Statement of Accounts

2015/2016

www.chichester.gov.uk

Contents

Council Offices

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

Website www.chichester.gov.uk

Facebook www.facebook.com/ChichesterDistrictCouncil

Twitter www.twitter.com/ChichesterDC

Council Officials

Chairman
Mr N Thomas

Leader
Mr T Dignum

Deputy Leader
Mrs E Lintill

Senior Leadership Team

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

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

Mr S Carvell, Executive Director of Environment

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

Our Priorities

The Council is in its sixth consecutive year of spending cuts, but due to good financial management and planning the financial position represented in these statements is supported by a balanced budget for the next three financial years.

Throughout this period the Council's objectives have remained:

- Improving the provision of and access to suitable housing
- Supporting our communities
- Managing our built and natural environments
- Improving and supporting the local economy; and,
- Prudently managing the Council's finances.

Over the medium to long term, the Council's five year financial model becomes more uncertain due to changes in the way local government will be funded and wider demographic and social changes that will affect all public sector organisations.

Over the last twelve months the Council has established three strategic Boards to provide oversight to the delivery of these objectives. These Boards sit alongside the formal portfolio reporting structure for financial control reported in note 21 to these accounts and have a responsibility for the following cross-cutting thematic areas;

The Commercial Programme Board

The role of the Commercial Programme Board is to have a strategic overview of commercial activity; and to prioritise board projects and work programmes to support the corporate plan with a view to maximising income opportunities.

There are a number of projects overseen by the board which are reflected in the Council's annual financial statements, including;

- the Enterprise Centre, which is intended to provide approximately 2,500 square metres of lettable serviced workshop and office space for local businesses on flexible terms. The total cost is expected to be £6.25m, construction is due to commence Summer 2016 with completion first quarter 2017.

- Plot 21, Terminus Road. Planning permission has been secured for the redevelopment of the redundant industrial building on the site into a modern industrial building. The total cost is expected to be £1.9m.

- The appointment of Sports and Leisure Management (SLM) Ltd as our partner contractor to manage the operation of the Council's three leisure centres and sports development for the next ten years.

The financial statements include over £2.5m of receipts from capital disposals including the sale of the former museum site, public conveniences in Selsey, the overage from Eastgate and the Woolstaplers sites, and a lease premium on the Barnfield Drive site.

The Business Improvement Programme Board

The Business Improvement Programme Board is tasked with assisting a culture of flexible working; providing services that are accessible and cost effective for customers; and supporting a skilled and flexible workforce.

In the past year, the board has been looking at how customers can be encouraged to use more online services to reduce the time spent on the telephone and face to face enquiries. In practical terms, by using the website and the customer service team to promote online services, the number of telephone calls has reduced by 8% and the number of personal visitors has reduced by 15% - this equals over 10,000 less contacts a year – freeing up staff time

The Council has been encouraging a reduction in payments by cash and cheque, and also people ringing council services directly to pay a bill over the phone. Customers are encouraged to pay online; by direct debit or using the automated telephone payment system.

Alongside greater use of technology, the Council has introduced more flexible working patterns and arrangements for its staff. The number of desks per Full Time Equivalent (FTE) has decreased from 1.2 to 0.8, leading to better use of office space and potential alternative uses. Part of the Council's offices have been leased to Irwin Mitchell LLP, and the Citizens Advice Bureau will shortly move into East Pallant House. Relate will also move into a vacated Car Parks office which will mean that Council buildings on Theatre Lane in Chichester can either be re-let or sold.

Infrastructure Programme Board

At its meeting on 14 July 2015, Council adopted the Chichester Local Plan: Key Policies 2014-2029. The Plan is now part of the development plan for the district (excluding the South Downs National Park) and replaces the 1999 Chichester District Local Plan in its entirety. The Infrastructure Programme Board oversees the prioritisation and delivery of infrastructure within the Chichester Local Plan area.

To deliver affordable housing, the Council set an overall target of 140 affordable houses across the District for 2015-16 and 184 were delivered. The Council works closely with developers, housing associations, planners and parish councils to make sure that the right housing is built to meet the needs of a particular locality both for social and private housing.

The Council approved a Community infrastructure Levy in January 2016. Although the receipts from this levy will only arise from 2016-17, they will contribute towards bridging the 'funding gap' between the total cost of new infrastructure set out in the Chichester Local Plan and the amount of funding available from other sources. Table 1 shows the income that is expected from this levy.

Table 1: Chichester's expected Community Infrastructure levy

	2015-16 £000	2016-17 £000	2017-18 £000	2018-19 £000	Later £000
Community Infrastructure Levy	-	45	120	1,120	3,900

Workforce

In order to deliver these priorities the Council knows that it needs to ensure its employees are creative, flexible and have the right skills to respond positively to the challenges that lie ahead.

Chichester can attract employees due to the excellent geographical location and lifestyle the area offers, but the high cost of living and house price versus income ratio in the area should also be acknowledged. Local government is also, in some respects, is not as an attractive employer as has previously been the case due to the unprecedented changes it has experienced in recent years, including a 3 year pay freeze.

In some professional areas the Council has therefore agreed market related job supplements to ensure that it can attract the right skills and is committed to exploring the whole reward package it offers to its employees.

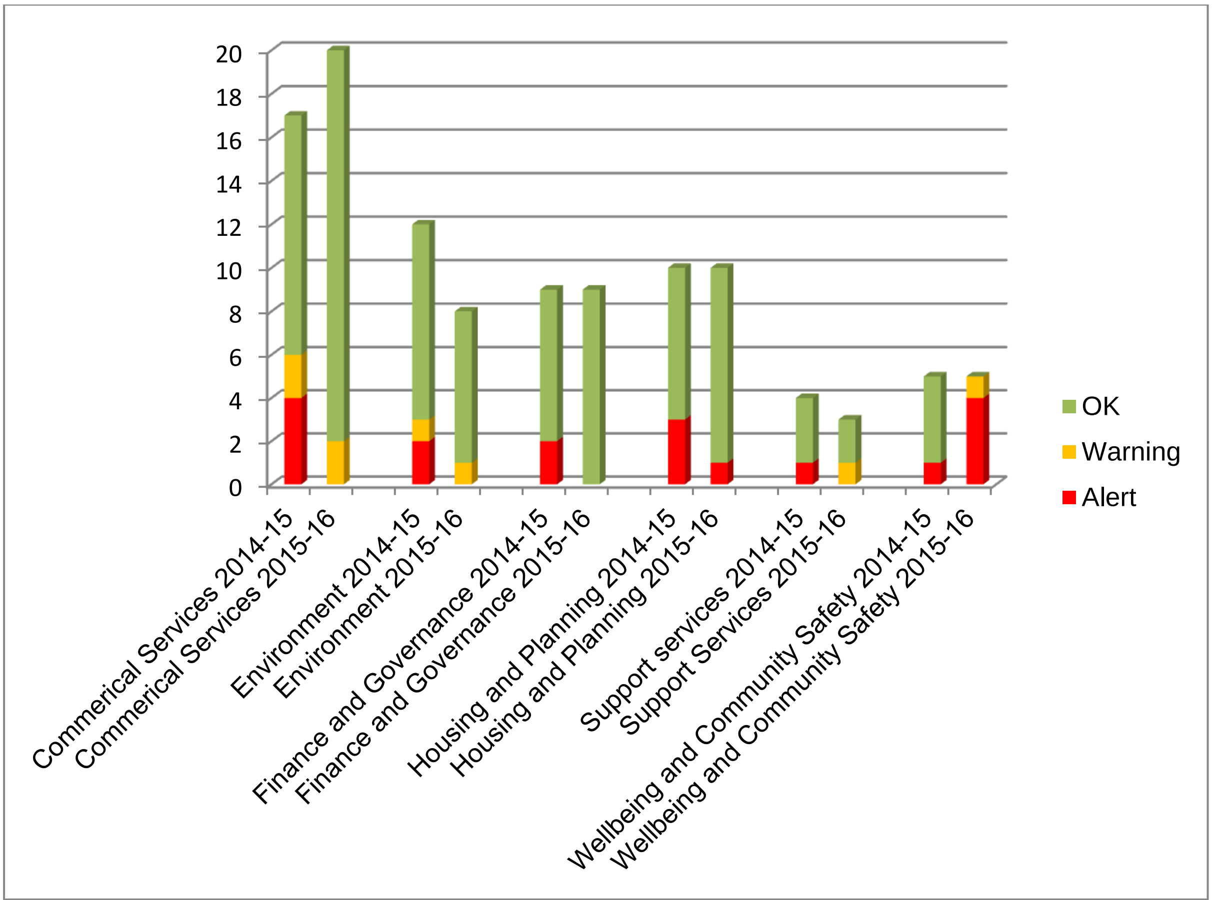
Council performance

To help us track the delivery of our services and priorities the Council measures its key activities and set targets for improvement using performance indicators. Each service measures performance on a regular basis and Performance Indicator reports are published on the Council's website on a quarterly basis.

Performance Indicators

The chart below compares the out-turn position by portfolio between 2014-15 and 2015-16. The information represents the latest available at the time of this report and may not represent the final position as reported in the Council's annual report.

Chart 1: Portfolio performance against target indicators 2014-15 and 2015-16



Part of the deterioration in Wellbeing and Community safety statistics reflects a small increase in overall crime (mostly burglary) and the general rise in violent crime which resulted from a change in police recording practice. The District remains the lowest for overall crime in the county.

The Statement of Accounts

The accounts shown on the following pages have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) supported by the International Financial Reporting Standards (IFRS) and are in respect of the financial year ended 31 March 2016.

Comprehensive Income and Expenditure Statement (pages 18-19)

This provides a summary of the resources generated and consumed by the council in the year that have contributed to the changes in resources shown in the Movement in Reserves Statement (MiRS).

The Balance Sheet (pages 20-21)

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

The Movement in Reserves Statement (pages 22-23)

This statement shows the movement in the year on the different reserves held by the council, analysed into those reserves that can be used to fund expenditure or reduce council tax 'Usable Reserves', and 'Unusable Reserves'.

The Cash Flow Statement (page 24)

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

Cash flows and key influences

Inflows
The Council has six main sources of cash inflow

Source	Amount (£000)	Factors influencing future cash-flows
Council Tax	£9,638	Legislative restrictions on annual Council Tax increases and the requirement for local referendums.
Business rates (including related S31 grants)	£2,628	Over the medium term, the Council expects further structural changes to the business rates system in England. A full rating revaluation will have effect from 1 April 2016. The potential for appeal refunds, which will be funded by local authorities in future and full localisation of business rates by 2020 creates uncertainty.
Revenue support grant	£1,598	The Chancellor's 2015 Autumn statement indicated that this grant will cease over the medium term.
Specific Government Grants	£36,438	Housing Benefit including the phased introduction of Universal Credit. This will impact on certain services such as Benefits and Housing.
	£2,658	The New Homes Bonus grant is paid to the Council to encourage the building of new homes. The future of this source of funding is very uncertain. The current 5 year financial forecast assumes no further years allocations will be added and the scheme will effectively decline over the period up to 2020, then be removed altogether.
Fees and charges made to service users	£19,135	This is influenced by policy and service demand. Since 2014/15 there has been a gradual increase in income, primarily in relation to car parks and planning fees

Investments maturing during the year	£103,800	These sums are determined by the Council treasury management activities within the framework of its overall Treasury Management Strategy

Outflows
The Council has three main sources of cash outflow

Source	Amount (£000)	Factors influencing future cash-flows
Service expenditure	£74,051	Principally employee related. While the current Government is still advocating pay restraint there is a risk over the longer term of increased pressure on national pay negotiations, especially if private sector pay increases outstrip the public sector. The Council's financial forecast assumes a further 1% increase in the next 3 years, and 2% thereafter.
Precepts	£2,462	These are determined by Local parishes and collected on their behalf by the Council
Capital expenditure	£2,313	This is determined by policy and the Council's approved capital programme. More detail on this is provided below.
Investments made during the year	£117,800	These sums are determined by the Council treasury management activities within the framework of its overall Treasury Management Strategy

Cash resources

On 31 March 2016, the Council held £6.846m as cash and cash equivalents as shown in note 14. The Council's current investment strategy requires a minimum balance of £10m to be available within 3 months and the risks associated with liquidity and cash-flow are shown in Note 35.

The Collection Fund (pages 80 - 82)

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

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

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

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

The Statement of Responsibilities for the Statement of Accounts

The Statement of Responsibilities for the Statement of Accounts on page 13 details the respective responsibilities of the Head of Finance and Governance Services and the Council. A glossary is provided at the end of the Statement of Accounts to assist the reader.

Analysis of the 2015-16 General Fund outturn position

The main variances between the council's original base budget and the outturn position in 2015-16 were as follows:-

	£'000
Underspends / Additional Income	
Chichester Contract Services activities	(380)
Balances in earmarked reserves transferred back to the General Fund	(319)
Car parks	(316)
Investment property income	(299)
Housing service staffing	(174)
Homeless Hostel income	(104)
Estates income	(89)
Government grants	(62)
Electoral Services	(60)
Business Rates Retention Scheme	(46)
	(1,849)
Overspend / Shortfall of Income	
Provisions raised during the year	206
Approved service restructuring costs	120
Information Communication Technology	80
Leisure Centres	70
Land charges income	48
MMI Settlement Clawback	25
Minor variations	37
	586
(Surplus) / Deficit for the year	(1,263)

Revenue expenditure outlook

The Council's five year financial model reflects best estimates of what may occur in 2016-17 and beyond. It includes assumptions relating to savings from the Leisure outsourcing to Sports and Leisure Management Ltd (SLM Ltd).

The Council took early action as the current financial crisis started to emerge and has, from 2010-11 to 2015-16, achieved in excess of £7.8m of savings and increased income. In May 2013, members approved a £2.4m deficit reduction programme. This is on target to deliver savings of £2.8m. Further savings are being tracked via the programme boards (above), and these are due to deliver a further £3.9m over the next five years.

Beyond 2016-17 the Council has assumed that Revenue Support Grant will continue to be progressively withdrawn, and will have gone completely in the medium term. Actions are underway within the Council to mitigate this and in particular by maximising the revenue raised locally.

The Council's Estates Service has been pursuing a number of investment and asset realisation opportunities (as described under 'Commercial Programme Board' above). In addition to the economic and community benefits that such investment brings to the district, they also help to reduce the Council's dependence on central government funding.

The Council has also invested £5m in the Local Authority Property fund (note 12). These are pooled investments in property, and as such offer greater diversity and are backed by assets providing security over the longer term. The Council intends to invest a further £5m in this fund during 2016-17.

Capital expenditure outlook

Capital expenditure generates an asset that has a useful life of more than one year. The expenditure in the year amounted to £2.3 million as shown in note 8.

The Council has an approved programme of capital expenditure of £72.8m in the period up to 31 March 2021. The major schemes currently planned for this period include:

Capital Expenditure [planned]	2016-17 £000	2017-18 £000	Later £000
Enterprise Gateway	3,889	2,225	-
Woodruff Business Centre	-	-	-
Plot 21 Terminus Road	-	-	-
Renewal grants and loans	150	150	417
Disabled facility grants	750	750	2,296
Affordable Housing	500	500	1,628
School Places	-	-	3,100
Medical centre West Chichester	-	-	1,300

The Capital Programme is an estimate of the capital schemes' likely cost. This is always subject to amendment if, for example, a scheme cost is higher than anticipated or an anticipated capital receipt is less than expected. The capital programme is by its nature constantly changing and the resource position will be continuously monitored to ensure it remains affordable. The Council has assessed that, given its present reserves, (note 19), anticipated receipts, and commitments, the present capital programme can be fully funded without additional borrowing or debt.

Legislative context for the Statement of Accounts

The following represent the key legislative changes that we expect will impact on the Council's activities as represented in these Financial Statements:

- Local Government Finance – the General Election in May 2015 returned a majority Conservative Government. As expected, work to reduce the national deficit continued with the Chancellor's Summer Budget in July 2015 confirming that an additional £20 billion of public sector spending reductions would be required by 2020. The Chancellor's Budget of March 2016 included further proposals for Government policies and strategies aimed at reducing the national budget deficit.

- Spending Review – the outcome of the Spending Review was announced by the Chancellor on 25 November 2015. The review was wide-ranging and raised some new issues not previously anticipated. It set out fundamental changes to Local Government and its future financial arrangements including:
  - the end of Revenue Support Grant, the main unringfenced grant received by Councils;
  - the intention to allow Local Authorities to retain 100% of Business Rates by 2020;
  - the assignment of yet to be notified additional responsibilities.

- Universal Credit went live in the District on 12 October 2015. Access to the new benefit is currently restricted to single unemployed working age claimants, but as their circumstances change (they start work, gain a partner etc) they will stay on universal credit. This means that the Council is no longer responsible for housing benefit for these claimants but will continue to assess claims for council tax reduction from this group of people.

- Business Rate Relief – the schemes, including Small Business Rate Relief which operated throughout 2014-15 were extended for one more year and business rates increases were again capped at 2% from April 2015. Every retail business in England occupying premises with a rateable value of up to £50,000 received a business rates discount worth £1,500 (£1,000 in 2014/15).

- Local Audit and Accountability Act 2014 – this act included measures to abolish the Audit Commission in March 2015 and replace it with a new Local Audit Framework. It also extended the Council Tax Referendum provisions.

Looking forward

A key risk and opportunity for the Council is successful partnership working.

At a regional level the Government has accepted a joint proposal from Surrey, East and West Sussex Counties (3SC) for early discussion and meetings with Government officials have commenced covering:

- Fiscal devolution and investment
- Housing and planning
- Infrastructure
- Skills; and
- Governance review

Officers across the three counties' area will be working together to work up the detail for each work stream. District and Boroughs are leading on the housing and planning work stream. Each work stream lead has been asked to set out clearly what extra powers and responsibilities we want devolved from Government and in return what the offer would be from 3SC.

At a local level, the District Council is investigating whether there is a business case to share support services with Arun District Council and Horsham District Council. At the date of adoption of these financial statements, no decisions had been made.

Further Information

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

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

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

J. Ward CPFA
Head of Finance and Governance Services

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

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

The Head of Finance and Governance Services' Responsibilities

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

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

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

The Head of Finance and Governance Services has also:

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

I declare that the Statement of Accounts presents a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2016. 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 19 September 2016**
Head of Finance and Governance Services

Approval for the Statement of Accounts

Patricia Tull **Date 29 September 2016**

Chairman of the Corporate Governance and Audit Committee

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

Opinion on the Authority’s financial statements

We have audited the financial statements of Chichester District Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement and the related notes 1 to 35, and
- the Collection Fund and the related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

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

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

As explained more fully in the Statement of the Head of Finance and Governance Services’ Responsibilities set out on page 13, the Head of Finance and Governance Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015-16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance and Governance Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the ‘Statement of Accounts 2015-16’ to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Chichester District Council as at 31 March 2016 and of its expenditure and income for the year then ended; and

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

Opinion on other matters

In our opinion, the information given in the 'Statement of Accounts 2015-16' for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;

- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;

- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or

- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Paul King (Executive Director)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Southampton
30 September 2016

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

Authority's responsibilities

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

Auditor's responsibilities

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether Chichester District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Chichester District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Chichester District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

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

Paul King (Executive Director)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Southampton
30 September 2016

Comprehensive Income and Expenditure Statement

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

2014-15				2015-16		
Gross Expenditure Restated £000	Gross Income Restated £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
2,446	(1,037)	1,409	Central Services to the public	2,558	(919)	1,639
7,929	(3,566)	4,363	Cultural and Related Services	7,652	(3,492)	4,160
10,504	(4,653)	5,851	Environment and Regulatory Services	10,408	(4,872)	5,536
6,616	(4,505)	2,111	Planning Services	7,332	(4,436)	2,896
2,257	(5,421)	(3,164)	Highways, Roads and Transport Services	2,703	(6,220)	(3,517)
41,431	(39,560)	1,871	Housing Services	39,803	(38,433)	1,370
1,064	(979)	85	Adult Social Care	1,198	(978)	220
2,158	(219)	1,939	Corporate and Democratic Core	2,378	(173)	2,205
43	0	43	Non Distributed Costs	19	0	19
74,448	**(59,940)**	**14,508**	**Cost of Services**	**74,051**	**(59,523)**	**14,528**
			Other operating Expenditure			
2,289	0	2,289	Parish Council Precepts	2,462	0	2,462
48	0	48	Levies Payable	49	0	49
0	(835)	(835)	Gain (-)/or loss on the disposal of Non-Current Assets	0	(2,057)	(2,057)
2,337	**(835)**	**1,502**		**2,511**	**(2,057)**	**454**
			Financing and Investment Income and Expenditure			
28	0	28	Interest payable and similar charges	33	0	33
424	0	424	Net interest on the net defined Pension liability (asset)	552	0	552

2014-15				2015-16		
Gross Expenditure Restated £000	**Gross Income Restated £000**	**Net Expenditure £000**		**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
0	(407)	(407)	Interest receivable and similar income	0	(433)	(433)
(98)	(418)	(516)	Income and Expenditure in relation to investment Properties and changes in their fair value (see note 9)	0	(583)	(583)
12	0	12	Interest Element of Finance Leases (Lessee)	10	0	10
0	(77)	(77)	Interest Element of Finance Leases (Lessor)	0	(76)	(76)
0	(80)	(80)	Other income	0	(64)	(64)
366	**(982)**	**(616)**		**596**	**(1,156)**	**(560)**
			Taxation and Non-Specific Grant Income and Expenditure (see note 26)			
0	(9,313)	(9,313)	Council tax income	0	(9,638)	(9,638)
15,258	(16,685)	(1,427)	Non domestic rates (NNDR)	16,032	(17,623)	(1,591)
0	(637)	(637)	Capital grants and contributions	0	0	0
0	(5,407)	(5,407)	Non ringfenced government grants	0	(5,557)	(5,557)
15,258	**(32,042)**	**(16,784)**		**16,032**	**(32,818)**	**(16,786)**
92,409	**(93,799)**	**(1,390)**	**(Surplus) or Deficit on Provision of Services**	**93,190**	**(95,554)**	**(2,364)**
		(10,059)	(Surplus) or deficit on revaluation of non-current assets			(908)
		0	Surplus or deficit on revaluation of available for sale financial assets			360
			Re-measurement (gains) and losses on Pension Fund assets and liabilities:			
		18,912	- Actuarial (gains)/losses on pension assets/liabilities			(15,923)
		(13,103)	- Return on Assets excluding amounts included in net interest			1,520
		(4,250)	**Other Comprehensive Income and Expenditure**			**(14,951)**
		(5,640)	**Total Comprehensive Income and Expenditure**			**(17,315)**

Balance Sheet

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

31 March 2015 £000		Notes	31 March 2016 £000
	Property, Plant and Equipment	8	
94,033	▪ Land and Buildings		95,138
6,463	▪ Vehicles, plant, furniture and equipment		6,103
1,906	▪ Infrastructure		1,620
28	▪ Community Assets		28
38	▪ Assets under construction		147
5,113	▪ Surplus Assets not held for sale		4,981
6,490	**Investment Property**	9	6,431
	Intangible Assets	10	
532	▪ Software		486
	Heritage Assets	11	
5,931	▪ Tangible		5,931
22	▪ Intangible		22
8,000	**Long Term Investments**	12	14,640
825	**Long Term Debtors**	12	867
129,381	**Total Long-Term Assets**		**136,394**
	Current Assets		
22,064	Short term investments		29,134
150	Inventories		149
6,652	Short Term Debtors	13	4,774
11,312	Cash and Cash Equivalents	14	6,846
628	Assets held for sale – current <1yr	15	50
40,806	**Total Current Assets**		**40,953**

31 March 2015 £000		Notes	31 March 2016 £000
	Current Liabilities		
(8,262)	Short Term Creditors	16	(9,993)
(8,262)	**Total Current Liabilities**		**(9,993)**
	Long-Term Liabilities		
(3,200)	Long Term Creditors (over 12 months)	18	(3,660)
(124)	Credit Arrangements – Finance Lease		(99)
(1,258)	Provisions	17	(1,421)
(16,537)	Pensions Asset / (Liability)	32	(4,130)
(152)	Capital grants Receipts in Advance	26	(75)
(21,271)	**Total Long-Term Liabilities**		**(9,385)**
140,654	**Net Assets**		**157,969**
	Usable Reserves	19	
(10,688)	General Fund		(11,951)
0	Capital Receipts Reserve		(177)
(48)	Capital Grants Unapplied Account		(177)
(24,004)	Earmarked Reserves		(28,009)
(34,740)	**Total Usable Reserves**		**(40,314)**
	Unusable Reserves	20	
(38,332)	Revaluation Reserve		(38,321)
(84,368)	Capital Adjustment Account		(84,251)
54	Financial Instruments Adjustment Account		52
0	Available for Sale Financial Instruments Reserve		360
(488)	Deferred Capital Receipts Reserve		(482)
16,537	Pension Reserve		4,130
509	Collection Fund Adjustment Account		683
174	Accumulated Absences Account		174
(105,914)	**Total Unusable Reserves**		**(117,655)**
(140,654)	**Total Reserves**		**(157,969)**

John Ward CPFA **Date 19 September 2016**
Head of Finance and Governance Services

Movement in Reserves Statement

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

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves £000**
Balance at 31 March 2014	**8,868**	**22,250**	**1,674**	**0**	**32,792**	**102,222**	**135,014**
Movement in reserves during 2014-15							
Surplus or (deficit) on the provision of services	1,390	0	0	0	**1,390**	0	**1,390**
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	4,250	**4,250**
Total Comprehensive Income and Expenditure	**1,390**	**0**	**0**	**0**	**1,390**	**4,250**	**5,640**
Adjustments between accounting basis & funding under regulations (Note 6)	2,184	0	(1,674)	48	**558**	(558)	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**3,574**	**0**	**(1,674)**	**48**	**1,948**	**3,692**	**5,640**
Transfers to/from Earmarked Reserves (Note 7)	**(1,754)**	**1,754**	**0**	**0**	**0**	**0**	**0**
Increase / (Decrease) in 2014-15	**1,820**	**1,754**	**(1,674)**	**48**	**1,948**	**3,692**	**5,640**
Balance at 31 March 2015 carried forward	**10,688**	**24,004**	**0**	**48**	**34,740**	**105,914**	**140,654**

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves £000**
Balance at 31 March 2015	**10,688**	**24,004**	**0**	**48**	**34,740**	**105,914**	**140,654**
Movement in reserves during 2015-16							
Surplus or (deficit) on the provision of services	2,364	0	0	0	**2,364**	0	**2,364**
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	14,951	**14,951**
Total Comprehensive Income and Expenditure	**2,364**	**0**	**0**	**0**	**2,364**	**14,951**	**17,315**
Adjustments between accounting basis & funding under regulations (Note 6)	2,904	0	177	129	**3,210**	(3,210)	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**5,268**	**0**	**177**	**129**	**5,574**	**11,741**	**17,315**
Transfers to/from Earmarked Reserves (Note 7)	(4,005)	**4,005**	**0**	**0**	**0**	**0**	**0**
Increase / (Decrease) in 2015-16	**1,263**	**4,005**	**177**	**129**	**5,574**	**11,741**	**17,315**
Balance at 31 March 2016 carried forward	**11,951**	**28,009**	**177**	**177**	**40,314**	**117,655**	**157,969**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources that are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2014-15 £000		2015-16 £000
(1,390)	Net (surplus) or deficit on the provision of services	(2,364)
(2,792)	Adjustments to net surplus or deficit on the provision of services for non-cash	(4,390)
534	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	482
(3,648)	**Net Cash flows from Operating Activities**	**(6,272)**
	Interest	
12	Interest Paid	10
(547)	Interest Received	(492)
(535)		**(482)**
	Investing Activities	
2,914	Purchase of property, plant and equipment, investment property and intangible assets	2,182
87,500	Purchase of short-term and long-term investments	117,800
97	Other payments for investing activities	55
(1,209)	Proceeds from the sale of property, plant and equipment, non-current assets held for sale, investment property and intangible assets	(3,507)
(87,500)	Proceeds from short-term and long-term investments	(103,800)
(1,112)	Capital Grants	(646)
(418)	Other receipts from investing activities	(697)
272	**Net Cash flows from Investing Activities**	**11,387**
	Financing Activities	
(103)	Other receipts from financing activities	(65)
(57)	Other payments from financing activities	(102)
(160)	**Net Cash flows from Financing Activities**	**(167)**
(4,071)	**Net (increase) / decrease in cash and cash equivalents**	**4,466**
	Cash and cash equivalents (Note 14)	
7,241	○ at the beginning of the reporting period	11,312
11,312	○ at the end of the reporting period	6,846
(4,071)	**Movement in Cash (increase)/decrease**	**4,466**

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2015-16 financial year and its position at the year-end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 and the Service Reporting Code of Practice (SeRCOP) 2015-16, supported by International Financial Reporting Standards (IFRS).

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

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

1.2 Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

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

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

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

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

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are 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 commitments.

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

1.4 Exceptional Items

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

1.5 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

1.6 Charges to Revenue for Non-Current Assets

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

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

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

1.7 Accounting for Council Tax

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

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

1.8 Accounting for Non-Domestic Rates (NNDR)

The regime around the income that local Councils collect from Non Domestic Rates (NNDR) or Business Rates is one where this income is shared between central government, the local Council and other major precepting bodies (such as West Sussex County Council in Chichester's case).

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

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

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

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

1.9 Business Improvement District (BID)

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

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

1.10 Employee Benefits

i. Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in year in which the benefit was earned. The accrual is charged to Surplus or Deficit on the Provision of Services, within the Comprehensive Income and Expenditure Statement but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

ii. Termination Benefits

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

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

iii. Post-employment Benefits

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

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

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

The Local Government Scheme is accounted for as a defined benefits scheme. The liabilities of the West Sussex County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 3.5%. The discount rate to be used to place a value on the scheme liabilities should be determined by reference to market yields on high quality corporate bonds at the reporting date. In addition, the currency and term of the high quality corporate bonds used to set the discount rate should be consistent with the currency and term of the liabilities.

Government bond yield curves are updated and available on a daily basis from the Bank of England. It is therefore relatively easy to identify a spot yield on Government Bonds at any duration and at any date. Unfortunately, similarly accessible corporate bond yield curve is not so readily available. The Actuary has therefore set a discount rate using a "Hymans Robertson" corporate yield curve constructed based on the constituents of the iBoxx AA corporate bond index.

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

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

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

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

- Service Cost Comprising:

- **current service cost** - the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

- **past service cost** – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- **Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council** - the change during the period in the net defined liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period – taking into account any changes in the net defined liability (asset) during the period as a result of contribution and benefit payments

- Re-measurements comprising:

  - **the return on plan assets** – excluding amounts included in net interest on the defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

  - **actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- contributions paid to the West Sussex County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

1.11 Events after the Reporting Period

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

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

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

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

1.12 Financial Instruments

Financial Instruments

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

The Council held no material derivative financial instruments at 31 March 2016.

Financial Liabilities

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

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

- a contractual commitment (recognised at trade date) to make a short-term loan to another local authority
- finance leases
- trade payables for goods and services received

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

Financial Assets

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

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

Loans and receivables, which comprise:

- cash in hand
- bank current and deposit accounts with National Westminster and HSBC banks
- fixed term deposits with banks and building societies
- loans to other local authorities
- lease receivables
- trade receivables for goods and services delivered

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

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

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

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

<u>Financial Instruments - Fair Values</u>

Loans and Receivables

Financial assets classified as loans and receivables are carried in the Balance Sheet at amortised cost.

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

Fair values are shown in note 12, split by their level in the fair value hierarchy.

Loans and receivables are most commonly classified as Level 2 Fair values.

Fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2016, using the following methods and assumptions:

- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- The fair values of finance lease liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate internal rate of return for the lease
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

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

<u>Soft Loans</u>

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

ii. Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

.

- For the Council's investment in the Local Authority property fund, fund values published by CCLA (http://www.lapf.org.uk/wp-content/uploads/2016/04/20160331_LAPF-Prices-Dividend-Yields-and-Deposit-Rate.pdf) have been used as these represent the prices in the principal market within which the Council would normally enter into a transaction to sell the asset.

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

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

1.13 Government Grants and Contributions

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

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

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

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

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

Community Infrastructure Levy

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

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

1.14 Heritage Assets

Tangible and Intangible Heritage Assets

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

- The Hussey Bequest collection including furniture, paintings and other domestic wares, which is based at the Pallant House Gallery
- Archaeological collections which are held both at the Novium Museum and Fishbourne Roman Palace.

Heritage assets are recognised and measured (including the treatment of valuation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also presented below. The Council's collection of heritage assets are accounted for as follows.

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where this is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage, damage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. The Leisure and Wellbeing Service will occasionally dispose of heritage assets which are unsuitable for display in accordance with its disposal policy. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

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

Hussey Bequest Collection

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

Archaeological/Museum Collections

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

1.15 Interest

Gross interest earned by the Council is in the first instance credited in total to the Comprehensive Income and Expenditure Account. For 2015-16 this amounted to £0.43m. In accordance with Council policy the interest is subsequently transferred to the Council's Capital Projects Reserve and used to finance the Capital Programme.

1.16 Intangible Assets

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

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

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

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

1.17 Inventories and Long Term Contracts

Inventories are included in the Balance Sheet. Works in progress are shown at cost, whereas stocks held at year-end are shown at latest invoice price. Although this is a departure from normal accounting practice the overall effect on the accounts is immaterial. Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

1.18 Investments

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

1.19 Investment Property

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

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

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

1.20 Leases

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

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

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

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

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

Lease rental payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write-down the lease liability, and

- A finance charge (interest payable on the outstanding liability) debited to the Financing and Investment Income & Expenditure line of the Comprehensive Income and Expenditure Statement.

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

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

Operating Leases

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

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

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

<u>Operating Leases</u>

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

1.21 Minimum Revenue Provision

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

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

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

1.22 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015-16 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation.

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

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

1.23 Property, Plant and Equipment

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

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation

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

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Normally a proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. However, the pooling arrangement for housing capital receipts does not apply to the Council's share of receipts from sales under the preserved rights to buy arising from the Large Scale Voluntary Transfer of the Council's housing stock. Capital receipts received are credited to the Capital Receipts Reserve, and can be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

1.24 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.25 Reserves

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

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

1.26 Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

1.27 Section 106 Developer Contributions

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

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

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

1.28 VAT

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

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

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued, but has not yet been adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

For 2015-16 the following accounting standard changes that need to be reported relate to:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions
- Annual Improvements to IFRSs (2010 – 2012 Cycle)
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs (2012 – 2014 Cycle)
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative
- Changes to the format of the Comprehensive Income and Expenditure Account, Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis

The Council does not anticipate that the changes above will have a material impact on the financial information provided its financial statements. However in the 2016-17 Statement of Accounts, the 2015-16 comparator year in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will reflect the new formats and reporting requirements as a result of the Telling the Story review of the presentation of local authority financial statements.

The Code requires implementation from 1 April 2016 and there is therefore no impact on the Statement of Accounts for 2015-16.

3. Critical judgements in applying accounting policies

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

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

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

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

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

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

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

<u>Business Rates</u>

The Business Rates Retention Scheme was introduced from 1 April 2013. Since this date local authorities are liable for refunding ratepayers who have successfully appealed against the business rates charged to their businesses in 2015-16 and earlier financial years in their proportionate share.

In December 2014 the government announced a cut-off date of 31 March 2015 for the lodging of appeals against the 2010 rating list. This means that any appeals received after this date relating to the 2010 list will not be backdated. As result of this announcement the Council experienced an increase in the number of appeals it received towards the end of the financial year. Each new case received has been considered by Council officers in order to assess the likelihood that it is a genuine or a purely speculative appeal in order to measure their likely impact on the provision required at 31 March 2016.

A provision has therefore been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2016. The estimate has been calculated using the Valuation Office ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2016. The Council's share of the balance of business rates appeals provisions held at this date amounted to £1.42m (see Note 17), an increase of £0.16m on the previous year.

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. A Sensitivity Analysis provided by the Actuary highlighting the effects of changes in the principal assumptions used to measure the pension scheme obligations is shown in Note 32 Defined Benefit Pension Schemes.

Allowance for Bad Debts

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

Asset Valuations and Impairments

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

S106 Developer Contributions

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

UK EU referendum result

The Council has considered the UK EU referendum result (which occurred prior to the date of adoption of its statements) and does not consider that the result has exposed the Council to any new material risks or estimation uncertainties. The Council considers that whilst short term post referendum market volatility has arisen it is not sufficiently significant to disregard prices and fair values at 31 March 2016.

5. Events after the Reporting Period

The Statement of Accounts was authorised for issue by John Ward, the Head of Finance and Governance Services for the Council, on 19 September 2016.

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 2016, 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 were approved by the Corporate Governance and Audit Committee on 29 September 2016.

6. Adjustments between accounting basis and funding basis under regulations

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

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2015-16

	Usable Reserves				
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non-current assets	2,477	0	0	**2,477**	**(2,477)**
Revaluation losses on Property Plant and Equipment	76	0	0	**76**	**(76)**
Movements in the market value of Investment Properties	60	0	0	**60**	**(60)**
Movements in the value of held for sale assets	0	0	0	**0**	**0**
Amortisation of Intangible Assets	192	0	0	**192**	**(192)**
Capital Grants and contributions applied	(589)	0	0	**(589)**	**589**
Movement in the Donated Assets Account	0	0	0	**0**	**0**
Revenue expenditure funded from capital under statute	1,206	0	0	**1,206**	**(1,206)**
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	818	0	0	**818**	**(818)**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	(24)	0	0	**(24)**	**24**
Capital expenditure charged against the General Fund	(476)	0	0	**(476)**	**476**
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(129)	0	129	**0**	**0**
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	**0**	**0**
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,876)	2,876	0	**0**	**0**
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(2,704)	0	**(2,704)**	**2,704**
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	1	(1)	0	**0**	**0**

2015-16

	Usable Reserves				
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	**Movement in Unusable Reserves £000**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	6	0	**6**	**(6)**
Adjustments primarily involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(2)	0	0	**(2)**	**2**
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 32)	4,378	0	0	**4,378**	**(4,378)**
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,382)	0	0	**(2,382)**	**2,382**
Adjustments primarily involving the Collection Fund Adjustment Account:					
Amount by which Council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from the Council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	174	0	0	**174**	**(174)**
Adjustments primarily involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0	0	0	**0**	**0**
TOTAL ADJUSTMENTS	**2,904**	**177**	**129**	**3,210**	**(3,210)**

2014-15 Comparative Figures

	Usable Reserves				
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non-current assets	2,450	0	0	**2,450**	**(2,450)**
Revaluation losses on Property Plant and Equipment	392	0	0	**392**	**(392)**
Movements in the market value of Investment Properties	(196)	0	0	**(196)**	**196**
Movements in the value of held for sale assets	0	0	0	**0**	**0**
Amortisation of Intangible Assets	188	0	0	**188**	**(188)**
Capital Grants and contributions applied	(1,426)	0	0	**(1,426)**	**1,426**
Movement in the Donated Assets Account	0	0	0	**0**	**0**
Revenue expenditure funded from capital under statute	1,676	0	0	**1,676**	**(1,676)**
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	166	0	0	**166**	**(166)**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	(22)	0	0	**(22)**	**22**
Capital expenditure charged against the General Fund	(1,538)	0	0	**(1,538)**	**1,538**
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(48)	0	48	**0**	**0**
Application of grants to capital financing transferred to the Capital Adjustment Account					
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,002)	1,002	0	**0**	**0**
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(2,680)	0	**(2,680)**	**2,680**

2014-15 Comparative Figures

	Usable Reserves				
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	**Movement in Unusable Reserves £000**
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	1	(1)	0	**0**	**0**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	5	0	**5**	**(5)**
Adjustments primarily involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(7)	0	0	**(7)**	**7**
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 32)	3,459	0	0	**3,459**	**(3,459)**
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,190)	0	0	**(2,190)**	**2,190**
Adjustments primarily involving the Collection Fund Adjustment Account:					
Amount by which Council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from the Council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	281	0	0	**281**	**(281)**
Adjustments primarily involving the Available for Sale Financial Instruments Account:					
Movements in the value of Available for Sale Financial Instruments	0	0	0	**0**	**0**
Adjustments primarily involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0	0	0	**0**	**0**
TOTAL ADJUSTMENTS	**2,184**	**(1,674)**	**48**	**558**	**(558)**

7. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund in 2015-16.

	Balance at 1 April 2014 £000	Transfers Out 2014-15 £000	Transfers In 2014-15 £000	**Balance at 31 March 2015 £000**	Transfers Out 2015-16 £000	Transfers In 2015-16 £000	**Balance at 31 March 2016 £000**
Housing Reserve	**(1,000)**	0	(0)	**(1,000)**	0	0	**(1,000)**
Theatre and Gallery Reserve	**(1,422)**	395	(0)	**(1,027)**	394	0	**(633)**
Restructuring Reserve	**(624)**	21	(363)	**(966)**	0	0	**(966)**
Asset Reserve	**(6,427)**	1,447	(1,380)	**(6,360)**	931	(1,625)	**(7,054)**
Capital Projects Reserve	**(5,911)**	1,963	(1,452)	**(5,400)**	162	(1,017)	**(6,255)**
Revenue Budget Support Reserve	**(1,300)**	0	(0)	**(1,300)**	0	0	**(1,300)**
Grants and Contribution Reserve	**(523)**	403	(531)	**(651)**	24	(92)	**(719)**
Retained Business Rates Equalisation Reserve	**(247)**	247	(552)	**(552)**	552	(762)	**(762)**
New Homes Bonus Scheme Reserve	**(2,177)**	489	(2,118)	**(3,806)**	52	(2,658)	**(6,412)**
Investment Opportunities Reserve	**0**	0	0	**0**	0	(822)	**(822)**
Other Usable Reserves (Less than £500,000 in value)	**(2,619)**	868	(1,191)	**(2,942)**	1,256	(400)	**(2,086)**
Total	**(22,250)**	5,833	(7,587)	**(24,004)**	3,371	(7,376)	**(28,009)**

8. Property, Plant and Equipment

Movements in 2015-16:

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Property, Plant & Equipment Under Construction £000	**Total Property, Plant and Equipment £000**
Cost or Valuation							
At 1 April 2015	**96,342**	**11,245**	**3,924**	**28**	**5,144**	**39**	**116,722**
Additions	1,658	546	0	0	0	108	**2,313**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(49)	0	0	0	84	0	**35**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(76)	0	0	0	0	0	**(76)**
Derecognition – disposals	(19)	(715)	0	0	(182)	0	**(916)**
Assets reclassified (to) / from Held for Sale	(62)	0	0	0	0	0	**(62)**
Other reclassifications – transfers	55	0	0	0	(55)	0	**0**
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	**0**
At 31 March 2016	**97,849**	**11,076**	**3,924**	**28**	**4,991**	**147**	**118,015**
Accumulated Depreciation and Impairment							
At 1 April 2015	**(2,309)**	**(4,782)**	**(2,019)**	**0**	**(31)**	**0**	**(9,141)**
Depreciation charge	(1,278)	(885)	(290)	0	(24)	0	**(2,477)**
Depreciation written out to the Revaluation Reserve	864	0	5	0	5	0	**874**
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	**0**
Impairment (losses) / reversals recognised in the Revaluation Reserve	0	0	0	0	0	0	**0**
Impairment (losses) / reversals recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	**0**
Derecognition – disposals	0	694	0	0	40	0	**734**
Eliminated on reclassification to Held for Sale	12	0	0	0	0	0	**12**
Reclassifications – transfers	0	0	0	0	0	0	**0**
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	**0**
At 31 March 2016	**(2,711)**	**(4,973)**	**(2,304)**	**0**	**(10)**	**0**	**(9,998)**
Net Book Value							
At 31 March 2016	**95,138**	**6,103**	**1,620**	**28**	**4,981**	**147**	**108,017**
At 31 March 2015	**94,033**	**6,463**	**1,906**	**28**	**5,113**	**38**	**107,581**

Movements in 2014-15:

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Property, Plant & Equipment Under Construction £000	**Total Property, Plant and Equipment £000**
Cost or Valuation							
At 1 April 2014	**87,482**	**10,305**	**3,963**	**62**	**5,668**	**352**	**107,832**
Additions	511	1,325	0	17	0	498	**2,351**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	*8,659	0	0	(43)	(450)	0	**8,166**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,103)	0	0	0	0	0	**(1,103)**
Derecognition – disposals	0	(385)	(39)	0	(100)	0	**(524)**
Assets reclassified (to) / from Held for Sale	0	0	0	0	0	0	**0**
Other reclassifications – transfers	793	0	0	(8)	26	(811)	**0**
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	**0**
At 31 March 2015	**96,342**	**11,245**	**3,924**	**28**	**5,144**	**39**	**116,722**
Accumulated Depreciation and Impairment							
At 1 April 2014	**(3,194)**	**(4,215)**	**(1,753)**	**(43)**	**(467)**	**0**	**(9,672)**
Depreciation charge	(1,220)	(913)	(298)	0	(19)	0	**(2,450)**
Depreciation written out to the Revaluation Reserve	*1,394	0	0	43	450	0	**1,887**
Depreciation written out to the Surplus/Deficit on the Provision of Services	711	0	0	0	0	0	**711**
Impairment (losses) / reversals recognised in the Revaluation Reserve	0	0	0	0	0	0	**0**
Impairment (losses) / reversals recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	**0**
Derecognition – disposals	0	346	32	0	5	0	**383**
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0	**0**
Reclassifications – transfers	0	0	0	0	0	0	**0**
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	**0**
At 31 March 2015	**(2,309)**	**(4,782)**	**(2,019)**	**0**	**(31)**	**0**	**(9,141)**
Net Book Value							
At 31 March 2015	**94,033**	**6,463**	**1,906**	**28**	**5,113**	**38**	**107,581**
At 31 March 2014	**84,288**	**6,090**	**2,210**	**19**	**5,201**	**352**	**98,160**

Depreciation

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

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

- Land and Buildings - 5 to 60 years
- Vehicles, Plant, & Equipment - 3 to 20 years
- Infrastructure - 5 to 25 years
- Intangible Assets - 5 to 8 years
- Community Assets and Assets Under Construction are not depreciated.

Capital Commitments

At 31 March 2016 the Council had entered into a contract in excess of £0.2m to purchase waste collection vehicles. There were no similar capital commitments over £0.2m at 31 March 2015.

Effects of Changes in Estimates

At 1 April 2016, the Council reviewed the useful lives and residual values of its fleet of vehicles in accordance to their condition so that the depreciation charge to the Comprehensive Income and Expenditure Account accurately reflects the use of the asset in the year.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair or current value is revalued at least every five years. All valuations were carried out internally at 1 April and all asset groups are reviewed to ensure the carrying value does not differ materially from the fair or current value at the balance sheet date. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on depreciated historic cost

	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
Carried at historic cost	0	6,103	1,620	28	0	0	**7,751**
Valued at fair value as at:							
2015-16	7,760	0	0	0	90	0	**7,850**
2014-15	35,656	0	0	0	2,256	1	**37,913**
2013-14	31,002	0	0	0	1,381	146	**32,529**
2012-13	16,156	0	0	0	1,254	0	**17,410**
2011-12	4,564	0	0	0	0	0	**4,564**
Total	**95,138**	**6,103**	**1,620**	**28**	**4,981**	**147**	**108,017**

9. Investment Properties

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

	2015-16	2014-15
	£000	£000
Rental income from investment property	(697)	(418)
Direct operating expenses arising from investment property	55	98
Changes in fair value	59	(196)
Net (gain) / loss	(583)	(516)

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

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

	2015-16 £000	2014-15 £000
Balance at start of the year	6,490	4,676
Additions:		
• Purchases	0	1,618
• Construction	0	0
• Subsequent expenditure	0	0
Disposals	0	0
Net gain / losses from fair value adjustments	(59)	196
Transfers:		
• to/from Inventories	0	0
• to/from Property, Plant and Equipment	0	0
Other changes	0	0
Balance at end of the year	6,431	6,490

Fair Value Hierarchy

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

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

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

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

Highest & Best Use

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

Valuers

The investment property portfolio has been valued at 31 March 2016 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors.

10. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased software and the relevant software licenses.

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

The Council does not have any internally generated intangible assets.

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

	2015-16 £000	2014-15 £000
Balance at start of year:		
• Gross carrying amounts	1,577	2,640
• Accumulated amortisation	(1,045)	(2,037)
Net carrying amount at start of year	532	603
Additions:		
• Purchases	148	136
Other disposals	(2)	(19)
Amortisation for the period	(192)	(188)
Other changes	0	0
Net carrying amount at end of year	**486**	**532**
Comprising:		
Gross carrying amounts	756	1,577
Accumulated amortisation	(270)	(1,045)
	486	532

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

11. Heritage Assets

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

	Tangible Assets		**Intangible Assets**	
	The Hussey Bequest Collection	Archaelogical Collections	Novium Museum	**Total Assets**
	£000	£000	£000	£000
Cost of Valuation				
Opening balance	5,833	98	22	5,953
31 March 2016	**5,833**	**98**	**22**	**5,953**

There were no additions, disposals or revaluations during 2015-16.

12. Financial Instruments

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

Financial Assets	Long-term 31 March 2016 £000	Long-term 31 March 2015 £000	Current 31 March 2016 £000	Current 31 March 2015 £000
Loans & and Receivables				
Principal at amortised cost	10,000	8,000	29,134	22,064
Available for sale investments Principal at fair value	4,640	0	0	0
Total Investments	**14,640**	**8,000**	**29,134**	**22,064**
Loans and Receivables				
Cash (including bank accounts)			1,423	612
Cash equivalents at fair value			4,423	0
Cash equivalents at amortised cost			1,000	10,700
Total Cash and cash Equivalents	**0**	**0**	**6,846**	**11,312**
Loans and receivables				
Trade Receivables	385	520	1,775	1,037
Lease & Contract Receivables	482	487	376	931
Included in Debtors	867	1,007	2,151	1,968
Total Financial Assets	**15,507**	**9,007**	**38,131**	**35,344**

Financial Liabilities	Long-term 31 March 2016 £000	Long-term 31 March 2015 £000	Current 31 March 2016 £000	Current 31 March 2015 £000
Indebtedness				
Finance Leases	73	99	26	25
Sub-Total Indebtedness	73	99	26	25
Creditors				
Amortised cost	0	0	6,215	4,887
At Contract Amount	3,784	3,200	126	35
Sub-Total Creditors	3,784	3,200	6,341	4,922
Total Financial Liabilities	**3,857**	**3,299**	**6,367**	**4,947**

The creditor lines on the Balance Sheet include £3,505,000 short-term creditors long-term debtors that do not meet the definition of a financial asset.

Income, Expense, Gains and Losses

	2015-16				2014-15			
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	**Total £000**	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	**Total £000**
Interest expense	28			**28**	40	-	-	**40**
Fee expense	-	-	2	**2**	-	-	-	**-**
Total expense in Surplus or Deficit on the Provision of Services	**28**	**-**	2	**30**	**40**	**-**	**-**	**40**
Interest income		(394)	(14)	**(408)**	-	(484)	-	**(484)**
Dividend Income			(22)	**(22)**	-	-	-	**-**
Total income in Surplus or Deficit on the Provision of Services		**(394)**	**(36)**	**(430)**	**-**	**(484)**	**-**	**(484)**
Losses on revaluation	-	-	360	**360**	-	-	-	**-**
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**-**	**-**	360	**360**	**-**	**-**	-	**-**
Net gain/(loss) for the year	**28**	**(394)**	**326**	**(40)**	**40**	**(484)**	**-**	**(444)**

The Council purchased 1,609,166 units in the Local Authority's property fund for £5,000,000 in February 2016. The fair value of these units at the balance sheet date is £4,640,191. As the asset does not have fixed or determinable payments, the loss of £359,809 has been recognised in the Comprehensive Income and Expenditure Statement but will only be charged to the Council's General Fund when the asset becomes impaired or is derecognised. At the Balance Sheet date, the Council has no intention or need to sell this investment.

Financial Assets

	Level	Balance Sheet 31 March 2016 £000s	Fair value 31 March 2016 £000s	Balance Sheet 31 March 2015 £000s	Fair value 31 March 2015 £000s
Financial assets held at Fair Value					
• Money Market Funds	1	4,423	4,423	-	-
• Property Funds	1	4,640	4,640	-	-
Financial assets held at amortised cost					
• Long term loans to local authorities	2	10,000	10,177	8,000	8,228
Total		19,063	19,240	8,000	8,228
Assets for which a fair value is not disclosed*		34,575		36,351	
Total financial assets		**53,638**		**44,351**	
Recorded on the Balance sheet as:					
Long-term debtors		867		1,007	
Long-term investments		14,640		8,000	
Short-term debtors		2,151		1,968	
Short-term investments		29,134		22,064	
Cash and cash equivalents		6,846		11,312	
Total financial assets		**53,638**		**44,351**	

Financial Liabilities

	Level	Balance Sheet 31 March 2016 £000s	Fair value 31 March 2016 £000s	Balance Sheet 31 March 2015 £000s	Fair value 31 March 2015 £000s
Financial liabilities held at amortised cost					
• Lease payables	3	99	63	124	85
Liabilities for which a fair value is not disclosed		9,976		8,097	
Total financial liabilities		**10,075**		**8,221**	
Recorded on the Balance sheet as:					
Short-term creditors		6,342		4,922	
Long-term creditors		3,660		3,200	
Other long term liabilities		73		99	
		10,075		**8,221**	

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

There were no transfers between fair value levels 1 and 2 during the year and there have been no changes in valuation techniques used for financial instruments

Cash Equivalents, Debtors and creditors are carried at cost as this is a fair approximation of their value. The value shown for debtors and creditors are different to the figures reported under Note 13, 16 and 18 due to the exclusion of non-trade debtors and creditors.

13. Short Term Debtors

	31 March 2016		31 March 2015	
	£000	£000	£000	£000
Central Government Bodies	92		1,556	
Less Impairment Allowance	0		0	
		92		1,556
Council Tax	784		814	
Less Impairment Allowance	(414)		(438)	
		370		376
Business Rates	594		553	
Less Impairment Allowance	(277)		(246)	
		317		307
Other local authorities and public bodies	956		938	
Less Impairment Allowance	0		0	
		956		938
Housing Rents	342		230	
Less Impairment Allowance	(218)		(174)	
		124		56
Other Sundry Debtors	5,010		4,907	
Less Impairment Allowance	(2,139)		(1,862)	
		2,871		3,045
Total Debtors net of Impairment (Bad Debts) Allowance		4,730		6,278
Payments in advance		44		374
Total net Debtors & Payments in advance		4,774		6,652

14. Cash and cash equivalents

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

	31 March 2016 £000	31 March 2015 £000
Cash held by the Authority	8	8
Bank current accounts	1,415	604
Cash Equivalents	5,423	10,700
	6,846	11,312

15. Assets held for sale

	Current		Non Current	
	2015-16	2014-15	2015-16	2014-15
	£000	£000	£000	£000
Balance outstanding at start of year	628	628	0	0
Assets newly classified as held for sale:				
• Property, Plant and Equipment	50	0	0	0
Assets Sold	(628)	0	0	0
Balance outstanding at year end	50	628	0	0

16. Short Term Creditors (less than 12 months)

	31 March 2016	31 March 2015
	£000	£000
Council Tax	306	300
Business Rates	308	252
Other local authorities and public bodies	2,041	1,379
Sundry Creditors	5,121	4,277
Central Government Bodies	990	1,329
Housing Rents	19	30
Receipts in advance	0	80
Other Creditors	1,208	615
Total	9,993	8,262

17. Provisions

	Business Rates Appeals	Total
	£000	£000
Balance at 1 April 2015	1,258	1,258
Additional provisions made in 2015-16	163	163
Balance at 31 March 2016	1,421	1,421

The Business Rates Appeals Provision represents an amount set aside as the best estimate of the amount that businesses have been overcharged business rates up to 31 March 2016. The estimate has been calculated using the Valuation Office ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2016.

18. Long Term Creditors

	Balance 31 March 2016 £000	Balance 31 March 2015 £000
S106 Developer Contributions	3,660	3,200
Total	3,660	3,200

19. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement on pages 22 and 23.

20. Unusable Reserves

Revaluation Reserve

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

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

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

2014-15 £000		2015-16 £000
(28,623)	**Balance at 1 April**	**(38,332)**
(10,538)	Upward revaluation of assets	(1,287)
479	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	379
(10,059)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(908)
325	Difference between fair value depreciation and historical cost depreciation	390
25	Accumulated gains on assets sold or scrapped	529
350	Amount written off to the Capital Adjustment Account	919
(38,332)	**Balance at 31 March**	**(38,321)**

Available for Sale Financial Instruments Reserve

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

2014-15 £000		2015-16 £000
0	**Balance at 1 April**	**0**
	Downward revaluation of investments to their fair value not charged to the Surplus/Deficit on Provision of Services	360
0	**Balance at 31 March**	**360**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

2014-15 £000		2015-16 £000
(83,028)	**Balance at 1 April**	**(84,368)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
2,450	• Charges for depreciation and impairment of non-current assets	2,477
392	• Revaluation losses on Property, Plant and Equipment	76
188	• Amortisation of intangible assets	192
1,676	• Revenue expenditure funded from capital under statute	1,206
166	• 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	818
4,872		4,769
(350)	Adjusting amounts written out of the Revaluation Reserve	(919)
4,522	Net written out amount of the cost of non-current assets consumed in the year	3,850

2014-15 £000		2015-16 £000
	Capital financing applied in the year:	
(2,680)	• Use of the Capital Receipts Reserve to finance new capital expenditure	(2,704)
(22)	• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(24)
(1,426)	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(589)
(1,538)	• Capital expenditure charged against the General Fund	(476)
(5,666)		(3,793)
(196)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	60
(84,368)	**Balance at 31 March**	**(84,251)**

Pensions Reserve

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

2014-15 £000		2015-16 £000
9,459	**Balance at 1 April**	**16,537**
5,809	Remeasurements of the net defined benefit liability/(asset)	(14,403)
3,459	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	4,378
(2,190)	Employer's pensions contributions and direct payments to pensioners payable in the year	(2,382)
16,537	**Balance at 31 March**	**4,130**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2014-15 £000		2015-16 £000
(493)	**Balance at 1 April**	**(488)**
5	Transfer to the Capital Receipts Reserve upon receipt of cash	6
(488)	**Balance at 31 March**	**(482)**

Collection Fund Adjustment Account

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

2014-15 £000		2015-16 £000
228	**Balance at 1 April**	**509**
281	Amount by which Council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from Council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	174
509	**Balance at 31 March**	**683**

21. Amounts reported for resource allocation decisions

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

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

PORTFOLIO Income & Expenditure	Commercial Services £000	Environment £000	Finance and Governance £000	Housing and Planning £000	Leader £000	Support Services £000	Wellbeing Community Services £000	**Total £000**
2015-16								
Fees, charges & other service income	(7,706)	(2,951)	(486)	(3,073)	(3)	(508)	(4,408)	**(19,135)**
Government grants and contributions	(53)	(1,553)	(37,276)	(859)	0	0	(647)	**(40,388)**
Total Income	**(7,759)**	**(4,504)**	**(37,762)**	**(3,932)**	**(3)**	**(508)**	**(5,055)**	**(59,523)**
Employee expenses	1,233	4,852	1,635	3,664	447	396	4,193	**16,420**
Other operating expenses	3,262	4,501	37,659	1,816	134	624	4,258	**52,254**
Support service recharges	703	969	750	1,350	404	418	783	**5,377**
Total operating expenses	**5,198**	**10,322**	**40,044**	**6,830**	**985**	**1,438**	**9,234**	**74,051**
Net Expenditure	**(2,561)**	**5,818**	**2,282**	**2,898**	**982**	**930**	**4,179**	**14,528**
2014-15								
Fees, charges & other service income	(6,989)	(2,833)	(595)	(3,127)	0	(445)	(4,462)	**(18,451)**
Funding	0	0	0	0	0	0	0	**0**
Government grants and contributions	(13)	(1,361)	(38,424)	(938)	(8)	0	(745)	**(41,489)**
Total Income	**(7,002)**	**(4,194)**	**(39,019)**	**(4,065)**	**(8)**	**(445)**	**(5,207)**	**(59,940)**
Employee expenses	1,214	4,543	1,716	3,412	409	399	3,945	**15,638**
Other operating expenses	2,537	4,732	38,415	2,214	17	535	4,861	**53,311**
Support service recharges	681	1,118	775	1,415	444	368	698	**5,499**
Total operating expenses	**4,432**	**10,393**	**40,906**	**7,041**	**870**	**1,302**	**9,504**	**74,448**
Net Expenditure	**(2,570)**	**6,199**	**1,887**	**2,976**	**862**	**857**	**4,297**	**14,508**

22. Agency Services

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

	2015-16 £000	2014-15 £000
Expenditure incurred in providing a Planning Service to SDNPA	1187	1,182
Management fee payable by SDNPA	(989)	(1,019)
Net (Surplus)/Deficit arising on the agency arrangement	198	163

23. Members' Allowances

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

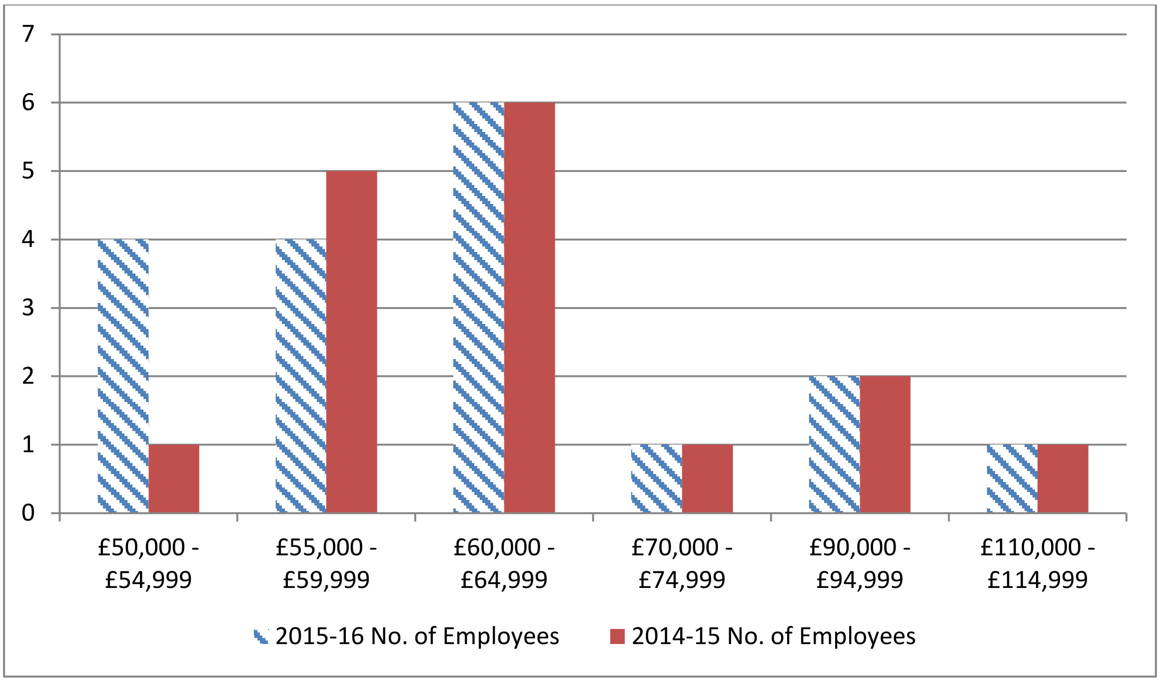
	2015-16 £000	2014-15 £000
Allowances	301	297
Expenses	15	14
Total	316	311

24. Officers' Remuneration

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

Post Title		Salary, Fees and Allowances £	Compensation for Loss of Office £	Pension Contribution £	Total £
Chief Executive	2015-16	114,692	0	15,745	130,437
	2014-15	114,690	0	19,841	134,531
Executive Director of Environment	2015-16	91,872	0	16,813	108,685
	2014-15	90,520	0	15,660	106,180
Executive Director of Support Services and the Economy	2015-16	91,872	0	16,813	108,685
	2014-15	90,520	0	15,660	106,180
Head of Finance and Governance / S151 Officer	2015-16	73,807	0	13,507	87,314
	2014-15	72,615	0	12,562	85,177
Principal Solicitor / Monitoring Officer	2015-16	57,654	0	9,918	67,572
	2014-15	56,739	0	9,229	65,968

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



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

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

Exit package cost band (including special payments)	Number of compulsory redundancies 2015-16	2014-15	Number of other departures agreed 2015-16	2014-15	Total number of exit packages by cost band 2015-16	2014-15	Total cost of exit packages in each band 2015-16 £	2014-15 £
£0 - £20,000	4	2	0	2	4	4	46,729	31,039
£20,001 - £40,000	0	0	1	0	1	0	31,307	0
£40,001 - £60,000	1	0	0	0	1	0	42,278	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
Total	5	2	1	2	6	4	120,314	31,039

25. External Audit Costs

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

	2015-16 £000	2014-15 £000
Fees payable to Ernst and Young LLP with regard to external audit services carried out by the appointed auditor for the year	49	65
Fees payable to Ernst and Young LLP in respect of statutory inspections	0	0
Fees payable to Ernst and Young LLP for the certification of grant claims and returns for the year	8	10
Total	57	75

26. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015-16

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

	2015-16 £000	2014-15 £000
Credited to Taxation and Non Specific Grant Income and Expenditure		
Council Tax income	9,638	9,313
Retained Business Rates	1,591	1,427
Capital grants and contributions	0	637
Revenue Support Grant	1,598	2,283
New Homes Bonus Scheme	2,658	2,118
Retail Relief Grant	323	218
Small Business Rate Relief Grant	676	648
Property Searches New Burdens Payment	96	0
Council Tax Freeze Grant	78	0
Other Non ringfenced Government Grants	128	140
Total	16,786	16,784

	2015-16 £000	2014-15 £000
Credited to Services		
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	1,206	836
Individual Electoral Registration	41	71
Community Safety Neighbourhood Project	0	59
Neighbourhood Planning	152	30
Ordinary Watercourses	25	25
Other Revenue Grants	147	346
Total	1,571	1,367

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

	31 March 2016 £000	31 March 2015 £000
Grant Receipts in Advance (Capital Grants)		
Beach Management Plan	73	122
Other Receipts below £50,000	2	30
Total	75	152
Grant Receipts in Advance (Revenue Grants)		
Other Receipts below £50,000	0	80
Total	0	80

27. Related Parties

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

Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 21 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2016 are shown in Note 26.

Members and Officers

Members of the Council have direct control over the Council's financial and operating policies. A survey of the Council's members, its chief and statutory officers and staff was undertaken as well as a review of the Register of Members' Interests and the schedule of payments to suppliers greater than £500. This did not identify the potential for a Member of the Council, or a Council officer to affect the policies of both the Council, and another entity, in their mutual dealings with each other.

28. Capital Expenditure and Capital Financing

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

	2015-16 £000	2014-15 £000
Opening Capital Financing Requirement	(1,315)	(1,440)
Capital Investment:		
Property, Plant and Equipment	2,313	2,351
Intangible Assets	148	136
Revenue Expenditure Funded from Capital under Statute	1,206	1,676
Investment Property	0	1,618
Deferred Debtor	58	10
Sources of Finance:		
Capital Receipts	(2,704)	(2,680)
Government grants and other contributions	(589)	(1,426)
Sums set aside from revenue	(476)	(1,538)
Minimum Revenue Provision	(24)	(22)
Closing Capital Financing Requirement	(1,383)	(1,315)

29. Leases

Council as Lessor

Finance Leases

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

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

	31 March 2016 £000	31 March 2015 £000
Finance lease debtor		
• Current	6	6
• Non-current	459	465
Unearned finance income	22,485	22,554
Unguaranteed residual value of property	17	17
Gross investment in the lease	22,697	23,042

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

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000
Not later than one year	92	92	75	75
Later than one year and not later than five years	301	301	301	301
Later than five years	22,574	22,649	22,574	22,649
	22,967	23,042	22,950	23,025

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

Operating Leases

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

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

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

	31 March 2016 £000	31 March 2015 £000
Not later than one year	1,492	1,330
Later than one year and not later than five years	4,981	4,651
Later than five years	58,859	55,022
	65,332	61,003

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

Council as Lessee

Finance Leases

The Council has acquired 32 Multi-functional devices under a finance lease. These are carried as Property, Plant and Equipment in the balance sheet. The net book value at 31 March 2016 is £119,552.

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

	31 March 2016 £000	31 March 2015 £000
Finance lease liabilities :		
• Current	26	25
• Non-current	60	86
Finance costs payable in future years	17	27
Minimum lease payments	103	138

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

	Finance Lease Liability		Minimum Lease Payments	
	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000
Not later than one year	26	25	34	35
Between one and five years	60	86	69	103
	86	111	103	138

Operating Leases

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

For Orchard Street, the Council is committed to making a lease payment to West Sussex County Council. The amount is based on 43% of the car park net income received during the year, as this is variable the future minimum payments have not been disclosed. The income received during 2015-16 was £92,408.

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

	31 March 2016 £000	31 March 2015 £000
Not later than one year	30	30
Later than one year and not later than five years	120	120
Later than five years	376	406
	526	556

30. Impairment Losses

During 2015-16 the Council carried out an impairment review. No impairment losses were identified as a result.

31. Termination Benefits

The Council terminated the contracts of a number of employees in 2015-16, incurring costs of £120,314 (£31,039 in 2014-15) – see Note 24 for the number of exit packages and total cost per band.

32. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

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

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

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

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

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

Discretionary Post-retirement Benefits

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

Transactions Relating to Post-employment Benefits

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

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

	2015-16 £000	2014-15 £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Service cost comprising**:**		
• current service cost	3,826	3,023
• past service cost	0	12
• (gain)/loss from settlements	0	0
Financing and Investment Income and Expenditure:		
Net interest expense	552	424
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	4,378	3,459
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement:		
Remeasurement of the net defined benefit liability comprising:		
• Return on plan assets (excluding the amount included in the net interest expense)	1,520	(13,103)
• Actuarial (gains) and losses arising on changes in demographic assumptions		0
• Actuarial (gains) and losses arising on changes in financial assumptions	(14,059)	20,075
Other experience (gains) or losses	(1,864)	(1,163)
Total Other Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement	**(14,403)**	**5,809**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(4,378)	(3,459)
Actual amount charged against the General Fund Balance for Pensions in the Year:		
Employers contributions payable to scheme	**2,382**	**2,190**

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	2015-16 £000	2014-15 £000
Present value of the defined benefit obligation	144,345	154,749
Fair value of plan assets	(140,215)	(138,212)
Net liability arising from defined benefit obligation	**4,130**	**16,537**

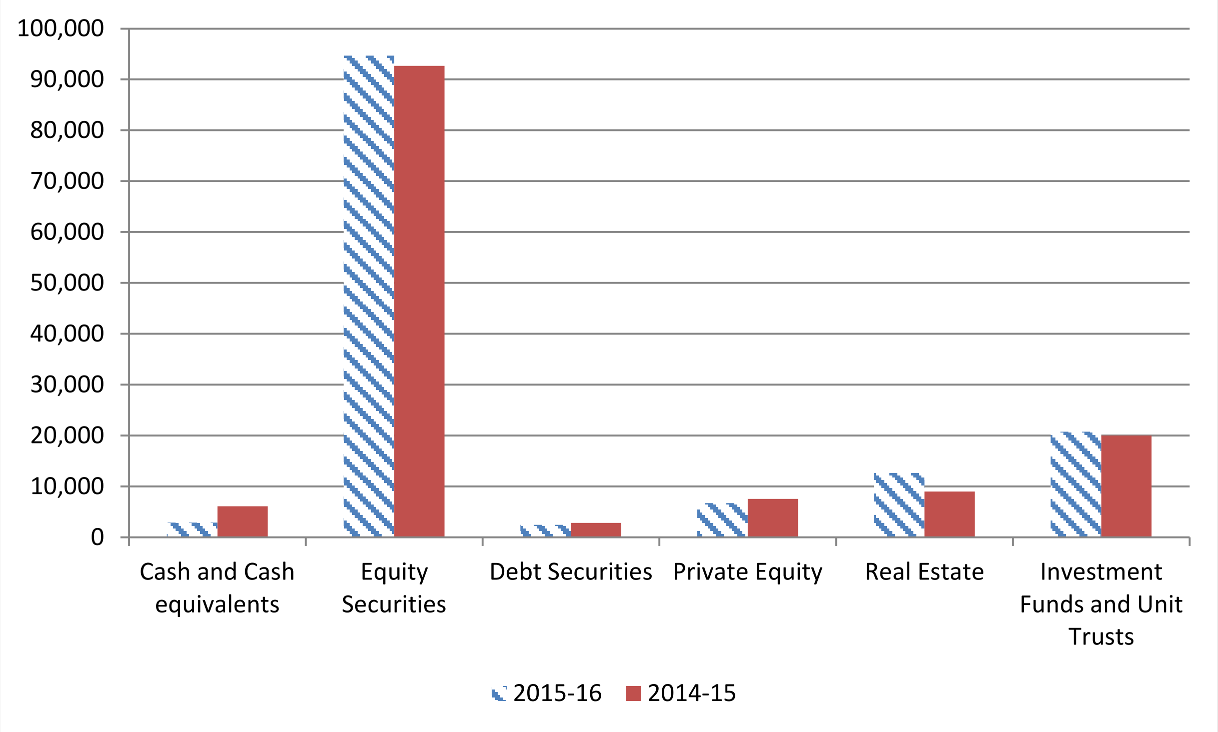
Reconciliation of the Movements in the Fair Value of Scheme Assets

	Local Government Pension Scheme	
	2015-16 £000	2014-15 £000
Opening fair value of scheme assets	138,212	121,573
Interest income	4,409	5,189
Remeasurement gain/(loss):		
• the return on plan assets, excluding the amount included in the net interest expense	(1,520)	13,103
Contributions from employer	2,382	2,190
Contributions from employees into the scheme	833	835
Benefits paid	(4,101)	(4,678)
Closing fair value of scheme assets	**140,215**	**138,212**

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

	Local Government Pension Scheme	
	2015-16 £000	2014-15 £000
Opening balance at 1 April	154,749	131,032
Current Service Cost	3,826	3,023
Interest Cost	4,961	5,613
Contributions from scheme participants	833	835
Remeasurement (gains) and losses:		
• Actuarial (gains)/losses arising from changes in financial assumptions	(14,059)	20,075
• Other experience (gains) or losses	(1,864)	(1,163)
Past service cost	0	12
Benefit paid	(4,101)	(4,678)
Closing balance at 31 March	**144,345**	**154,749**

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



Basis for Estimating Assets and Liabilities

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

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme 2015-16	Local Government Pension Scheme 2014-15
Long-term expected rate of return on assets in the scheme:		
Equities, Bonds, Property and Cash	3.5%	3.2%
Mortality assumptions		
Longevity at 65 for current pensioners:		
Men	24.4 years	24.4 years
Women	25.8 years	25.8 years
Longevity at 65 for future pensioners:		
Men	26.9 years	26.9 years
Women	28.5 years	28.5 years
Financial assumptions		
Rate of inflation	2.2%	2.4%
Rate of increase in salaries	3.7%	3.8%
Rate of increase in pensions	2.2%	2.4%
Rate for discounting scheme liabilities	3.5%	3.2%

Sensitivity Analysis

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

Change in assumptions at year ended 31 March 2016	Approximate % increase to Employer Obligation	Approximate monetary Amount (£000)
0.5% decrease in Real Discount Rate	10%	14,972
1 year increase in member life expectancy	3%	4,330
0.5% increase in the Salary Increase Rate	3%	4,604
0.5% increase in the Pension Increase Rate	7%	10,137

Impact on the Council’s Cash Flows

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

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

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

Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016, the result of which will not be known until September 2016.

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

The Actuary estimates that the Council’s employer’s contributions for the period to 31 March 2017 will be approximately £2,461,000. The Council’s budget for 2016-17 includes £2,391,800 for total employer contributions to the Pension Fund.

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

33. Contingent Liabilities

International Accounting Standard 37 (IAS37) requires the Council to disclose contingent liabilities. These arise from past events that might result in an obligation on the Council. The Council has a number of potential claims relating to ongoing legal matters. At this time the Council's best estimate of the contingent liability associated with these claims is £125,000.

34. Contingent Assets

International Accounting Standard 37 (IAS37) requires the Council to disclose contingent assets. These arise from past events that might provide a possible asset to the Council. There are no contingent assets that may materially affect the amounts included in any of the financial statements.

35. Nature and extent of risks arising from Financial Instruments

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

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

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

The main risks covered are:

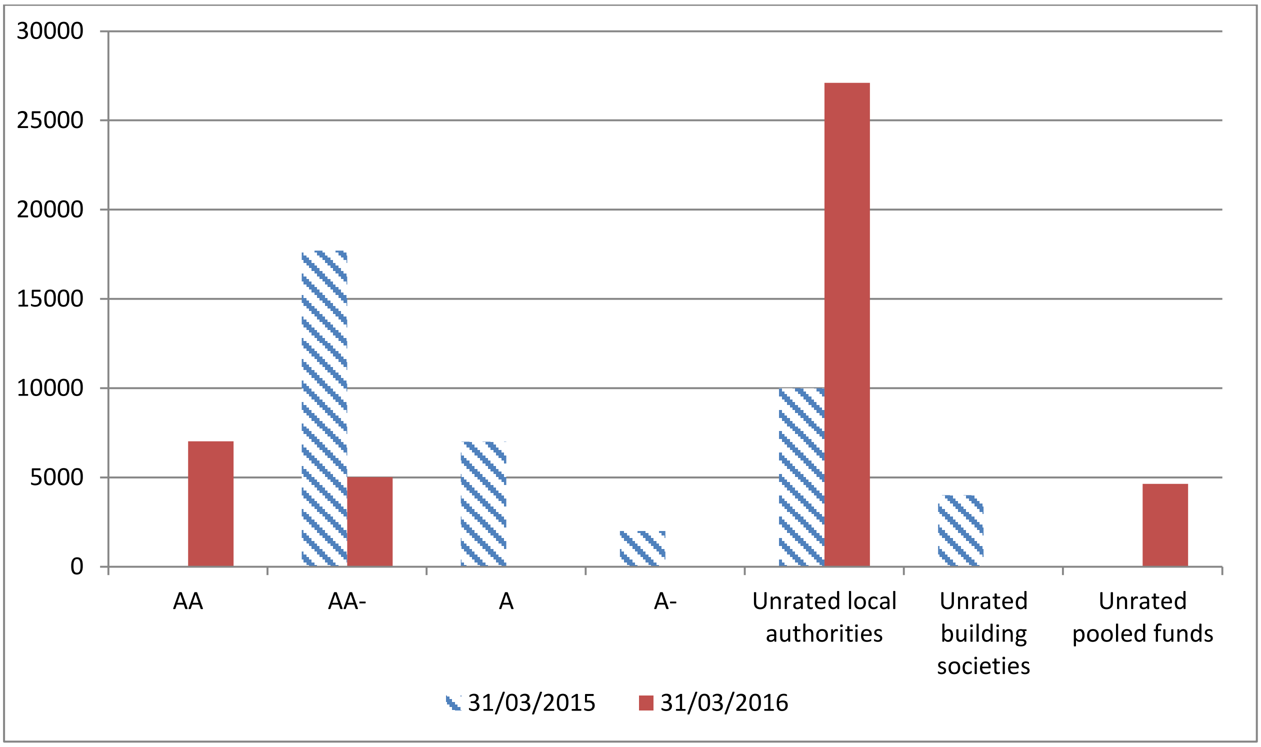
- *Credit Risk:* The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- *Liquidity Risk:* The possibility that the Council might not have the cash available to make contracted payments on time.
- *Market Risk:* The possibility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

Credit Risk: Investments

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

The Council's Annual Investment and Treasury Management Strategies require that investments are only made with banks and other financial institutions which have been rated independently, and meet minimum credit criteria. The council continually monitored individual credit ratings and the financial standing of its counterparties throughout the year. The chart below summarises the credit risk exposures of the Council's investment portfolio by credit rating at 31 March 2015 and 2016.

Credit risk exposure of financial assets (£000s)



In addition to the above investments, The Council holds cash deposits with its own banker (credit rating BBB+) of £1.42m. Other cash deposits and cash equivalents are held with institutions with the following credit ratings:

- AAA £4.42m
- A+ £1m

The Council's maximum exposure to credit risk at the balance sheet date in relation to its investments with banks and other institutions was £43.7m, and cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown it is very rare for such entities to be unable to meet their commitments. A risk of un-recoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2016 that this was likely to crystallise

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

Credit Risk: Receivables

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

	Gross balance of debtors £000	Average % default based on previous experience, adjusted for current conditions	Credit risk exposure 31/03/2016 £000	Credit risk exposure 31/03/2015 £000
Sundry Debtors	2,220	10.4	231	448

Liquidity Risk

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

Market Risks: Interest Rate Risk

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

The Council has been debt free since April 2001 other than a small finance lease entered into in 2014-15. The risk of increased interest expenses of interest rates were to rise is not considered significant.

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

The Council’s Treasury Management Strategy aims to mitigate interest rate risk by setting upper limits on its net exposures to fixed and variable interest rates. At year end the Council had £8m deposited on variable interest rate terms,

The potential impact of a 1% increase in interest rates on the disclosed values of its financial assets is shown below**.** For all other financial assets, except those listed below, the effect on the disclosed value is immaterial.

Financial asset category	Amortised Cost £000	Impact of 1% increase in interest rates on amortised cost £000
Long term loans and receivables	10.085	(235)

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

Market Risks: Price Risk

The Council’s investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council’s maximum exposure to property investments of £5m. A 5% fall in the published bid price at year end of 288.36p would result in a £0.23m charge to Other Comprehensive Income & Expenditure – this would have no impact on the General Fund until the investment was sold.

Market Risks: Foreign Exchange Risk

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

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.

	2014-15			2015-16		
Collection Fund Income and Expenditure Account for the year ended 31 March 2014	**Business Rates**	**Council Tax**	**Total**	**Business Rates**	**Council Tax**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
INCOME						
Council Tax Receivable		74,428	74,428		76,077	76,077
Government grants credited to the Collection Fund		11	11		51	51
Business Rates Receivable	43,308		43,308	44,123		44,123
Transitional Protection payments received	0		0	0		0
Total Income	43,308	74,439	117,747	44,123	76,128	120,251
EXPENDITURE						
Apportionment of Previous Year Estimated Surplus / (Deficit)						
Central Government	(39)		(39)	(36)		(36)
West Sussex County Council	(8)	(53)	(61)	(7)	172	165
Chichester District Council	(32)	(8)	(40)	(28)	28	0
The Police and Crime Commissioner for Sussex		(6)	(6)		21	21
	(79)	(67)	(146)	(71)	221	150
Precepts, Demands and Shares						
Central Government	21,278		21,278	21,897		21,897
West Sussex County Council	4,256	57,824	62,080	4,379	58,685	63,064
Chichester District Council	17,022	9,297	26,319	17,518	9,574	27,092
The Police and Crime Commissioner for Sussex		7,022	7,022		7,268	7,268
	42,556	74,143	116,699	43,794	75,527	119,321
Charges to the Collection Fund						
Write-offs of uncollectable amounts	394	163	557	218	223	441
Increase / (Decrease) in Bad Debts Provision	(114)	7	(107)	82	(123)	(41)
Increase / (Decrease) in Provision for Appeals	1,065		1,065	407		407
Cost of Collection Allowance	197		197	198		198
Disregarded amounts	45		45	114		114
Transitional Protection payments made	121		121	55		55
	1,708	170	1,878	1,074	100	1,174
Total Expenditure	44,185	74,246	118,431	44,797	75,848	120,645
Surplus / (Deficit) arising during the year	(877)	193	(684)	(674)	280	(394)
Surplus / (Deficit) b/fwd 1 April	(616)	149	(467)	(1,493)	342	(1,151)
Surplus / (Deficit) c/fwd 31 March	(1,493)	342	(1,151)	(2,167)	622	(1,545)

1. General

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

2. Income From Business Rates

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

The Business Rates Retention Scheme was introduced from 1 April 2013. Since this date the income that the Council collects from NNDR is shared between central government, the district Council and other major precepting bodies (such as West Sussex County Council in Chichester's case). The main aim of the scheme (known as the Business Rates Retention scheme) is to give Councils a greater incentive to grow businesses in their area. It does however also increase the financial risk due to non-collection and the volatility of the NNDR aggregate rateable value.

For Chichester the local share is 40%. The remainder is distributed to the other preceptors; central government (50%) and West Sussex County Council (10%).

The business rates shares payable were estimated before the start of the financial year as £21.897m to Central Government, £4.379m to West Sussex County Council, and £17.518m to Chichester District Council. These sums have been paid in 2015-16 and charged to the collection fund in the year.

As part of the Scheme, the government set a business rates baseline for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline funding amount. Tariffs payable to Central Government are used to pay the tops ups to those authorities who do not receive their baseline funding amount.

In respect of Chichester, the Council was required to make a tariff payment of £15.3m from its General Fund in 2015-16 into the West Sussex Business Rates Pool.

In addition to the top up, a safety net figure is calculated at 92.5% of the baseline funding amount which ensures that authorities are protected to this level of business rates income. The safety net figure for Chichester is £1.89m. The Council did not qualify for a safety net payment in 2015-16.

Councils are also liable for refunding ratepayers who have successfully appealed against the business rates charged to their businesses, in their proportionate share. A provision has therefore been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2016. The total provision required at 31 March 2016 has been calculated at £3.55m.

The total non-domestic rateable value at the 31 March 2016 was £110,096,543 (compared with £110,437,297 on 31 March 2015). The national multipliers for 2015-16 were 49.3p (48.2p in 2014-15) for the standard non-domestic rating multiplier, and 48p (47.1p in 2014-15) for qualifying small businesses.

The surplus or deficit on the Collection Fund for business rates at the end of the year is required to be distributed to or made good by contributions from the Council, West Sussex

County Council and the government in relation to business rates in a subsequent financial year.

3. Council Tax

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

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

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

Council Tax Band	No. of Chargeable Dwellings	Ratio to Band D	Chargeable Base
Disabled Band A	2.7	5/9	1.5
Band A	2,224.7	6/9	1,483.1
Band B	4,722.2	7/9	3,672.8
Band C	12,191.0	8/9	10,836.4
Band D	10,545.1	9/9	10,545.1
Band E	7,473.5	11/9	9,134.3
Band F	5,221.5	13/9	7,542.2
Band G	5,138.5	15/9	8,564.2
Band H	1,073.0	18/9	2,146.0
Total	**48,592.2**		**53,925.6**

Adjustments required as per The Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003	
Classes A & B (Second homes)	**1,744.6**
Class C (Exempt properties)	**77.4**
Tax base reduction for Council tax support	**(4,733.3)**
Tax Base	**51,014.3**
Adjusted for assumed collection rate of 99%	**50,504.2**

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

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

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

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

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

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

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

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

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

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

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

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

Carrying Amount
The cost or value less depreciation.

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

CIPFA
The Chartered Institute of Public Finance and Accountancy

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Outturn
Total income and expenditure in the financial year.

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

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

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

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

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

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

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

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

Comprehensive Income and Expenditure Statement.

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

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

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

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

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

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

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

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

Printed by Chichester District Council.
Sep 2016. Please recycle after use.

Chichester District Council
www.chichester.gov.uk