce to 36 representing 21 newly formed wards.

Key Statistics

Population 117,000	Chichester District covers 300 sq. miles	Mean average salary is £28,800
56,844 households	48 members representing 29 wards	Ave. House Price £374,900
78.6% 16 – 64 year olds in employment (77.8% National Ave.)	£506.90 Ave. Gross Weekly (Full Time) Earnings (£540.20 National Ave.)	5,850 Business Enterprises

Source: NOMIS – Official Labour Market Statistics

2. Key Facts about the Council

How We Make Decisions

Council

All councillors from across the District normally meet six times a year to decide the Council's overall policies and to set the budget. These meetings are held to the public and additional meetings can be held if needed.

Cabinet

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

Overview and Scrutiny

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

Corporate Governance and Audit Committee

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

We also have a Planning Committee; a Licensing and Enforcement Committee; and a

Standards Committee.

Officer Support

Diane Shepherd, our Chief Executive, leads the Senior Leadership Team which includes two Executive Directors, Steve Carvell and Paul Over and the Head of Finance and Governance Services, John Ward.

The Senior Leadership Team, along with our Heads of Service, support councillors whilst also overseeing the delivery of the Council's services. The council employs nearly 600 staff who are mostly based at the Council's main offices in East Pallant House, at the Depot in Westhampnett as well as at the Chichester Careline offices on Florence Road, Chichester.

Workforce Development

The Council has developed a Workforce Development Plan designed around the key themes of the national Local Government Pay and Workforce Strategy, these themes are:

- **Organisational development** – effectively building workforce support for new structures and new ways of working to deliver citizen-focused and efficient services.

- **Leadership development** – building visionary and ambitious leadership which makes the best use of both the political and managerial role.

- **Skill development** – developing employees' skills and knowledge in an innovative, high performance, multi-agency context.

- **Recruitment and retention** – taking action to address key future occupational skill shortages; promote jobs and careers; identify, develop and motivate talent and address diversity issues.

- **Pay and rewards** – modernising pay systems to reflect new structures, new priorities and new ways of working and to reinforce high performance, including encouraging a total rewards approach.

Chichester in Partnership

Chichester in Partnership consists of public, private, voluntary and community organisations who all want to work together to plan for the future of the District. Over the past year they have worked on a variety of projects, including helping to get people back into work.

3. Council's Performance

Performance Management and Key Achievements

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

- The Commercial Programme Board
- The Infrastructure Programme Board
- The Business Improvement Programme Board.

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

A summary of some of this year's key achievements are:

- In July 2016 we re-launched the Garden Recycling Service and offered a promotional discount for new subscribers. At the end of March 2017 the customer base was 13,015; a 13% increase over the previous year. We also introduced online access for the Garden Recycling Service so residents can easily subscribe via our website. Over 85% of subscribers are now signing up online.

- We directly assisted 479 businesses on a diverse range of issues including funding, planning, start-up support and help finding suitable premises. This contributed to the estimated protection of 1,545 jobs in the District and the creation of 143.

- At the Novium Museum, a major exhibition called 'Tim Peake – An Extraordinary Journey' was launched to celebrate Tim Peake's local connection. £12,500 was awarded to the Novium to support this by the UK Space Agency and over £50,000 of sponsorship money was achieved. The exhibition has won several awards including the best Temporary or Touring Exhibition 2017 at the Museum and Heritage Awards.

- Following the agreement to outsource the operational management of the district council's three leisure centres, Sport and Leisure Management Limited (Everyone Active) were appointed as contractor and the contract commenced on Sunday 1 May. At the end of May 2016 Everyone Active started work on a capital investment scheme of £1.5m at Westgate Leisure Centre. Works included a gym extension, hot yoga studio, indoor cycling studio, café refurbishment, new reception, new wellbeing offices and a new membership sales area. Investment was also made into energy efficient plant and lighting. These works were completed in November 2016.

- Our Housing Service have been promoting Community Land Trusts as a means of delivering affordable homes in rural areas and have secured grant funding from the Government to support this. In addition, we have helped to deliver 149 new affordable homes across the district, including a number of rural homes intended for local people. We have also accommodated 579 homes through the council's housing register.

- We have also supported the Neighbourhood Planning process, with 5 plans formally made during 2016-17 and more expected in the coming year. We received a total of 1,503 planning applications including 68 major planning schemes in the year (for the area outside of the National Park). All categories of applications exceeded the national targets for determining the applications within the set timescales.

- The Estates team continue to manage the Council's commercial property portfolio bringing in in excess of £2m p.a. We continue to look for investment opportunities that both support the local economy and provide a good return on investment for the council's assets.

- During the year we undertook a major exercise to develop the business cases for sharing support services with other local councils. Whilst the decision was ultimately made not to share services at this time, the project has already led to much sharing of best practice and, over the course of next year, our learning from it will lead to further efficiencies and savings, as required as part of the efficiency/deficit reduction plan.

Corporate Plan

Our Corporate Plan sets out our key priorities and objectives for the council, the headlines of which are set out below. The projects to achieve these are set out in our detailed Service Plans, both the Corporate Plan and the Service Plans are reviewed annually. The full Corporate Plan is available at http://www.chichester.gov.uk/corporateplan.

Corporate Plan 2015-18

Our Vision

Chichester District: a place where businesses can flourish; where communities are active happy places; where residents and visitors can find good cultural, leisure and sporting activities; and where a good quality of life is open to all.

Our Priorities

- Improve the provision of and access to suitable housing.
- Support our communities.
- Manage our built and natural environments.
- Improve and support the local economy.
- Prudent management of the Council's finances.

Our Objectives

Improve the provision of and access to suitable housing

1. Increase the supply of suitable housing in the right location.
2. Housing is used effectively and is fit for purpose.
3. Ensure support is provided for those that need it.

Support our communities

1. Provide support to communities and individuals who are vulnerable.
2. Work together to help people feel safe.
3. Help our communities to be healthy and active.

Manage our built and natural environments

1. Promote quality development and recognise the importance of the natural environment.
2. Encourage sustainable living.
3. Maintain clean, pleasant and safe public places.
4. Support the provision of essential infrastructure.

Improve and support the local economy

1. Promote commercial activity and economic growth.
2. Promote Chichester District as a visitor and cultural destination.
3. Promote the city and town centres as vibrant places to do business.

Prudent management of the Council's finances

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

Our Guiding Principles

We are committed to running an organisation that puts customers at its heart, delivers value for money, and works with our communities and partner organisations to ensure we focus on what is important. We will:

- Put our customers first.
- Take into account user feedback when designing services.
- Help our communities to address issues that are important to them.

- Use our resources well and innovatively.
- Be open to change.
- Be fair, open and transparent.
- Keep our staff skilled, motivated and flexible.
- Work with our partners to respond to customers' needs.
- Provide services that are digital by default.

4. Financial Performance 2016-17

The Council set a balanced budget for 2016-17 on 1 March 2016 without using its reserves or New Homes Bonus Government funding. The government settlement for the year was challenging as this was lower than expected in the Medium Term Financial Strategy, as revenue support grant was being withdrawn quicker and was the sixth consecutive year of cuts. Along with the volatility of both the localisation of business rates and the council tax support scheme impacting on budget setting and performance during the year, when considering business rates appeals.

The Council has used its five year financial model to help set out the action required to reduce the impact of any government funding gap on service delivery, building on savings and increased income already achieved of £8.6m from 2010-11 to 2015-16 after taking early action as the 2008 financial crisis started to emerge. Since May 2013, revenue savings of £2.2m have been achieved, and additional income of £1.4m has been generated. A new deficit reduction plan was approved in the autumn of 2016 to address the £3.8m funding gap anticipated over the next 5 years. The Council also signed up to the Government's four funding settlement to give greater certainty of funding in trying to balance the Council's budget over the medium term.

The following sections describe the actual performance against this budget and the financial strategies that were agreed at the same Council meeting.

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

The main cash flow elements of both capital and revenue are shown in the Council's cash flow statement on page 28.

Capital Expenditure 2016-17 - Movements in the Council's asset base

TOTAL ASSETS BROUGHT FORWARD
£177.4M

Purchases and Sales of assets £3.3m	Depreciation (£2.4m)	Other changes in value £8.3m	Change in Current Assets £5.4M

Total Assets Carried Forward
£192.0M

Property, Plant & Equipment £114.5m	Investment Property £8.3m	Other Long Term Assets £22.8m	Current Assets £46.4m

Capital expenditure in the year amounted to £5.3m as shown in note 29.

Capital Expenditure Outlook

The Council has an approved capital and asset replacement programme of £37.47m in the period 1 April 2017 to 31 March 2022. The major schemes currently planned for this period include:

Capital Expenditure (Planned)	2017-18 £000	2018-19 £000	Later £000
Enterprise Gateway – Plot 12 Terminus Rd	5,710	-	-
Plot 21 Terminus Road Development	760	1,117	-
Community Grants & NHB Awards	433	433	1,322
Disabled facility grants	665	665	1,995
Affordable housing grant	950	210	76
School Places	-	800	1,730
Medical Centre West Chichester	-	-	1,300
Vehicle Replacement Programme	104	356	1,268

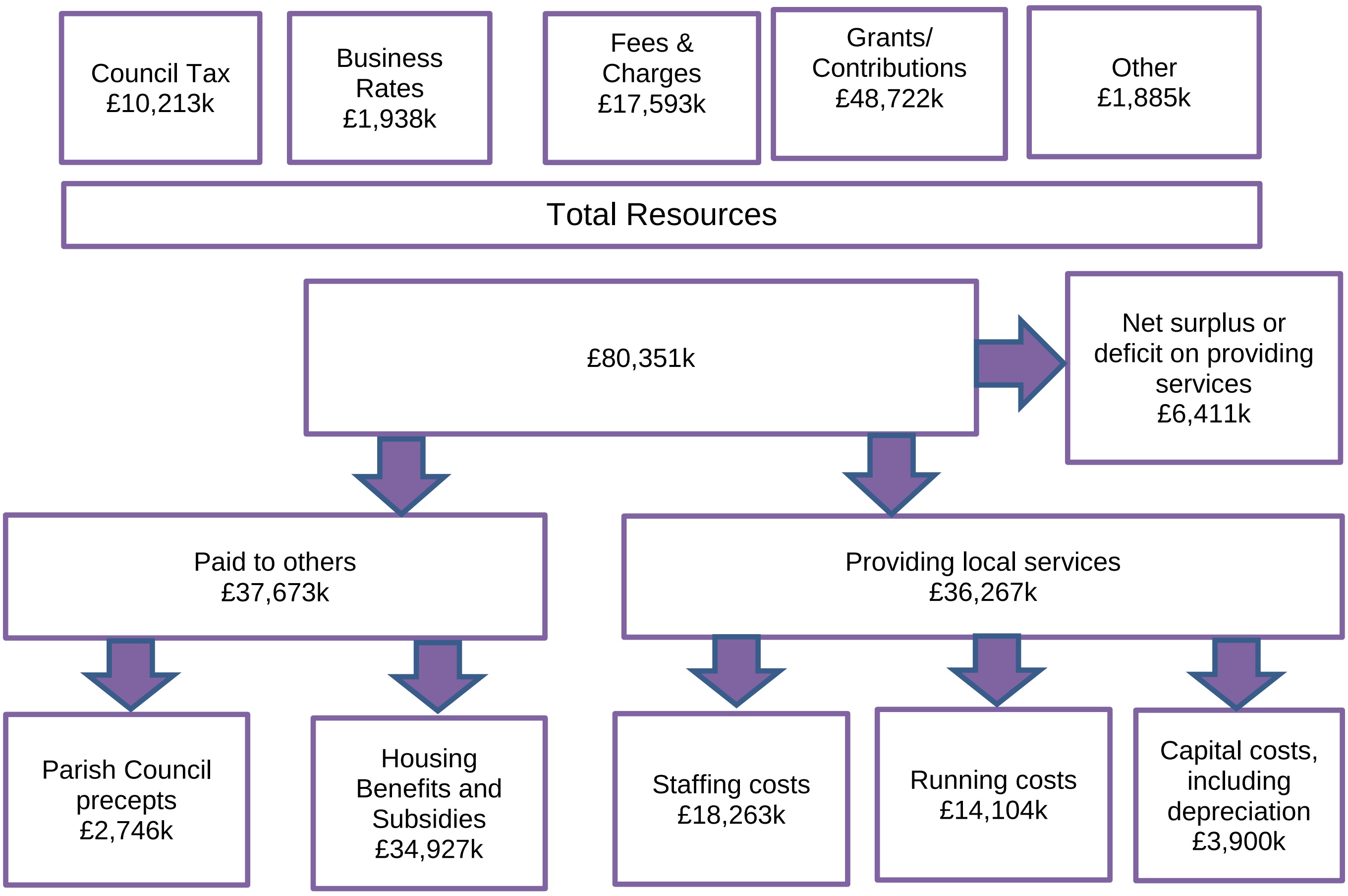
The capital programme is an estimate of the scheme's likely cost, and is always subject to amendment if, for example, a scheme cost is higher than anticipated. Due to its nature the capital programme is constantly changing, so the resource position is regularly updated and monitored to ensure that the programme remains affordable.

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

Revenue Expenditure 2016-17

Revenue Inflows and Outflows

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



Factors influencing future cash flows

- Council Tax – Legislative restrictions on annual Council Tax increases and the requirement for local referendums.

- Business Rates – Impact of expected localisation of the Business Rates by 2020 creates uncertainly due to the resetting of the base level for the new scheme, and how often future resets will take place and the additional services local authorities will take on as part of this change. The potential impact of appeal refunds of this new regime.

- Specific Government Grants – Reserve Support Grant will cease after 2017-18. New Homes Bonus grant is paid to the Council to encourage the building of new homes. The Council has assumed that no future year's allocations will be added and that the scheme will effectively decline over the period up to 2020, and then removed altogether. This assumption may change with the 2017 general election result.

- Fees and charges made to service users – This is influenced by policy and service demand. The council raises over £16m income from discretionary spend service areas or those that are linked to consumer confidence and the state of the economy.

- Service Expenditure – As a service organisation, this is principally employee related. Public sector pay restraint may increase pressure where private sector pay outstrips the public sector impacting on recruitment and retention of skilled staff. The Council's five year financial strategy reflects the assumption that pay increases in future years will be 2%.

- Capital Expenditure – This is determined by policy and the Council's approved capital programme and asset replacement programme.

Cash Resources

On 31 March 2017, the Council held £11m as cash and cash equivalents as shown in note 16. The approved minimum level of general fund reserves to be held is £5m to cover unexpected expenditure or delays in income from the sale of council assets.

Performance against Budget

The outturn position for 2016-17 was an underspend of £295,652 against the council's approved revenue budget.

<u>Reconciliation of the outturn position to the financial statements</u>

	£000
(**Surplus) or Deficit on Provision of Services**	
Comprehensive Income and Expenditure Statement (CIES) on page 23	(6,411)
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	
As per Note 9 on page 53	2,717
Net (Increase) / Decrease before Transfers to Earmarked Reserves Agrees to Movement in Reserves Statement on page 27	(3,694)
Transfers to / (from) Earmarked Reserves	
As per the Note 8 on page 51 (Net Transfers)	3,399
Surplus for the year	(295)

The main variances between the Council's original base budget and the outturn position in 2016-17 were as follows:

Underspends/ Additional Income	£'000
Investment Income (net)	(319)
Housing Benefits	(267)
Asset Replacements	(198)
Staffing	(194)
Careline Service income	(73)
Insurance premiums	(61)
Bank Charges	(45)
Land charges (net)	(39)
Non-ring fenced government grants	(39)
Overspends/ Shortfall of income	£'000
Car Parks	379
Business Rate Retention Scheme	244
Redundancy costs	164
Planning income	101
Electoral Services VAT	27
Chichester Contract Services (CCS) efficiency review	20
Minor variations (net)	5
(Surplus) / Deficit for the year	(295)

As part of the deficit reduction plan, one major event for the Council was the externalisation of its leisure service to Sports and Leisure Management Ltd. This was expected to save £223,000 in the first year rising to over £1m per year thereby achieving savings of over £10m over the course of the contract.

In 2015-16 the Council set up a new investment opportunity reserve, and forecast a further contribution in 2016-17 of £1.3m to increase the reserve to £2.12m, for the purpose of purchasing investment properties in the district. The rental income streams thereby generating a rate of return that supported the revenue budget in accordance with the Council's investment protocol.

The Council invested a further £5m in the Local Authority Property Fund (note 14) bringing its total investment in this fund to the maximum £10m limit permitted in approved Treasury Management Strategy. This investment generated gross income of £0.36m during the year.

Further information on budget variations can be found on the Council's website.

Revenue Expenditure Outlook

The Council's Medium Term Financial Strategy Model reflects the best estimates of what may occur in 2017-18 and beyond.

After setting out its efficiency plan in September 2016, to achieve a balanced budget for the period 2017-2022 with further anticipated savings of £3.8m; the Council was able to accept the Government's offer of a four year funding settlement.

The approved 2017-2022 Deficit Reduction Plan focused on achieving efficiencies by:

- Modernising services;
- Restructuring senior management levels; and
- Sharing with other agencies and, where appropriate, working with partners, the third sector and the private sector to provide services.

As with any plan there are still risks which could affect the Council's financial position, which include:

- **Full localisation of Business Rates**: Full localisation is expected by 2020 subject to the impact of the 2017 general election, and as the current retained business rates is £1m over the baseline funding position, any reset of the baseline to take account of growth achieved to date, may be lost.

- **Reliance on income from fees and charges**: The Council currently relies on over £16m of income from fees and charges to help support the cost of delivering its services. Many of these income streams either represent discretionary spend or are linked to the state of the economy. The Council is, therefore, at risk that a downturn in the economy would result in a reduction in income from service users.

- **Amended waste regulations and increased recycling targets**: Local authorities are under an obligation to increase recycling to 50%. It is unclear at present what the expected costs associated with these obligations will be. £800k has been allowed for in the plan and this figure will be firmed up when the Recycling Action Plan is approved.

- **Changes to New Homes Bonus**: This source of funding is also under review with the Government's stated objective of reducing the overall cost by one third. The 2016-17 value of this grant was £3.67m. This Council has, however, followed the discipline of not relying on this source of funding, which was always perceived to be at risk, to fund core services

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

5. Risks & Uncertainties

The Council has a risk management policy and strategy which sets out the process for managing strategic, programme board and organisational risks in relation to the achievement of its objectives and performance targets. The risk registers are the subject of bi-annual review by both the Strategic Risk Group and the Corporate Governance and Audit Committee, and are reviewed regularly by the Corporate Management Team throughout the year.

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

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

Strategic Risk Description	Likelihood	Impact
Financial Resilience - Failure to maintain a robust and deliverable budget will lead to a lack of resources to fund services and council priorities, leading to reactionary decision making, and reputational consequences. - Failure to maximise efficient use of resources and so unsuccessful redirection of resources and not achieving objectives and outcomes of the council including deficit reduction plans. - Failure to maximise income streams. - Unpredictable Government policy (e.g. Brexit and localisation of business rates.)	Possible	Significant
Skills / Capability / Capacity - Failure to have resilience in the staff structure, and so lack the right number of staff with the right skills to deliver services, along with unrealistic expectations of services, which could lead to service failure, reputational damage and potential litigation.	Probable	Minor

Strategic Risk Description	Likelihood	Impact
Business Continuity - Failure to react to an incident that would adversely affect the delivery of services, including leading to a breach of the council's statutory duties under the Civil Contingencies Act and result in both inability to service the community and suffer reputational damage.	Possible	Serious
Health & Safety - Failure to adhere to H&S policies and procedures leading to death or injury of an employee or third party resulting in prosecution under H&S legislation, adverse publicity, fines and possible prison sentences. Such failures may also lead to civil claims for compensation	Unlikely	Major
Non Achievement of Recycling Target of 50% by 2020 - The current recycling target set for 2020 is 50%. The failure to achieve this target could mean the Council may incur significant fines, taxes or extra landfill taxes or reputational damage.	Possible	Serious
Cyber Risk Attack Across ICT Estate - Failure to adhere to the basis of the CIA triad (Confidentiality, Integrity and Availability) for data security.	Possible	Serious
Devolution of Public Services - Failure to engage in the process could potentially lead to CDC being isolated and therefore unable to influence and shape the process. - Lack of Member buy-in to the process could stop the bid progressing. - Transfer of extra responsibilities without matching fiscal powers. - Heads of Terms and Governance proposal not acceptable. - Continuation of duplication and disjointed service delivery. - Failure to influence others' infrastructure programmes.	Unlikely	Serious
Data Protection Act Breach – Loss of Data - Failures to keep all personal data secure leading to a breach of the Data Protection Act, resulting in fines and reputational risk.	Possible	Significant

6. Explanation of the accounting statements

The Statement of Accounts for 2016-17 sets out the Council's income and expenditure for the year, and its financial position as at 31 March 2017.

The purpose of the published Statement of Accounts is to give local taxpayers, Councillors and other interested parties clear information about the Council's finances. The statements inform the readers about the cost of services provided by the Council, how these services were paid for, and the Council's assets and liabilities at the year-end date of 31 March 2017.

The format and content of these financial statements is prescribed by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2016-17, which is underpinned by International Financial Reporting Standards. The financial statements comprise of core and supplementary statements, together with disclosure notes. The purpose of each of the main statements is explained below.

A glossary of key terms is provided at the end of the Statement of Accounts to assist the reader.

The **Core Statements** are:

- The **Comprehensive Income and Expenditure Statement** (pages 22 - 24); this shows the accounting cost in the year for providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from local taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may differ from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. So the top half of the statement provides an analysis by service area. The bottom half of the statement sets out the corporate transactions and funding.

- The **Movements in Reserves Statement** (page 27) reconciles the balance on the Comprehensive Income and Expenditure Statement to the movement on the Council's reserves, both useable and unusable.

- The **Balance Sheet** (pages 25 - 26) shows the value of the Council's assets, liabilities at the year-end date.

- The **Cash Flow Statement** (page 28) shows the movement in the Council's cash and cash equivalents, reconciling to the surplus or deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement.

The **Supplementary Financial Statements** are:

- The **Notes** (pages 29 - 82) to these financial statements provide more detail about the Council's accounting policies and individual transactions, including pension disclosures.

- The **Collection Fund** (pages 83 - 85) records all the transactions relating to the collection of council tax and business rates and the necessary redistribution of funds as the Council acts as an agent for the precepting bodies as it is the billing authority.

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 during the period advertised in the local press.

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 2017. 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 22 September 2017**
Head of Finance and Governance Services

Approval for the Statement of Accounts

Patricia Tull **Date 28 September 2017**

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 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- the related notes 1 to 37, 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 2016/17.

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

Respective responsibilities of the Head of 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 17, 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 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

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

Authority's responsibilities

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

Auditor's responsibilities

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

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

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

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

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, 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 2017.

Certificate

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

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

The maintenance and integrity of the Chichester District Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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.

2015-16				2016-17		
Gross Expenditure Restated £000	**Gross Income Restated £000**	**Net Expenditure £000**		**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
39	(22)	17	Business and Improvement Services	36	(26)	10
9,296	(11,164)	(1,868)	Commercial Services	8,294	(8,389)	(95)
3,685	(1,858)	1,827	Community Services	3,676	(1,974)	1,702
6,700	(3,453)	3,247	Contract Services	7,192	(3,352)	3,840
40,061	(37,881)	2,180	Finance and Governance	38,173	(37,189)	984
4,878	(2,783)	2,095	Housing and Environment Services	4,974	(4,719)	255
588	(4)	584	Leader	392	(25)	367
3,409	(2,359)	1,050	Planning Services	3,690	(2,283)	1,407
5,536	(108)	5,428	Corporate and Central Services	4,737	(135)	4,602
74,192	**(59,632)**	**14,560**	**Cost of Services**	**71,164**	**(58,092)**	**13,072**
			Other operating Expenditure			
2,462	0	2,462	Parish Council Precepts	2,722	0	2,722
49	0	49	Levies Payable	24	0	24
0	(2,057)	(2,057)	Gain (-)/or loss on the disposal of Non-Current Assets	0	(890)	(890)
2,511	**(2,057)**	**454**		**2,746**	**(890)**	**1,856**

2015-16 Gross Expenditure Restated £000	Gross Income Restated £000	Net Expenditure £000		2016-17 Gross Expenditure £000	Gross Income £000	Net Expenditure £000
			Financing and Investment Income and Expenditure			
34	0	34	Interest payable and similar charges	65	0	65
552	0	552	Net interest on the net defined Pension liability (asset)	138	0	138
0	(433)	(433)	Interest receivable and similar income	0	(808)	(808)
82	(697)	(615)	Income and Expenditure in relation to investment Properties and changes in their fair value (see note 11)	(181)	(711)	(892)
10	0	10	Interest Element of Finance Leases (Lessee and Lessor)	8	0	8
0	(76)	(76)	Interest Element of Finance Leases (Lessor)	0	(94)	(94)
0	(64)	(64)	Other income	0	(89)	(89)
678	**(1,270)**	**(592)**		**30**	**(1,702)**	**(1,672)**
			Taxation and Non-Specific Grant Income and Expenditure (see note 27)			
0	(9,638)	(9,638)	Council tax income	0	(10,213)	(10,213)
0	(1,591)	(1,591)	Non domestic rates (NNDR)	0	(1,938)	(1,938)
0	0	0	Capital grants and contributions	0	(1,925)	(1,925)
0	(5,557)	(5,557)	Non ringfenced government grants	0	(5,591)	(5,591)
0	**(16,786)**	**(16,786)**		**0**	**(19,667)**	**(19,667)**
77,381	**(79,745)**	**(2,364)**	**(Surplus) or Deficit on Provision of Services**	**73,940**	**(80,351)**	**(6,411)**

2015-16 Gross Expenditure Restated £000	Gross Income Restated £000	Net Expenditure £000		2016-17 Gross Expenditure £000	Gross Income £000	Net Expenditure £000
			Items that will not reclassified to the (surplus) or deficit on the Provision of Services			
		(908)	(Surplus) or deficit on revaluation of non-current assets			(9,452)
			Re-measurement (gains) and losses on Pension Fund assets and liabilities:			
		(15,923)	- Actuarial (gains)/losses on pension assets/liabilities			25,192
		1,520	- Return on Assets excluding amounts included in net interest			(25,347)
			Items that may be reclassified to the (surplus) or deficit on the Provision of Services			
		360	(Surplus) or deficit on revaluation of available for sale financial assets			365
		(14,951)	**Other Comprehensive Income and Expenditure**			**(9,242)**
		(17,315)	**Total Comprehensive Income and Expenditure**			**(15,653)**

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 2016 £000 Restated		Notes	31 March 2017 £000
	Property, Plant and Equipment	10,36	
93,561	▪ Land and Buildings		101,262
6,103	▪ Vehicles, plant, furniture and equipment		6,294
1,620	▪ Infrastructure		1,293
28	▪ Community Assets		28
147	▪ Assets under construction		568
4,981	▪ Surplus Assets not held for sale		5,104
8,008	**Investment Property**	11,36	8,266
	Intangible Assets	12	
486	▪ Software		533
	Heritage Assets	13	
5,931	▪ Tangible		6,757
22	▪ Intangible		22
14,640	**Long Term Investments**	14	14,277
867	**Long Term Debtors**	14	1,258
136,394	**Total Long-Term Assets**		**145,662**
	Current Assets		
29,134	Short term investments		26,208
149	Inventories		117
4,774	Short Term Debtors	15	9,098
6,846	Cash and Cash Equivalents	16	10,965
50	Assets held for sale – current <1yr	17	0
40,953	**Total Current Assets**		**46,388**

31 March 2016 £000 Restated		Notes	31 March 2017 £000
	Current Liabilities		
(9,993)	Short Term Creditors	18	(7,642)
(9,993)	**Total Current Liabilities**		**(7,642)**
	Long-Term Liabilities		
(3,660)	Long Term Creditors (over 12 months)	20	(5,033)
(99)	Credit Arrangements – Finance Lease		(68)
(1,421)	Provisions	19	(1,346)
(4,130)	Pensions Asset / (Liability)	33	(4,313)
(75)	Capital grants Receipts in Advance	27	(26)
(9,385)	**Total Long-Term Liabilities**		**(10,786)**
157,969	**Net Assets**		**173,622**
	Usable Reserves	21	
(39,960)	General Fund Reserve		(43,654)
(177)	Capital Receipts Reserve		0
(177)	Capital Grants Unapplied Account		(3,923)
(40,314)	**Total Usable Reserves**		**(47,577)**
	Unusable Reserves	22	
(38,321)	Revaluation Reserve		(47,480)
(84,251)	Capital Adjustment Account		(84,307)
52	Financial Instruments Adjustment Account		42
360	Available for Sale Financial Instruments Reserve		725
(482)	Deferred Capital Receipts Reserve		(806)
4,130	Pension Reserve		4,313
683	Collection Fund Adjustment Account		1,468
174	Accumulated Absences Account		0
(117,655)	**Total Unusable Reserves**		**(126,045)**
(157,969)	**Total Reserves**		**(173,622)**

John Ward CPFA **Date 22 September 2017**
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.

2015-16 £000							2016-17 £000					
General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**		General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
(34,692)	0	(48)	(34,740)	(105,914)	(140,654)	Balance brought forward	(39.960)	(177)	(177)	(40,314)	(117,655)	(157,969)
(2,364)	0	0	(2,364)	(14,951)	(17,315)	Total Comprehensive Income and Expenditure	(6,411)	0	0	(6,411)	(9,242)	(15,653)
(2,904)	(177)	(129)	(3,210)	3,210	0	Adjustments between accounting basis & funding under regulations (Note 9)	2,717	177	(3,746)	(852)	852	0
(5,268)	(177)	(129)	(5,574)	(11,741)	(17,315)	(Increase) / Decrease In year	(3,694)	177	(3,746)	(7,263)	(8,390)	(15,653)
(39,960)	(177)	(177)	(40,314)	(117,655)	(157,969)	Balance carried forward	(43,654)	0	(3,923)	(47,577)	(126,045)	(173,622)

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.

2015-16 £000		2016-17 £000
(2,364)	Net (surplus) or deficit on the provision of services	(6,411)
(4,390)	Adjustments to net surplus or deficit on the provision of services for non-cash	6,165
482	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	884
(6,272)	**Net Cash flows from Operating Activities**	**638**
	Interest	
10	Interest Paid	8
(492)	Interest Received	(892)
(482)		**(884)**
	Investing Activities	
2,182	Purchase of property, plant and equipment, investment property and intangible assets	4,158
117,800	Purchase of short-term and long-term investments	81,079
55	Other payments for investing activities	69
(3,507)	Proceeds from the sale of property, plant and equipment, non-current assets held for sale, investment property and intangible assets	(974)
(103,800)	Proceeds from short-term and long-term investments	(84,010)
(646)	Capital Grants	(4,461)
(697)	Other receipts from investing activities	(711)
11,387	**Net Cash flows from Investing Activities**	**(4,850)**
	Financing Activities	
(65)	Other receipts from financing activities	859
(102)	Other payments from financing activities	118
(167)	**Net Cash flows from Financing Activities**	**977**
4,466	**Net (increase) / decrease in cash and cash equivalents**	**(4,119)**
	Cash and cash equivalents (Note 16)	
11,312	○ at the beginning of the reporting period	6,846
6,846	○ at the end of the reporting period	10,965
4,466	**Movement in Cash (increase)/decrease**	**(4,119)**

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2016-17 financial year and its position at the year-end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17supported 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 short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value and held by the Council for the purpose of meeting its short-term cash requirements.

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

1.4 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.

1.5 Charges to Revenue for Non-Current Assets

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

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

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

1.6 Accounting for Council Tax

Under the Code, the Council tax income included in the Comprehensive Income and Expenditure Account for the year is 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.

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

1.7 Accounting for Non-Domestic Rates (NNDR)

The regime around the income that local Councils collect from Non Domestic Rates (NNDR) or Business Rates is 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 is 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 is 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 recognises 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.

1.8 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.

1.9 Employee Benefits

i. Benefits Payable During Employment

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

ii. Termination Benefits

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 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 2.6%. The discount rate used to value scheme liabilities is either:

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

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

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

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

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 within Finance and Governance.
    - **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.

1.10 Events after the Reporting Period

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

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

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

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

1.11 Financial Instruments and Investments

i. Financial Instruments

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

The Council held no material derivative financial instruments at 31 March 2017.

ii. Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The Council's financial liabilities held during the year are measured at amortised cost and comprise:

- A short term bank overdraft with the Council's banker
- finance leases
- trade and contractual payables for goods and services received

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.

iii. Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset.

The financial assets held by the Council during the year are held under the following classifications:

Loans and receivables, which comprise:

- cash in hand
- fixed term deposits with banks and building societies
- loans to other local authorities
- lease receivables
- trade receivables for goods and services delivered

Available for sale financial assets (those that are quoted in an active market) comprise:

- an investment with the Local Authority Property Fund
- Investments in corporate bonds; and
- Stable Net Asset Value money market funds.

The Council does not hold any assets that are valued at fair value through profit and loss.

iv. Offsetting Financial Assets and Liabilities

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The Council has not offset any material financial instruments and had no other material financial assets or liabilities subject to an enforceable master netting arrangement or similar agreement.

v. Financial Instruments - Fair Values

Fair values are shown in note 14, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

vi. 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. 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.

Fair values have been estimated where required by calculating the net present value of the remaining contractual cash flows at 31st March 2017 by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans. They are classified as Level 2 Fair values, as they are calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments

The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

vii. Soft Loans

The Council has made a number of loans to individuals under an assisted car purchase scheme, to tenants 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 either interest free or at a rate below current market levels.

These soft loans are considered not to be material to the Council's accounts as 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.

viii. 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.

Available for sale assets are maintained in the Balance Sheet at fair value level 1, derived from quoted prices in active markets for identical assets or liabilities

.

- For the Council's investment in the Local Authority property fund, fund values published by CCLA have been used as these represent the prices in the principal market within which the Council would normally enter into a transaction to sell the asset.

- For Corporate Bonds, the Fair Value is taken from the Market (Bid) Price

- For the Stable Net Asset Value money market funds, shares are issued with an unchanging face value of £1. This value has been used as the Fair value as for every £1 of principal invested, the fund will return £1 of principal on withdrawal by the Council, plus interest.

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 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 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).

1.12 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 in the form of 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>Community Infrastructure Levy</u>

From 1 February 2016 the Council elected to charge a Community Infrastructure Levy (CIL). The levy is charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Account in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, an administration charge of up to 5% may be used to fund revenue expenditure.

1.13 Heritage Assets

Tangible and Intangible Heritage Assets

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, or other local venues. 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.

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.

i. 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.

ii. 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.

iii. Archaeological/Museum Collections

These values have been based upon; either their 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.

1.14 Interest

Gross interest earned by the Council is in the first instance credited in total to the Comprehensive Income and Expenditure Account. For 2016-17 this amounted to £0.44m.

1.15 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.

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

1.17 Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are 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.

1.18 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

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

The assets so recognised are matched by a liability for the obligation to pay the lessor (supplier). The Council's initial direct costs of acquisition are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Where applicable, contingent rents are charged as expenses in the periods in which they occur.

Lease rental payments are apportioned between:

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

Property plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the asset life, +or lease term if this is shorter than the asset's estimated useful life (where ownership does not transfer to the Council until the end of the lease period).

The Council is not required to raise Council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead a prudent annual provision is made from revenue funds (i.e. the MRP) towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation impairment losses are therefore substituted by a revenue contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services 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.

<u>Operating Leases</u>

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.

1.19 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).

For assets acquired by credit arrangement (Finance Leases), the Council's policy is to charge MRP against its general fund equal in value to the principal amount repaid as part of the lease rentals to the supplier (lessor) in each financial year.

MRP is charged to the CIES as a transfer to the Capital Adjustment Account within the adjustments between accounting basis and funding basis under regulations line in the Movement in Reserves Statement (MiRS).

1.20 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.

<u>Recognition</u>

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 (or current) value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

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

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 is 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. 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 non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.21 Provisions, Contingent Liabilities and Contingent Assets

i. 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.

ii. <u>Contingent Liabilities</u>

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.

iii. <u>Contingent Assets</u>

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.

1.22 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.

1.23 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.

1.24 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.

1.25 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

For 2016-17 there are no relevant accounting standards that have been issued but not yet adopted.

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.

- 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.

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:

Business Rates

The Business Rates Retention Scheme was introduced from 1 April 2013. Since this date local authorities are liable for refunding ratepayers who have successfully appealed against the business rates charged to their businesses in 2016-17 and earlier financial years in their proportionate share.

A provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2017. The estimate has been calculated using the Valuation Office ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2017. The Council's share of the balance of business rates appeals provisions held at this date amounted to £1.35m (see Note 19), a decrease of £0.07m on the previous year.

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. 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 33 Defined Benefit Pension Schemes.

Allowance for Bad Debts

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). This allowance is considered adequate to cover future bad debts, but is by its nature an estimate.

Asset Valuations and Impairments

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

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. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting principles (GAAP). It also shows this this expenditure is allocated for decision making purposes between the council's directorates. Income and expenditure accounted for under GAAP is presented more fully in the Comprehensive Income and Expenditure Statement

2015-16				2016-17		
Net Expenditure Chargeable to the General Fund	Adjustments between funding and accounting basis	Net expenditure in the Comprehensive Income and Expenditure statement		Net Expenditure Chargeable to the General Fund	Adjustments between funding and accounting basis	Net expenditure in the Comprehensive Income and Expenditure statement
£000	**£000**	**£000**		**£000**	**£000**	**£000**
17	0	17	Business and Improvement Services	10	0	10
(3,673)	1,805	(1,868)	Commercial Services	(3,730)	3,635	(95)
1,282	545	1,827	Community Services	1,250	452	1,702
2,403	844	3,247	Contract Services	3,144	696	3,840
2,010	170	2,180	Finance and Governance	1,398	(414)	984
1,620	475	2,095	Housing and Environment Services	1,717	(1,462)	255
547	37	584	Leader	351	16	367
804	246	1.050	Planning Services	1,132	275	1,407
4,867	561	5,428	Corporate and Central Services	5,190	(588)	4,602
9,877	**4,683**	**14,560**	**Net Cost of Services**	**10,462**	**2,610**	**13,072**
(15,145)	(1,779)	(16,924)	Other Income and Expenditure	(14,156)	(5,327)	(19,483)
(5,268)	**2,904**	**(2,364)**	**Surplus or Deficit**	**(3,694)**	**(2,717)**	**(6,411)**
(34,692)			Opening General Fund Balance	(39,960)		
(5,268)			Less/ Plus (Surplus) or Deficit on General Fund in year	(3,694)		
(39,960)			Closing General Fund balance at 31 March	**(43,654)**		

5a. Note to the Expenditure and Funding Analysis

The following table provides further information in relation to the adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

2015-16 Adjustments for: Capital	Pensions	Other	Total		2016-17 Adjustments for: Capital	Pensions	Other	Total
£000	£000	£000	£000		£000	£000	£000	£000
0	0	0	0	Business and Improvement Services	0	0	0	0
1,555	252	0	1,807	Commercial Services	3,587	61	(13)	3,635
418	126	0	544	Community Services	401	67	(16)	452
627	217	0	844	Contract Services	591	136	(31)	696
73	96	0	169	Finance and Governance	88	(484)	(18)	(414)
298	177	0	475	Housing and Environment Services	(1,540)	100	(22)	(1,462)
4	33	0	37	Leader	4	15	(3)	16
46	200	0	246	Planning Services	185	117	(27)	275
218	343	0	561	Corporate and Central Services	(733)	188	(43)	(588)
3,239	**1,444**	**0**	**4,683**	**Net Cost of Services**	**2,583**	**200**	**(173)**	**2,610**
(2,504)	552	174	(1,779)	Other Income and Expenditure	(6,241)	138	776	(5,327)
734	**1,996**	**174**	**2,904**	**Difference between the General Fund Surplus/ Deficit and surplus or deficit on the Provision of services**	**(3,658)**	**338**	**603**	**(2,717)**

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

> **Other operating expenditure** this adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets
>
> **Financing and investment income and expenditure**, the statutory charges for capital financing (i.e. Minimum Revenue Provision and other revenue contributions) are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices
>
> **Taxation and non-specific grant income and expenditure**, capital grants are adjusted for income and not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year without conditions or for which conditions were satisfied throughout the year. The Taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or which conditions were satisfied in the year.

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

> **Services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs
>
> **Financing and investment income and expenditure** the net interest on the defined benefit liability is charged to the Comprehensive income and expenditure statement.

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

> **Services** this represents the movement in the year of the amount accrued for short term accumulating employee absences
>
> **Financing and Investment income and expenditure** the column recognises adjustments to the General Fund for the timing differences for premiums and discounts
>
> **Taxation and non-specific grant income and expenditure** this represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to the received at the start of the year and the income recognised under generally accepted accounting principles in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

5b Segmental Income Cost of Services

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

	2015-16	2016-17
	£000	£000
Business and Improvement Services	(22)	(27)
Commercial Services	(11,064)	(8,313)
Community Services	(1,236)	(1,304)
Contract Services	(2,519)	(2,658)
Finance and Governance	(483)	(662)
Housing and Environment Services	(1,304)	(1,331)
Leader	(1)	(17)
Planning Services	(2,488)	(2,435)
Corporate and Central Services	(106)	(134)
Total Income analysed on a segmental basis	(19,223)	(16,881)

6. Expenditure and Income Analysed by Nature

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

	2015-16	2016-17
Expenditure	£000	£000
Employee benefits expenses	20,967	18,263
Other service expenses	51,042	48,820
Depreciation, amortisation and impairment	2,745	3,900
Interest payments	34	211
Precepts and Levies	2,511	2,746
Total Expenditure	77,381	73,940
Income		
Fees, charges and other service income	(21,672)	(17,593)
Gain on the disposal of assets	(2,057)	(890)
Interest and Investment income	(433)	(995)
Income from taxation	(11,229)	(12,151)
Government grants and contributions	(41,812)	(42,584)
Other grants and contributions	(2,542)	(6,138)
Total Income	(79,745)	(80,351)
Surplus or Deficit on the Provision of Services	(2,364)	(6,411)

7. 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 22 September 2017.

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 2017, 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 will be submitted for approval by the Corporate Governance and Audit Committee in September 2017.

8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet the General Fund in 2016-17.

	Balance at 1 April 2015 £000	Transfers Out 2015-16 £000	Transfers In 2015-16 £000	**Balance at 31 March 2016 £000**	Transfers Out 2016-17 £000	Transfers In 2016-17 £000	**Balance at 31 March 2017 £000**
Housing Reserve	**(1,000)**	0	0	**(1,000)**	0	0	**(1,000)**
Theatre and Gallery Reserve	**(1,027)**	394	0	**(633)**	394	0	**(239)**
Restructuring Reserve	**(966)**	0	0	**(966)**	0	0	**(966)**
Asset Reserve	**(6,360)**	931	(1,625)	**(7,054)**	1,808	(1,317)	**(6,563)**
Capital Projects Reserve	**(5,400)**	162	(1,017)	**(6,255)**	1,685	(657)	**(5,227)**
Revenue Budget Support Reserve	**(1,300)**	0	0	**(1,300)**	0	0	**(1,300)**
Grants and Contribution Reserve	**(651)**	24	(92)	**(719)**	15	0	**(704)**
Retained Business Rates Equalisation Reserve	**(552)**	552	(762)	**(762)**	762	(1,476)	**(1,476)**
New Homes Bonus Scheme Reserve	**(3,806)**	52	(2,658)	**(6,412)**	617	(3,671)	**(9,466)**
Investment Opportunities Reserve	**0**	0	(822)	**(822)**	0	(1,296)	**(2,118)**
Other Usable Reserves (Less than £500,000 in value)	**(2,942)**	1,256	(400)	**(2,086)**	429	(691)	**(2,348)**
Total	**(24,004)**	3,371	(7,376)	**(28,009)**	5,710	(9,108)	**(31,407)**

9. 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.

<u>General Fund Balance</u>

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Adjustments between Accounting Basis and Funding basis

2015-16 General Fund Balance £000	2015-16 Capital Receipts Reserve £000	2015-16 Capital Grants Unapplied £000		2016-17 General Fund Balance £000	2016-17 Capital Receipts Reserve £000	2016-17 Capital Grants Unapplied £000
Adjustments to Revenue Resources						
			Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
(1,996)	-	-	• Pensions costs (transferred to/ from the Pensions reserve)	(338)	-	-
2	-	-	• Financial instruments (transferred to the Financial Instruments adjustments account)	9	-	-
(174)	-	-	• Council Tax and NDR (transfers to/ from the Collection Fund adjustment account)	(785)	-	-
0	-	-	• Holiday pay (transferred to the Accumulated Absences Reserve)	174	-	-
(4,111)	-	(129)	• Reversal of entries included in the Surplus of Deficit on the Provision of Services in relation to capital expenditure (transferred to Capital Adjustment account)	(1,014)	-	(3,746)
(6,279)		(129)	Total Adjustments to Revenue Resources	(1,954)	-	(3,746)
Adjustments between Revenue and Capital Resources						
2,876	(2,876)	-	Transfer of non-current asset sale proceeds from revenue to the Capital Receipts reserve	1,451	(1,114)	-
(1)	1	-	Administrative costs of non-current asset disposals (funded from a contribution from the Capital Receipts reserve)	(5)	5	-
24	-	-	Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	31	-	-
476	-	-	Capital Expenditure financed from revenue (transfer to the Capital Adjustment Account)	3,194	-	-
3,375	(2,875)	0	Total adjustments between Revenue and Capital Resources	4,671	(1,109)	0
Adjustments to Capital Resources						
-	2,704	-	Use of the Capital Receipts Reserve to finance capital expenditure	-	1,298	-
-	-	0	Application of capital grants to finance capital expenditure	-	-	0
-	(6)	-	Cash payments in relation to deferred capital receipts	-	(12)	-
0	2,698	0	Total adjustments to Capital Resources		1,286	0
(2,904)	**(177)**	**(129)**	**Total Adjustments**	**2,717**	**177**	**(3,746)**

10. Property, Plant and Equipment

Movements in 2016-17:

	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 2016	**96,272**	**11,076**	**3,924**	**28**	**4,991**	**147**	**116,438**
Additions	1,784	1,551	0	0	0	421	**3,756**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	7,254	0	0	0	0	0	**7,254**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,406)	0	0	0	0	0	**(1,406)**
Derecognition – disposals	(5)	(689)	0	0	(100)	0	**(794)**
Assets reclassified (to) / from Held for Sale	0	0	0	0	0	0	**0**
Other reclassifications – transfers	(230)	0	0	0	230	0	**0**
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	**0**
At 31 March 2017	**103,669**	**11,938**	**3,924**	**28**	**5,121**	**568**	**125,248**
Accumulated Depreciation and Impairment							
At 1 April 2016	**(2,711)**	**(4,973)**	**(2,304)**	**0**	**(10)**	**0**	**(9,998)**
Depreciation charge	(1,064)	(975)	(333)	0	(5)	0	**(2,377)**
Depreciation written out to the Revaluation Reserve	1,366	0	6	0	0	0	**1,372**
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	**0**
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	304	0	0	0	0	**304**
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0	**0**
Reclassifications – transfers	2	0	0	0	(2)	0	**0**
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	**0**
At 31 March 2017	**(2,407)**	**(5,644)**	**(2,631)**	**0**	**(17)**	**0**	**(10,699)**
Net Book Value							
At 31 March 2017	**101,262**	**6,294**	**1,293**	**28**	**5,104**	**568**	**114,549**
At 31 March 2016	**93,561**	**6,103**	**1,620**	**28**	**4,981**	**147**	**106,441**

Movements in 2015-16:

	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 2015	**96,342**	**11,245**	**3,924**	**28**	**5,144**	**39**	**116,722**
Additions (**Restated**)	81	546	0	0	0	108	**736**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(49)	0	0	0	84	0	**35**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(76)	0	0	0	0	0	**(76)**
Derecognition – disposals	(19)	(715)	0	0	(182)	0	**(916)**
Assets reclassified (to) / from Held for Sale	(62)	0	0	0	0	0	**(62)**
Other reclassifications – transfers	55	0	0	0	(55)	0	**0**
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	**0**
At 31 March 2016 (Restated)	**96,272**	**11,076**	**3,924**	**28**	**4,991**	**147**	**116,438**
Accumulated Depreciation and Impairment							
At 1 April 2015	**(2,309)**	**(4,782)**	**(2,019)**	**0**	**(31)**	**0**	**(9,141)**
Depreciation charge	(1,278)	(885)	(290)	0	(24)	0	**(2,477)**
Depreciation written out to the Revaluation Reserve	864	0	5	0	5	0	**874**
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	**0**
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	694	0	0	40	0	**734**
Eliminated on reclassification to Held for Sale	12	0	0	0	0	0	**12**
Reclassifications – transfers	0	0	0	0	0	0	**0**
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	**0**
At 31 March 2016	**(2,711)**	**(4,973)**	**(2,304)**	**0**	**(10)**	**0**	**(9,998)**
Net Book Value							
At 31 March 2016 (**Restated**)	**93,561**	**6,103**	**1,620**	**28**	**4,981**	**147**	**106,440**
At 31 March 2015	**94,033**	**6,463**	**1,906**	**28**	**5,113**	**38**	**107,581**

Depreciation

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

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 2017 the Council had entered into a contract of £5.2m to procure an industrial property in Chichester. In addition contracts of £0.8m have been entered into for the refurbishment of a multi-storey car park in Chichester.

Effects of Changes in Estimates

At 1 April 2017, 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.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair or current value is revalued at least every five years. All valuations were carried out internally at 1 April and all asset groups are reviewed to ensure the carrying value does not differ materially from the fair or current value at the balance sheet date. 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	6,294	1,293	28	0	568	**8,183**
Valued at fair value as at:							
2016-17	39,798	0	0	0	228	0	**40,026**
2015-16	4,848	0	0	0	0	0	**4,848**
2014-15	30,271	0	0	0	2,341	0	**32,612**
2013-14	10,781	0	0	0	1,281	0	**12,062**
2012-13	15,564	0	0	0	1,254	0	**16,818**
Total	**101,262**	**6,294**	**1,293**	**28**	**5,104**	**568**	**114,549**

11. 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:

	2015-16 Restated	2016-17
	£000	£000
Rental income from investment property	(697)	(711)
Direct operating expenses arising from investment property	23	69
Changes in fair value	59	(250)
Net (gain) / loss	(615)	(892)

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:

	2015-16 Restated £000	2016-17 £000
Balance at start of the year	6,490	8,008
Additions:		
• Purchases	1,577	0
• Subsequent expenditure	0	8
Net gain / losses from fair value adjustments	(59)	250
Balance at end of the year	8,008	8,266

The 2015-16 comparatives have been restated to correct the presentation of £1.57m expenditure on the Woodruff Centre, Chichester which was incorrectly classified as Property, Plant and Equipment in 2015-16 but should correctly have been classified as an investment property. For further information, see note 36.

Fair Value Hierarchy

The value of Investment Properties held by the Council has been measured in line with level 2 on the fair value hierarchy.

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

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

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

Highest & Best Use

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

Valuers

The investment property portfolio has been valued at 31 March 2017 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors.

12. 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 Council does not have any internally generated intangible assets. There are no items of capitalised software that are individually material to the financial statements.

The carrying amount of intangible assets is £0.5m and is amortised on a straight line basis. Amortisation of £116k was charged to revenue in 2016-17.

13. Heritage Assets

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

	Tangible Assets		**Intangible Assets**	
	The Hussey Bequest Collection	Archaelogical Collections	Novium Museum	**Total Assets**
	£000	£000	£000	£000
Opening balance	5,833	98	22	5,953
Revaluation of assets	825	1	-	826
31 March 2017	**6,658**	**99**	**22**	**6,779**

There were no additions or disposals during 2016-17.

14. Financial Instruments

The carrying values of the Council's Financial Instruments at the balance sheet date were comprised as follows:

Financial Assets	Long-term 31 March 2016 £000	Long-term 31 March 2017 £000	Current 31 March 2016 £000	Current 31 March 2017 £000
Loans and Receivables:				
Principal at amortised cost	10,000	5,000	29,134	24,122
Available for sale investments: Principal at fair value	4,640	9,277	0	2,086

Financial Assets	Long-term		Current	
	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000
Total Investments	14,640	14,277	29,134	26,208
Loans and Receivables:				
Cash (including bank accounts)	-	-	1,423	3
Cash equivalents at amortised cost	-	-	1,000	-
Available for sale investments:				
Cash equivalents at fair value	-	-	4,423	11,001
Total Cash and cash Equivalents	0	0	6,846	11,004
Loans and receivables				
Trade Receivables	385	-	1,775	1,261
Lease & Contract Receivables	482	1,258	376	1,338
Included in Debtors	867	1,258	2,151	2,599
Total Financial Assets	15,507	15,535	38,131	39,812

Financial Liabilities	Long-term		Current	
	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000
Indebtedness				
Short term bank overdraft				39
Finance Leases	73	41	26	27
Sub-Total Indebtedness	73	41	26	66
Creditors				
Amortised cost	-	-	6,215	4,244
At Contract Amount	3,784	5,033	126	301
Sub-Total Creditors	3,784	5,033	6,341	4,545
Total Financial Liabilities	3,857	5,074	6,367	9,686

Income, Expense, Gains and Losses

	2015-16				2016-17			
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Total £000
Interest expense	28			28	73			73
Fee expense	-	-	2	2			44	44
Total expense in Surplus or Deficit on the Provision of Services	28	-	2	30	73	-	44	117
Interest income		(394)	(14)	(408)		(422)	(16)	(438)
Dividend Income			(22)	(22)	-	-	(363)	(363)
Total (income) in Surplus or Deficit on the Provision of Services		(394)	(36)	(430)	-	(422)	(379)	(801)
Losses on revaluation	-	-	360	360			366	366
Impact in Other Comprehensive Income and Expenditure	-	-	360	360			366	366
Net (gain)/loss for the year	28	(394)	326	(40)	73	(422)	31	(318)

The Council purchased a further 1,659,035 units in the Local Authority's property fund for £5,000,000 in September 2016.

The fair value of these units at the balance sheet date is £4.71m. As the asset does not have fixed or determinable payments, the loss of £0.29m has been recognised in the Comprehensive Income and Expenditure Statement but will only be charged to the Council's General Fund when the asset becomes impaired or is derecognised. At the Balance Sheet date, the Council has no intention or need to sell this investment.

Financial Assets

	Level	Balance Sheet 31 March 2016 £000s Restated	Fair value 31 March 2016 £000s	Balance Sheet 31 March 2017 £000s	Fair value 31 March 2017 £000s
Financial assets held at Fair Value					
• Money Market Funds	1	4,423	4,423	11,001	11,001
• Property Funds	1	4,640	4,640	9,277	9,277
• Corporate Bonds	2	0	0	2,086	2,086
• Finance Lease Receivables	3	482	482	806	806
Financial assets held at amortised cost					
• Long term loans to local authorities	2	10,000	10,177	5,000	5,177
Total		19,545	19,722	28,170	28,347
Assets for which a fair value is not disclosed		34,093		27,176	
Total financial assets		**53,638**		**55,346**	
Recorded on the Balance sheet as:					
Long-term debtors		867		1,258	
Long-term investments		14,640		14,277	
Short-term debtors *		2,151		2,599	
Short-term investments		29,134		26,209	
Cash and cash equivalents		6,846		11,004	
Total financial assets		**53,638**		**55,346**	

The debtor lines on the Balance Sheet include £6.5m short-term debtors that do not meet the definition of a financial asset.

Financial Liabilities

	Level	Balance Sheet 31 March 2016 £000s	Fair value 31 March 2016 £000s	Balance Sheet 31 March 2017 £000s	Fair value 31 March 2017 £000s
Financial liabilities held at amortised cost					
• Lease payables	2	99	63	68	64
Liabilities for which a fair value is not disclosed		9,976		9,618	
Total financial liabilities		**10,075**		**9,686**	
Recorded on the Balance sheet as:					
Short-term bank overdraft				39	
Short-term creditors*		6,342		4,573	
Long-term creditors*		3,660		5,033	
Other long term liabilities		73		41	
		10,075		**9,686**	

The creditor lines on the Balance Sheet include £3.1m short-term creditors that do not meet the definition of a financial liability.

The fair value of short-term assets and liabilities, including lease payables, is assumed to approximate to the carrying amount. The fair value of financial assets held at amortised cost is higher than their balance sheet carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

There were no transfers between fair value levels 1 and 2 during the year and there have been no changes in valuation techniques used for financial instruments. The Council has corrected the previous classification of Lease payables from level 3 to level 2 as fair value is determined by observable market indicators such as interest rates for similar creditworthy organisations. The Council considers that the discounted future present value of lease payments under the leases provide a materially accurate estimate of fair value given the total amounts outstanding.

The assessment of fair value of lease receivables requires information on the long term creditworthiness of the lessee and for many of these organisations, there is no publically available credit data that is sufficiently reliable over periods longer than 12 months. The fair value figures used in the note above are therefore the discounted future present value of the lease receivable representing the Council's best estimate at the Balance sheet date.

Cash equivalents, debtors and creditors are carried at cost as this is a fair approximation of their value. The value shown for debtors and creditors are different to the figures reported under notes 15, 18 and 20 due to the exclusion of debtors and creditors that are not considered to be financial instruments.

15. Short Term Debtors

	31 March 2016		31 March 2017	
	£000	£000	£000	£000
Central Government Bodies	92		2,569	
Less Impairment Allowance	0		0	
		92		2,569
Council Tax	784		754	
Less Impairment Allowance	(414)		(409)	
		370		345
Business Rates	594		914	
Less Impairment Allowance	(277)		(365)	
		317		549
Other local authorities and public bodies	956		494	
Less Impairment Allowance	0		0	
		956		494
Housing Rents	342		430	
Less Impairment Allowance	(218)		(309)	
		124		121
Other Sundry Debtors	5,010		7,165	
Less Impairment Allowance	(2,139)		(2,187)	
		2,871		4,978
	.			
Total Debtors net of Impairment (Bad Debts) Allowance		4,730		9,056
Payments in advance		44		42
Total net Debtors & Payments in advance		4,774		9,098

16. Cash and cash equivalents

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

	31 March 2016 £000	31 March 2017 £000
Cash held by the Authority	8	3
Bank current accounts	1,415	(39)
Cash Equivalents	5,423	11,001
	6,846	10,965

17. Assets held for sale

	Current		Non Current	
	2015-16 £000	2016-17 £000	2015-16 £000	2016-17 £000
Balance outstanding at start of year	628	50	0	0
Assets newly classified as held for sale:				
• Property, Plant and Equipment	50		0	0
Assets Sold	(628)	(50)	0	0
Balance outstanding at year end	50	0	0	0

18. Short Term Creditors (less than 12 months)

	31 March 2016 £000	31 March 2017 £000
Council Tax	306	316
Business Rates	308	395
Other local authorities and public bodies	2,041	2,416
Sundry Creditors	5,121	3,184
Central Government Bodies	990	399
Housing Rents	19	58
Receipts in advance	0	220
Other Creditors	1,208	654
Total	9,993	7,642

19. Provisions

	Business Rates Appeals £000
Balance at 1 April 2016	1,421
Additional provisions made in 2016-17	(75)
Balance at 31 March 2017	1,346

The Business Rates Appeals Provision represents an amount set aside as the best estimate of the amount that businesses have been overcharged business rates up to 31 March 2017. 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 2017.

20. Long Term Creditors

	Balance 31 March 2016 £000	Balance 31 March 2017 £000
S106 Developer Contributions	3,660	5,033
Total	3,660	5,033

21. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement on page 27.

22. 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.

2015-16 £000		2016-17 £000
(38,332)	**Balance at 1 April**	**(38,321)**
(1,287)	Upward revaluation of assets	(9,887)
379	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	435
(908)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(9,452)
390	Difference between fair value depreciation and historical cost depreciation	270
529	Accumulated gains on assets sold or scrapped	23
919	Amount written off to the Capital Adjustment Account	293
(38,321)	**Balance at 31 March**	**(47,480)**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains movements in the fair value of the Council's investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is eliminated when investments with accumulated gains or losses are re-valued downwards, impaired or disposed of.

2015-16 £000		2016-17 £000
0	**Balance at 1 April**	**360**
360	Downward revaluation of investments to their fair value not charged to the Surplus/Deficit on Provision of Services	365
360	**Balance at 31 March**	**725**

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 5a on page 48 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2015-16 £000		2016-17 £000
(84,368)	**Balance at 1 April**	**(84,251)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
2,477	• Charges for depreciation and impairment of non-current assets	2,377
76	• Revaluation losses on Property, Plant and Equipment	1,406
192	• Amortisation of intangible assets	116
1,206	• Revenue expenditure funded from capital under statute	1,317
818	• 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	508
4,769		5,724
(919)	Adjusting amounts written out of the Revaluation Reserve	(293)
3,850	Net written out amount of the cost of non-current assets consumed in the year	5,431
	Capital financing applied in the year:	
(2,704)	• Use of the Capital Receipts Reserve to finance new capital expenditure	(1,298)
(24)	• Statutory provision for the financing of capital investment charged against the General Fund	(31)
(589)	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(763)
(476)	• Capital expenditure charged against the General Fund	(3,195)
(3,793)		(5,287)
60	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(250)
0	Movements in the value of assets held for sale debited or credited to the Comprehensive Income and Expenditure Statement	50
(84,251)	**Balance at 31 March**	**(84,307)**

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.

2015-16 £000		**2016-17 £000**
16,537	**Balance at 1 April**	**4,130**
(14,403)	Remeasurements of the net defined benefit liability/(asset)	(155)
4,378	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	2,690
(2,382)	Employer's pensions contributions and direct payments to pensioners payable in the year	(2,352)
4,130	**Balance at 31 March**	**4,313**

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.

2015-16 £000		**2016-17 £000**
(488)	**Balance at 1 April**	**(482)**
0	Increases in the year	(337)
6	Transfer to the Capital Receipts Reserve upon receipt of cash	13
(482)	**Balance at 31 March**	**(806)**

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

2015-16 £000		**2016-17 £000**
509	**Balance at 1 April**	**683**
174	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	785
683	**Balance at 31 March**	**1,468**

23. Agency Services

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

	2015-16 £000	2016-17 £000
Expenditure incurred in providing a Planning Service to SDNPA	1,187	1,274
Management fee payable by SDNPA	(989)	(959)
Net (Surplus)/Deficit arising on the agency arrangement	198	315

24. 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.

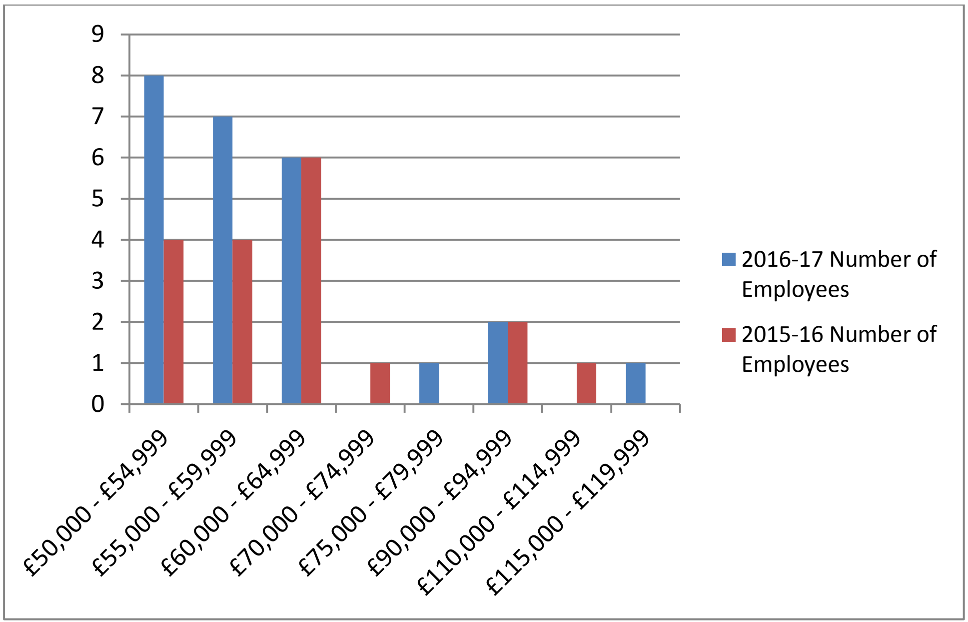
	2015-16 £000	2016-17 £000
Allowances	301	317
Expenses	15	15
Total	316	332

25. 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	2016-17	116,400	0	22,357	138,757
	2015-16	114,692	0	15,745	130,437
Executive Director of Environment	2016-17	93,351	0	17,908	111,259
	2015-16	91,872	0	16,813	108,685
Executive Director of Support Services and the Economy	2016-17	93,351	0	17,908	111,259
	2015-16	91,872	0	16,813	108,685
Head of Finance and Governance / S151 Officer	2016-17	75,106	0	14,387	89,494
	2015-16	73,807	0	13,507	87,314
Principal Solicitor / Monitoring Officer	2016-17	60,318	0	10,974	71,292
	2015-16	57,654	0	9,918	67,572

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



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

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16 £	2016-17 £
£0 - £20,000	4	0	0	1	4	1	46,729	8,770
£20,001 - £40,000	0	2	1	1	1	3	31,307	94,722
£40,001 - £60,000	1	0	0	2	1	2	42,278	90,814
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
Total	5	2	1	4	6	6	120,314	194,306

26. 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:

	2015-16 £000	2016-17 £000
Fees payable to Ernst & Young LLP with regard to external audit services carried out by the appointed auditor for the year	49	49
Fees payable to Ernst & Young LLP for the certification of grant claims and returns for the year	8	10
Total	57	59

27. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016-17.

For the purposes of this note only individual receipts in excess of £50,000 have been disclosed separately. 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.

	2015-16 Restated £000	2016-17 £000
Credited to Taxation and Non Specific Grant Income and Expenditure		
Capital grants and contributions	0	1,925
Revenue Support Grant	1,598	829
New Homes Bonus Scheme	2,658	3,671
Retail Relief Grant	323	6
Small Business Rate Relief Grant	676	714
Rural Services Top Up Grant	0	188
Transition Grant	0	93
Property Searches New Burdens Payment	96	9
Council Tax Freeze Grant	78	0
Other Non ringfenced Government Grants	128	81
Total	5,557	7,516

	2015-16 Restated £000	2016-17 £000
Credited to Services		
Community Led Housing Fund	0	1,386
Disabled Facilities Grant	630	1,174
Neighbourhood Planning	152	75
Other Revenue Grants	213	240
Total	995	2,875

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 2016 £000	31 March 2017 £000
Grant Receipts in Advance (Capital Grants)		
Beach Management Plan	73	24
Other Receipts below £50,000	2	2
Total	75	26

	31 March 2016 £000	31 March 2017 £000
Grant Receipts in Advance (Revenue Grants)		
Other Receipts below £50,000	0	0
Total	0	0

28. Related Parties

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

Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council tax bills, housing benefits). Grants received from government departments are set out in note 27.

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 as well as a review of the Register of Members' Interests and the schedule of payments to suppliers greater than £500. This did not identify the potential for a Member of the Council, or a Council officer to affect the policies of both the Council, and another entity, in their mutual dealings with each other.

29. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is financed by a credit arrangement (eg; borrowing), 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.

	2015-16 £000	2016-17 £000
Opening Capital Financing Requirement	(1,315)	(1,383)
Capital Investment:		
Property, Plant and Equipment	2,313	3,756
Intangible Assets	148	174
Revenue Expenditure Funded from Capital under Statute	1,206	1,317
Investment Property	0	8
Deferred Debtor	58	42
Sources of Finance:		
Capital Receipts	(2,704)	(1,298)
Government grants and other contributions	(589)	(763)
Sums set aside from revenue	(476)	(3,195)
Minimum Revenue Provision	(24)	(31)
Closing Capital Financing Requirement	(1,383)	(1,373)

30. Leases

Council as Lessor

Finance Leases

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

	31 March 2016 £000	31 March 2017 £000
Finance lease debtor		
• Current	6	33
• Non-current	459	756
Unearned finance income	22,485	22,543
Unguaranteed residual value of property	17	17
Gross investment in the lease	22,697	23,349

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 2016 £000	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000
Not later than one year	92	144	75	126
Later than one year and not later than five years	301	503	301	503
Later than five years	22,574	22,704	22,574	22,705
	22,967	23,351	22,950	23,334

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 2016 £000	31 March 2017 £000
Not later than one year	1,492	2,433
Later than one year and not later than five years	4,981	7,728
Later than five years	58,859	85,781
	65,332	95,942

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

Council as Lessee

Finance Leases
The Council has acquired 32 Multi-functional devices under a finance lease. These are carried as Property, Plant and Equipment in the balance sheet. The net book value at 31 March 2017 is £90,314.

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

	31 March 2016 £000	31 March 2017 £000
Finance lease liabilities :		
• Current	26	27
• Non-current	60	29
Finance costs payable in future years	17	9
Minimum lease payments	103	65

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

	Finance Lease Liability		Minimum Lease Payments	
	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000
Not later than one year	26	27	34	32
Between one and five years	60	29	69	33
	86	56	103	65

Operating Leases
The Council access a number of pieces of land that are classified as operating leases. There are three leases disclosed, Orchard Street and New Park car parks and Westgate leisure centre 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 New Park lease expires in 2033 and is reviewed every 5 years. The future minimum lease payments are as follows:

	31 March 2016 £000	31 March 2017 £000
Not later than one year	30	30
Later than one year and not later than five years	120	120
Later than five years	376	346
	526	496

31. Impairment Losses

During 2016-17 the Council carried out an impairment review. No impairment losses were identified as a result.

32. Termination Benefits

The Council terminated the contracts of a number of employees in 2016-17, incurring costs of £194,306 (£120,314 in 2015-16) – see note 25 for the number of exit packages and total cost per band.

33. 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.

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

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:

	2015-16 £000	2016-17 £000
<u>Comprehensive Income and Expenditure Statement</u>		
Cost of Services:		
Service cost comprising**:**		
• current service cost	3,826	3,080
• past service cost	0	64
• (gain)/loss from settlements	0	(592)
Financing and Investment Income and Expenditure:		
Net interest expense	552	138
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**4,378**	**2,690**

	2015-16 £000	2016-17 £000
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)	1,520	(25,347)
• Actuarial (gains) and losses arising on changes in demographic assumptions	0	(4,275)
• Actuarial (gains) and losses arising on changes in financial assumptions	(14,059)	26,726
• Other experience (gains) or losses	(1,864)	2,741
Total Other Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement	**(14,403)**	**(155)**

	2015-16 £000	2016-17 £000
<u>Movement in Reserves Statement</u>		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(4,378)	(2,690)
Actual amount charged against the General Fund Balance for Pensions in the Year:		
Employers contributions payable to scheme	2,382	2,352

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:

	2015-16 £000	2016-17 £000
Present value of the defined benefit obligation	144,345	170,983
Fair value of plan assets	(140,215)	(166,670)
Net liability arising from defined benefit obligation	**4,130**	**4,313**

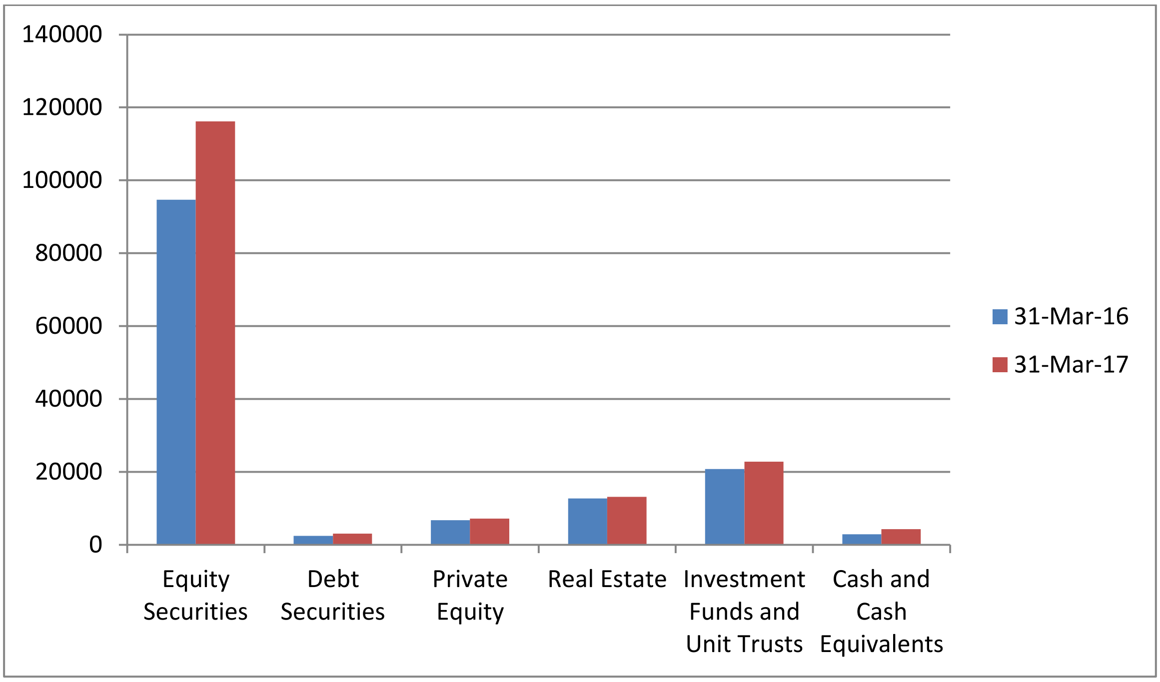
Reconciliation of the Movements in the Fair Value of Scheme Assets

	Local Government Pension Scheme	
	2015-16 £000	**2016-17 £000**
Opening fair value of scheme assets	138,212	140,215
Interest income	4,409	4,805
Remeasurement gain/(loss):		
• the return on plan assets, excluding the amount included in the net interest expense	(1,520)	25,347
Contributions from employer	2,382	2,352
Contributions from employees into the scheme	833	789
Benefits paid	(4,101)	(4,864)
Other	0	(1,974)
Closing fair value of scheme assets	**140,215**	**166,670**

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

	Local Government Pension Scheme	
	2015-16 £000	**2016-17 £000**
Opening balance at 1 April	154,749	144,345
Current Service Cost	3,826	3,080
Interest Cost	4,961	4,943
Contributions from scheme participants	833	789
• Actuarial (gains)/losses arising from changes in demographic assumptions	0	(4,275)
• Actuarial (gains)/losses arising from changes in financial assumptions	(14,059)	26,726
• Other experience (gains) or losses	(1,864)	2,741
Past service cost	0	64
Benefit paid	(4,101)	(4,864)
Liabilities extinguished on settlements	0	(2,566)
Closing balance at 31 March	**144,345**	**170,983**

Local Government Pension Scheme assets (Fair Value, £000's)



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 2016.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2015-16	**2016-17**
Long-term expected rate of return on assets in the scheme:		
Equities, Bonds, Property and Cash	3.5%	2.6%
Mortality assumptions		
Longevity at 65 for current pensioners:		
Men	24.4 years	23.6 years
Women	25.8 years	25.0 years
Longevity at 65 for future pensioners:		
Men	26.9 years	26.0 years
Women	28.5 years	27.8 years
Financial assumptions		
Rate of inflation	2.2%	2.4%
Rate of increase in salaries	3.7%	3.1%
Rate of increase in pensions	2.2%	2.4%
Rate for discounting scheme liabilities	3.5%	2.6%

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 2017	Approximate % increase to Employer Obligation	Approximate monetary Amount (£000)
0.5% decrease in Real Discount Rate	10%	16,305
0.5% increase in the Salary Increase Rate	2%	2,764
0.5% increase in the Pension Increase Rate	8%	13,278

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, 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 last triennial valuation was completed on 31 March 2016.

The scheme takes 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 2018 will be approximately £2,408,000. The Council's budget for 2017-18 includes £2,568,500 for total employer contributions to the Pension Fund.

The weighted average duration of the defined benefit obligation for scheme members is 18.4 years.

34. 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 ongoing legal matters. At this time the Council's best estimate of the contingent liability associated with these claims is £125,000.

35. 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.

36. Nature and extent of risks arising from Financial Instruments

The Council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in November 2011).

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The main risks covered are:

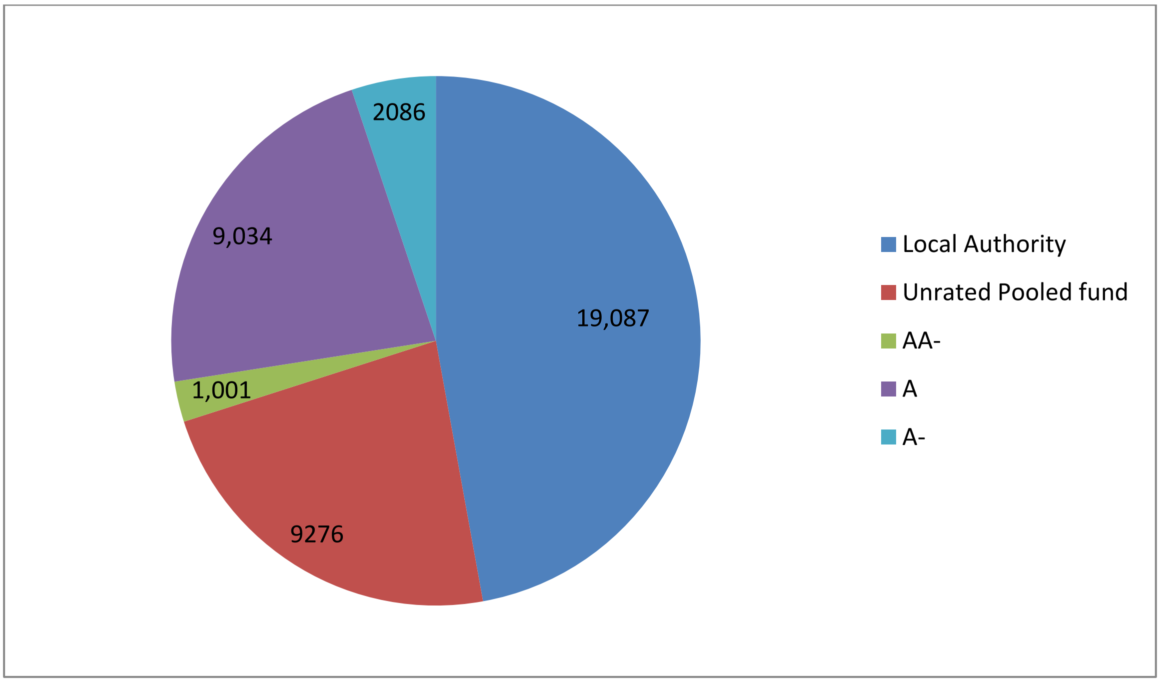
- *Credit Risk:* The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- *Liquidity Risk:* The possibility that the Council might not have the cash available to make contracted payments on time.
- *Market Risk:* The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Credit Risk: Investments

Overall the Council manages credit risk by ensuring adequate diversification across a range of counterparties with a "target" average credit rating of A. Counterparty limits that exist covering Countries, Sectors and Company Groups limit the Council's overall exposure to any single default or credit event.

The Council's Annual Investment and Treasury Management Strategies require that investments are only made with banks and other financial institutions which have been rated independently, and meet minimum credit criteria. The council continually monitored individual credit ratings and the financial standing of its counterparties throughout the year. The chart below summarises the credit risk exposures of the Council's investment portfolio by credit rating at 31 March 2016 and 2017.

Credit risk exposure of financial assets (£000s)



In addition to the above investments, The Council holds cash deposits with its own banker (credit rating BBB+) of £0.3m. Other cash deposits and cash equivalents are held with institutions with the following credit ratings:

- AAA £11m

The Council's maximum exposure to credit risk at the balance sheet date in relation to its investments with banks and other institutions was £52.3m, and 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 very 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 2017 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.

Credit Risk: Receivables

The following analysis summarises the Council's potential maximum exposure credit risk, based on the experience gathered over the last five financial years on the level of default on trade debtors, adjusted for current market conditions. Only those receivables meeting the definition of a financial asset are included.

	Gross balance of debtors £000	Average % default based on previous experience, adjusted for current conditions	Credit risk exposure 31/03/2016 £000	Credit risk exposure 31/03/2017 £000
Sundry Debtors	4,463	15%	231	680

The Council's credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

Liquidity Risk

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

Market Risks: Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments, although the effects on the Council of such movements are not considered to be complex as the majority of sums invested are at fixed interest rates for short periods. These investments are classed as “loans and receivables” so changes in their fair value will have no impact on Comprehensive Income and Expenditure.

The Council has been debt free since April 2001 other than small finance leases entered into in from 2015-16. The risk of increased interest expenses of interest rates were to rise is not considered significant.

Changes in interest receivable on variable rate investments will be posted to the Surplus or Deficit on the Provision of Services. The Council does not have any fixed rate investments classed as “available for sale”.

The Council’s Treasury Management Strategy aims to mitigate interest rate risk by setting upper limits on its net exposures to fixed and variable interest rates. At year end the Council had £11m deposited on variable interest rate terms, but the interest rate risk associated with these investments is insignificant as these funds were available on call.

The potential impact of a 1% increase in interest rates on the disclosed fair values of financial assets is shown below.

Financial asset category	Fair Value £000	Impact of 1% increase in interest rates on fair value £000
Corporate Bonds	2,086	(7)
Long term loans	5,177	(127)

The effect of a fall in interest rates would be the equal and opposite of the above.

All long term deposits were at fixed interest rates and there would be no change in the disclosed balance sheet values of these assets should interest rates change. For all other financial assets, except those listed below, the effect on the disclosed value is immaterial.

Market Risks: Price Risk

The Council’s investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council’s maximum exposure to property investments of £10m. A 5% fall in the published bid price at year end of 283.85p would result in a further £0.47m charge to Other Comprehensive Income & Expenditure – this would have no impact on the General Fund until the investment was sold.

Market Risks: Foreign Exchange Risk

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

37. Prior period Adjustment

Restatement of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement

The Council's Comprehensive Income and Expenditure Statement and its Movement in Reserves Statement have been revised to reflect the new formats and reporting requirements and the introduction of the Expenditure and Funding Analysis by the 2016-17 Accounting Code of Practice.

There is no impact on the balance sheet information as a result of this change in accounting policy and therefore a third balance sheet has not been prepared.

Restatement of 2015-16 comparatives for Investment Property and Property, Plant and Equipment

The 2015-16 comparatives for Investment Property and Property, Plant and Equipment have been restated to correct the accounting classification of accounting entries. During 2015-16 the Council incurred £1.577m expenditure purchasing the headlease on a property in Chichester.

The purchase was not related to direct service provision by the Council and therefore the Council's view is that it is more appropriate to classify this asset as an investment rather than operational property in accordance with the Accounting Code of Practice.

The effect on the Council's balance sheet is shown below. Notes 10 and 11 have also been restated. There is no effect on the Council's Comprehensive Income and Expenditure Statement.

31 March 2016 Original £000		Notes	31 March 2016 Restated £000
	Property, Plant and Equipment	10	
95,138	▪ Land and Buildings		93,561
6,431	**Investment Property**	11	8,008

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.

	2015-16			2016-17		
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		76,077	76,077		80,178	80,178
Government grants credited to the Collection Fund		51	51		0	0
Business Rates Receivable	44,123		44,123	44,889		44,889
Total Income	44,123	76,128	120,251	44,889	80,178	125,067
EXPENDITURE						
Apportionment of Previous Year Estimated Surplus / (Deficit)						
Central Government	(36)		(36)	(196)		(196)
West Sussex County Council	(7)	172	165	(40)	394	354
Chichester District Council	(28)	28	0	(157)	64	(93)
The Police and Crime Commissioner for Sussex		21	21		49	49
	(71)	221	150	(393)	507	114
Precepts, Demands and Shares						
Central Government	21,897		21,897	23,168		23,168
West Sussex County Council	4,379	58,685	63,064	4,633	61,890	66,523
Chichester District Council	17,518	9,574	27,092	18,534	10,192	28,726
The Police and Crime Commissioner for Sussex		7,268	7,268		7,630	7,630
	43,794	75,527	119,321	46,335	79,712	126,047
Charges to the Collection Fund						
Write-offs of uncollectable amounts	218	223	441	83	268	351
Increase / (Decrease) in Bad Debts Provision	82	(123)	(41)	217	41	258
Increase / (Decrease) in Provision for Appeals	407		407	(188)		(188)
Cost of Collection Allowance	198		198	197		197
Disregarded amounts	114		114	140		140
Transitional Protection payments made	55		55	127		127
	1,074	100	1,174	576	309	885
Total Expenditure	44,797	75,848	120,645	46,518	80,528	127,046
Surplus / (Deficit) arising during the year	(674)	280	(394)	(1,629)	(350)	(1,979)
Surplus / (Deficit) b/fwd 1 April	(1,493)	342	(1,151)	(2,167)	622	(1,545)
Surplus / (Deficit) c/fwd 31 March	(2,167)	622	(1,545)	(3,796)	272	(3,524)

1. General

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

2. Income From Business Rates

The Council collects national non-domestic rates (NNDR) for its area based upon the rateable values provided by the Valuation Office Agency (VOA), multiplied by a uniform business rate multiplier set national by the government.

The Business Rates Retention Scheme was introduced from 1 April 2013. Since this date the income that the Council collects from NNDR is shared between central government, the district 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.

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 £23.17m to Central Government, £4.63m to West Sussex County Council, and £18.53m to Chichester District Council. These sums have been paid in 2016-17 and charged to the collection fund in the year.

As part of the Scheme, 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 £15.4m from its General Fund in 2016-17 into the West Sussex Business Rates Pool.

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 £1.9m. The Council did not qualify for a safety net payment in 2016-17.

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 2017. The total provision required at 31 March 2017 has been calculated at £3.37m.

The total non-domestic rateable value at the 31 March 2017 was £111,532,212 (compared with £110,096,543 on 31 March 2016). The national multipliers for 2016-17 were 49.7p (49.3p in 2015-16) for the standard non-domestic rating multiplier, and 48.4p (48.0p in 2015-16) 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
Disabled Band A	2.7	5/9	1.5
Band A	2,216.0	6/9	1,477.3
Band B	4,785.7	7/9	3,722.2
Band C	12,340.0	8/9	10,968.9
Band D	10,591.7	9/9	10,591.7
Band E	7,561.7	11/9	9,242.1
Band F	5,282.3	13/9	7,630.0
Band G	5,150.7	15/9	8,584.5
Band H	1,104.7	18/9	2,209.4
Total	**49,035.5**		**54,427.6**

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

Classes A & B (Second homes)	**1,725.8**
Class C (Exempt properties)	**50.0**
Tax base reduction for Council tax support	**(4,447.9)**
Tax Base	**51,755.5**
Adjusted for assumed collection rate of 99%	**51,237.9**

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

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

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

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

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

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

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

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

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

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

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

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

Carrying Amount
The cost or value less depreciation.

CIPFA
The Chartered Institute of Public Finance and Accountancy

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Outturn
Total income and expenditure in the financial year.

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

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

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

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

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

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

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

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

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

Council.

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.

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

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.