###### CHICHESTER DISTRICT COUNCIL

**STATEMENT OF ACCOUNTS**

**2022-23**

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## Chichester District Council

Statement of Accounts

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Council Officials

Chairman

Mrs E Hamilton

**Leader**

Mrs E Lintell

**Deputy Leader**

Mrs S Taylor

Senior Leadership Team

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

Mr A Frost, Director of Planning and Environmental Services

Mrs J Hotchkiss, Director of Growth and Place

Mrs L Rudziak, Director of Housing and Communities

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

Narrative Statement

**Introduction by the Director of Corporate Services**

Welcome to the Council’s Statement of Accounts that details the financial position of the Council for the year ended 31 March 2023. The format of these accounts is required by law to include a large amount of detail as the Council’s finances are complex, with the presentation in a prescribed format. To aid the reader of the Statement of Accounts, the Narrative Statement presents an overview of the financial year and the significant issues that impacted the Council’s finances and services over that period. It sets out the Council’s performance in the context of its corporate priorities, the use of resources and considers the outlook on its medium-term financial plans considering the ongoing impact of the Covid pandemic and the behavioural changes affecting discretionary income streams.

A key priority of the Council’s Corporate Plan is “To manage the Council’s finances prudently and effectively” with two underlying main objectives, which are:

* Ensure the prudent use of the Council’s resources.
* Provide value for money through efficient and effective service delivery.

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

The annual budget for revenue spending for 2022-23 and the rolling 5 year capital and asset replacement programme were approved by full Council on 8 March 2022. This budget incorporated the second year of the efficiency savings identified in the Future Services Framework recovery Plan as approved in July 2020. At that time to cope with the expected financial impact of the global pandemic the Council approved £8m to be set aside to support the revenue budget over the medium term as part of the assessment in July 2020. Despite previous forecasts in prior years’, due to Government support and some recovery in income streams, it was not necessary to draw on this reserve prior to 2022-23. However, in setting the budget for 2022-23 it was estimated £808,100 would be required to enable the Council to work towards a balanced budget within the medium term.

In year monitoring with regular updates were reported to members both in terms of revenue, capital and the asset replacement programme spending on a quarterly basis. The savings and income generation targets reflected in the budget for the Future services Framework recovery Plan were also monitored and regularly reported to the Overview and Scrutiny Committee, and all members as part of the quarterly monitoring regime.

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

This Narrative report contains the following sections:

1. Introduction to Chichester
2. How we make decisions
3. Council performance
4. Current Financial Performance
5. Risks and Uncertainties
6. A forward look
7. **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 124,000 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 36 District Councillors representing 21 wards. The district also has 67 parishes, and a lot of parishes have their own town or parish council, or parish meeting.

The Office for national Statistics recently published the Census data for Chichester for 2021 and this can be found [here](https://www.ons.gov.uk/visualisations/censuspopulationchange/E07000225/).

1. **How we make decisions**

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

The political make-up of the Council as at 31 March 2023 was:

| **Political Party** | **Number of Councillors** |
| --- | --- |
| Conservative | 17 |
| Liberal Democrats | 11 |
| Independent | 3 |
| Green | 2 |
| Local Alliance | 2 |
| Labour | 1 |
| **Total** | **36** |

**Council**

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

**Cabinet**

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

**Overview and Scrutiny**

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

**Corporate Governance and Audit Committee**

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

**Other Non- Executive Committees**

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

**Officer Support**

During 2022-23 Diane Shepherd, our Chief Executive, led the Strategic Leadership Team (SLT) which includes four directors. Details of the Council’s current management structure can be found at: [here](https://www.chichester.gov.uk/article/24164/Council-structure).

The wider Corporate Management Team also consisted of fourteen Divisional Managers. The Strategic Leadership Team, along with the Divisional Managers, support councillors whilst also overseeing the delivery of the Council’s services. The council employs over 500 staff that are mostly based at the Council’s main offices in East Pallant House (EPH) and at its Depot in Westhampnett, Chichester. Whilst for most staff East Pallant House is the main place of work, the Council continues to have flexible remote working, with staff spending 2 to 3 days of their working week in the main offices.

1. **Council Performance**

**Corporate Plan**

Our Corporate Plan sets out our vision, key priorities and objectives for the council, and the key projects to be achieved are set out in our detailed Service Plans. Both the Corporate Plan and the Service Plans are usually reviewed annually. The current full Corporate Plan is available on the Council’s website [here](https://www.chichester.gov.uk/corporateplan). A major review of the Corporate Plan took place in January 2022 which has set out the Council’s plans for the next 3 years.

**Annual Governance Statement**

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

**Key Achievements**

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.

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

Detailed outlines of the Council’s key achievements each year are published annually in the Annual Report which can be found [here](https://www.chichester.gov.uk/corporateplan).

1. **Current Financial performance**

The Medium-Term Financial Strategy Model reported to Council in November 2021 reflected the Council’s best estimate of what may occur in 2022-23 and beyond. The budget set in 2022-23 was recommending the use of £0.808m of General Fund Reserves to help the Council balance its finances. The budget built upon the work undertaken for the Financial Strategy and incorporated the second year of the efficiency savings identified as part of the Future Services Framework (FSF). In January 2022, the Cabinet received a report on the final phase of the FSF following the completion of a service prioritisation exercise of all non-statutory services to understand Members’ priorities should we need to find further savings in the future. This tool was developed to aid decision making and informing council priorities to enable the gradual return to a balanced financial position, without the continued use of reserves over the medium term. Thus, enabling valuable public services to be protected in the interim.

The following sections describe the actual performance against this budget and the various financial strategies that were agreed at the same Council meeting in March 2022; further details can be found on the Council’s website [here](https://www.chichester.gov.uk/annualbudget) along with in year monitoring information which can be found [here](https://www.chichester.gov.uk/article/27734/Budget-monitoring).

The outturn position for 2022-23 is a deficit of £0.283m. This includes additional spend approved during the year of £0.805m after the budget was set that ultimately resulted in the drawn down from the General Fund Reserve. It should be noted that the original budget estimated that £0.808m would be required from the Revenue Budget Support Reserve, however this has not been the case and the £8m set aside during the global pandemic remains intact.

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

The main cash flow elements of both capital and revenue are shown in the Council’s cash flow statement on page 27.

In 2022-23 the Council continued to be focussed on the continued recovery following the Covid-19 pandemic and the ongoing impact on the local economy and the community, along with behavioural change effecting discretionary income streams, e.g. car parking due to increased home working and buying online. This made forecasting difficult, as past trends were no longer relevant, and recovery of key income streams are slow to recover, even against the lower targets set because of the pandemic when £1.2m was removed from income stream targets in the base budget for 2021-22 due to the pandemic and a further £100k was removed in 2022-23 for planning fees. Ultimately this was only removing the additional £97k that was built into the budget considering the fees income received in 2020-21. This underlines how difficult it is to predict the more volatile income streams.

There was continued impact on the Business Rates Retention Scheme with Government giving grant funding to local authorities to compensate for the loss of Business Rates income because of reliefs given to local businesses. Details of these grants are shown in note 25. Under the required accounting treatment for the Collection Fund the deficit arising from the new reliefs will be addressed by the Retained Business Rates Equalisation Reserve which can be drawn down over the next 3 years, 2022-23 is the second year of spreading, so 2023-24 will be the final adjustment year.

In 2022-23 the Council received grants from central Government to support council taxpayers due to the energy cost crisis. Details of these different grant schemes are listed below:

| **Grant** | **Amount Paid Out**  **£000s** | **No. of Grants** |
| --- | --- | --- |
| Council Tax Energy Rebate Scheme (Mandatory Element) | 5,103 | 34,021 |
| Council Tax Energy Rebate Scheme (Discretionary Element) | 275 | 813 |
| Energy Bill Support Scheme (EBSS AF) – Domestic Properties (Mandatory) | 87 | 218 |
| Energy Bill Support Scheme (EBSS AFP AF) – Domestic Properties (Mandatory) | 39 | 193 |

The council for most of the grants was acting as a distribution point for the Government with the grant payments made in accordance with set eligibility conditions; however, for the Council Tax Energy Rebate Scheme (Discretionary Element), the Council could decide the criteria for the applications considering local knowledge. This grant has been reflected in the Cost of Services section of the Comprehensive Income and Expenditure Account (CIES) as per CIPFA guidance.

| **Capital Expenditure 2022-23 - Movements in the Council’s asset base** | | | |
| --- | --- | --- | --- |
| **TOTAL ASSETS BROUGHT FORWARD**  **£316m** | | | |
| Purchases and sales of assets  £2m | Depreciation  (£3m) | Other changes in value  £64m | Change in Current Assets  (£26m) |
| **TOTAL ASSETS CARRIED FORWARD**  **£353m** | | | |
| Property, Plant and equipment  £151m | Investment Property  £13m | Other Long Term Assets  £117m | Current Assets  £72m |

**Capital Expenditure Outlook**

The Council has a capital and asset replacement programme of £57.7m approved in March 2023 in the period 2023-24 to 2027-28 (£67.6m including slippage from 2022-23). The major schemes currently planned for this period include:

| **Capital Expenditure (Planned)** | **2023-24**  **£000** | **2024-25**  **£000** | **Later**  **£000** |
| --- | --- | --- | --- |
| Communities’ grants portal | 175 | 175 | 0 |
| Housing Standards financial assistance | 160 | 160 | 480 |
| Disabled Facilities Grants | 3,122 | 1,350 | 1,350 |
| Playground Replacement Programme | 440 | 0 | 0 |
| Public Convenience Refurbishment programme | 1,424 | 150 | 305 |
| Vehicle Replacement Programme | 2,559 | 397 | 2,412 |
| Community Infrastructure Levy (CIL) Projects | 6,448 | 7,083 | 17,470 |
| Beach Management Plan | 313 | 250 | 500 |

The capital programme is an estimate of the scheme’s likely cost, and is always subject to amendment if, for example, a scheme cost is higher than anticipated. Due to its nature the capital programme is constantly changing, so the resource position is regularly updated and monitored to ensure that the programme remains affordable. This is an important consideration not only due to any ongoing impact of the COVID-19 pandemic, but inflationary pressures also may have a fundamental impact on the Council’s future corporate objectives and the resources available for capital investment. The statement for estimating available resources for investment is reviewed and updated regularly throughout the financial year in line with the Council’s key financial principles.

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

**Revenue Expenditure 2022-23**

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

| **Revenue Inflows and Outflows** | | | | |
| --- | --- | --- | --- | --- |
| Council Tax including Parishes  £13m | Business Rates  (£2m) | Fees and charges  £18m | Grant, contributions, and subsidies  £46m | Other  £4m |
| Total Resources £79m | | | | |
| Paid to others  £28m | | Providing local Services  £53m | | |
| Parish Council Precepts  £4m | Housing Benefits and Subsidies  £24m | Staffing costs  £27m | Running costs  £23m | Capital costs, incl. depreciation  £3m |
| Net (surplus) or deficit on providing services  £2m | | | | |

**Factors influencing future cash flows**

* Council Tax – Legislative restrictions on annual Council Tax increases and the requirement for local referendums. The Council has tended in the past to use the higher of the referendum criteria allowed to protect the provision of services to its community.
* Business Rates – The Government has indicated that it intends to expand the local retention of business rates to more areas across the country. As the current local retention is mainly 50%, this implies that the Government’s aim is to increase local retention rates (potentially up to 100%) and possibly allow local government to retain growth for longer. This expectation of change in relation to the localisation of Business Rates Retention Scheme creates uncertainty not only as to when any new scheme will be implemented but also the resetting of the base level for the new scheme, and how often future resets will take place along with any additional services local authorities will be expected to take on as part of this change. Also, the potential impact of appeal refunds for this new regime and those arising from the April 2017 and April 2023 valuation lists.
* Specific Government Grants – The Government has introduced a number of new grants in the last few years when the financial settlement has been announced, including the Funding Guarantee and Services Grants; it is unclear if these grants will continue beyond 2023-24 or will be replaced by something different under the expected future Local Government funding review. This uncertainty also includes the New Homes Bonus (NHB) grant which is paid to the Council to encourage the building of new homes. The Council does not use this source of funding to balance the revenue budget but to fund capital investment or one-off projects including grants to parish councils. The NHB scheme has been changed in recent years, with grant payments since 2021-22 being for 1 year only rather than for 4 years previously. This grant scheme will be part of any funding review by the Government so there continues to be a great deal of uncertainty in terms of future local government funding, which are now anticipated in Government funding from 2025-26 based on intelligence at this time.
* Fees and charges made to service users – This is influenced both by policy and service demand linked to the Council’s Fees and Charges Policy. Especially as the council raises over £17m income from discretionary spend service areas, or those that are linked to consumer confidence and the state of the economy. Income targets for certain major income streams were reduced in the 2021-22 budget to reflect continued changes in service demand, which is still having an ongoing impact on the forecasts for certain income streams due to behavioural change e.g. car parking income due to hybrid working and shopping online. In year monitoring aids the assessment of future income targets for both the 5 year modelling and the annual budget preparations.
* Service Expenditure – As a service organisation, this is principally employee related costs. Past public sector pay restraint may increase the pressure where private sector pay outstrips the public sector, impacting the recruitment and retention of skilled staff. Whilst a new pay structure was brought in from April 2019, to help on this issue, recent experience during the pay negotiations for both 2022-23 and 2023-24 highlights the impact of the economic crisis and inflationary pressures now being faced. The recruitment market for the professional staff is challenging in several service areas. The Council’s five year financial strategy model updated for 2023-24 reflected the assumptions that pay increases in 2023 were budgeted for at 5%, but the offer was 1.27% higher and still subject to negotiations. The assumptions for 2024-25 and beyond range from 3% down to 2% by 2027-28. Future service provision and the Council’s financial position will need to be considered in the longer term due to the impact of changes the ongoing economic and cost of living crisis being felt in 2023, and the inflationary cost pressures due to other world events.
* Capital Expenditure – This is determined by policy and the Council’s approved capital programme and asset replacement programme.

**Cash Resources**

The Council’s cash resources at 31 March 2023 are shown in note 17. The approved minimum level of general fund reserves to be held at the start of the financial was £4m to cover unexpected expenditure or delays in income from the sale of council assets. Whilst the council currently holds £85.79m of usable reserves, the majority of this is committed to support the capital programme or is earmarked for specific purposes. The amount of revenue reserves to support the Council’s activities has continued to be assessed as part of the quarterly monitoring of its Recovery Plan including progress on the savings expected over the next 3 years from 2021-22. The 2023-24 budget incorporates the third year of the efficiency savings under the FSF of £678k. In total over the 3 year programme the Council has saved or increased income generation by £1.570m.

This success demonstrates the good track record the Council has for achieving savings or income generation. Looking forward some of the more aspirational and challenging ideas are currently being re-assessed considering any new information including any new Government initiatives for local authorities and after the recent local elections in May 2023 which saw the Council now have a change in its political control. The new administration may have different corporate priorities that may impact the future spending plans and forecasts in the Council’s Financial Strategy.

**Revenue Expenditure Outlook**

The Council’s Medium Term Financial Strategy Model reflected the Council’s best estimate of what may occur from 2023-24 and beyond. The Finance team complete detailed quarterly monitoring for both revenue and capital/asset replacement programmes, the outcome of which is reported on the Council’s website. The 5 year Financial Strategy Model is reviewed and updated in year to assess the impact of financial risks, especially in light of new information, or specific factors such as inflationary pressures experienced due to world events etc. The updated forecasts aid the decision making to achieve a balanced budget, to ensure that the Council adheres to its financial objectives and the key financial principles.

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

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.

1. **Risks & Uncertainties**

The Council has a risk management policy and strategy which sets out the process for managing strategic and organisational risks in relation to the achievement of its objectives and performance targets. Under the policy 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. The risk registers were considered by the Committee at its meeting on 27 March 2023.

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

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

| Strategic Risk Description | Likelihood | Impact |
| --- | --- | --- |
| **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 consequence. * Failure to maximise efficient use of resources and so unsuccessful redirection of resources and not achieving objectives and outcomes of the council including efficiency savings identified under the Future Services Framework. * Failure to maximise income streams. * Unpredictable Government policy (e.g. localisation of business rates). * COVID-19 (Coronavirus) unpredictable economic impact. * Global inflationary pressures and cost of living crisis – unpredictable impact on service demand and cost pressures on the Council’s own costs. | Probable | Major |
| **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. | Possible | Substantial |
| **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 an inability to service the community and suffer reputational damage. | Probable | Moderate |
| **Health & Safety**   * Failure to adhere to H&S policies and procedures leading to death or serious injury of an employee or third party, resulting in prosecution or other enforcement actions under H&S legislation, adverse publicity, fines and possible custodial sentences. Such failures may also lead to civil claims for compensation. | Unlikely | Major |
| **Cyber Risk Attack Across ICT Estate**   * Failure to protect the Council against a cyber-attack across the ICT estate resulting in service disruption and reputational damage. Mitigation activities are concerned on three fronts: software designed to protect, user awareness to reduce complacency and continual updating of systems (patching). | Probable | Moderate |
| **Southern Gateway Regeneration**   * Failure to deliver the outcomes of the project leading to reputational damage and financial exposure to CDC as lead partner, and potential repayment of the Local Enterprise Partnership (LEP) grant (and other funding). * Lack of engagement or buy in by other key partners, leading to CDC being isolated and unable to deliver outcomes. * Masterplan becomes commercially unviable due to market sectors' changes due to the ongoing impact of the Covid pandemic. | Almost Certain | Substantial |
| **Local Plan**   * Failure to complete Local Plan Review and submit the Local Plan in accordance with the timetable set out in the Council's Local Development Scheme (LDS). This would mean that the Council would face continued challenge that it does not have an up to date Local Plan and the impact would be: * 5 year housing land supply (HLS) would continue to be assessed against a figure derived from the Government's standard methodology for assessing housing need the objectively assessed need (OAN) for housing rather than the housing requirement figure in the adopted Local Plan, making it harder to demonstrate a 5 year HLS. * Without a 5 year HLS the presumption in favour of sustainable development would apply, assessed against the policies in the National Planning Policy Framework (ref: para. 11). * Both 1. & 2. would result in an extension to the period of time in which the Council had to rely upon the *Interim Policy Statement for Housing Development to guide* the location and form of housing development with decisions being made through the planning application and appeal process, rather than in accordance with the development plan as it would be considered to be out of date. * The ability to plan and coordinate development with the provision of infrastructure would be reduced with an unplanned approach to the location of new development. * The potential for government intervention to take plan-making decisions out of the control of the Council. * Damage to the reputation of the Council for further delays in producing a Local Plan in line with its statutory duties as Local Planning Authority. | Possible | Moderate |
| **Climate Emergency Detailed Action Plan**   * Failure to achieve the Council’s carbon reduction target based on area-wide target and the Climate Emergency Action Plan. * Failure to obtain base data and evidence to support projects and evidence progress, leading to little or no improvement to the environmental objectives and potential waste of resources (both staff and financial). * Failure to target staff and financial resources to achieve carbon saving projects leading to reputational risks arising from local pressure groups and individuals against the Council’s own Carbon reduction Plan. | Almost Certain | Moderate |
| **Crouchlands Lagoon 3**   * Risk assessment by the Council that it has acted appropriately in considering its legal duties and in reviewing the on-going risks to the Council and the community from the site. | Possible | Substantial |
| **Housing – Potential Increase in Homelessness Service demand due to increased cost of living and Ukraine Sponsorship Programme Impact**   * Failure to meet potential increase in homelessness service due to increased cost of living and Ukraine sponsorship programme. | Probable | Substantial |

1. **The Forward Look**

The Council is in a relatively strong financial position despite the ongoing impact on its finances due to recent world events, including the inflationary pressures experienced during 2022-23. The in-year monitoring allowed the ongoing impact on costs to be assessed and reflected in an updated the Council’s 5 year financial strategy model, and the expected savings and additional income opportunities still to be delivered in 2023-24 budget for the third year of the Recovery Plan approved in July 2020. The updated forecast illustrated that the Council would have a small surplus in 2023-24, with a larger surplus in 2024-25, thus allowing officers and members time to consider how to address an underlying shortfall of £500k over the medium term. The Council set aside £8m of reserves to support the revenue budget in 2020, and this remains intact as no support was required from this earmarked reserve to support the 2022-23 outturn. The balance of the reserve remains available.

The most challenging aspect of financial planning is the continued uncertainly of government funding changes, or the timing of some quite fundamental aspects of the local government funding pot, which is still delayed possibly until 2025-26. The changes arising from any new regulations from the Government plans under the Environment Bill are still unavailable so there remains a lack of clarity of the likely financial impact of this key Government policy. The 2023-24 budget already reflects the assumed inflationary costs for terms of pay, fuel and utility costs. The 5 year model is a key tool to consider the underlying financial horizon, taking into account key assumptions on inflation, income generation and considering the impact of risks or opportunities of known issues which cannot be financially quantified yet.

The preparation for the 2024-25 budget has already commenced with the first step to update the model based on the latest information post setting the 2023-24 budget. A key change to the Council is the result of the May 2023 elections which resulted in a change of the political balance of the Council. This new administration will be setting out their key priorities over the coming months, and any changes will need to be taken account of in the Council’s forecasts, as well as updating the costs pressures still being experienced in 2023 and the ongoing impact reassessed.

A new Budget Review process is being set up in 2023-24 to aid the new administration, including updating the Future Service Framework tool to reflect any priority changes, which will aid the decision making required to bring the Council back to a balanced budget in the medium term.

The 2022-23 budget was set with estimated support from the specific earmarked Budget Support Reserve of £808k, however, in reality this was not required as the outturn position was a surplus of £0.522m offset by new one off initiatives approved in the year amounting to £0.805m, which meant that only £0.283m was required from the General Fund Reserve. The Budget Support Reserve remains intact at £8m.

During the current evaluation process to inform the budget for 2023-24, a number of other cost pressures have been identified which are also affecting the longer term financial stability of the Council. This includes the possible introduction of mandatory food waste collection, the timing of which is unknown, and the Extended Producer Responsibility tax which the Government is currently planning to bring into effect in 2024. Currently these pressures are still known unknowns, with no real understanding of the potential financial impact.

Due to the uncertainties, the use of the tools and new budget review process will assist the Council to assess the options and impact of the options on its services. In the meantime, the reserves available are sufficient to enable the Council to make measured considered decisions for setting the budget for both 2024-25 and 2025-26, until the picture is clearer in terms of government funding and the impact of their policies on local authorities, the Council’s own priorities and the ongoing impact of inflationary pressures or new costs, or income opportunities. The council will comply with the legal requirement to balance the budget with the drive to return to a sustainable footing in the use of reserves over the medium term and in line with its key financial principles.

**Further Information**

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

On completion of the audit, copies of the Statements of Accounts are available at the Council headquarters and will be published on the Council’s website at [www.chichester.gov.uk](http://www.chichester.gov.uk).

If you have any questions on any of the information included in the Council’s Statement of Accounts, please contact the Financial Services Team on 01243 785166 or email [finance@chichester.gov.uk](mailto:finance@chichester.gov.uk).

**J. Ward CPFA**

**Director of Corporate Services**

**Statement of Responsibilities**

**for the Statement of Accounts**

## The Council’s Responsibilities

The Council is required to:

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

## The Director of Corporate Services’ Responsibilities

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

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

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

The Director of Corporate Services has also:

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

I declare that the Statement of Accounts presents a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2023. 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 21 November 2024**

**Director of Corporate Services (S151 Officer)**

# Approval for the Statement of Accounts

**Richard Bates Date 2 December 2024**

**Chairman of the Corporate Governance and Audit Committee**

**Independent Auditor’s Report to the**

**Members of Chichester District Council**

**Disclaimer of opinion**

We were engaged to audit the financial statements of Chichester District Council (‘the Council’) for the year ended 31 March 2023. The financial statements comprise the:

* Comprehensive Income and Expenditure Statement,
* Balance Sheet,
* Movement in Reserves Statement,
* Cash Flow Statement
* the related notes 1 to 30 including a summary of significant accounting policies,
* Collection Fund and the related notes 1 to 4.

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 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

We do not express an opinion on the accompanying financial statements of the Council.Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

**Basis for disclaimer of opinion**

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 requires the accountability statements for this financial year to be approved not later than 13th December 2024.

We completed the audit of the 2021/22 financial statements in August 2023 and issued our audit opinion on 31 August 2023.

The backstop date and the wider requirements of the local audit system reset meant we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2022/23 financial statements. Therefore, we are disclaiming our opinion on the financial statements.

**Matters on which we report by exception**

Notwithstanding our disclaimer of opinion on the financial statements, performed subject to the pervasive limitation described above, we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council.

We report to you if:

* we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
* we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
* 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 (as amended)
* we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
* we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
* we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in these respects.

**Responsibility of the Corporate Services Director**

As explained more fully in the Statement of the Corporate Services Director’s Responsibilities set out on page 17, the Corporate Services Director 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 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Corporate Services Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporate Services Director is responsible for assessing the Council’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to cease operations, or has no realistic alternative but to do so.

The Council 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 for the audit of the financial statements**

Our responsibility is to conduct an audit of the Council’s financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor’s report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

**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 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in January 2023**,** as to whether Chichester District Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those 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 2023.

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.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made 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.

**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 (as amended) and the Code of Audit Practice issued by the National Audit Office.

**Use of our report**

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 (as amended) 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 Council and the Council’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Stephen Reid (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

London

**2 December 2024**

The following footnote does not form part of our Auditor’s Report.

Additional information related to the disclaimer of opinion is set out in Completion Report for Those Charged with Governance dated 7 November 2024, available on the Authority’s website, which includes further explanations about the implementation of the statutory instrument which led to the disclaimer of our opinion on the financial statements.

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**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. This effect of this is shown in the Movement in Reserves Statement on page 26.

| 2021-22 | | |  | 2022-23 | | |
| --- | --- | --- | --- | --- | --- | --- |
| GrossExpenditure | GrossIncome | NetExpenditure |  | GrossExpenditure | GrossIncome | NetExpenditure |
| £000 | £000 | £000 |  | £000 | £000 | £000 |
| 990 | 5 | 995 | Leader | 1,130 | (2) | 1,128 |
| 5,725 | (1,984) | 3,741 | Planning Services | 6,249 | (2,281) | 3,968 |
| 5,655 | (1,864) | 3,791 | Community Services and Culture | 5,034 | (1,734) | 3,300 |
| 7,073 | (10,318) | (3,245) | Growth, Place and Regeneration | 4,785 | (8,966) | (4,181) |
| 6,429 | (4,374) | 2,055 | Housing, Communications, Licensing and Events | 5,733 | (3,874) | 1,859 |
| 13,305 | (7,006) | 6,299 | Environment Services and Chichester Contract Services | 14,431 | (6,120) | 8,311 |
| 33,307 | (25,865) | 7,442 | Finance, Corporate Services and Revenues and Benefits | 32,988 | (25,231) | 7,757 |
| 72,484 | (51,406) | 21,078 | Cost of Services | 70,350 | (48,208) | 22,142 |
|  |  |  | Other operating Expenditure |  |  |  |
| 3,735 | 0 | 3,735 | Parish Council Precepts | 3,956 | 0 | 3,956 |
| 0 | (435) | (435) | Gain (-)/or loss on the disposal of Non-Current Assets | 1,821 | 0 | 1,821 |
| 3,735 | (435) | 3,300 |  | 5,777 | 0 | 5,777 |
|  |  |  | Financing and Investment Income and Expenditure |  |  |  |
| 9 | 0 | 9 | Interest payable and similar charges | 141 | 0 | 141 |
| 0 | (361) | (361) | Net interest on the net defined Pension liability (asset) |  | (524) | (524) |
| 0 | (1,465) | (1,465) | Interest receivable and similar income | 0 | (3,511) | (3,511) |
| (144) | (929) | (1,073) | Income and Expenditure in relation to investment Properties and changes in their fair value | 869 | (886) | (17) |
| 0 | (1,362) | (1,362) | Changes in the fair value of investments | 3,780 | 0 | 3,780 |
| 0 | (102) | (102) | Interest Element of Finance Leases | 0 | (104) | (104) |
| 0 | (114) | (114) | Other income | 0 | (8) | (8) |
| (135) | (4,333) | (4,468) |  | 4,790 | (5,033) | (243) |
|  |  |  | Taxation and Non-Specific Grant Income and Expenditure (see note 25) |  |  |  |
| 0 | (13,004) | (13,004) | Council tax income | 0 | (13,601) | (13,601) |
| 0 | 4,674 | 4,674 | Non-domestic rates (NNDR) | 0 | 2,060 | 2,060 |
| 0 | (12,015) | (12,015) | Capital grants and contributions | 0 | (7,167) | (7,167) |
| 0 | (11,157) | (11,157) | Non ringfenced government grants | 0 | (7,038) | (7,038) |
| 0 | (31,502) | (31,502) |  | 0 | (25,746) | (25,746) |
| 76,084 | (87,676) | (11,592) | (Surplus) or Deficit on Provision of Services | 80,917 | (78,987) | 1,930 |
|  |  |  | Items that will not reclassified to the (surplus) or deficit on the Provision of Services |  |  |  |
|  |  | (7,791) | (Surplus) or deficit on revaluation of non-current assets |  |  | (7,504) |
|  |  |  | Re-measurement (gains) and losses on Pension Fund assets and liabilities: |  |  |  |
|  |  | (10,607) | - Actuarial (gains)/losses on pension assets/liabilities |  |  | (68,235) |
|  |  | 5,155 | - Return on Assets excluding amounts included in net interest |  |  | 12,572 |
|  |  |  | Items that may be reclassified to the (surplus) or deficit on the Provision of Services |  |  |  |
|  |  | (13,243) | Other Comprehensive Income and Expenditure |  |  | (63,167) |
|  |  | (24,835) | Total Comprehensive Income and Expenditure |  |  | (61,237) |
|  | | | | | | |

|  |
| --- |
| **Balance Sheet** |

The Balance Sheet shows the value as at 31 March 2023 of the Council’s assets and liabilities together with the reserves held by the Council.

| **31 March**  **2022** |  |  | **Notes** | **31 March**  **2023** |
| --- | --- | --- | --- | --- |
| **£000** |  |  |  | **£000** |
|  |  | **Property, Plant and Equipment** | 11 |  |
| 125,128 |  | * Land and Buildings |  | 137,846 |
| 4,343 |  | * Vehicles, plant, furniture and equipment |  | 5,651 |
| 823 |  | * Infrastructure |  | 805 |
| 28 |  | * Community Assets |  | 28 |
| 4,071 |  | * Assets under construction |  | 0 |
| 5,996 |  | * Surplus Assets not held for sale |  | 5,781 |
| 13,872 |  | **Investment Property** | 12 | 13,151 |
| 0 |  | **Intangible Assets** | 13 |  |
| 265 |  | * Software |  | 256 |
| 0 |  | **Heritage Assets** | 14 |  |
| 6,842 |  | * Tangible |  | 6,842 |
| 22 |  | * Intangible |  | 22 |
| 33,994 |  | **Long Term Investments** | 15 | 36,214 |
| 21,504 |  | **Net Pensions Asset** | 29 | 73,497 |
| 985 |  | **Long Term Debtors** | 15 | 920 |
| **217,873** |  | **Total Long-Term Assets** |  | **281,013** |
|  |  |  |  |  |
|  |  | **Current Assets** |  |  |
| 23,002 |  | Short term investments |  | 33,291 |
| 163 |  | Inventories |  | 156 |
| 16,942 |  | Short Term Debtors | 16 | 13,146 |
| 57,297 |  | Cash and Cash Equivalents | 17 | 25,040 |
| 442 |  | Assets held for sale – current <1yr |  | 442 |
| **97,846** |  | **Total Current Assets** |  | **72,075** |
|  |  |  |  |  |
|  |  | **Current Liabilities** |  |  |
| (40,780) |  | Short Term Creditors | 18 | (16,161) |
| **(40,780)** |  | **Total Current Liabilities** |  | **(16,161)** |
|  |  |  |  |  |
|  |  | **Long-Term Liabilities** |  |  |
| (4,829) |  | Long Term Creditors – S106 contributions |  | (4,880) |
| (67) |  | Credit Arrangements – Finance Lease |  | (51) |
| (3,063) |  | Provisions | 19 | (3,003) |
| 0 |  | Net Pensions Liability | 29 | 0 |
| (658) |  | Capital Grants Receipts in Advance |  | (1,434) |
| **(8,617)** |  | **Total Long-Term Liabilities** |  | **(9,368)** |
|  |  |  |  |  |
| **266,322** |  | **Net Assets** |  | **327,559** |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  | **Usable Reserves** |  |  |
| (58,870) |  | General Fund Reserve |  | (52,017) |
| (1,713) |  | Capital Receipts Reserve |  | (2,494) |
| (25,566) |  | Capital Grants Unapplied Account |  | (31,288) |
| **(86,149)** |  | **Total Usable Reserves** |  | **(85,799)** |
|  |  |  |  |  |
|  |  | **Unusable Reserves** | 20 |  |
| (65,454) |  | Revaluation Reserve |  | (72,258) |
| (97,985) |  | Capital Adjustment Account |  | (100,229) |
| 3 |  | Financial Instruments Adjustment Account |  | 1 |
| 6 |  | Pooled Investment Fund Adjustment Account |  | 3,786 |
| (642) |  | Deferred Capital Receipts Reserve |  | (586) |
| (21,504) |  | Pension Reserve |  | (73,497) |
| 5,403 |  | Collection Fund Adjustment Account |  | 1,023 |
| **(180,173)** |  | **Total Unusable Reserves** |  | **(241,760)** |
|  |  |  |  |  |
| **(266,322)** |  | **Total Reserves** |  | **(327,559)** |

## John Ward CPFA Date 21 November 2024

**Director of Corporate Services (S151 Officer)**

## Movement in Reserves Statement

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

| **2021-22**  **£000** | | | | | |  | **2022-23**  **£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** |
| (63,988) | (2,821) | (16,343) | (83,152) | (158,335) | (241,487) | Balance brought forward | (58,870) | (1,713) | (25,566) | (86,149) | (180,173) | (266,322) |
| (11,592) | 0 | 0 | (11,592) | (13,243) | (24,835) | Total Comprehensive Income and Expenditure | 1,930 | 0 | 0 | 1,930 | (63,167) | (61,237) |
| 16,710 | 1,108 | (9,223) | 8,595 | (8,595) | 0 | Adjustments between accounting basis & funding under regulations (Note 10) | 4,923 | (781) | (5,722) | (1,580) | 1,580 | 0 |
| 5,118 | 1,108 | (9,223) | (2,997) | (21,838) | (24,835) | (Increase) / Decrease In year | 6,853 | (781) | (5,722) | 350 | (61,587) | (61,237) |
| (58,870) | (1,713) | (25,566) | (86,149) | (180,173) | (266,322) | Balance carried forward | (52,017) | (2,494) | (31,288) | (85,799) | (241,760) | (327,559) |

**Cash Flow Statement**

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

|  |  |  |  |
| --- | --- | --- | --- |
| **2021-22** |  |  | **2022-23** |
| **£000** |  |  | **£000** |
| (11,592) |  | Net (surplus) or deficit on the provision of services | 1,930 |
| 4,651 |  | Adjustments to net surplus or deficit on the provision of services for non-cash | 12,610 |
| 1,674 |  | Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 3,616 |
| **(5,267)** |  | **Net Cash flows from Operating Activities** | **18,156** |
|  |  | **Interest** |  |
| (13) |  | Interest Paid | 5 |
| (1,627) |  | Interest Received | (3,233) |
| **(1,640)** |  |  | **(3,228)** |
|  |  |  |  |
|  |  | **Investing Activities** |  |
| 5,294 |  | Purchase of property, plant and equipment, investment property and intangible assets | 7,314 |
| 268,446 |  | Purchase of short-term and long-term investments | 235,490 |
| 59 |  | Other payments for investing activities | 153 |
| (262) |  | Proceeds from the sale of property, plant and equipment, non-current assets held for sale, investment property and intangible assets | (614) |
| (290,454) |  | Proceeds from short-term and long-term investments | (219,200) |
| (10,061) |  | Capital Grants | (11,810) |
| (929) |  | Other receipts from investing activities | (868) |
| **(27,908)** |  | **Net Cash flows from Investing Activities** | **10,464** |
|  |  |  |  |
|  |  |  |  |
|  |  | **Financing Activities** |  |
| (22) |  | Other receipts from financing activities | 10,001 |
| (11,009) |  | Other payments from financing activities | (3,136) |
| **(11,031)** |  | **Net Cash flows from Financing Activities** | **6,865** |
|  |  |  |  |
| **(45,847)** |  | **Net (increase) / decrease in cash and cash equivalents** | **32,257** |
|  |  |  |  |
|  |  | **Cash and cash equivalents (Note 17)** |  |
| 11,450 |  | * + at the beginning of the reporting period | 57,297 |
| 57,297 |  | * + at the end of the reporting period | 25,040 |
| **(45,847)** |  | **Movement in Cash (increase)/decrease** | **32,257** |

# Notes to the Accounts

1. **Accounting Policies**
   1. **General Principles**

The Statement of Accounts summarises the Council’s transactions for the 2022-23 financial year and its position at the year-end of 31 March 2023. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23 supported by International Financial Reporting Standards (IFRS).

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

* 1. **Going Concern**

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

The Council’s Section 151 officer has a duty each year to provide a statement on the robustness of the Council’s budget and adequacy of reserves.  The latest statement can be found in the Council’s published budget papers associated with the meeting of the Cabinet on 7 February 2023. This meeting also considered the Council’s Treasury position and projections within the Council’s Treasury Management strategy for 2023-24. Both these documents are underpinned by the Council’s financial strategy, originally approved in November 2022 and subject to regular updates in line with Council priorities and the evolving economic picture. There has been no material deterioration on the Council’s resources of liquidity since that date that would invalidate the analysis and conclusions reached by the Section 151 officer.

Conclusion

The Council has sufficient cash to ensure its liquidity and has set a balanced budget for 2023-24 whilst maintaining adequate reserve cover in line with its medium financial plan and wider financial principles.  The Council forecasts that it will have sufficient revenue reserves to cover foreseeable operational activity over the next 12 months.

The Authority’s section 151 officer is satisfied, pursuant to section 25 of the Local Government Act 2003, that these forecasts remain robust as at the date of authorisation of these accounts and are likely to remain so for a period extending 12 months from this date.

These accounts have therefore been prepared on a going concern basis; assessed up to November 2025.

* 1. **Recognition of Income and Expenditure**

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

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

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

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

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

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

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

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

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

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure based on 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. **Discontinued Operations**

Operations may be discontinued because of an asset or disposal group being put up for

sale, and not simply transferred to another part of the public sector. Transactions relating to operations that are discontinued are presented separately on the face of the Comprehensive Income and Expenditure Statement and the Balance Sheet (including prior period comparatives).

* 1. **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 may be shown net of any bank overdrafts that are repayable on demand and form an integral part of the Council’s cash management strategy.

* 1. **Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise because of a change in accounting policies or to correct a material error.

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

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

* 1. **Accounting for Taxation**

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

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

* 1. **Employee Benefits**

1. **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.

1. **Termination Benefits**

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

**iii. Post-employment Benefits**

Employees of the Council are members of the Local Government Pensions Scheme, administered by West Sussex County Council. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

Scheme Liabilities are discounted to their value at current prices, using a discount rate of 4.75%. The discount rate used to value scheme liabilities is either:

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

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

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

* quoted securities – current bid price
* un-quoted securities – professional estimate
* unitised securities – current bid price
* property – market value.
  1. **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. **Financial Instruments and Investments**

**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, benefits and government grants, do not give rise to financial instruments.

The Council held no material derivative financial instruments or any assets which have been materially affected by interest rate benchmark reform at 31 March 2023.

**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. Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument.

**Financial Assets**  A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or another financial asset or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council.

**Offsetting Financial Assets and Liabilities**

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and it intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

There are two classes of financial assets measured at:

• amortised cost; and,

• fair value through profit or loss (FVPL).

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

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

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

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

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

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

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

**Fair Values**

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

* Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities  
  + For the Council’s investments in externally managed pooled funds, fund values published by the fund manager have been used as these represent the prices in the principal market within which the Council would normally conduct a transaction to sell the asset.
  + For the Stable or Low Volatility Net Asset Value money market funds, the valuation used assumes that, for each £1 for every of principal invested, the fund will return £1 of principal on withdrawal by the Council, plus interest.
* Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments.
* Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

Other financial instruments are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2023, using the following methods and assumptions:

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

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

* 1. **Government Grants and Contributions**

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

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

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

* 1. **Investment Property**

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

* 1. **Leases**

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

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

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

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal and replaced by a long-term debtor in the Balance Sheet valued on the future income due under the finance lease.

Where the Council grants an operating lease over an asset, this is retained on the Balance Sheet. Rental income is recognised in the Comprehensive Income and Expenditure statement on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a premium paid at the commencement of the lease).

* 1. **Property, Plant and Equipment**

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

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

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

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

Where decreases in value are identified:

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

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

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

Depreciation is calculated on the following bases:

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

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

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

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

* 1. **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. **Section 106 Developer Contributions**

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

* 1. **VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty’s Revenue and Customs. For 2022-23 no VAT is included as expenditure in these financial statements as the Council was able to recover all input VAT incurred on its purchases under s.33 of the Value Added Tax Act 1974.

1. **Impact of accounting standards adopted in 2022-23**

There are no new or amended accounting standards introduced during 2022-23 that have a material impact on the Council’s financial statements.

1. **Accounting standards that have been issued but have not yet been adopted**

There are no accounting standard changes proposed for adoption into the 2023-24 Accounting Code of practice (being the relevant year of account) that would have a material impact on the entries recorded in these financial statements.

1. **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 because 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 or finance leases. These judgements are made in accordance with the Council’s accounting policy on leases and are based on a series of tests designed to assess whether the risks and rewards of ownership have been transferred from the lessor to the lessee.

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

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

1. **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, in particular referring to paragraphs 126, 127 and 129 to 133 of IAS 1. However, the nature of estimation means that actual outcomes could differ from those estimates.

Where there are no recently observed market prices, future-oriented estimates are necessary to

measure the recoverable number of classes of property, plant and equipment, provisions subject to the future outcome of appeals, and long-term employee benefit liabilities such as pension obligations. These estimates involve assumptions about such items as the risk adjustment to cash flows or discount rates, future changes in salaries and future changes in prices affecting other costs.

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

Business Rates

A provision has been recognised for the best estimate of the amount that businesses have been overcharged for Business Rates up to 31 March 2023. The estimate has been calculated using the Valuation Office ratings list of appeals and the analysis of successful appeals to date and those that might occur over the life of the rating list, when providing the estimate of total provision up to and including 31 March 2023.

The Council’s share of the balance of business rates appeals provisions held at this date amounted to £3.0m (2021-22 £3.1m).

The accuracy of this estimate will vary according to (1) the outcome of existing and future appeals against rateable values (b) the level of qualifying appeals received against the 2017 rating list. It is not practically possible now to determine the range of estimates that outcomes could fall within. The evidence to date suggests the present estimation is reasonable and no significant changes to assumptions are necessary.

Pensions Liability

Estimation of the net liability to pay pensions depends on several 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.

More information can be found in Note 29 about the sensitivity to changes in assumptions in respect of the discount rate used, mortality rates, salary inflation, and rates of increase to pensions in payment.

Impairment loss allowance

The Council has provided within its financial statements an estimated impairment allowance for relevant financial assets to reflect the risk that future cash flows will not be received. This allowance is by its nature an estimate. The accuracy of this estimate will depend on several factors including:

* The effectiveness of the Council’s debt recovery arrangements.
* The strength of the wider economy and whether there are further systemic shocks, such as another pandemic.
* The accuracy of credit ratings used and of global default levels for each credit rating band.

At 31 March 2023 the Council expects credit losses will continue to be higher than historic trends. This is due to the continuing credit impact of the pandemic and the wider economic strains presently being experienced on both households and businesses. It has maintained a market conditions adjustment to expected credit losses of 2x the calculated loss using historic data.

The accuracy of this judgement depends on the effectiveness of debt recovery processes, the regulatory environment, and the effect of local, national, and global factors on the UK and local economy.

Asset Valuations and Impairments

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

The valuations disclosed in Note 11 and Note 12 were prepared during the period up to 31 March 2023, valuing the portfolio as at 28 February 2023 or earlier.

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

For financial assets other than for level 1 valuations, the Council has chosen a valuation technique that it judges is reasonable and is likely to produce a materially accurate estimation of the actual fair value of the asset. Information about the valuation techniques adopted is described above (1.10).

1. **Expenditure and Funding Analysis**

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

| 2021-22 | | |  | 2022-23 | | |
| --- | --- | --- | --- | --- | --- | --- |
| NetExpenditure Chargeable to the General Fund | Adjustments between funding and accounting basis | Net expenditure in the Comprehensive Income and Expenditure statement |  | NetExpenditure 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 |
| 849 | 146 | 995 | Leader | 950 | 178 | 1,128 |
| 1,946 | 1,795 | 3,741 | Planning Services | 1,846 | 2,122 | 3,968 |
| 2,261 | 1,530 | 3,791 | Community Services and Culture | 2,716 | 584 | 3,300 |
| (4,268) | 1,023 | (3,245) | Growth, Place and Regeneration | (4,496) | 315 | (4,181) |
| 1,536 | 519 | 2,055 | Housing, Communications, Licensing and Events | 1,436 | 423 | 1,859 |
| 4,195 | 2,104 | 6,299 | Environment Services and Chichester Contract Services | 6,348 | 1,963 | 8,311 |
| 5,885 | 1,557 | 7,442 | Finance, Corporate Services and Revenues and Benefits | 6,394 | 1,363 | 7,757 |
| 12,404 | 8,674 | 21,078 | Net Cost of Services | 15,194 | 6,948 | 22,142 |
| (7,286) | (25,384) | (32,670) | Other Income and Expenditure | (8,341) | (11,871) | (20,212) |
| 5,118 | (16,710) | (11,592) | (Surplus) or Deficit | 6,853 | (4,923) | 1,930 |
| (63,988) |  |  | Opening General Fund Balance | (58,870) |  |  |
| 5,118 |  |  | Less/ Plus Surplus or (Deficit) on General Fund in year | 6,853 |  |  |
| (58,870) |  |  | Closing General Fund balance at 31 March | (52,017) |  |  |

**6a. Note to the Expenditure and Funding Analysis**

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

| 2021-22 Statutory adjustments for: | | | |  | 2022-23 Statutory adjustments for: | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Capital | Pensions | Other | Total |  | Capital | Pensions | Other | Total |
| £000 | £000 | £000 | £000 |  | £000 | £000 | £000 | £000 |
| 3 | 143 | 0 | 146 | Leader | 3 | 176 | 0 | 179 |
| 1,135 | 660 | 0 | 1,795 | Planning Services | 1,547 | 575 | 0 | 2,122 |
| 1,119 | 411 | 0 | 1,530 | Community Services and Culture | 250 | 334 | 0 | 584 |
| 680 | 343 | 0 | 1,023 | Growth, Place and Regeneration | 19 | 297 | 0 | 316 |
| 95 | 424 | 0 | 519 | Housing, Communications, Licensing and Events | 54 | 369 | 0 | 423 |
| 586 | 1,518 | 0 | 2,104 | Environment Services and Chichester Contract Services | 539 | 1,423 | 0 | 1,962 |
| 361 | 1,196 | 0 | 1,557 | Finance, Corporate Services and Revenue and Benefits | 342 | 1,020 | 0 | 1,362 |
| 3,979 | 4,695 | 0 | 8,674 | Net Cost of Services | 2,754 | 4,194 | 0 | 6,948 |
| (16,714) | (361) | (8,309) | (25,384) | Other Income and Expenditure | (10,744) | (524) | (603) | (11,871) |
| (12,735) | 4,334 | (8,309) | (16,710) | Difference between the General Fund Surplus/ Deficit and surplus or deficit on the Provision of Services | (7,990) | 3,670 | (603) | (4,923) |

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

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

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

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

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

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

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

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

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

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

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

**6b Segmental Income Cost of Services**

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

|  | **2021-22** | **2022-23** |
| --- | --- | --- |
|  | **£000** | **£000** |
| Leader | 4 | (1) |
| Planning Services | (1,799) | (2,027) |
| Community Services and Culture | (8) | 24 |
| Growth, Place and Regeneration | (7,208) | (8,301) |
| Housing, Communications, Licensing and Events | (1,083) | (1,307) |
| Environment Services and Chichester Contract Services | (4,447) | (4,996) |
| Finance, Corporate Services and Revenue and Benefits | (308) | (249) |
| Total Income analysed on a segmental basis | **(14,849)** | **(16,857)** |

1. **Expenditure and Income Analysed by Nature**

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

|  | **2021-22** | **2022-23** |
| --- | --- | --- |
| Expenditure | **£000** | **£000** |
| Employee benefits expenses | 25,350 | 26,679 |
| Other service expenses | 44,549 | 43,079 |
| Depreciation, amortisation and impairment | 2,441 | 1,462 |
| Interest payments | 9 | 141 |
| Loss on the disposal of assets | 0 | 1,821 |
| Changes in the fair value of investments (losses) | 0 | 3,779 |
| Precepts and Levies | 3,735 | 3,956 |
| Total Expenditure | **76,084** | **80,917** |
| Income |  |  |
| Fees, charges and other service income | (15,778) | (17,743) |
| Gain on the disposal of assets | (435) | 0 |
| Changes in the fair value of investments (gains) | (1,362) | 0 |
| Interest and Investment income | (2,254) | (4,363) |
| Income from taxation | (8,330) | (11,541) |
| Government grants and contributions | (40,170) | (32,440) |
| Other grants and contributions | (19,346) | (12,900) |
| Total Income | **(87,676)** | **(78,987)** |
| Surplus or Deficit on the Provision of Services | **(11,592)** | **1,930** |

1. **Events after the Reporting Period**

The Statement of Accounts was authorised for issue by John Ward, Director of Corporate Services (S151 Officer) on 21 November 2024.

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 2023, 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 considered at a future Corporate Governance and Audit Committee and due to the anticipated timing of the external audit this is likely to be in March 2024.

1. **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 2022-23.

|  | |  | **Balance at 1 April 2021**  **£000** | From  2021-22  £000 | To  2021-22  £000 | **Balance at**  **31 March 2022**  **£000** | From  2022-23  £000 | To  2022-23  £000 | **Balance at**  **31 March 2023**  **£000** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **General Fund Balance** |  | **(16,519)** | 8,646 | (1,042) | **(8,915)** | 3,033 | (648) | **(6,530)** |
|  |  |  |  |  |  |  |  |  |
| **Other Earmarked Reserves** |  |  |  |  |  |  |  |  |
| Revenue Budget Support Reserve |  | **0** | 0 | (8,000) | **(8,000)** | 0 | 0 | **(8,000)** |
| Housing Reserve |  | **(123)** | 123 | 0 | **0** | 0 | 0 | **0** |
| Restructuring Reserve |  | **(14)** | 0 | (303) | **(317)** | 0 | 0 | **(317)** |
| Asset Reserve |  | **(8,584)** | 507 | (1,949) | **(10,026)** | 2,634 | (1,672) | **(9,064)** |
| Capital Projects Reserve |  | **(485)** | 613 | (438) | **(310)** | 840 | (1,518) | **(988)** |
| Grants and Contribution Reserves |  | **(1,244)** | 159 | (615) | **(1,700)** | 521 | (472) | **(1,651)** |
| New Homes Bonus Scheme Reserve |  | **(15,735)** | 3,195 | (1,556) | **(14,096)** | 3,122 | (1,306) | **(12,280)** |
| Investment Opportunities Reserve |  | **(1,244)** | 0 | 0 | **(1,244)** | 0 | 0 | **(1,244)** |
| Community Led Housing Grant Reserve |  | **(1,081)** | 95 | 0 | **(986)** | 53 | 0 | **(933)** |
| Infrastructure Reserve |  | **(158)** | 34 | (23) | **(147)** | 0 | (515) | **(662)** |
| Investment Risk Reserve |  | **(1,016)** | 0 | (413) | **(1,429)** | 0 | (1,457) | **(2,886)** |
| Building Repair Reserve |  | **(481)** | 8 | (223) | **(696)** | 41 | 0 | **(655)** |
| Pagham Harbour Mitigation Reserve |  | **0** | 37 | (923) | **(886)** | 48 | (30) | **(868)** |
| Other Usable Reserves (Less than £500,000 in value) |  | **(4,327)** | 1,754 | (1,324) | **(3,897)** | 1,275 | (1,578) | **(4,200)** |
| **Sub-Total** |  | **(34,492)** | 6,525 | (15,767) | **(43,734)** | 8,534 | (8,548) | **(43,748)** |
|  |  |  |  |  |  |  |  |  |
| Retained Business Rates Equalisation Reserve \* |  | **(12,977)** | 6,756 | 0 | **(6,221)** | 5,775 | (1,293) | **(1,739)** |
|  |  |  |  |  |  |  |  |  |
| **Total General Fund Reserves** |  | **(63,988)** | 21,927 | (16,809) | **(58,870)** | 17,342 | (10,489) | **(52,017)** |

\* The Retained Business Rates Equalisation Reserve is a reserve set up to account for the timing differences relating to the accounting transactions required under the Business Rates Retention Scheme. Under the Accounting Code any Collection Fund deficit due to a loss of Business Rates income in the year is not charged to the council’s General Fund until 2023-24. As a result, the balance on the Business Rates Equalisation Reserve will be drawn down to offset the Collection Fund deficit in 2023-24 and beyond. This reserve does not represent additional spending power taken forward into 2023-24.

1. **Adjustments between accounting basis and funding basis under regulations**

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

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

General Fund Balance

The General Fund is statutory fund into which all the receipts of an authority are required to be 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** | | | | | | |
| --- | --- | --- | --- | --- | --- | --- |
| **2021-22** | | |  | **2022-23** | | |
| **General**  **Fund**  **Balance**  **£000** | **Capital Receipts**  **Reserve**  **£000** | **Capital**  **Grants**  **Unapplied**  **£000** |  | **General**  **Fund**  **Balance**  **£000** | **Capital Receipts**  **Reserve**  **£000** | **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:** |  |  |  |
| (4,334) | - | - | Pensions costs (transferred to/ from the Pensions reserve) | (3,670) | - | - |
| 4 | - | - | Financial instruments (transferred to the Financial Instruments adjustments account) | 2 | - | - |
| 6,944 | - | - | Council Tax and NDR (transfers to/ from the Collection Fund adjustment account) | 4,380 | - | - |
| 0 | - | - | Holiday pay (transferred to the Accumulated Absences Reserve) | 0 | - | - |
| 8,199 | - | (9,223) | Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (transferred to Capital Adjustment account) | 1,030 | - | (5,722) |
| 1,362 | - | - | Reversal of changes in fair value measurement of relevant financial assets | (3,779) | - | - |
| 12,175 | 0 | (9,223) | Total Adjustments to Revenue Resources | (2,037) | 0 | (5,722) |
| **Adjustments between Revenue and Capital Resources** | | | | | | |
| 564 | (564) | - | Transfer of non-current asset sale proceeds from revenue to the Capital Receipts reserve | 723 | (723) | - |
| 0 | 0 | - | Administrative costs of non-current asset disposals (funded from a contribution from the Capital Receipts reserve) | 0 | 0 | - |
| 13 | - | - | Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) | 16 | - | - |
| 3,958 | - | - | Capital Expenditure financed from revenue (transfer to the Capital Adjustment Account) | 6,221 | - | - |
| 4,535 | (564) | 0 | Total adjustments between Revenue and Capital Resources | 6,960 | (723) | 0 |
| **Adjustments to Capital Resources** | | | | | | |
| - | 1,776 | - | Use of the Capital Receipts Reserve to finance capital expenditure | - | 0 | - |
| - | - | - | Application of capital grants to finance capital expenditure | - |  | - |
| - | (51) | - | Cash payments in relation to Debtors | - | (1) | - |
| - | (53) | - | Cash payments in relation to deferred capital receipts | - | (57) | - |
| 0 | 1,672 | 0 | Total adjustments to Capital Resources | 0 | (58) | 0 |
| **16,710** | **1,108** | **(9,223)** | **Total Adjustments** | **4,923** | **(781)** | **(5,722)** |

1. **Property, Plant and Equipment**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Other Land and Buildings | Vehicles, Plant, Furniture & Equipment | Infrastructure Assets | Community Assets | Surplus Assets | Property, Plant & Equipment Under Construction | **Total Property, Plant and Equipment** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Movements in cost or values** | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **1 April 2021** | **117,880** | **14,350** | **4,500** | **28** | **5,996** | **808** | **143,562** |
| Additions | 714 | 435 | 4 | 0 | 0 | 5,735 | **6,888** |
| Revaluations increases / (decreases) recognised in the Revaluation Reserve | 6,726 | 0 | (9) | 0 | 0 | 0 | **6,717** |
| Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services | 104 | 0 | 0 | 0 | 0 | 0 | **104** |
| Derecognition – disposals | (1,192) | (1,184) | (3,047) | 0 | 0 | 0 | **(5,424)** |
| Other reclassifications – transfers | 2,472 | 0 | 0 | 0 | 0 | (2,472) | **0** |
| **31 March 2022** | **126,704** | **13,600** | **1,448** | **28** | **5,996** | **4,071** | **151,847** |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Additions | 683 | | 2,261 | | 66 | | | 0 | | 0 | | | 3,122 | | **6,132** | |
| Revaluation increases / (decreases) recognised in the Revaluation Reserve | 6,523 | | 0 | | 0 | | | 0 | | (213) | | | 0 | | **6,310** | |
| Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services | 1,034 | | 0 | | 0 | | | 0 | | 0 | | | 0 | | **1,034** | |
| Derecognition – disposals | (802) | | (1,004) | | 0 | | | 0 | | 0 | | | (1,712) | | **(3,518)** | |
| Other reclassifications – transfers | 5,481 | | 0 | | 0 | | | 0 | | 0 | | | (5,481) | | **0** | |
| **31 March 2023** | **139,623** | | **14,857** | | **1,514** | | | **28** | | **5,783** | | | **0** | | **161,805** | |
| **Movements in depreciation and impairment** | |  | |  | | |  | |  | | |  | |  | |  | |
| **1 April 2021** | | **(2,494)** | | **(9,433)** | | **(3,583)** | | | **0** | | | **0** | | **0** | | **(15,510)** | |
| Depreciation charge | | (1,530) | | (1,006) | | (90) | | | 0 | | | 0 | | 0 | | **(2,627)** | |
| Depreciation written out to the Revaluation Reserve | | 1,071 | | 0 | | 1 | | | 0 | | | 0 | | 0 | | **1,072** | |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | | 188 | | 0 | | 0 | | | 0 | | | 0 | | 0 | | **188** | |
| Derecognition – disposals | | 1,190 | | 1,181 | | 3,047 | | | 0 | | | 0 | | 0 | | **5,418** | |
| Reclassifications – transfers | | 0 | | 0 | | 0 | | | 0 | | | 0 | | 0 | | **0** | |
| **At 31 March 2022** | | **(1,576)** | | **(9,258)** | | **(625)** | | | **0** | | | **0** | | **0** | | **(11,458)** | |
| Depreciation charge | | (1,563) | | (925) | | (83) | | | 0 | | (2) | | | 0 | | **(2,574)** | |
| Depreciation written out to the Revaluation Reserve | | 1,195 | | 0 | | 0 | | | 0 | | 0 | | | 0 | | **1,195** | |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | | 167 | | 0 | | 0 | | | 0 | | 0 | | | 0 | | **167** | |
| Derecognition – disposals | | 0 | | 977 | | 0 | | | 0 | | 0 | | | 0 | | **977** | |
| Reclassifications – transfers | | 0 | | 0 | | 0 | | | 0 | | 0 | | | 0 | | **0** | |
| **At 31 March 2023** | | **(1,776)** | | **(9,206)** | | **(709)** | | | **0** | | **(2)** | | | **0** | | **(11,693)** | |
| **Net Book Value** | |  | |  | |  | | |  | |  | | |  | |  | |
| At 31 March 2022 | | **125,128** | | **4,343** | | **823** | | | **28** | | **5,996** | | | **4,071** | | **140,389** | |
| At 31 March 2023 | | **137,846** | | **5,651** | | **805** | | | **28** | | **5,781** | | | **0** | | **150,111** | |

**Depreciation**

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

**Capital Commitments**

At 31 March 2023 the council had not entered into any material capital commitments.

**Revaluations and asset lives**

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

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Land & Buildings** | **Vehicles, Plant, Furniture & Equipment** | **Infrastructure Assets** | **Community Assets** | **Surplus Assets** | **Assets under Construction** | | **Total** |
| Remaining Useful Life (Years) | | Up to 65 | Up to 45 | Up to 45 | Up to 988 | - | - |  | |
|  | | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | |
| Carried at historic cost | | 0 | 5,651 | 805 | 28 | 0 | 0 | **6,484** | |
| Valued at fair value as at:  2022-23 | | 89,462 | 0 | 0 | 0 | 625 | 0 | **90,087** | |
| 2021-22 | | 11,859 | 0 | 0 | 0 | 0 | 0 | **11,859** | |
| 2020-21 | | 11,570 | 0 | 0 | 0 | 16 | 0 | **11,585** | |
| 2019-20 | | 14,702 | 0 | 0 | 0 | 5,140 | 0 | **19,842** | |
| 2018-19 | | 9,356 | 0 | 0 | 0 | 0 | 0 | **9,356** | |
| 2017-18 | | 897 | 0 | 0 | 0 | 0 | 0 | **897** | |
|  | |  |  |  |  |  |  |  | |
| **Total** | | **137,846** | **5,651** | **805** | **28** | **5,781** | **0** | **150,111** | |

1. **Investment Properties**

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

|  |  |  |
| --- | --- | --- |
|  | **2021-22**  **£000** | **2022-23**  **£000** |
| Balance at start of the year | 13,668 | 13,872 |
| Additions: |  |  |
| * Purchases * Subsequent expenditure * Transfer from PPE | 0  0  0 | |  | | --- | | 0 | | 0 | | 0 | |
| Net gain/(losses) from fair value adjustments | 204 | (721) |
| Balance at end of the year | 13,872 | 13,151 |

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

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

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

**Highest & Best Use**

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

**Valuers**

The investment property portfolio has been valued at 31 March 2023 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors. The Fair Value is assessed as Level 2 and based on observable inputs including quoted prices paid for similar assets in an active market, analysis of existing rentals and lease periods, research into broader market rentals and yields and the covenant strength for existing tenant.

1. **Intangible Assets**

The carrying amount of intangible assets is £256k and is amortised on a straight-line basis. Intangible assets totalling £81.1k were purchased in 2022-23, amortisation of £90.3k was charged to revenue in 2022-23.

1. **Heritage Assets**

The carrying value of Heritage assets is £6.864m. There were no additions or disposals during 2022-23.

1. **Financial Instruments**

**Non-current Current**

| **Financial Assets** | **31 March 2022**  **£000** | **31 March 2023**  **£000** | **31 March 2022**  **£000** | | **31 March 2023**  **£000** |
| --- | --- | --- | --- | --- | --- |
| Investments  Amortised cost | 0 | 0 | 23,003 | | 33,291 |
| Fair value through profit and loss | 33,994 | 36,214 | 0 | | 0 |
| Total Investments | 33,994 | 36,214 | 23,003 | | 33,291 |
|  |  |  |  | |  |
| Cash and cash equivalents: |  |  |  | |  |
| Amortised cost |  |  | 2,897 | | 1,140 |
| Fair value through profit and loss |  |  | 54,400 | | 23,900 |
| Total Cash and cash Equivalents |  |  | 57,297 | | 25,040 |
| Debtors – at amortised cost |  |  |  | |  |
| Trade receivables\* | 325 | 318 | 2,025 | | 1,576 |
| Contract receivables\* | 0 | 0 | 0 | | 0 |
| Lease receivables | 659 | 602 | 57 | | 60 |
| Included in Debtors | 984 | 920 | 2,082 | | 1,636 |
| Total Financial Assets | 34,978 | 37,133 | 82,382 | | 59,967 |
|  |  |  | |
|  |  |  | |
| **Financial Liabilities** | **31 March 2022**  **£000** | **31 March 2023**  **£000** | **31 March 2022**  **£000** | | **31 March 2023**  **£000** |
| Finance Leases | 51 | 34 | 16 | | 17 |
| Creditors at amortised cost | 0 | 0 | 4,747 | | 3,846 |
| Total Financial Liabilities | 51 | 34 | 4,763 | | 3,863 |

**Income, Expense, Gains and Losses**

The Council recognised income of £1,465k (2020-21 £1,453k) relating to lease interest, interest and dividend distributions during the year. The major component of this figure is dividends and other distribution income of £1,400k (£1,400k 2021-22). Against these figures, the Council was charged a fee of £72k (2021-22 £72k) by CCLA, the fund manager for the Local Authority Property Fund.

An additional charge of £45k was made to the Council’s revenue account in 2022-23 to reflect the increased risk of impaired receivable asset values as at 31 March 2023.

The Council incurred a net gain on revaluation at year end of £2,220k (£1,362k gain 2021-22) in respect of its financial assets valued at Fair Value. This change in fair value was eliminated from the Council’s general fund reserve in accordance with statutory guidance. A breakdown of these assets is shown in the note below.

**Financial Assets**

|  |  | Balance Sheet  31 March 2022 | Fair value  31 March 2022 | Balance Sheet  31 March 2023 | Fair value  31 March 2023 |
| --- | --- | --- | --- | --- | --- |
|  | Level | £000 | £000 | £000 | £000 |
| Financial assets held at Fair Value |  |  |  |  |  |
| * Money market funds | 1 | 54,400 | 54,400 | 23,900 | 23,900 |
| * Pooled investment funds | 1 | 33,994 | 33,994 | 36,214 | 36,214 |
| Financial assets held at amortised cost |  |  |  |  |  |
| * Lease receivables | 3 | 716 | 2,346 | 662 | 2,346 |
| Total |  | 89,110 | 90,740 | 60,775 | 62,459 |
|  |  |  |  |  |  |
| Assets for which a fair value is not disclosed |  | 28,250 |  | 36,326 |  |
| **Total financial assets** |  | 117,360 |  | 97,101 |  |
| Recorded on the Balance sheet as: |  |  |  |  |  |
| Long-term debtors and receivables |  | 984 |  | 920 |  |
| Long-term investments |  | 33,994 |  | 36,214 |  |
| Short-term debtors and receivables |  | 2,082 |  | 1,636 |  |
| Short-term investments |  | 23,003 |  | 33,291 |  |
| Cash and cash equivalents |  | 57,297 |  | 25,040 |  |
| **Total financial assets** |  | 117,360 |  | 97,101 |  |

The fair value of short-term financial assets held at amortised cost, including trade receivables, is not materially different to the estimate fair value of these assets.

**Credit Risk**

The Council manages credit risk by diversifying investments across a range of counterparties with a set minimum credit rating. A counterparty limit exists covering Countries, Sectors and Company Groups that limit the Council’s overall exposure to any single default or credit event.

The Council’s maximum exposure to credit risk at the balance sheet date in relation to its investments with banks and other institutions is shown below. Recent experience has shown it is very rare for these entities to be unable to meet their commitments and based on the investments as 31 March 2023 no material credit loss is expected.

|  |  |  |
| --- | --- | --- |
| Credit Rating | 31 March 2022 | 31 March 2023 |
|  | £000 | £000 |
| AA- |  |  |
| A+ | 6,000 | 3,000 |
| Local Authorities | 17,000 | 30,000 |
| Unrated pooled funds | 34,000 | 40,000 |
| Total Investments | 57,000 | 73,000 |
| Cash and cash equivalents | 57,297 | 25,040 |
| **TOTAL** | **114,297** | **98,040** |

The figures above are principal ‘at risk’ and are not adjusted for fair value movements or impairment.

**Liquidity Risk**

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

**Market Risk**

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

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

|  |  |  |
| --- | --- | --- |
| Interest rate risk (effect of 1% increase in interest rates) | 31 March 2022  £000 | 31 March 2023  £000 |
| Decrease in the fair value of assets held at fair value | (530) | 501 |
| Decrease in the fair value of loans and receivables | - |  |
| Decrease in the fair value of lease receivables | (500) | (500) |

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

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

|  | **Fair value** | **1% rise in**  **interest rates** | **5% equity**  **price fall** | **5% property**  **price fall** |
| --- | --- | --- | --- | --- |
| **Fund** | **£000** | **Impact £000** | **Impact £000** | **Impact £000** |
| CCLA Property Fund | 28,380 | 0 | 0 | -1,324 |
| Pooled Funds | 1,319 | -552 | -200 | -139 |
| Money Market Funds | 2,390 | -1,985 | 0 | -2,192 |

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

Sterling.

**Financial Liabilities**

|  |  | Balance Sheet  31 March 2022 | Fair value  31 March 2022 | Balance Sheet  31 March 2023 | Fair value  31 March 2023 |
| --- | --- | --- | --- | --- | --- |
|  | Level | £000 | £000 | £000 | £000 |
| Financial liabilities held at amortised cost |  |  |  |  |  |
| * Lease payables | 2 | 67 | 93 | 51 | 93 |
|  |  |  |  |  |  |
| Liabilities for which a fair value is not disclosed |  | 4,747 |  | 3,846 |  |
| **Total financial liabilities** |  | 4,814 |  | 3,897 |  |
| Recorded on the Balance sheet as: |  |  |  |  |  |
| Short term creditors |  | 4,747 |  | 3,846 |  |
| Credit Arrangements – Finance Lease |  | 67 |  | 51 |  |
|  |  | 4,814 |  | 3,897 |  |

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

1. **Short Term Debtors**

| **31 March 2022** | | |  | **31 March 2023** | | |
| --- | --- | --- | --- | --- | --- | --- |
| **Gross**  **value** | **Provision** | **Carrying**  **Value** |  | **Gross**  **value** | **Provision** | **Carrying**  **Value** |
| **£000** | **£000** | **£000** |  | **£000** | **£000** | **£000** |
| 1,010 | 0 | 1,010 | Central Government Bodies | 2,405 | 0 | 2,405 |
| 1,271 | (566) | 705 | Council Tax | 2,042 | (529) | 1,513 |
| 3,911 | (306) | 3,605 | Business Rates | 1,125 | (321) | 804 |
| 467 | 0 | 467 | Other local authorities and public bodies | 341 | 0 | 340 |
| 636 | (587) | 49 | Housing Rents | 537 | (501) | 36 |
| 12,399 | (1,725) | 10,674 | Other Sundry Debtors | 9,643 | (1,667) | 7,976 |
| **19,694** | **(3,184)** | **16,510** | **Total short term debtors** | **16,093** | **(3,018)** | **13,074** |
|  |  | 416 | Payments in advance |  |  | 72 |
|  |  | **16,926** | **Total net Debtors & Payments in advance** |  |  | **13,146** |

Other sundry debtors comprise:

|  |  |
| --- | --- |
| **Debtors (Net)** | **£000** |
| Community Infrastructure Levy | 5,466 |
| Scheduled | 1,301 |
| Housing Benefits | 845 |
| Trade and sundry | 340 |
| Capital | 0 |
| Other | 24 |

**Credit Risk: Debtors**

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

In calculating expected credit losses, the Council either makes an assessment of specific instruments or class of instruments or applies a loss matrix approach to calculating the expected credit loss where appropriate. The loss factors used in 2022-23 for this loss matrix approach are as follows:

Age of debt Loss assumed after economic adjustment

0-34 days 4.0%

35-72 days 7.0%

* 1. days 23%

>102 days 37%

Loss allowances calculated using these factors are then multiplied by a factor to reflect the current and forecast economic conditions and overall collection performance. For 2022-23 this factor was 3.00 (2021-22 = 2.00). This adjustment increased our impairment provision for credit risk from £226k (based solely on the calculated percentages above) to £452k at year end.

1. **Cash and cash equivalents**

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

|  |  |  |
| --- | --- | --- |
|  | **31 March**  **2022** | **31 March**  **2023** |
|  | **£000** | **£000** |
| Cash held by the Authority | 2 | 2 |
| Bank current accounts | 2,895 | 1,138 |
| Cash Equivalents | 54,400 | 23,900 |
|  | 57,297 | 25,040 |

1. **Short Term Creditors (less than 12 months)**

|  | **31 March**  **2022** | **31 March 2023** |
| --- | --- | --- |
|  | **£000** | **£000** |
| Council Tax | 361 | 410 |
| Business Rates | 637 | 1,426 |
| Other local authorities and public bodies | 1,276 | 1,077 |
| Sundry Creditors | 4,263 | 3,545 |
| Central Government Bodies | 27,947 | 6,279 |
| s.106 Creditors | 358 | 245 |
| Housing Rents | 185 | 208 |
| Total | 35,027 | 13,189 |
| Receipts in advance | 5,753 | 2,972 |
| Total short-term creditors and receipts in advance | 40,780 | 16,161 |

1. **Provisions**

The disclosed amount of £3.003k (£3.063k 2021-22) represents an amount set aside as the best estimate of the amount due from the Council for businesses have been overcharged business rates up to 31 March 2023. Further details can be found at note 3 to the Collection Fund.

1. **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.

|  |  |  |
| --- | --- | --- |
| **2021-22**  **£000** |  | **2022-23**  **£000** |
| **(58,233)** | **Balance at 1 April** | **(65,454)** |
| (8,774) | Upward revaluation of assets | (8,754) |
| 984 | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | 1,370 |
| (7,791) | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | (7,504) |
|  |  |  |
| 570 | Difference between fair value depreciation and historical cost depreciation | 590 |
| 0 | Accumulated gains on assets sold or scrapped | 110 |
| 570 | Amount written off to the Capital Adjustment Account | 700 |
| **(65,454)** | **Balance at 31 March** | **(72,258)** |

## Pooled Investment Funds Adjustment Reserve

The Pooled investment funds adjustment reserve (£3.786m loss) comprises the balance brought forward of (£6k loss) and a net unrealised loss in the year on pooled investment funds of £3.780m.

## 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.

| **2021-22**  **£000** |  | **2022-23**  **£000** |
| --- | --- | --- |
| **(92,742)** | **Balance at 1 April** | **(97,985)** |
|  | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: |  |
| 2,627 | Charges for depreciation and impairment of non-current assets | 2,573 |
| (292) | Revaluation losses on Property, Plant and Equipment | (1,201) |
| 105 | Amortisation of intangible assets | 90 |
| 3,719 | Revenue expenditure funded from capital under statute | 3,407 |
| 57 | 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 | 2,433 |
| 6,216 |  | 7,302 |
| (570) | Adjusting amounts written out of the Revaluation Reserve | (591) |
| 5,646 | Net written out amount of the cost of non-current assets consumed in the year | 6,711 |
|  | Capital financing applied in the year: |  |
| (1,776) | Use of the Capital Receipts Reserve to finance new capital expenditure | 0 |
| (13) | Statutory provision for the financing of capital investment charged against the General Fund | (16) |
| (4,937) | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | (3,439) |
| (3,958) | Capital expenditure charged against the General Fund | (6,221) |
| (10,684) |  | (9,676) |
| (205) | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | 722 |
| 0 | Movements in the value of assets held for sale debited or credited to the Comprehensive Income and Expenditure Statement | 0 |
| **(97,985)** | **Balance at 31 March** | **(100,229)** |

## 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.

|  |  |  |
| --- | --- | --- |
| **2021-22**  **£000** |  | **2022-23**  **£000** |
| **(20,386)** | **Balance at 1 April** | **(21,504)** |
| (5,452) | Remeasurements of the net defined benefit liability/(asset) | (55,663) |
| 7,198 | 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 | 6,736 |
| (2,864) | Employer’s pensions contributions and direct payments to pensioners payable in the year | (3,066) |
| **(21,504)** | **Balance at 31 March** | **(73,497)** |

## Deferred Capital Receipts Reserve

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

## Collection Fund Adjustment Account

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

The balance this year represents the effect of reliefs awarded during 2022-23 and offsetting grant funding from the Government carried forward against the Council’s share of the 2022-23 Council Tax and Business Rate collection fund deficits disclosed on page 68.

Under current collection fund accounting rules, this deficit will be charged against the Council’s General Fund in 2023-24 and does not represent additional spending power taken forward into that year.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |

1. **Agency Services**

Following the approach set out in note 4, the following grants received during 2022-23 from Government have been excluded from the Council’s revenue transactions where the Council is acting as the Government’s agent.

|  | **2021-22**  **£000** | **2022-23**  **£000** |
| --- | --- | --- |
| Balance b/f forming part of short-term creditors and debtors | 10,333 | 8,651 |
| Total receipts in year from the Government | 13,590 | 6,183 |
| Total payments made to businesses, taxpayers and other local organisations | (11,225) | (5,204) |
| Total repayments in year to the Government | (4,047) | (8,587) |
| Remaining balance forming part of short-term creditors and debtors | **8,651** | **1,043** |

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

|  | **2021-22**  **£000** | **2022-23**  **£000** |
| --- | --- | --- |
| Expenditure incurred in providing a Planning Service to SDNPA | 1,079 | 1,045 |
| Management fee payable by SDNPA | (801) | (859) |
| Net (Surplus)/Deficit arising on the agency arrangement | 277 | 186 |

1. **Members’ Allowances**

The Council paid £283k (2022-23, £283k) 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.

1. **Officers’ Remuneration**

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

|  | **Salary, Fees and Allowances**  **£** | | **Pension Contribution**  **£** | | **Total**  **£** | |
| --- | --- | --- | --- | --- | --- | --- |
| **Post Title** | **22-23** | **21-22** | **22-23** | **21-22** | **22-23** | **21-22** |
| Chief Executive | 129,901 | 127,783 | 23,735 | 24,628 | 153,636 | 152,411 |
| Service Director - Corporate Services / S151 Officer | 97,298 | 95,144 | 17,751 | 18,298 | 115,049 | 113,441 |
| Service Director - Growth & Place | 91,479 | 89,551 | 16,680 | 17,213 | 108,160 | 106,764 |
| Service Director - Housing & Communities Services | 91,549 | 89,551 | 16,680 | 17,213 | 108,229 | 106,764 |
| Service Director - Planning & the Environment | 91,398 | 89,473 | 16,665 | 17,198 | 108,063 | 106,671 |
|  | **501,625** | **491,502** | **91,513** | **94,549** | **593,137** | **586,051** |

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 following table:

| **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** | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **2021-22** | **2022-23** | **2021-22** | **2022-23** | **2021-22** | **2022-23** | **2021-22** | **2022-23** |
|  | **£** | **£** | **£** | **£** | **£** | **£** | **£** | **£** |
| £0 - £20,000 | 1 | 0 | 2 | 0 | 3 | 0 | 15,288 | 0 |
| £20,001 -£40,000 | 0 | 0 | 1 | 0 | 1 | 0 | 31,024 | 0 |
| **Total** | **1** | **0** | **3** | **0** | **4** | **0** | **46,312** | **0** |

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

1. **External Audit Costs**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **2021-22**  **£000** | **2022-23**  **£000** |
| Fees payable to Ernst & Young LLP with regard to external audit services carried out by the appointed auditor for the year | - Planned | 38 | 47 |
| - Prior Year Additional | 42 | 23 |
|  |  |  |  |
| Fees payable to Ernst & Young LLP for the certification of grant claims and returns for the year | - Planned | 12 | 12 |
| - Prior year Additional | 0 | TBC |
|  |  |  |  |
| Total |  | 92 | 82 |

1. **Grant Income**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022-23.

|  | **2021-22**  **£000** | **2022-23**  **£000** |
| --- | --- | --- |
| **Credited to Taxation and Non-Specific Grant Income and Expenditure** |  |  |
| Capital grants and contributions | 12,015 | 7,167 |
| New Homes Bonus Scheme | 1,461 | 1,306 |
| Business Rates Retention Scheme Grants | 8,178 | 5,204 |
| Sales, Fees and Charges Compensation Scheme | 443 | 0 |
| COVID-19 Local Authority Emergency funding | 569 | 0 |
| Other Government Grants | 506 | 373 |
| **Total** | **23,172** | **14,050** |
|  |  |  |
| **Credited to Services** |  |  |
| Benefits Subsidy | 23,776 | 23,168 |
| Disabled Facilities Grant | 1,678 | 1,713 |
| COVID-19 Business Support Grants | 2,112 | 0 |
| Other Grants & Contributions | 7,165 | 5,124 |
| **Total** | **34,731** | **30,005** |

1. **Related Parties**

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

**Central Government**

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

**Members and Officers**

Members of the Council have direct control over the Council’s financial and operating policies. A survey of the Council’s chief and statutory officers and staff was undertaken as well as a review of the Register of Members’ Interests and the schedule of payments to suppliers greater than £500. The survey identified that one councillor is a council nominated Director of The Great Sussex Way, a company set up to promote tourism within the Chichester District. The council paid this organisation £150,000 in 2022-23 under a service level agreement. The survey did not identify any other 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.

1. **Capital Expenditure and Capital Financing**

Capital expenditure incurred in the year amounted to £10.672m of which £6.888m was spent on operational non-current assets (Note 11), £0.059m on Intangible Assets (Note 13) and £3.719m was revenue expenditure funded from capital under statutory provision. The expenditure total is shown in the table below together with the resources that have been used to finance it.

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

|  | **2021-22**  **£000** | **2022-23**  **£000** |
| --- | --- | --- |
| **Opening Capital Financing Requirement** | (1,360) | (1,372) |
|  |  |  |
| Capital investment in year | 10,672 | 9,615 |
| **Financed by:** |  |  |
| Capital Receipts | (1,776) | 0 |
| Government grants and other contributions | (4,937) | (3,439) |
| Sums set aside from revenue | (3,958) | (6,221) |
| **Minimum Revenue Provision** | (13) | (16) |
| **Closing Capital Financing Requirement** | (1,372) | (1,433) |
|  |  |  |

1. **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 2022**  **£000** | **31 March 2023**  **£000** |
| Finance lease debtor |  |  |
| * Current | 57 | 60 |
| * Non-current | 586 | 525 |
| Unearned finance income | 22,112 | 22,029 |
| Unguaranteed residual value of property | 17 | 17 |
| Gross investment in the lease | 22,772 | 22,631 |

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 2022**  **£000** | | **31 March 2023**  **£000** | **31 March 2022**  **£000** | **31 March 2023**  **£000** |
| Not later than one year | | 156 | 156 | 139 | 139 |
| Later than one year and not later than five years | | 492 | 417 | 492 | 456 |
| Later than five years | | 22,123 | 22,059 | 22,123 | 22,020 |
|  | | 22,771 | 22,632 | 22,754 | 22,615 |

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 2022** | **31 March 2023** | |
|  | **£000** | **£000** |
| Not later than one year | 2,788 | 2,989 |
| Later than one year and not later than five years | 9,308 | 9,402 |
| Later than five years | 97,230 | 97,257 |
|  | 109,326 | 109,648 |

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

**Operating Leases**

The Council access several pieces of land that are classified as operating leases. The minimum lease payments payable at the balance sheet date are £316k (2021-22 £346k) with 30.78% of this sum due later than five years from the balance sheet date.

1. **Defined Benefit Pension Schemes**

**Participation in Pension Schemes**

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until the employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that the employees earn their future entitlement.   
  
The Council operates a defined benefit pension scheme that is administered by West Sussex County Council. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

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

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

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

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

|  | **2021-22**  **£000** | **2022-23**  **£000** |
| --- | --- | --- |
| Comprehensive Income and Expenditure Statement |  |  |
| Cost of Services: |  |  |
| Service cost comprising: |  |  |
| * current service cost | 7,559 | 7,227 |
| * past service cost | 0 | 33 |
| * (gain)/loss from settlements | 0 | 0 |
| Financing and Investment Income and Expenditure: |  |  |
| Net interest expense | (361) | (524) |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services (reversed in the Movement in reserves statement) | **7,198** | **6,736** |
| Remeasurement of the net defined benefit liability comprising: |  | |
| * Return on plan assets (excluding the amount included in the net interest expense) | 5,155 | 12,572 |
| * Actuarial (gains) and losses arising on changes in demographic assumptions | (9,632) | (2,622) |
| * Actuarial (gains) and losses arising on changes in financial assumptions | (8,738) | (77,094) |
| * Other experience (gains) or losses | 7,763 | 11,481 |
| Total Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement | **(5,452)** | **(55,663)** |
| **Actual amount charged against the General Fund Balance for Pensions in the Year:** |  | |
| Employer’s contributions payable to scheme | 2,864 | 3,066 |

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

**Movements in the Fair Value of Scheme Assets**

|  |  |  |
| --- | --- | --- |
|  | Local Government Pension Scheme | |
|  | **2021-22**  **£000** | **2022-23**  **£000** |
| **Scheme Assets** |  |  |
| Opening fair value of scheme assets | 227,625 | 227,957 |
| Interest income | 4,540 | 6,133 |
| Remeasurement gain/(loss): |  |  |
| * the return on plan assets, excluding the amount included in the net interest expense | (5,155) | (12,572) |
| Contributions from employer | 2,864 | 3,066 |
| Contributions from employees into the scheme | 1,032 | 1,086 |
| Benefits paid | (4,835) | (5,461) |
| Other experience (gains) or losses | 1,886 | 0 |
| **Fair value of plan assets** | **227,957** | **220,209** |
|  |  |  |
| **Less: Scheme Liabilities** |  |  |
| Opening balance of scheme liabilities at 1 April | 207,239 | 206,453 |
| Current Service Cost | 7,559 | 7,227 |
| Interest Cost | 4,179 | 5,609 |
| Contributions from scheme participants | 1,032 | 1,086 |
| Actuarial (gains)/losses arising from changes in demographic assumptions | (9,632) | (2,622) |
| Actuarial (gains)/losses arising from changes in financial assumptions | (8,738) | (77,094) |
| Other experience (gains) or losses | 9,649 | 11,481 |
| Past service cost | 0 | 33 |
| Benefit paid | (4,835) | (5,461) |
| Liabilities extinguished on settlements | 0 | 0 |
| **Present value of the defined benefit obligation** | **206,453** | **146,712** |
|  |  |  |
| **Net (liability)/asset arising from defined benefit obligation** | **21,504** | **73,497** |

**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 at 31 March 2023.

The significant assumptions used by the actuary have been:

|  | **Local Government Pension Scheme** | |
| --- | --- | --- |
|  | **2021-22** | **2022-23** |
| **Long-term expected rate of return on assets in the scheme:** |  |  |
| Equities, Bonds, Property and Cash | 2.70% | 4.75% |
|  |  |  |
| **Mortality assumptions** |  |  |
| Longevity at 65 for current pensioners: |  |  |
| Men | 22.3 | 22.3 |
| Women | 24.7 | 24.4 |
| Longevity at 65 for future pensioners: |  |  |
| Men | 23.2 | 22.1 |
| Women | 26.5 | 26.0 |
|  |  |  |
|  |  |  |
| **Financial assumptions** |  |  |
| Rate of inflation | 3.20% | 2.95% |
| Rate of increase in salaries | 4.70% | 4.45% |
| Rate of increase in pensions | 3.20% | 2.95% |
| Rate for discounting scheme liabilities | 2.70% | 4.75% |
|  |  |  |

**Sensitivity Analysis**

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

|  |  |  |
| --- | --- | --- |
| Change in assumptions at year ended  31 March 2023 | Approximate % increase to Employer Obligation | Approximate monetary Amount (£000) |
| 0.1% decrease in Real Discount Rate | 2% | 2,531 |
| 1 year increase in member life expectancy | 4% | 5,868 |
| 0.1% increase in the Salary Increase Rate | 0% | 285 |
| 0.1% increase in the Pension Increase Rate | 2% | 2,280 |

**Projected Pension Cost for the period to 31 March 2024**

|  |  |  |
| --- | --- | --- |
|  | **31 March 2024** | |
|  | **% of pay** | **£000** |
| Projected Current Service Cost | 20.0% | 3,295 |
| Interest Income on Plan Assets | -63.1% | (10,416) |
| Interest Cost on Scheme Liabilities | 42.0% | 6,932 |
| **Total** | **-1.1%** | **(189)** |
|  |  |  |

The Actuary estimates the Council’s Employer’s contributions for the period to 31 March 2024 will be £2,970,000.

The contributions paid by the Employer are set by the Fund following an actuarial valuation. For further details on the approach adopted to set contribution rates for the Employer, please refer to the latest formal valuation report and Funding Strategy Statement.

1. **Contingent Liabilities**

The Council also has several potential claims relating to ongoing legal matters. At this time the Council’s best estimate of the contingent liability associated with these issues is £60k.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **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.

|  | **Year to 31 March 2022** | | |  | **Year to 31 March 2023** | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Collection Fund Income and Expenditure Account** | | **Business**  **Rates** | **Council**  **Tax** | **Total** |  | **Business**  **Rates** | **Council**  **Tax** | **Total** |
|  | | **£000** | **£000** | **£000** |  | **£000** | **£000** | **£000** |
| **INCOME** | |  |  |  |  |  |  |  |
| Council Tax Receivable | |  | 106,715 | 106,715 |  |  | 111,466 | 111,466 |
| Reliefs charged to the Council’s General Fund | |  | 379 | 379 |  |  | 330 | 330 |
| Business Rates Receivable | | 34,794 |  | 34,794 |  | 40,197 |  | 40,197 |
| Transitional Protection payment | | - |  | - |  | - |  | - |
| **Total Income** | | 34,794 | 107,094 | 141,888 |  | 40,197 | 111,796 | 151,993 |
|  | |  |  |  |  |  |  |  |
| **EXPENDITURE** | |  |  |  |  |  |  |  |
| **Apportionment of Previous Year Estimated Surplus / (Deficit)** | |  |  |  |  |  |  |  |
| Central Government | | (15,336) |  | (15,336) |  | (6,718) |  | (6,718) |
| West Sussex County Council | | (3,610) | (884) | (4,494) |  | (1,344) | 477 | (867) |
| Chichester District Council | | (12,269) | (141) | (12,410) |  | (5,374) | 76 | (5,298) |
| The Police and Crime Commissioner for Sussex | |  | (123) | (123) |  |  | 68 | 68 |
|  | | (31,215) | (1,148) | (32,363) |  | (13,436) | 621 | (12,815) |
| **Precepts, Demands and Shares** | |  |  |  |  |  |  |  |
| Central Government | | 23,769 |  | 23,769 |  | 20,631 |  | 20,631 |
| West Sussex County Council | | 4,754 | 81,546 | 86,300 |  | 4,126 | 85,633 | 89,759 |
| Chichester District Council | | 19,015 | 12,956 | 31,971 |  | 16,505 | 13,633 | 30,138 |
| The Police and Crime Commissioner for Sussex | |  | 11,601 | 11,601 |  |  | 12,380 | 12,380 |
|  | | 47,538 | 106,103 | 153,641 |  | 41,262 | 111,646 | 152,908 |
| **Charges to the Collection Fund** | |  |  |  |  |  |  |  |
|  | |  |  |  |  |  |  |  |
| Transitional Protection payment | | 65 |  | 65 |  | 639 |  | 639 |
| Increase / (Decrease) in Bad Debts Provision | | 57 | 591 | 648 |  | 338 | 415 | 753 |
| Increase / (Decrease) in Bad Debts Provision (prior year) | | 207 | 0 | 207 |  | 0 | 0 | 0 |
| Appeals and list alterations charged to the Collection Fund | | (1,154) |  | (1,154) |  | (3,779) |  | (3,779) |
| Increase / (Decrease) in Provision for Appeals | | 1,730 |  | 1,730 |  | 3,629 |  | 3,629 |
| Cost of Collection Allowance | | 202 |  | 202 |  | 203 |  | 203 |
| Disregarded amounts | | 137 |  | 137 |  | 137 |  | 137 |
|  | | 1,244 | 591 | 1,835 |  | 1,167 | 415 | 1,582 |
| **Total Expenditure** | | 17,567 | 105,546 | 123,113 |  | 28,993 | 112,682 | 141,675 |
| Surplus / (Deficit) arising during the year | | 17,227 | 1,548 | 18,775 |  | 11,204 | (886) | 10,318 |
| Surplus / (Deficit) b/fwd 1 April | | (30,550) | (2,147) | (32,697) |  | (13,323) | (599) | (13,922) |
| Surplus / (Deficit) c/fwd 31 March | | (13,323) | (599) | (13,922) |  | (2,119) | (1,485) | (3,604) |
|  |  |  |  |  |  |  |  |

# Notes to the Collection Fund Account

1. **General**

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

1. **Income from Business Rates**

The Council collects national non-domestic rates (NNDR) for its area based upon the rateable values provided by the Valuation Office Agency (VOA), multiplied by a uniform business rate multiplier set national by the government. The total non-domestic rateable value at the 31 March 2023 was £127,215,279 (compared with £128,854,102 on 31 March 2022). The national multipliers for 2022-23 were 51.2p for the standard non-domestic rating multiplier, and 49.9p for qualifying small businesses. Both these figures remain unchanged from 2021-22.

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

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.

1. **Provision for RV and list amendment appeals**

The participants in the NDR collection fund are liable for refunding ratepayers who have successfully appealed against the business rates charged to their businesses in their proportionate share. The best estimate of the amount that businesses may have been overcharged up to 31 March 2023 is £7.5m. During 2022-23 £3.8m was charged against the existing provision for appeals and a charge against the collection fund of £3.6m was made for future potential liabilities, resulting in a net reduction on the provision in year of £0.2m.

1. **Council Tax**

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

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Council Tax Band | |  | No. of Chargeable Dwellings | Ratio to Band D | Chargeable Base |
| Disabled Band A | |  | 3.5 | 5/9 | 1.9 |
| Band A | |  | 2,304.1 | 6/9 | 1,536.1 |
| Band B | |  | 5,231.3 | 7/9 | 4,068.8 |
| Band C | |  | 13,013.5 | 8/9 | 11,567.6 |
| Band D | |  | 11,132.0 | 9/9 | 11,401.3 |
| Band E | |  | 8,163.5 | 11/9 | 9,977.6 |
| Band F | |  | 5,626.5 | 13/9 | 8,127.2 |
| Band G | |  | 5,379.0 | 15/9 | 8,965.0 |
| Band H | |  | 1,167.8 | 18/9 | 2,334.5 |
| Total | |  | **52,021.2** |  | **57,980.0** |
|  | |  |  |  |  |
| Adjustments required as per Regulations | | | | |  |
|  |  | |  |  |  |
| Classes A & B (Second homes) | | |  |  | **1,756.4** |
| Class C (Exempt properties) | | |  |  | **125.8** |
| Tax base reduction for Council tax support | | | |  | **(4,262.7)** |
| **Tax Base** |  | |  |  | **55,599.5** |
| **Adjusted for assumed collection rate of 99%** | | | | | **55,043.5** |

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

**Glossary of Terms**

**Accrual**

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

**Asset**

An asset is a present economic resource controlled by the authority as a result of past events. 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.

**Economic resource**

A right that has the potential to produce economic benefits, service potential, or both

**Existing Use Value**

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

**Expenses**

Expenses are decreases in economic benefits or service potential in the form of outflows or consumption of assets or increases of liabilities that result in decreases in reserves. Expenses include expenses that arise during the ordinary activities and losses such as revaluation of property, plant and equipment.

**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 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 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.

**Income**

Income is increases in assets, or decreases in liabilities, that result in increases in reserves.

Income includes both revenue arising in the normal operating activities of an authority and

gains such as the revaluation of property, plant and equipment.

**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 resource (usually money) because of a past transaction, 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.

**Obligation**

An obligation is a duty or responsibility that an authority has no practical ability to avoid. An obligation is always owed to another party (or parties), which could be one or more persons or entities, or society at large. It is not necessary to know to whom the obligation is owed.

**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**

Reserves represent the residual interest in the assets of the authority after deducting all its liabilities.

**Revenue Expenditure**

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

**Revenue Expenditure Funded from Capital under Statute (REFCUS)**

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

**Revaluation Reserve (RR)**

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

**Settlement (Pension)**

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

**Surplus**

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

**Treasury Management**

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