



Crawley Borough Council

Report to Audit & Governance Committee 24 September 2015

Approval of the 2014/15 Statement of Accounts

Report of the Head of Finance, Revenues and Benefits (FIN/372)

1. Purpose

- 1.1 The purpose of this report is to seek member approval of 2014/15 Statement of Accounts and to comply with the statutory deadline of 30 September 2015.

2. Recommendations

- 2.1 It is recommended that
- a) the 2014/15 Statement of Accounts be approved
 - b) the Chair of the Committee be authorised to sign the 2014/15 Statement of Accounts on behalf of the Council

3. Reasons for the Recommendations

- 3.1 The Council has a statutory responsibility to approve the statement of accounts by 30 September.

4. Background

- 4.1 The Accounts and Audit (England) Regulations 2011 set out the requirements for the accounts and audit of certain public bodies. One of the requirements is for the statement of accounts to be approved by a resolution of a Committee and for the Chair to sign the accounts. The latest date for approval is 30 September 2015.
- 4.2 To enable the accounts to be signed by the due date and to encourage a robust review of the accounts, full Council has delegated the approval to this Committee.
- 4.3 This report deals with the Council's accounts as published in the required statutory format. The focus of the report is on recording all the assets and liabilities of the Council rather than a comparison with the original budget plans for the year. A summary of the outturn for 2014/2015 comparing actual expenditure against approved budgets was considered by Cabinet in July.

5. Statement of Accounts 2014/15

- 5.1 The 2014/2015 Statement of Accounts is attached as Appendix 1 and includes a brief explanation of the purpose of each section (see pages 2 to 3).
- 5.2 The statement of accounts is a very technical document and is not easy to understand. The main points from the accounts are set out below:
- 5.3 Presentation of the Comprehensive Income and Expenditure Account differs in a number of respects from that used for budget monitoring and outturn reporting to Cabinet. Performance is summarised by services as defined by CIPFA rather than by portfolios or directorates. In addition, General Fund and Housing Revenue Fund performance is combined. This is intended to allow easier comparison between local authorities. The segmental reporting note (note 26) provides a bridge between the budget and the financial statements.
- 5.4 The gross revenue expenditure on services in the year was £129.1 million. Income attributable directly to services was £115.1 million, resulting in a net cost of services of £14.0 million. After grants, investment income and other income and expenditure, the Comprehensive Income and Expenditure Account records a deficit of £4.1 million. However, this excludes a number of accounting adjustments that are recorded in the Movement in Reserves Statement (MiRS). More details of these transactions are provided in note 6 on pages 45 to 49 of the accounts.
- 5.5 The MiRS shows a decrease in the General Fund balance after transfers from earmarked reserves of £0.8 million (page 21). Note 7 details the contributions to, and use of, earmarked reserves. The Council's total usable reserves have decreased during the year from £100.7 million to £90.4 million.
- 5.6 The Balance Sheet (pages 24 - 25) shows that the Council's total assets less liabilities have increased by £27.1 million to £431.0 million. The main reason for this is the revaluations of fixed assets of £39.7 million.

6. Annual Governance Statement

- 6.1 The Accounts and Audit (England) Regulations 2011 establish requirements relating to systems of internal control, and the review and reporting of those systems. Internal control and risk management are recognised as important elements of good corporate governance. The regulations state that:

“the relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk”

- 6.2 The Council is required to produce an Annual Governance Statement in line with guidance contained in the CIPFA/SOLACE document “Delivering Good Governance in Local Government”. Details of the 2014/2015 review are set out on pages 10 to 16. The Annual Governance Statement has been approved and signed by the Leader and the Chief Executive.

7. Audit of Accounts for 2014/2015

- 7.1 The audit of the accounts commenced in June. The work is due to be completed by 30 September. As stated in the Audit Commission's Annual Governance Report (elsewhere on the agenda) no substantial issues have emerged as a result of the audit.

8. Background Papers

[Financial Outturn 2014/15 – Report to Cabinet 08/07/2015 \(FIN/362\)](#)

The Accounts and Audit Regulations 2011

Code of Practice on Local Authority Accounting in the UK 2014/2015 (Chartered Institute of Public Finance and Accountancy)

Guidance Notes for Practitioners (Chartered Institute of Public Finance and Accountancy)

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Statement of Accounts

2014 – 2015

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1. Introduction

The accounts for 2014/15 show the financial performance of Crawley Borough Council for the year, together with its overall financial position as at 31 March 2015. The purpose of the published statement of accounts is to give local taxpayers, Council Members and other interested parties clear information about the Council's finances. The accounts provide the reader with information on the cost of services provided by the Council in the year 2014/15, how these services were paid for and a statement of the Council's assets and liabilities at the year end.

The Council's accounts are presented in the following order:

- Statement of Responsibilities for the Statement of Accounts

This identifies the officer who is responsible for the proper administration of the Council's financial affairs.

- The Annual Governance Statement

This identifies the systems that the Council has in place to ensure that its business is conducted in accordance with the law and proper standards and that public money is safeguarded.

- Main Financial Statements

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. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes.

Comprehensive Income and Expenditure Statement

The purpose of this account is to report income and expenditure relating to all the services provided by the Council and how the net cost of those services has been financed by local taxpayers and the Government.

Balance Sheet

This statement shows the balances and reserves at the Council's disposal as well as the liabilities as at 31 March 2015. It also summarises the fixed and current assets used to carry out the Council's functions.

Cash Flow Statement

This statement summarises the inflows and outflows of cash arising from the transactions with third parties for revenue and capital purposes. It differs from other accounts in that creditors and debtors are excluded.

- Notes to the Main Financial Statements

The explanatory notes in this section are largely prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) issued by the CIPFA/LASAAC Local Authority Code Board. Additional notes have been provided wherever possible to assist understanding of the financial statements.

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- Statement of Accounting Policies

The Council's accounts have been prepared in accordance with the Code. In addition, supporting notes have been included where appropriate.

- Supplementary Financial Statements

Housing Revenue Account

This account shows the major element of expenditure on the provision of Council housing and how this has been financed by rents and other income.

Collection Fund

The Collection Fund summarises the income received from taxpayers for council tax and business rates and its distribution to precepting bodies. The precepting bodies for council tax are Crawley Borough Council, West Sussex County Council and Sussex Police Authority. Business rates are distributed to Crawley Borough Council, West Sussex County Council and Central Government.

- Glossary of Terms

A glossary of the most commonly used technical terms in these accounts is provided.

2. Revenue Expenditure and Income in 2014/15

In March 2014 the Council set a net expenditure budget for 2014/15 of £14.5million. This resulted in a Band D Council Tax for Crawley of £187.83 and a total Band D Council Tax including the precepts from West Sussex County Council and Sussex Police and Crime Commissioner of £1,490.94.

Summary of General Fund Services

The Council set a net balanced budget of £14.5m for 2014/15, which was partly funded from central Government grant (£3.8m), Retained Business Rates (£3.3m) and New Homes Bonus (£1.3m) also received from central Government. The balance was funded from Council Tax (£6.1m).

Summary of the Housing Revenue Account

The Council continues to be the provider of rental accommodation within the borough with a stock of 8,011 dwellings at 31 March 2015. The Council is required to maintain a separate ring fenced account to record all the financial transactions relating to those dwellings.

The income from tenants in council property was £44.8m in the year with other income to the HRA of £2.7m. The council took out loans on 28th March 2012 for £260.325m, borrowed from the Public Works Loan Board (PWLb). Interest on these loans amounted to £8.3m. This payment replaces the negative housing subsidy. As a result there is more certainty within the Housing Revenue Account as interest on the loans has been fixed over the next 26 years and a robust business plan to invest additional resources is being built up.

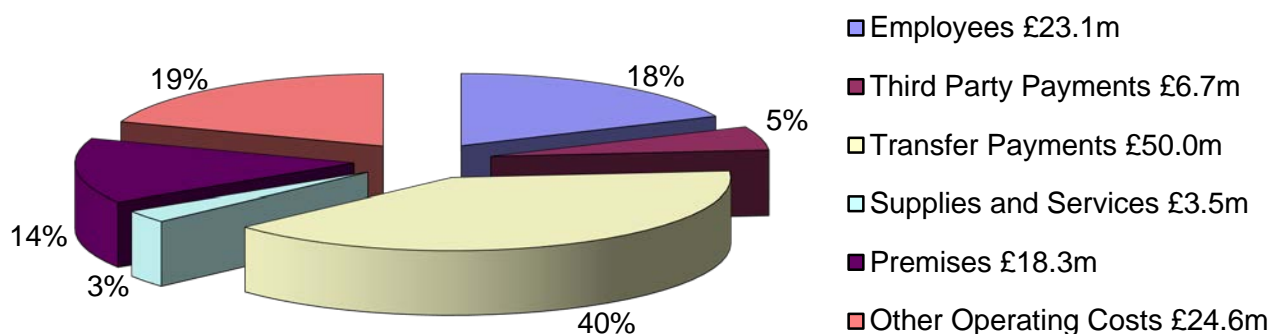
The balance was invested in the provision of council housing including management and maintenance of over 8,000 dwellings, 5,000 garages and 1,500 leasehold properties. There was a budgeted transfer to the Major Repairs reserve in the year of £2.256m and

an additional surplus of £2.759m that was transferred to the HRA capital reserve for future investment in housing stock.

Total Revenue Expenditure

Overall the Council incurred expenditure in 2014/15 of £126.2m on its services to the public.

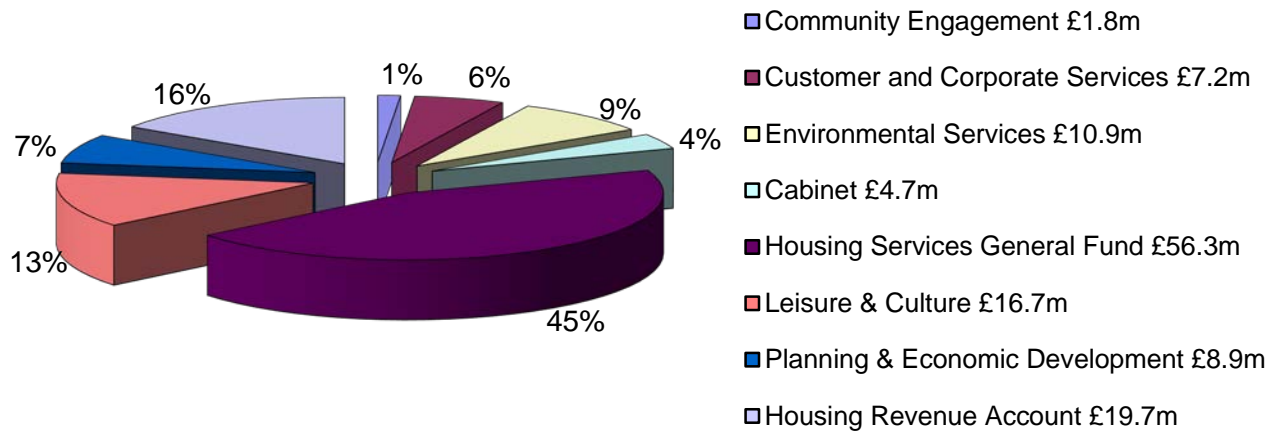
Where Money was spent £126.2m



- Transfer payments of £50.0m is in respect of Benefits payments.

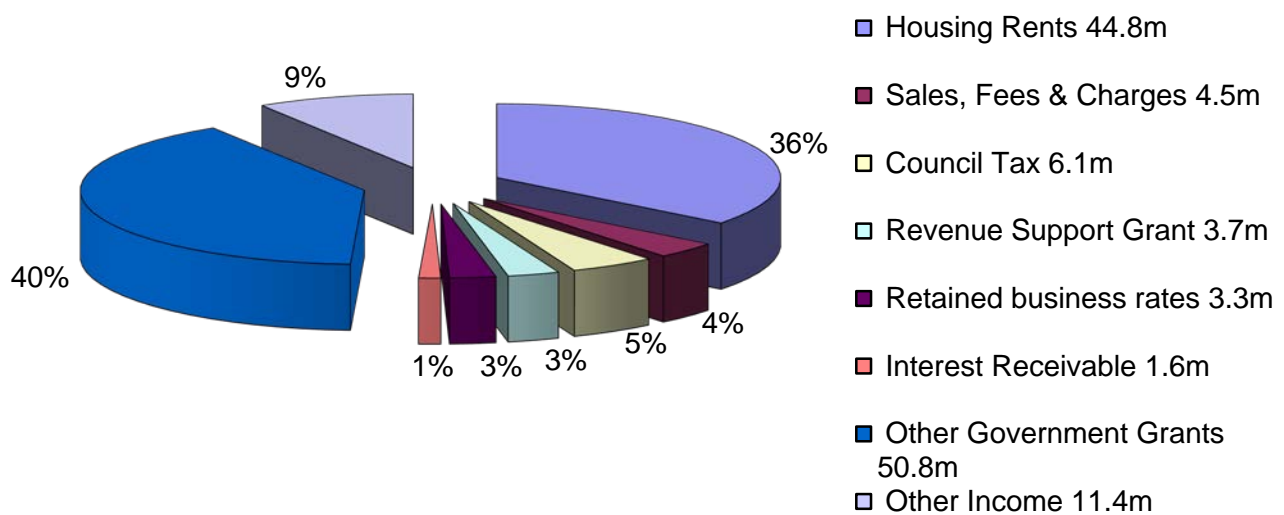
Portfolio	Outturn £000's
Community Engagement	1,799
Customer and Corporate Services	7,177
Environmental Services	10,881
Cabinet	4,653
Housing Services General Fund	56,301
Leisure & Culture	16,675
Planning & Economic Development	8,922
Housing Revenue Account	19,757
Total Net Expenditure	126,165

Services where the Money was spent £126.2m



The main sources of income are depicted below:

Where the Money came from £126.2m



- Other Government Grants £50.8m – these are grants from the Government for support on a range of specific services including benefits.

Financial outturn

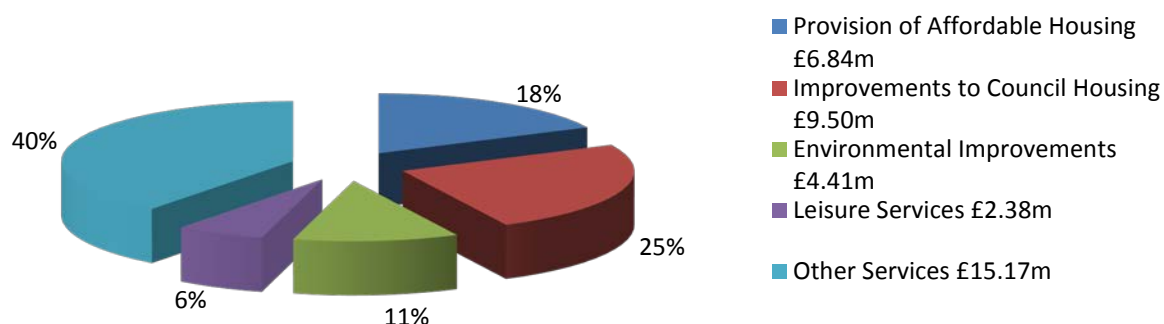
The table below reconciles the outturn for the General Fund and HRA back to the Income and Expenditure Accounts.

	General Fund £'000	HRA £'000	Combined £'000
Surplus / (deficit) in year	(753)	205	(548)
Budgeted transfer to HRA reserve	-	-	-
Movement in Pension reserve	(1,729)	(60)	(1,789)
Revenue expenditure funded from capital under statute	(1,026)	-	(1,026)
Costs / income associated with disposals of assets	29	1,228	1,257
Capital expenditure funded from revenue	7,520	-	7,520
Capital Grants Applied	2,334	673	3,007
Depreciation, Impairment/Revaluation of Fixed Assets	(5,508)	(15,131)	(20,639)
Transfer to/(from) earmarked reserves	(7,975)	-	(7,975)
Movement in investment properties	(4,281)	(28)	(4,309)
Capital grants unapplied	(15)	-	(15)
Accumulated absences	4	-	4
Collection fund adjustment	2,053	-	2,053
Budgeted transfer to fund existing and future capital schemes	-	18,763	18,763
Deficit on Provision of service in the Income and Expenditure account	(9,347)	5,650	(3,697)

3. Capital Expenditure and Finance in 2014/15

In 2014/15 the Council spent £38.3 million on capital assets, which was funded from the sale of assets, capital grants, external funding and revenue resources.

Capital Expenditure (£38.30m)



4. Pensions Liability

The table below outlines the change in the pension liability for the year resulting in an increase of £0.38m.

	Year to 31 March 2015 £'000
(Deficit) as at 1 April 2014	(24,680)
Employer contribution	3,042
Current service cost	(3,865)
Contributions in respect of unfunded benefits	347
Past service including curtailments	(240)
Interest on pension scheme liabilities	(8,431)
Expected return on employer assets	18,582
Changes in financial assumptions	(28,597)
Changes in Demographic Assumptions	-
Interest income on Planned Assets	7,358
Other Experience	1,530
(Deficit) as at 31 March 2015	(34,954)

5. Change in accounting policies

There were no changes to accounting policies in the year.

6. Further Information

Further information about the 2014/15 Statement of Accounts is available from:

Paul Windust, Corporate Accounting and Treasury Services Manager,
Town Hall, The Boulevard, Crawley, West Sussex, RH10 1UZ.
Tel: (01293) 438693 email: paul.windust@crawley.gov.uk

Karen Hayes
Head of Finance, Revenues and Benefits

Date: 16 June 2015

The Council's Responsibilities

The Crawley Borough 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, Revenues and Benefits.
- * to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- * to approve the Statement of Accounts.

Responsibilities of the Head of Finance, Revenues and Benefits

The Head of Finance, Revenues and Benefits 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, Revenues and Benefits 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, Revenues and Benefits is also responsible for:-

- * keeping proper accounting records which are up-to-date;
- * taking responsible steps for the prevention and detection of fraud and other irregularities.

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of the authority at the reporting date and its income and expenditure for the year ended 31st March 2015. These financial statements replace the unaudited financial statements authorised for issue by the Head of Finance, Revenues and Benefits on 16 June 2015.

Karen Hayes
Head of Finance, Revenues and Benefits
Date: 24 September 2015

Member Sign Off

I certify that these accounts were approved by the Audit Committee under delegated powers at a meeting held on 24th September 2015.

Councillor W. A. Ward
Chair of the Audit Committee
Date: 24 September 2015

1. Scope of Responsibility

Crawley Borough Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has approved and adopted a Code of Corporate Governance which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Council's code is available from The Town Hall, The Boulevard, Crawley, West Sussex, RH10 1UZ, and also on our [website](#). This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulations 4(3), which requires all relevant bodies to prepare an annual governance statement.

2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Crawley Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Crawley Borough Council for the year ended 31 March 2015 and will continue to be developed in coming years.

3. The Governance Framework

The key elements of the systems and processes that comprise the Council's governance arrangements are as followed. The Council has fulfilled the following key roles and these are included within the Code of Governance.

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
- Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;

-
- Taking informed and transparent decisions which are subject to effective scrutiny and management risk;
 - Developing the capacity and capability of members and officers to be effective;
 - Engaging with local people and other stakeholders to ensure robust public accountability. Neighbourhood forums are set up widely across the Borough and Crawley Question Time took place on 4th February 2015.

In fulfilling these roles the Council is committed to following the six core principles of good corporate governance identified in the CIPFA/SOLACE Guidance, and how the Council adheres to these principles is set out below.

- The Council has a clear vision of its purpose and desired outcomes for the short, medium and long term. At a strategic level the Council vision is “jobs, homes and community”. All service areas have an agreed purpose and measures. The Budget Strategy models the vision of the Council.
- The Council has a good track record consulting with those who live and work in the borough. In developing projects, changing services or simply seeking feedback about the services received consultation is an integral part of the way we work. Doing this ensures that elected members are able to make informed decisions and that as an organisation we remain close to what matters most to local people. Crawley Question Time met with the public and included representatives from the Police and the NHS.
- The Local Plan consultation with the public over a number of years ensured that members had a clear understanding of the aspirations and concerns of local people, businesses and other stakeholders. For example, planning policies have been developed in a way that seeks to balance the need for housing alongside a desire to protect and maintain open green spaces. This was a direct result of the consultation with the public. The Local Plan is currently going through the decision making process.
- The Council has adopted Constitution which details how the Council operates, how decisions are made and the procedures, which are to be followed to ensure that these are efficient, transparent and accountable to local people. The Cabinet is responsible for most decisions, other than those that are reserved to Full Council. The Cabinet is made up of the Leader, who is appointed by the Council for a four-year term, and six councillors, who are appointed by the Leader.
- There is an Overview and Scrutiny Commission which performs all overview and scrutiny functions on behalf of the Council, enables non-Cabinet Members to investigate services and propose improvements on behalf of the local people, challenge and hold the Cabinet, Senior Officers and external bodies to account for their actions. It allows citizens to have a greater say in Council matters by holding scrutiny reviews into matters of local concern. This leads to reports and recommendations which advise the Cabinet and the Council as a whole on its policies, budgets and service delivery.

The Overview and Scrutiny Commission also monitors the decisions of the Cabinet, helping them to consider whether the decision is appropriate can make representations to the Cabinet. Provisions exist for the cabinet decisions to be called in.

The standards of conduct and personal behaviour expected of members and officers of the Council, its partners and the community are defined and communicated through codes of conduct and protocols. These include:

- Councillors' Code of Conduct
- Regular performance reviews for staff
- An Anti-Fraud and Corruption Strategy
- Protocol on Member/Employee Relations-training was given to officers in 2013 on Officer/Member relationships
- Employees' Code of Conduct
- Planning Code of Conduct was revised in September 2013
- The Whistle Blowing policy
- Independent Members
- The Council has an effective formal complaints procedure. Under the scheme in place, as agreed by CMT, complaints are usually dealt with by the Head of Service rather than someone independent of the service provided they have not been involved in dealing with the initial complaint.
- Reports on complaints received are presented to CMT and the Performance Monitoring Scrutiny Panel on a quarterly basis.
- A programme of management development for middle managers entitled 'Leading Through Transformation' started in 2014/15, with 36 managers completing the programme. A further 12 managers are undertaking this in 2015/16.
- In 2014/2015, 9 complaints were considered by the Local Government Ombudsman and the Housing Ombudsman. 4 were considered to be premature and were returned to the Council for local resolution. A further 3 were dismissed without a full investigation, one found maladministration and the remaining one was outstanding at 31st March 2015.
- The Council has a duty to ensure that it acts in accordance with the law and various regulations in the performance of its functions. It has developed policies and procedures for its officers to ensure that, as far as possible, all officers understand their responsibilities both to the Council and to the public. The Constitution is a key document which sets out how decisions are made, by whom and the procedures to be followed.
- The Procurement Code is available to all officers via the Council's Intranet, as well as available to the public as part of the Constitution. There is also an online Procurement Toolkit which supports officers in complying with the Procurement Code.
- Other documentation includes corporate policies and statements on a range of topics such as Equality and Diversity, Customer Care and Fraud. All policies are subject to internal review to ensure these are adequately maintained. The Council keeps all staff aware of changes in policy, or new documentation following new legislation by means

of alerting them in regular team meetings, newsflashes on the intranet and where appropriate, arranging training for all or key members of staff.

- The Council approved a revised Risk Management Strategy in 2014 which was current during the period of review. This is part of a revised approach to risk management.

Audit activity

The Audit Committee meets quarterly to undertake the core functions of an 'Audit Committee', the terms of reference of the Committee include:

- Consider and review the adequacy of the Internal Audit Budget and Resource Plan;
- Approve the Internal Audit Plans ensuring that appropriate risk assessments have been carried out when formulating these, and to monitor performance against the plans;
- Review Internal Audit Progress Reports which outline the main issues arising, and that appropriate action has been taken where necessary;
- Review the effectiveness of the Council's Risk Management Arrangements;
- Consider reports received from External Audit and other external inspection agencies;
- Contribute to the Council's response to the External Auditors;
- Consider the effectiveness of the Council's Counter Fraud and Anti-corruption arrangements;
- Approve the Council's Financial Statements.

Regulatory Framework (Governance)

- The Chief Executive is the Council's Head of Paid Service and has overall corporate management and operational responsibility for the way in which the Council delivers its services. The Head of Legal and Democratic Services is designated as the Council's Monitoring Officer and is responsible for ensuring that the Council complies with relevant laws and regulations and internal policies such as Contract Standing Orders. The Head of Finance, Revenues and Benefits is designated as the Council's Section 151 Officer with responsibility for ensuring the "proper administration of financial affairs". The Head of Finance, Revenues and Benefits also has responsibility under section 114 of the Local Government Finance Act 1988 for reporting to the Council and the external auditor if the Council has made, or is about to make, expenditure which is unlawful. These three statutory officers meet as necessary during the year to discuss significant corporate issues as they arise.
- The CIPFA statement on the Role of the Chief Financial Officer in Local Government (2010) requires the Chief Finance Officer to report directly to the Chief Executive and be a member of the 'Leadership Team', of equal status to other members. As a result of a restructure of the Council's senior management during the latter part of the year, the Head of Finance, Revenues and Benefits became a member of the Corporate Management Team, which meets every two weeks. The postholder reports to the Chief Executive and works closely with the Chief Executive and Deputy Chief Executive. Prior to the restructure, the Head of Finance, Revenues and Benefits was able to report directly to the Chief Executive

and Members as and when required, and is involved and consulted in all matters which have financial implications for the Council.

- A Whistle Blowing policy is in place at the Council, which allows for confidential reporting which safeguards employees who raise legitimate concerns about the Council's actions and specifies how their concerns should be addressed. An Anti-Fraud and Corruption policy which sets out the roles, responsibilities of officers and Members and actions to be taken when fraud or corruption is discovered. In addition, an Anti-Bribery Policy is in place to address the requirements of the Bribery Act 2010. These and the Council's Financial Procedure Rules require all staff to raise concerns about the use or misuse of Council resources with the Head of Finance, the dedicated Corporate Fraud team or the Audit and Risk Manager, who will carry out an independent investigation of the circumstances. The Fraud Team also actively encourages staff to raise matters of concern.
- The Head of Legal and Democratic Services supports the Member Development Executive Support Group who lead on the development and provision of training of members. All new Members are provided with induction training to assist them with understanding and successfully carrying out their different roles and training is provided on specific issues where appropriate e.g. planning and licensing.
- The Council has in place various channels of communication with the community and other stakeholders. Publications such as Crawley Live are sent to all households and the Council's website is an important source of information about the Council and its services. The Council's website has been designed to make it more accessible to residents and businesses of Crawley and to make it easier to undertake transactions online.
- The Council has identified its key partnerships and promotes good Governance. The Council's Contract Standing Orders and Financial Regulations contain specific sections on partnerships and identify officer responsibilities in relation to the management and involvement in partnerships. Protocols and agreements are put in place for the management of significant partnerships.

4. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the annual report of the Audit and Risk Manager, and also by comments made by the external auditor and other review agencies and inspectorates. The effectiveness of the governance framework is maintained and reviewed through a number of mechanisms and processes:

- Full Council is ultimately responsible for maintaining, revising and ensuring compliance with the Council's Constitution. The Head of Legal and Democratic Services reviews the Constitution at least annually to ensure that it is up to date with current legislation and best practice. The Governance Committee receives regular updates advising of changes to the Constitution.
- The Cabinet has responsibility for the day to day operation of the Council's business, cabinet decisions can be delegated to cabinet members as well as to Officers. Non cabinet functions are taken by the Council unless that business is delegated specifically to another committee (e.g. Planning, Licensing) or an officer and

ensuring that governance arrangements and compliance is adequate for the conduct of that business.

- As part of the Council's open and transparent approach, Overview and Scrutiny Committee has responsibility for scrutinising the decisions of the Cabinet and reviewing the Council's policies and functions and making recommendations to the Cabinet as appropriate.
- The Audit Committee takes responsibility for audit and risk management issues, reviewing the Council's work in these areas and monitoring the progress and performance of both Internal and External Audit.
- The Council's Governance Committee deals with constitution matters, political management, elections, member allowances as well as the conduct of members, it has the role of promoting and maintaining high standards of conduct amongst Members and assisting them to observe the Authority's Code of Conduct. Their work was supported by the appointment of two Independent Persons.
- The Council's Audit and Risk section, located within the Finance, Revenues and Benefits Division, carries out a continuous review of the Council's systems to provide independent assurance that the control environment is effective in achieving the Council's objectives. The team objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of the Authority's resources. The performance of the Internal Audit team is monitored by the Council's Audit and Governance Committee and Section 151 Officer. The Audit and Risk Manager presents the Internal Audit Strategy and Annual Audit Plan to the Audit and Governance Committee and produces an Annual Report giving an opinion of the adequacy of the Council's systems of internal control.

On the basis of Internal Audit work completed in 2014/15, the Audit and Risk Manager is able to provide Substantial assurance in respect of the Council's risk management, control and governance arrangements. "Substantial Assurance" means that systems in place are generally sound, but some weaknesses have been identified which may put some of the control objectives at risk. These weaknesses have presented to the Audit and Governance Committee, along with progress on action taken by management to mitigate the risks.

- The Council is regularly reviewed by the External Auditor (Ernst and Young LLP) who independently examines the Council's accounts and financial systems and who presents an Annual Governance Report to Members, the latest available covers the financial year 2013/14. No significant issues were raised at this time.

5. Declaration

During this year, no significant governance issues were identified and we are satisfied that the governance arrangements for Crawley Borough Council are adequate and operating effectively.

We propose over the coming year to take steps to further enhance our governance arrangements.

Signatures: Date:
Leader of the Council

..... Date:
Chief Executive

Opinion on the Authority's financial statements

We have audited the financial statements of Crawley Borough Council for the year ended 31 March 2015 under the Audit Commission Act 1998 (as transitionally saved). The Authority financial statements comprise the

- Authority Movement in Reserves Statement;
- the Comprehensive Income and Expenditure Statement;
- the Authority Balance Sheet;
- the Authority Cash Flow Statement;
- the Housing Revenue Account Income and Expenditure Statement and related notes 1 to 9;
- the Movement on the Housing Revenue Account Statement; and
- the Collection Fund and 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 2014/15.

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

Respective responsibilities of the Head of Finance, Revenues and Benefits and auditor

As explained more fully in the Statement of the Responsibility for the Statement of Accounts set out on page 9, the Head of Finance, Revenues and Benefits 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 2014/15, 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, Revenues and Benefits; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2014/15 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 Crawley Borough Council as at 31 March 2015 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2015 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 2014/15.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2014/15 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012);
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

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 criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under its Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Crawley Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

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

Paul King
for and on behalf of Ernst & Young LLP, Appointed Auditor
Reading
24 September 2015

Details of Movement in Reserves in the year

This statement shows the movement in the year on the different reserves held by Crawley Borough 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 Council'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 and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2013	6,981	26,855	3,198	123	36,234	8,160	1,347	82,898	295,476	378,374
Movement in reserves during 2013/14										
Surplus or (deficit) on the provision of services	2,361	-	8,828	-	-	-	-	11,189	-	11,189
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	14,349	14,349
Total Comprehensive Income and Expenditure	2,361	-	8,828	-	-	-	-	11,189	14,349	25,538
Adjustments between accounting basis & funding basis under regulations (Note 6)	(2,429)	-	(8,828)	-	7,853	9,279	754	6,629	(6,629)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	(68)	-	-	-	7,853	9,279	754	17,818	7,720	25,538
Transfers to/from Earmarked Reserves (Note 7)	1,118	(1,118)	-	-	-	-	-	-	-	-
Increase/Decrease in 2013/14	1,050	(1,118)	-	-	7,853	9,279	754	17,818	7,720	25,538

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2014 Carried Forward	8,031	25,737	3,198	123	44,087	17,439	2,101	100,716	303,196	403,912
Movement in reserves during 2014/15										
Surplus or (deficit) on the provision of services	(9,792)	-	5,650	-	-	-	-	(4,142)	-	(4,142)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	31,212	31,212
Total Comprehensive Income and Expenditure	(9,792)	-	5,650	-	-	-	-	(4,142)	31,212	27,070
Adjustments between accounting basis & funding basis under regulations (Note 6)	1,065	-	(5,650)	-	(6,571)	5,014	(36)	(6,178)	6,178	-
Net Increase/Decrease before Transfers to Earmarked Reserves	(8,727)	-	-	-	(6,571)	5,014	(36)	(10,320)	37,390	27,070
Transfers to/from Earmarked Reserves (Note 7)	7,975	(7,975)	-	-	-	-	-	-	-	-
Increase/Decrease in Year	(752)	(7,975)	-	-	(6,571)	5,014	(36)	(10,320)	37,390	27,070
Balance at 31 March 2015 Carried Forward	7,279	17,762	3,198	123	37,516	22,453	2,065	90,396	340,586	430,982

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.

2013/14				2014/15			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	
3,446	(1,944)	1,502	Central Services to the Public	3,731	(1,872)	1,859	
15,468	(8,133)	7,335	Cultural and Related Services	17,362	(8,160)	9,202	
11,862	(5,364)	6,498	Environment and Regulatory Services	10,677	(4,702)	5,975	
3,141	(837)	2,304	Planning Services	3,369	(1,040)	2,329	
122	(115)	7	Education and Children's Services	182	(61)	121	
1,174	(236)	938	Highways and Transport Services	996	(173)	823	
31,811	(45,602)	(13,791)	Local authority Housing	35,580	(47,554)	(11,974)	
55,540	(51,249)	4,291	Other Housing Services	54,421	(51,300)	3,121	
2,236	(249)	1,987	Corporate and Democratic Core	2,228	(256)	1,972	
-	-	-	Non distributed costs	577	-	577	
124,800	(113,729)	11,071	Cost of Services	129,123	(115,118)	14,005	

2013/14		2014/15
Net Expenditure £'000		Net Expenditure £'000
(3,310)	Other operating expenditure (Note 8)	(810)
73	Financing and investment income and expenditure (Note 9)	8,567
-	Surplus or deficit of discontinued operations	-
<u>(19,023)</u>	Taxation and non-specific grant income (Note 10)	<u>(17,620)</u>
(11,189)	(Surplus) or Deficit on Provision of Services	4,142
(12,255)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	(39,679)
23	(Surplus) or deficit on revaluation of available for sale financial assets	(18)
<u>(2,117)</u>	Remeasurements of the net defined benefit liability	<u>8,485</u>
<u>(14,349)</u>	Other Comprehensive Income and Expenditure	<u>(31,212)</u>
<u>(25,538)</u>	Total Comprehensive Income and Expenditure	<u>(27,070)</u>

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by Crawley Borough 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 Council 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 2014 £'000		Notes	31 March 2015 £'000
539,159	Property, Plant & Equipment	11	578,305
52	Heritage Assets	12	52
41,924	Investment Property	13	48,675
483	Intangible Assets	14	605
23,254	Long Term Investments	15	18,230
<u>5,959</u>	Long Term Debtors	15	<u>5,659</u>
610,831	Long Term Assets		651,526
88,860	Short Term Investments	15	88,457
1	Assets Held for Sale	18	9
37	Inventories		25
5,759	Short Term Debtors	16	8,004
<u>4,891</u>	Cash and Cash Equivalents	17	<u>4,598</u>
99,548	Current Assets		101,093

31 March 2014 £'000		Notes	31 March 2015 £'000
(68)	Short Term Borrowing	15	(68)
(16,625)	Short Term Creditors	19	(20,765)
(2,412)	Provisions	20	(3,013)
(19,105)	Current Liabilities		(23,846)
(260,244)	Long Term Borrowing	15	(260,249)
(24,680)	Other Long Term Liabilities	37	(34,954)
(2,438)	Capital Grants Receipts in Advance	32	(2,588)
(287,362)	Long Term Liabilities		(297,791)
403,912	Net Assets		430,982
100,716	Usable Reserves	21	90,396
303,196	Unusable Reserves	22	340,586
403,912	Total Reserves		430,982

The Cash Flow Statement shows the changes in cash and cash equivalents of Crawley Borough 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 Council 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 which 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.

2013/14		2014/15
£'000		£'000
11,189	Net surplus/(deficit) on the provision of services	(4,142)
30,226	Adjustments to net surplus or deficit on the provision of services for non cash movement	31,084
<u>(19,704)</u>	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	<u>(10,969)</u>
21,711	Net cash flows from Operating Activities (Note 23)	15,973
(19,526)	Investing Activities (Note 24)	(19,685)
<u>1,175</u>	Financing Activities (Note 25)	<u>3,419</u>
3,360	Net increase or decrease in cash and cash equivalents	(293)
<u>1,531</u>	Cash and cash equivalents at the beginning of the reporting period	<u>4,891</u>
<u>4,891</u>	Cash and cash equivalents at the end of the reporting period (Note 17)	<u>4,598</u>

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1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Crawley Borough Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, 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.

ii. 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.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

iv. Exceptional Items

When items of income and expense 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.

v. 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, ie 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.

vi. Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

vii. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly 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 (eg. cars) 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, eg. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

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 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 restructure.

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.

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.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the West Sussex pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.3% (based on the indicative rate of return on high quality corporate bond, the iBoxx Sterling Corporates Index, AA over 15 years).

-
- 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
 - unquoted 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 authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line 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 to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the 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 Pensions Reserve to remove the notional debits and credits for retirement benefits and

replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits 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.

viii. Events After the Balance Sheet Date

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.

ix. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets

Financial assets are classified into three types:

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

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

Loans and Receivables

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

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 derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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 (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

- instruments with quoted market prices - the market price
- other instruments with fixed and determinable payments - discounted cash flow analysis
- equity shares with no quoted market prices - independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/ loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets.

The exception is where impairment losses have been incurred - these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

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

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Instruments Entered Into Before 1 April 2006

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

x. Government Grants and Contributions

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

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

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

Monies advanced 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 (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied 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.

xi. Heritage Assets

Heritage Assets are recognised and measured (including the treatment of revaluation 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 and described below. The council's collections of heritage assets are accounted for as follows:

- **Public Works of Art** – the council considers that obtaining valuations for the vast majority of public works of art would involve a disproportionate cost in comparison to the benefits to the users of the council's financial statements. This is because of the unique nature of the assets held and the lack of comparable values. Other than the small number of items that have been acquired recently, the Council does not recognise this collection of heritage assets on the Balance sheet.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the council's general policies on impairment – see note xvii in this summary of significant accounting policies.

xii. 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 (eg 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 revalued 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.

xiii. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

xiv. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

xv. 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 Lessor

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg 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.

xvi. 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 2014/15 (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.

xvii. 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 (ie repairs and maintenance) is charged as an expense when it is incurred.

Assets Included

All land and buildings owned by the Council are included. Vehicles and equipment are included where the useful asset life is more than three years and the purchase cost is greater than £9,000 (vehicles), or £10,000 (equipment).

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 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 (ie it will not lead to a variation in the cash flows of the Council). 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:

- community assets and assets under construction - depreciated historical cost
- dwellings - fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(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 (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the valuer.
- vehicles, plant, furniture and equipment – a straight-line allocation over between 3 and 7 years according to estimated useful life.

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.

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 revalued 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 (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

xviii. 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 (eg 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.

xix. 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.

xx. Revenue Expenditure Funded from Capital under Statute

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

xxi. 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 Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) has adopted a number of changes to accounting standards which will be required to be applied from 1 April 2015. If these had been adopted for the 2014/15 financial year, there would have been no material changes. The new or revised standards are:

- **IFRS 13 Fair Value Measurement**
- **IFRS 21 Levies**
- **Annual Improvements to IFRSs 2011-2013 Cycle**

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.

Funding

There is a 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.

Investment properties

Investment properties have been estimated using the identifiable criteria under IFRS of being held for rental income or for capital appreciation. These properties have been assessed using these criteria, which is subject to interpretation.

Leases

The Council has examined its leases, and classified them as either operational or finance leases. In some cases the lease transaction is not always conclusive and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In reassessing the lease the Council has estimated implied interest rate with in the lease to calculate interest and principal payments.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that actual outcomes could differ from those estimates.

The items in the Council's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Term	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £158,145 for every year that useful lives had to be reduced.</p>
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.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £26.6m. A 1 year increase in member life expectancy would result in an increase in the pension liability of £6.9m. A 0.5% increase in the Salary Increase Rate would result in an increase in the pension liability of £6.6m. A 0.5% increase in the Pension

Increase Rate would result in an increase in £15.5m.

Arrears	At 31 March 2015, the Council had a balance of sundry debtors for £12.759m. A review of significant balances suggested that an impairment of doubtful debts of (£4.698m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If Collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £4.698m to set aside as an allowance.
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Business Rates	<p>The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain proportion of the business rates generated in their area. The new arrangements for the retention of business rates came into effect on 1 April 2013.</p> <p>The council has recognised a provision for its share of the best estimate of refunds due to ratepayers who will successfully appeal against the rateable value of their properties on the rating list. This will include amounts relating to non-domestic rates charged to the business in 2012-13 and earlier financial years. The estimate has been calculated using the Valuation Office (VAO) rating list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2015.</p>	If appeals are higher than the provision, taxation income in future years will be reduced.
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This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

5. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Finance, Revenue and Benefits on 24 September 2015. 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 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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 Council to meet future capital and revenue expenditure.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the 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. However, the balance is not available to be applied to funding HRA services.

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve

The Authority is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year-end.

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 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 which have yet to be applied to meet expenditure against which it can be applied and/or the financial year in which this can take place.

2014/15

	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'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	3,099	4,784	-	-	-	(7,883)
Revaluation losses on Property Plant and Equipment	2,246	10,337	-	-	-	(12,583)
Movement in the market value of Investment Properties	4,281	28	-	-	-	(4,309)
Amortisation of intangible assets	164	9	-	-	-	(173)
Capital grants & contribution applied	(2,400)	(673)	-	-	-	3,073
Revenue expenditure funded from capital under statute	1,026	-	-	-	-	(1,026)
Amount 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	30	5,925	-	-	-	(5,955)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Capital expenditure charged against the General Fund and HRA balances	(7,454)	-	-	-	-	7,454
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive income and Expenditure Statement	15	-	-	-	(15)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	(21)	21
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	(587)	(7,096)	7,683	-	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	(13,801)	-	-	13,801
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	(57)	57	-	-	-

2014/15

	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	973	-	(973)	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	463	-	-	(463)
Adjustment primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the comprehensive Income and Expenditure Statement	-	-	-	-	-	-
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	(18,967)	-	18,967	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	(13,953)	-	13,953
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 37)	4,695	483	-	-	-	(5,178)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,966)	(423)	-	-	-	3,389
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	(2,053)	-	-	-	-	2,053
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	(4)	-	-	-	-	4
Total Adjustments	1,065	(5,650)	(6,571)	5,014	(36)	6,178

2013/14

Comparative Figures

Usable Reserves

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'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	2,992	4,524	-	-	-	(7,516)
Revaluation losses on Property Plant and Equipment	116	8,101	-	-	-	(8,217)
Movements in the market value of Investment Properties	(781)	(28)	-	-	-	809
Amortisation of intangible assets	170	9	-	-	-	(179)
Capital grants and contributions applied	(1,628)	(479)	-	-	-	2,107
Revenue expenditure funded from capital under statute	2,185	-	-	-	-	(2,185)
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	459	7,736	-	-	-	(8,195)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Capital expenditure charged against the General Fund and HRA balances	(920)	-	-	-	-	920
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	(771)	-	-	-	771	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	(17)	17
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	(6,280)	(10,498)	16,778	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(2,782)	-	-	2,782

2013/14

Comparative Figures

	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	-	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	872	-	(872)	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	24	-	-	(24)
Adjustment primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	(5,295)	-	-	5,295
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	(18,290)	-	18,290	-	-
Use of the Major Repairs Reserve to Finance new capital expenditure	-	-	-	(9,011)	-	9,011
Adjustments primarily involving the Pension Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 37)	4,238	469	-	-	-	(4,707)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,597)	(374)	-	-	-	2,971
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(479)	-	-	-	-	479
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(5)	2	-	-	-	3
Total Adjustments	(2,429)	(8,828)	7,853	9,279	754	(6,629)

7. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2014/15.

	Balance at 1 April 2013 £'000	Transfers Out 2013/14 £'000	Transfers In 2013/14 £'000	Balance at 31 March 2014 £'000	Transfers Out 2014/15 £'000	Transfers In 2014/15 £'000	Balance at 31 March 2015 £'000
General Fund:							
Capital Programme	22,636	(8,743)	-	13,893	(5,000)	-	8,893
Restructuring Impact Reserve	371	(146)	1,724	1,949	(568)	-	1,381
Housing & Planning Delivery Grant	465	(465)	-	-	-	-	-
LABGI Grant	108	(108)	-	-	-	-	-
Vehicles and Plant	547	(450)	200	297	(109)	200	388
Development of Facilities for Young People	174	-	-	174	(14)	-	160
Insurance Fund	424	-	-	424	-	-	424
ICT Replacement	185	(24)	100	261	(260)	100	101
Specialist Equipment at K2 and Hawth	-	(45)	100	55	(53)	100	102
Risk Management	56	-	7	63	(55)	24	32
Quick Wins	-	-	-	-	-	50	50
Community Cohesion	121	(21)	-	100	(47)	-	53
Heritage Strategy	55	-	-	55	-	-	55
Pathfinder	35	(2)	-	33	(22)	-	11
Local Development Framework	141	-	422	563	(84)	-	479
Climate Change	45	(38)	-	7	-	-	7
Museum	21	(19)	-	2	(2)	-	-
Health & Wellbeing PCT	16	-	-	16	-	-	16
University bid	-	-	-	-	-	-	-
Defra Water Management	32	(4)	-	28	(4)	-	24
Health & Wellbeing Grant	268	-	58	326	-	14	340
Extreme Sports Officer	-	-	-	-	-	-	-
Anti social behaviour	5	(5)	-	-	-	-	-
Nature Centre bequests	5	(5)	-	-	-	-	-
Connecting Communities	30	-	-	30	-	-	30
Priority 2 & 3	42	(6)	-	36	(31)	-	5
Smoke free	10	-	-	10	(10)	-	-
Homeless Strategy	19	(19)	-	-	-	-	-
Homeless grant	19	-	-	19	-	-	19

	Balance at 1 April 2013 £'000	Transfers Out 2013/14 £'000	Transfers In 2013/14 £'000	Balance at 31 March 2014 £'000	Transfers Out 2014/15 £'000	Transfers In 2014/15 £'000	Balance at 31 March 2015 £'000
Employee support Allowance	-	-	-	-	-	-	-
Leased car compensation	95	(95)	-	-	-	-	-
Legal Action	34	(5)	-	29	(29)	-	-
Local Housing Allowance	20	(20)	-	-	-	-	-
Atlas Temp Accommodation	17	(17)	-	-	-	-	-
IB & US Reassessment	-	-	-	-	-	-	-
Small Business Rate Relief	-	-	-	-	-	-	-
Town Centre and Regeneration Reserve	670	(73)	78	675	(131)	2	546
Housing Benefit Transition	-	-	-	-	-	-	-
New Homes Bonus	-	-	-	-	-	-	-
Preventing Repossessions	39	-	-	39	(36)	-	3
Recycling Support	124	(80)	-	44	(44)	-	-
Discretionary Housing Payments	11	(11)	-	-	-	-	-
IT Hardware Upgrade	15	(15)	-	-	-	-	-
Council tax support funding	-	-	73	73	-	73	146
Investment Acquisition	-	-	5,000	5,000	(6,209)	5,000	3,791
Waste Collection	-	-	1,113	1,113	(832)	-	281
Severe Weather	-	-	6	6	(6)	-	-
Worth Park HLF	-	-	19	19	-	36	55
Social Housing Fraud	-	-	6	6	-	7	13
Preventing B&B over 6 weeks	-	(174)	299	125	(29)	-	96
Stone court play adoption	-	-	91	91	-	-	91
Grant to voluntary organisations	-	-	75	75	-	-	75
Welfare Reform	-	-	101	101	(71)	49	79
Transparency	-	-	-	-	-	6	6
Shore gap fund	-	-	-	-	-	10	10
Total	26,855	(10,590)	9,472	25,737	(13,646)	5,671	17,762

HRA:

Leased car compensation	43	(43)	-	-	-	-	-
Restructuring Impact	80	-	43	123	-	-	123
Total	123	-	43	123	-	-	123

8. Other Operating Expenditure

2013/14 £'000		2014/15 £'000
871	Payment to the Government Housing Receipts Pool	973
(4,181)	Gains/losses on the disposal of non-current assets	(1,783)
(3,310)	Total	(810)

9. Financing and Investment Income and Expenditure

2013/14 £'000		2014/15 £'000
8,309	Interest payable and similar charges	8,309
1,140	Net interest on the net defined benefit liability	1,073
(1,194)	Interest receivable and similar income	(1,579)
(8,182)	Income and expenditure in relation to investment properties and changes in their fair market value	764
-	Other investment income	-
73	Total	8,567

10. Taxation and Non Specific Grant Incomes

The Following government grants are receivable which are not attributable to a specific service:

2013/14 £'000		2014/15 £'000
(6,038)	Council Tax Income	(6,108)
(2,797)	Retained Business Rates	(3,591)
(7,702)	Non-ringfenced government grants	(5,306)
(2,486)	Capital grants and contributions	(2,615)
(19,023)	Total	(17,620)

11. Property, Plant and Equipment

Movements on Balances

Movements in 2014/15

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost or Valuation							
At 1 April 2014	426,225	118,339	7,686	-	-	4,853	557,103
Additions	14,775	2,095	3,237	-	-	5,936	26,043
Revaluation increases/(decreases) recognised in the Revaluation Reserve	31,340	(4,681)	-	-	-	-	26,659
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(10,348)	(2,589)	-	-	-	-	(12,937)
Derecognition – Disposals	(5,977)	(6)	(118)	-	-	-	(6,101)
Assets Reclassified (to)/from Held for Sale	-	(9)	-	-	-	-	(9)
Other movements in asset classification	2,355	(140)	34	-	-	(2,420)	(171)
At 31 March 2015	458,370	113,009	10,839	-	-	8,369	590,587
Accumulated Depreciation and Impairment							
At 1 April 2014	(4,212)	(8,125)	(5,607)	-	-	-	(17,944)
Depreciation charge	(4,526)	(2,587)	(771)	-	-	-	(7,884)
Depreciation written out to the Revaluation Reserve	4,182	8,838	-	-	-	-	13,020
Depreciation written out to the Surplus/Deficit on the Provision of Services	12	344	-	-	-	-	356
Derecognition – Disposals	52	-	118	-	-	-	170
Other movements in depreciation and impairment	-	-	-	-	-	-	-
At 31 March 2015	(4,492)	(1,530)	(6,260)	-	-	-	(12,282)
Net Book Value							
At 31 March 2015	453,878	111,479	4,579	-	-	8,369	578,305
At 31 March 2014	422,013	110,214	2,079	-	-	4,853	539,159

Comparative Movements in 2013/14

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost or Valuation							
At 1 April 2013	427,706	117,221	7,597	-	-	784	553,308
Additions	7,639	441	336	-	-	4,102	12,518
Revaluation increases/(decreases) recognised in the Revaluation Reserve	6,795	798	-	-	-	-	7,593
Revaluation increases/(decreases) recognised in the surplus/Deficit on the Provision of Services	(8,106)	(127)	-	-	-	-	(8,233)
Derecognition-Disposals	(7,809)	-	(247)	-	-	-	(8,056)
Assets Reclassified (to)/from Held for Sale	-	5	-	-	-	-	5
Other movements in asset classification	-	1	-	-	-	(33)	(32)
At 31 March 2014	426,225	118,339	7,686	-	-	4,853	557,103
Accumulated Depreciation and Impairment							
At 1 April 2013	(4,198)	(5,993)	(5,211)	-	-	-	(15,402)
Depreciation charge	(4,251)	(2,630)	(635)	-	-	-	(7,516)
Depreciation written out to the Revaluation Reserve	4,164	498	-	-	-	-	4,662
Depreciation written out to the Surplus/Deficit on the Provision of Services	6	-	-	-	-	-	6
Derecognition – Disposals	67	-	239	-	-	-	306
Other movements in depreciation and impairment	-	-	-	-	-	-	-
At 31 March 2014	(4,212)	(8,125)	(5,607)	-	-	-	(17,944)
Net Book Value							
At 31 March 2014	422,013	110,214	2,079	-	-	4,853	539,159
At 31 March 2013	423,508	111,228	2,386	-	-	784	537,906

Capital Commitments

At 31 March 2015, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2014/15 and future years budgeted to cost £14,546,614. Similar commitments at 31 March 2014 were £12,204,932.

The major commitments are:

	£'000
HRA Programmed Repairs	9,706
HRA Affordable Housing	3,561
Community – Park and Recreation	923
Environment – Flooding and Water Management	259
Environment – Residential Improvement	97
	<hr/>
	14,546

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations of land and buildings are carried out externally by Wilks Head Eve Chartered Surveyors, 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 current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Surplus Assets £'000	Assets under Construction £'000	Total £'000
Carried at historic cost	-	-	4,579	-	8,369	12,948
Valued at fair value as :						
31 March 2015	453,878	-	-	-	-	453,878
31 March 2014	-	76,197	-	-	-	76,197
31 March 2013	-	8,150	-	-	-	8,150
31 March 2012	-	23,263	-	-	-	23,263
31 March 2011	-	2,566	-	-	-	2,566
31 March 2010	-	1,303	-	-	-	1,303
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	453,878	111,479	4,579	-	8,369	578,305

12. Heritage Assets

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

Cost or Valuation	Public Works of Art
01 April 2013	52
Additions	-
Disposals	-
	<hr/>
31 March 2014	52

	Public Works of Art
Cost or Valuation	
01 April 2014	52
Additions	-
Disposals	-
31 March 2015	52

Public Works of Art

The Council has a number of sculptures and other art work throughout the Borough. These have been included in the Balance Sheet at cost where this information is available.

13. Investment Properties

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

	2013/14 £'000	2014/15 £'000
Rental income from investment property	(3,770)	(4,356)
Direct operating expenses arising from investment property *	(4,412)	5,120
Net (Gain)/Loss	(8,182)	764

*Direct operating expenses include revaluations of investment property (see net gains/losses from fair value adjustments in the table below)

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance on income and proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property. With the exception of leases in which the Authority retains responsibility for undertaking repairs, the Authority does not undertake repairs, maintenance or enhancement.

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

	2013/14 £'000	2014/15 £'000
Balance at the start of the year	41,362	41,924
Additions:		
• Purchases	-	10,990
• Subsequent expenditure	-	-
Disposals	(350)	-
Net gains/losses from fair value adjustments	808	(4,309)
Transfers:		
• to/from Property, Plant and Equipment	-	-
• to/from Assets Held for Sale	104	-
• to/from Land and Buildings	-	70
Balance at end of the year	41,924	48,675

Revaluations

The Council values all investment properties with a rolling programme that ensures that all Investment Property required to be measured at fair value is inspected at least every five years. Valuations of Investment Property are carried out externally by Wilks Head Eve Chartered Surveyors, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

14. 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. None of the intangible assets are internally generated.

The carrying amount of all intangible assets is amortised on a straight-line basis across a useful life of 5 years. The amortisation of £173,000 charged to revenue in 2014/15 was charged to appropriate service headings in the Net Expenditure of Services.

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

	2013/14			2014/15		
	Internally Generated Assets	Other Assets	Total	Internally Generated Assets	Other Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at start of year:						
▪ Gross carrying amounts	-	2,570	2,570	-	2,686	2,686
▪ Accumulated amortisation	-	(2,024)	(2,024)	-	(2,202)	(2,203)
Net carrying amount at start of year	-	546	546	-	484	483
Additions:						
▪ Purchases	-	84	84	-	195	195
Assets reclassified	-	-	-	-	-	-
Other movements in Asset classification	-	32	32	-	99	99
Amortisation for the period	-	(179)	(179)	-	(173)	(173)
Net carrying amount at end of year	-	483	483	-	605	605
Comprising:						
▪ Gross carrying amounts	-	2,686	2,686	-	2,980	2,980
▪ Accumulated amortisation	-	(2,203)	(2,203)	-	(2,375)	(2,375)
	-	483	483	-	605	605

15. Financial Instruments

Categories of Financial Instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long-Term		Current	
	As at 31 March 2014 £'000	As at 31 March 2015 £'000	As at 31 March 2014 £'000	As at 31 March 2015 £'000
Investments				
Loans and receivables	16,164	18,230	78,741	66,691
Available-for-sale financial assets	2,200	-	10,107	21,766
Financial assets at fair value through profit and loss ²	4,890	-	12	-
Total Investments	23,254	18,230	88,860	88,457
Cash and Cash Equivalents				
Loans and receivables	-	-	7,238	5,968
Available-for-sale financial assets	-	-	-	-
Financial liabilities at amortised cost ¹	-	-	(2,347)	(1,370)
Total cash and cash equivalents	-	-	4,891	4,598
Debtors				
Loans and receivables	5,870	5,602	-	-
Financial assets carried at contract amounts	89	57	3,313	4,727
Total Debtors	5,959	5,659	3,313	4,727
Borrowings				
Financial liabilities at amortised cost	(260,244)	(260,249)	(68)	(68)
Total Borrowings	(260,244)	(260,249)	(68)	(68)
Creditors				
Financial liabilities carried at contract amount	-	-	(8,281)	(7,123)
Total creditors	-	-	(8,281)	(7,123)

Note 1 – Under accounting requirements the carrying value of the financial instrument value shown in the balance sheet which includes the principal amount borrowed or lent plus accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Note 2 – Fair value has been measured by direct reference to published price quotations in an active market.

Note 3 – Local authorities sometimes give financial guarantees that require them to make specified payments to reimburse the holder of a debt if the debtor fails to make payment when due in accordance with the terms of the contract. The Council provided a financial guarantee in respect of mortgages granted on shared ownership sales of certain Council dwellings, which has been initially recognised at fair value.

Subsequently this is measured at the higher of the amount recognised initially and the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Assets less when appropriate cumulative amortisation. Therefore, the carrying amount of the financial guarantee would remain at the original amount estimated at inception (less cumulative amortisation) unless payment under the guarantee becomes probable at which point the amount of the liability will be determined in accordance with IAS 37.

Income, Expense, Gain and Losses

	2013/14						2014/15					
	Financial liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Financial Assets: Available for Sale £'000	Assets and Liabilities at fair Value through Profit and Loss £'000	Total £'000		Financial Liabilities Measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Financial Assets: Available For Sale £'000	Assets & Liabilities at Fair Value through Profit and Loss £'000	Total £'000	
Interest Expense	8,309	-	-	-	8,309		8,309	-	-	-	8,309	
Losses on derecognition	-	-	-	12	12		-	-	-	-	-	
Reduction in fair value	-	-	-	114	114		-	-	-	-	-	
Impairment losses	-	-	-	-	-		-	-	-	-	-	
Fee expense	-	-	-	-	-		-	-	-	-	-	
Total expense in Surplus or Deficit on the Provision of Services	8,309	-	-	126	8,435		8,309	-	-	-	8,309	
Interest Income	-	(1,128)	(35)	(158)	(1,321)		-	(1,249)	(149)	(34)	(1,432)	
Interest income accrued on impaired financial assets	-	-	-	-	-		-	-	-	-	-	
Increases in fair value	-	-	-	-	-		-	-	-	-	-	
Gains on derecognition	-	-	-	-	-		-	-	(44)	(103)	(147)	
Fee Income	-	-	-	-	-		-	-	-	-	-	
Total income in Surplus or Deficit on the Provision of Services	-	(1,128)	(35)	(158)	(1,321)		-	(1,249)	(193)	(137)	(1,579)	

Gains on revaluation	-	-	(3)	-	(3)	-	-	-	-	-
Losses on revaluation	-	-	21	-	21	-	-	-	-	-
Amount recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-	-	-	-	(18)	-	(18)
Surplus/deficit arising on revaluation of financial assets in Other comprehensive Income and Expenditure	-	-	18	-	18	-	-	(18)	-	(18)
Net gain/(loss) for the year	8,309	(1,128)	(17)	(32)	7,132	8,309	(1,249)	(211)	(137)	6,712

Fair value of assets and liabilities carried at amortised cost

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost (in long term assets/liabilities with accrued interest in current assets/liabilities). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values calculated are as follows:

	31 March 2014		31 March 2015	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
PWLB debt	260,244	262,657	260,249	308,086

The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the premature repayment rates from the PWLB.

	31 March 2014		31 March 2015	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Loans and receivables	16,164	17,603	18,230	18,825
Available-for-sale financial assets	2,200	2,200	-	-
Financial assets at fair value through profit and loss	4,890	4,890	-	-
Long-term debtors	5,869	5,869	5,659	5,659

The fair value of the assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2015) attributable to the commitment to receive interest above current market rates.

Financial assets at fair value through profit and loss are carried on the Balance sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

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

16. Debtors

	31 March 2014 £'000	31 March 2015 £'000
Central Government Departments	1,484	1,771
Other Local Authorities	687	1,652
NHS Bodies	-	-
Public Corporations and Trading Funds	-	-
Other Entities and Individuals	3,588	4,581
Total Debtors	5,759	8,004

17. Cash and Cash Equivalent

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

31 March 2014 £'000		31 March 2015 £'000
(2,347)	Cash overdrawn	(1,370)
7,238	Bank Call account	30
-	Money Market Funds	5,938
4,891	Total Cash and Cash Equivalents	4,598

18. Assets Held for Sale

	Current 2013/14 £'000	2014/15 £'000
Balance Outstanding at start of year	171	1
Assets newly classified as held for sale:		
• Property, Plant and Equipment	-	9
• Investment Property	-	-
Assets declassified as held for sale:		
• Property, Plant and Equipment	(5)	-
• Investment Property	(104)	-
Revaluation Gains	-	-
Impairment Losses	-	-
Assets sold	(61)	(1)
Balance outstanding at year end	1	9

19. Creditors

	As at 31 March 2014 £'000	As at 31 March 2015 £'000
Central Government Departments	6,645	9,797
Other Local Authorities	1,572	2,866
NHS Bodies	-	-
Public Corporations and Trading Funds	-	-
Other Entities and Individuals	8,408	8,102
Total Creditors	16,625	20,765

20. Provisions

	Accumulated Absences £'000	Other £'000	NNDR Appeal £'000	Total £'000
Balance at 1 April 2014	165	20	2,227	2,412
Additional provisions made in 2014/15	161	140	1,468	1,769
Amounts used in 2014/15	(165)	-	(1,003)	(1,168)
Unused amounts reversed in 2014/15	-	-	-	-
Unwinding of discounting in 2014/15	-	-	-	-
Balance at 31 March 2015	161	160	2,692	3,013

Accumulated Absences

Provision for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March.

NNDR Appeal

An estimate of the Council's share of the outstanding appeals which may result in lower rateable values resulting in a refund of business rates, see collection fund.

Other

Other Provisions represent amounts set aside to meet potential future liabilities.

21. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement, Note 6 and Note 7.

22. Unusable Reserves

31 March 2014 £'000		31 March 2015 £'000
	Unusable Reserves Held for Capital Purposes	
34,351	Revaluation Reserve	72,546
287,849	Capital Adjustment Account	295,706
5,346	Deferred Capital Receipts Reserve	4,883
327,546	Total Unusable Reserves Held for Capital Purposes	373,135
	Unusable Reserves Held for Revenue Purposes	
(18)	Available for Sale Financial Instrument Reserve	-
(24,680)	Pension Reserve	(34,954)
513	Collection Fund Adjustment Account	2,566
(165)	Accumulated Absences Account	(161)
(24,350)	Total Unusable Reserves Held for Revenue Purposes	(32,549)
303,196	Total Unusable Reserves	340,586

(a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. Then Balance is reduced when assets with accumulated gains are:

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

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

2013/14		2014/15	
£'000		£'000	
22,990	Balance at 1 April		34,351
12,449	Upward revaluation of assets	40,315	
	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services		
(194)		(636)	
12,255	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		39,679
(19)	Prior year adjustments	-	
	Difference between fair value depreciation and historical cost depreciation		
(746)		(1,340)	
(129)	Accumulated gains on assets sold or scrapped	(144)	
(894)	Amount written off to the Capital Adjustment Account		(1,484)
34,351	Balance at 31 March		72,546

(b) Capital Adjustment Account

The balance on this Account represents resources set aside to finance capital expenditure less the historical cost of acquiring, creating or enhancing fixed assets. However, the balance also includes revaluation gains prior to 1 April 2007 on assets that are currently held.

2013/14 £'000		2014/15 £'000
297,600	Balance at 1 April	287,849
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(7,516)	• Charges for depreciation and impairment of non current assets (7,883)	
(8,217)	• Revaluation losses on Property, Plant and Equipment (12,583)	
(179)	• Amortisation of intangible assets (173)	
(2,185)	• Revenue expenditure funded from capital under statute (1,026)	
(8,194)	• 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 (5,955)	
(26,291)		(27,620)
894	Adjusting amounts written out of the Revaluation Reserve	1,484
(25,397)	Net written out amount of the cost of non-current assets consumed in the year	(26,136)
	Capital financing applied in the year:	
2,782	• Use of the Capital Receipts Reserve to finance new capital expenditure 13,801	
9,011	• Use of the Major Repairs Reserve to finance new capital expenditure 13,953	
2,107	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing 3,073	
17	• Application of grants to capital financing from the Capital Grants Unapplied Account 21	
-	• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances -	
920	• Capital expenditure charged against the General fund and HRA balances 7,454	
14,837		38,302
809	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(4,309)
-	Movement in the donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-
287,849	Balance at 31 March	295,706

(c) Deferred Capital Receipts Reserve

The Deferred Capital Receipts reserve holds the gains recognised on the disposal of non current assets but for which cash settlement has yet to take place. 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.

2013/14 £'000		2014/15 £'000
75	Balance at 1 April	5,346
5,295	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
(24)	Transfer to the Capital Receipts Reserve upon receipt of cash	(463)
5,346	Balance at 31 March	4,883

d) Available for Sale Financial Instrument Reserve

The Available for Sale Financial Instrument Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Disposed of and the gains are realised.

2013/14 £'000		2014/15 £'000
6	Balance at 1 April	(18)
3	Upward revaluation of investments	-
(21)	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	-
	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	-
(6)		18
(18)	Balance at 31 March	-

(e) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The 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 substantial 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.

2013/14 £'000		2014/15 £'000
(25,060)	Balance at 1 April	(24,680)
2,117	Actuarial gains or losses on pensions assets and liabilities	(8,485)
(4,708)	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	(5,178)
2,971	Employer's pensions contribution and direct payments to pensioners payable in the year	3,389
(24,680)	Balance at 31 March	(34,954)

(f) Collection Fund Adjustment Account

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

2013/14 £'000		2013/14 £'000
34	Balance at 1 April	513
479	Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	2,053
513	Balance at 31 March	2,566

(g) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General fund Balance is neutralised by transfers to or from the Account.

2013/14			2014/15
£'000			£'000
(169)	Balance at 1 April		(165)
169	Settlement or cancellation of accrual made at the end of the preceding year	165	
(165)	Amounts accrued at the end of the current year	(161)	
<hr/>		<hr/>	
4	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		4
<hr/>			<hr/>
(165)	Balance at 31 March		(161)

23. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

31/03/2014

£'000

1,800	Interest received
(8,304)	Interest paid
-	Dividends received

31/03/2015

£'000

1,370
(8,304)
-

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

31/03/2014

£'000

7,516	Depreciation
8,217	Impairments and downward valuations
178	Amortisation
4	Increase/(decrease) in impairment for bad debts
2,524	Increase/(decrease) in creditors
384	Increase/(decrease) in debtors
15	Increase/Decrease in inventories
1,737	Movement in pension liability
8,194	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised
1,457	Other non-cash items charged to the net surplus or deficit on the provision of services

31/03/2015

£'000

7,883
12,583
173
3
194
(2,252)
13
1,789
5,955
4,743

30,226

31,084

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

(47)	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)
------	--

(172)

(16,778)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets
----------	--

(7,739)

(2,879)	Any other items for which the cash effects are investing or financing cash flows
---------	--

(3,058)

(19,704)

(10,969)

24. Cash Flow Statement – Investing Activities

The cash flows for operating activities include the following items:

2013/14 £'000		2014/15 £'000
(13,100)	Purchase of property, plant and equipment, investment property and intangible assets	(36,702)
(171,780)	Purchase of short-term and long-term investments	(155,374)
(50)	Other payments for investing activities	(67)
11,507	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	8,203
150,646	Proceeds from short-term and long-term investments	161,003
3,251	Other receipts from investing activities	3,252
(19,526)	Net cash flows from investing activities	(19,685)

25. Cash Flow Statement – Financing Activities

2013/14 £'000		2014/15 £'000
-	Cash receipts of short and long-term borrowing	-
1,175	Other receipts from financing activities	-
	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	-
	- Repayments of short and long term borrowing	-
	- Other payments for financing activities	3,419
1,175	Net cash flows from financing activities	3,419

26. 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 (SeRCOP)*. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (where as depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to portfolios.

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

Portfolio Income and Expenditure 2014/15	Community Engagement £'000	Customer and Corporate Services £'000	Environmental Services £'000	Cabinet £'000	Housing Services £'000	Leisure & Culture £'000	Planning and Economic Development £'000	Total General Fund £'000	Housing Revenue Account £'000	Total £'000
Fees, charges and other service income	181	5,647	4,624	3,224	2,686	7,875	5,420	29,657	47,033	76,690
Government Grants	7	51	40	216	50,076	360	-	50,750	-	50,750
Other Service Income	-	-	-	13	-	-	-	13	-	13
Total Income	188	5,698	4,664	3,453	52,762	8,235	5,420	80,420	47,033	127,453
Employee expenses	685	3,751	3,241	3,146	2,360	4,775	1,410	19,368	3,314	22,682
Other service Expenses	763	2,837	5,139	421	52,106	9,008	6,947	77,221	14,232	91,453
Support service Recharges	351	589	2,501	1,086	1,835	2,892	565	9,819	2,211	12,030
Total Expenditure	1,799	7,177	10,881	4,653	56,301	16,675	8,922	106,408	19,757	126,165
Net Expenditure	1611	1,479	6,217	1,200	3,539	8,440	3,502	25,988	(27,276)	(1,288)

Portfolio Income and Expenditure 2013/14	Community Engagement £'000	Continuous Improvement and Development £'000	Environmental Services £'000	Cabinet £'000	Housing Services £'000	Leisure & Culture £'000	Planning and Economic Development £'000	Total General Fund £'000	Housing Revenue Account £'000	Total £'000
Fees, charges and other service income	170	5,608	5,277	8,122	2,610	8,118	665	30,570	45,046	75,616
Government Grants	32	-	-	223	50,039	267	2	50,563	-	50,563
Total Income	202	5,608	5,277	8,345	52,649	8,385	667	81,133	45,046	126,179
Employee expenses	685	2,872	3,270	4,347	2,235	4,707	1,026	19,142	3,211	22,353
Other service expenses	690	2,649	5,431	693	53,014	8,283	1,266	72,026	12,976	85,002
Support service recharges	359	193	3,110	1,892	1,953	2,821	570	10,898	2,261	13,159
Total Expenditure	1,734	5,714	11,811	6,932	57,202	15,811	2,862	102,066	18,448	120,514
Net Expenditure	1,532	106	6,534	(1,413)	4,553	7,426	2,195	20,933	(26,598)	(5,665)

Reconciliation of Portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2013/14 £'000	2014/15 £'000
Net expenditure in the Portfolio Analysis	(5,665)	(1,288)
Net expenditure of services and support services not included in the Analysis	-	-
Amount in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	(5,462)	(3,092)
	(11,127)	(4,380)
Amount included in the analysis not included in the Comprehensive Income and Expenditure Statement	22,198	18,385
Cost of Services in Comprehensive Income and Expenditure Statement	11,071	14,005

Reconciliation to subjective analysis

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the provision of Services included in the Comprehensive Income and Expenditure Statement.

2014/15	Directorate Analysis £'000	Services & support Services not in Analysis £'000	Amounts not reported to management for decision making £'000	Amounts not included in I&E £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges & Other service income	76,609	-	74	(4,356)	(7,958)	64,369	5,012	69,381
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-	-
Interest and investment income	94	-	-	(94)	-	-	1,579	1,579
Income from council tax	-	-	-	-	-	-	6,108	6,108
Government grants and contributions	50,750	-	-	-	-	50,750	10,838	61,588
Total Income	127,453	-	74	(4,450)	(7,958)	115,119	23,537	138,656
Employee expenses	22,682	-	577	(220)	-	23,039	1,354	24,393
Other service expenses	91,453	-	127	22,547	633	114,760	4,741	119,501
Support Service recharge	12,030	-	115	(83)	(8,591)	3,471	83	3,554
Depreciation, amortisation and impairment	-	-	(3,837)	-	-	(3,837)	-	(3,837)
Interest Payments	-	-	-	(8,309)	-	(8,309)	8,309	-
Precepts & Levies	-	-	-	-	-	-	-	-
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	973	973
Gain or Loss on Disposal of fixed Assets	-	-	-	-	-	-	(1,786)	(1,786)
Total expenditure	126,165	-	(3,018)	13,935	(7,958)	129,124	13,674	142,798
Surplus or deficit on the provision of services	(1,288)	-	(3,092)	18,385	-	14,005	(9,863)	4,142

2013/14

	Directorate Analysis £'000	Services & support Services not in Analysis £'000	Amounts not reported to management for decision making £'000	Amounts not included in I&E £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges & Other service income	75,558	-	109	(3,771)	(8,730)	63,166	4,232	67,398
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-	-
Interest and investment income	59	-	-	(59)	-	-	1,195	1,195
Income from council tax	-	-	-	-	-	-	6,039	6,039
Government grants and contributions	50,563	-	-	-	-	50,563	12,505	63,068
Total Income	126,180	-	109	(3,830)	(8,730)	113,729	23,971	137,700
Employee expenses	22,353	-	-	(167)	-	22,186	1,404	23,590
Other service expenses	74,396	-	189	26,951	633	102,169	(398)	101,771
Support Service recharge	13,159	-	115	(107)	(9,363)	3,804	107	3,911
Depreciation, amortisation and impairment	10,607	-	(5,657)	-	-	4,950	-	4,950
Interest Payments	-	-	-	(8,309)	-	(8,309)	8,309	-
Precepts & Levies	-	-	-	-	-	-	-	-
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	872	872
Gain or Loss on Disposal of fixed Assets	-	-	-	-	-	-	(8,583)	(8,583)
Total expenditure	120,515	-	(5,353)	18,368	(8,730)	124,800	1,711	126,511
Surplus or deficit on the provision of services	(5,665)	-	(5,462)	22,198	-	11,071	(22,260)	(11,189)

27. Trading Operations

The Council owns and manages Neighbourhood Parades and a number of other Non operational properties. In total there are around 350 leases generating rental income from letting premises. The trading objective is to maximise the surplus. The service also manages leases on properties let to some charity and community groups at a discounted rate.

	2013/14 £'000	2013/14 £'000	2014/15 £'000	2014/15 £'000
Turnover for commercial operations	3,753		4,338	
Turnover related to non commercial lets	181		197	
Total Turnover	3,934		4,535	
* Expenditure	12		6,194	
Net Surplus/(deficit) on trading operations		3,922		(1,659)

*The expenditure includes a debit movement of £5.4m in the fair value of Investment Properties hence expenditure has exceeded the income for 2014/15.

Trading operations are incorporated in the Comprehensive Income and Expenditure Statement.

	2013/14 £'000	2014/15 £'000
Net Surplus on trading operations	3,922	(1,659)
Net Surplus credited to Financing and Investment Income and Expenditure	3,922	(1,659)

28. Agency Services

The Council operates three agency agreements as detailed below, the cost of which is fully reimbursable. In the case of verge maintenance the Council undertakes additional cuts.

	2013/14 £'000	2014/15 £'000
WSSC – Verge/shrub maintenance		
Expenditure incurred in providing Verge/shrub maintenance	223	181
Income generated	(228)	(172)
Net (surplus)/deficit arising on agency arrangement	(5)	9

	2013/14 £'000	2014/15 £'000
WSSC – Civil Parking Enforcement		
Expenditure incurred providing Civil Parking enforcement for WSSC	395	323
Income generated	(491)	(501)
	(96)	(178)
Less: Fee payable by WSSC	-	-
Less: Net income due to WSSC	(96)	(178)
Net (surplus)/deficit arising on agency arrangement	-	-

29. Members' Allowances

The Council paid the following amounts to members of the council during the year:

	2013/14 £'000	2014/15 £'000
Salaries	n/a	n/a
Allowances	328	325
Expenses	2	1
Total	330	326

30. Officers' Remuneration & Exit Package

The following table sets out the remuneration paid to the Council's Senior Officers.

		Salary, Fees and Allowances	Benefits in Kind	Expenses Allowances	Compensation for loss of Office	Pension Contribution	Total
		£	£	£	£	£	£
Chief Executive	2014/15	121,753	1,515	-	-	19,731	142,999
	2013/14	118,214	1,606	-	-	18,598	138,418
Deputy Chief Executive Director of Transformation and Housing	2014/15	87,086	1,239	-	-	15,327	103,652
	2013/14	84,673	1,239	-	-	14,025	99,937
Head of Finance, Revenue and Benefits (S.151 Officer)	2014/15	58,762	(167)	-	-	10,342	68,937
	2013/14	67,054	-	-	38,329	11,059	116,442
Head of Legal and Democratic Services	2014/15	67,602	(133)	-	-	11,794	79,263
	2013/14	66,970	-	-	-	11,059	78,029
Director of Development and Resources	2014/15	80,671	1,211	-	95,885	14,180	191,947
	2013/14	84,717	1,282	-	-	14,025	100,024
Director of Community Services	2014/15	82,912	2,446	-	32,347	100,228	217,933
	2013/14	84,673	1,901	-	-	14,024	100,598

In December 2014 a restructure of senior management took place. This resulted in 4 posts being deleted (Director of Resources, Director of Community Services, Director of Environment and Head of Regulatory Services). With 2 new roles being created, the new role of Deputy Chief Executive was created and this was filled by the former Director of Transformation and Housing. The new role of Head of Economic and Environment Services was created but not filled until 2015-16.

The Council's other employees whose remuneration, excluding pension contributions was £50,000 or more in bands of £5,000 was:

Remuneration Band	Number of Employees 2013/14	Number of Employees 2014/15
£50,000 - £54,999	7	7
£55,000 - £59,999	1	2
£60,000 - £64,999	1	3
£65,000 - £69,999	8	1
£70,000 - £74,999	-	-
£75,000 - £79,999	-	1
£80,000 - £84,999	-	1
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	1	-
£100,000+	0	1

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2013/14 Qty	2014/15 Qty	2013/14 Qty	2014/15 Qty	2013/14 Qty	2014/15 Qty	2013/14 £	2014/15 £
£0 - £20,000	7	24	-	-	7	24	56,950	160,403
£20,001 – £40,000	3	6	2	2	5	8	143,183	231,841
£40,001 – £60,000	-	6	1	1	1	7	46,008	333,090
£60,001 – £80,000	1	2	-	-	1	2	68,337	142,231
£80,001 – £100,000	-	2	-	-	-	2	-	180,669
£100,001 – £150,000	-	2	-	-	-	2	-	260,151
£150,001 – £200,000	-	-	-	-	-	-	-	-
£201,000 – £250,000	-	-	-	-	-	-	-	-
TOTAL	11	42	3	3	14	45	314,478	1,308,385

31. External Audit Cost

In 2014/15 the Council incurred the following fees payable to Ernst & Young LLP relating to external audit and inspection:

	2013/14 £'000	2014/15 £'000
Fees payable to the with regard to external audit services carried out by the appointed auditor	86	87
Fees payable in respect of statutory inspection	-	-
Fees payable for the certification of grant claims and returns	15	13
Fees payable for the certification of grant claims and returns re: previous years	-	1
Fees payable in respect of other services provided by the appointed auditor	-	-
Total	101	101

32. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure statement in 2014/15:

	2013/14 £'000	2014/15 £'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	4,809	3,706
Capital Grants and Contributions	2,486	2,615
New Homes Bonus	1,142	1,328
Council Tax Freeze Grant	70	70
Preventing Homelessness	-	-
Pathfinder	-	-
Community Cohesion	-	-
Other Grants	1,681	202
Business Rate Grants	-	286
	10,188	8,207
Credited to Services		
Rent Allowance	27,258	27,262
Rent Rebates	21,881	21,941
Council Tax Benefits	-	8
Benefits Administration	845	784
NNDR Collection	216	216
Other Grants	362	539
Total	50,562	50,750

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, if the condition is not met. The balance at the year end is;

	2013/14 £'000	2014/15 £'000
Capital Grants Receipts in Advance		
S106 – Transport	1,402	1,232
S106 – Amenity Space	504	888
S106 – Other Grants	532	468
Total	2,438	2,588

33. 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 readers 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 within the Council.

Central Government

Central government has effective control 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 26 reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2015 are shown in Note 32.

Chief Officers and Members

Relevant Chief Officers and Members were canvassed and signed declarations have been obtained from them to ascertain any material transactions with related parties. In the financial year the Voluntary Sector Grants Awarded totalled £598,872 in which seventeen members had an interest. The grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants.

There are no other material items to report for this year.

34. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

Capital Expenditure and Capital Financing	2013/14 £'000	2014/15 £'000
Opening Capital Financing Requirement	259,953	259,943
Capital Investment		
Property, Plant and Equipment	12,518	26,043
Investment Properties	-	10,990
Intangible Assets	84	195
Revenue Expenditure Funded from Capital under Statute	2,185	1,026
Long Term Debtors	51	47
Sources of Finance		
Capital receipts	2,782	13,801
Major Repairs Reserve	9,011	13,953
Government Grants and other contributions	2,125	3,094
Revenue contributions	920	7,454
Revaluation loss in the HRA	10	(2)
Closing Capital Financing Requirement	259,943	259,940
	2013/14 £'000	2014/15 £'000
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by government financial assistance)	(10)	(3)
Increase/(decrease) in Capital Financing Requirement	(10)	(3)

35. Leases

Council as Lessor

Operating Leases

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

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

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

	31 March 2014	31 March 2015
	£'000	£'000
Not later than one year	2,741	3,418
Later than one year and not later than five years	7,754	9,673
Later than five years	12,531	13,171
	23,026	26,262

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. In 2014/15 £1,335,927 contingent rents were receivable by the authority (2013/14 £1,253,196).

36. Termination Benefits

The Council terminated the contracts of a number of employees in 2014/15, incurring liabilities of £1,308,385 (£314,478 in 2013/14). See note 30 for the number of exit packages and total cost per band.

Included in the figure for 2014-15, following a restructure of the Corporate Management team there was an amount payable of £288,396 in the form of compensation of loss of office and £152,424 for enhanced pension benefits. A new Corporate Management team was created to include Directors and Head of Services and resulted in a review of the Heads of Services with a loss of two positions which has been included in the Senior Management review.

The remaining amounts where payable due to the Council embarking on transformation and redesign of its services for continual improvement which identified various staffing reductions and the breakdown of the £867,565 is as follows:

- We have been looking at how we deliver some of our central and core services resulting in £173,673 being payable in the form of compensation for loss of office and £199,959 in the form of enhanced pension benefits being incorporated in our Corporate and Democratic Core and Environment and Regulatory Services
- Due to redesigns within the Amenity Services Management, £146,751 was payable in the form of compensation for loss of office and £69,473 in the form of enhanced pension benefits.

- Additional saving within the Community Services Directorate of £134,231 was payable in the form of compensation for loss of office and £143,478 in the form of enhanced pension benefits.

37. Defined Benefit Pension Scheme

Participation in pension schemes

Employees of Crawley Borough Council may participate in the West Sussex County Council Pension Fund, part of the Local Government Pension Scheme, a defined benefit statutory scheme. The Fund is administered by the County Council in accordance with the Local Government Pension Scheme Regulations 1997.

Employees were required to pay a contribution, calculated as a percentage of pensionable earnings, towards their pension. The rate payable is dependent on the pay band each employee falls into, see the table below:

Bands	Percentage
£0 to £13,500	5.5%
£13,501 to £21,000	5.8%
£21,001 to £34,000	6.5%
£34,001 to £43,000	6.8%
£43,001 to £60,000	8.5%
£60,001 to £85,000	9.9%
£85,001 to £100,000	10.5%
£100,001 to £150,000	11.4%
More than £150,000	12.5%

The Council's contribution is set to meet the balance of the fund liabilities as required under the pension regulations. In 2014/15 the Council made a contribution of £2.85 million, 16.6% of pensionable pay (2013/14 £2.63 million, 16.6%). In addition the Council made a contribution for unfunded benefits of 0.347 million (2013/14 £0.338 million). The agreed contribution rate for future years is set out below.

	% of Payroll	Plus	Deficit repayment
1 April 2014 to 31 March 2015	17.6%		£138,000.00
1 April 2015 to 31 March 2016	18.6%		£138,000.00
1 April 2016 to 31 March 2017	19.6%		£138,000.00

Transactions relating to retirement 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 we are required to make against Council Tax is based on the cash payable into the pension fund. the real cost of retirement benefits is reversed out of the General fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General fund Balance via the Movement in Reserves Statement during the year:

	2013/14 £'000	2014/15 £'000
Comprehensive Income & Expenditure Statement		
Cost of Services		
- Current service cost	(3,568)	(3,865)
- Past service cost	-	(240)
- (Gains)/losses from settlements	-	-
Financing and Investment Income and Expenditure		
Net interest comprising:		
- Interest on plan assets	7,009	7,358
- Interest cost on defined benefit obligation	(8,149)	(8,431)
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	(4,708)	(5,178)
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
- Changes in demographic assumptions	(9,613)	-
- Changes in financial assumptions	735	(28,597)
- Other experience	250	1,530
- Return on assets (excluding amounts included in net interest)	10,745	18,582
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(2,591)	(13,663)
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	1,737	1,788
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to scheme	(2,633)	(3,042)
Contributions in respect of unfunded benefits	(338)	(347)

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect to its defined benefit plan is as follows:

	2013/14 £'000	2014/15 £'000
Fair value of the employer assets	172,457	196,131
Present value of funded liabilities	(191,612)	(225,212)
Present value of unfunded liabilities	(5,525)	(5,873)
Net liability	<u>(24,680)</u>	<u>(34,954)</u>

Reconciliation of the Movements in the Fair Value of Plan Assets

	2013/14 £'000	2014/15 £'000
Opening fair value of scheme assets	156,990	172,457
Interest income on plan assets	7,009	7,358
Remeasurement gain/(loss):		
- Return on assets excluding amounts included in net interest	10,745	18,582
Contributes from employer	2,633	3,042
Contributions from employees into the scheme	973	968
Contributions in respect of unfunded benefits	338	347
Benefits paid	(5,893)	(6,276)
Unfunded benefits paid	(338)	(347)
Closing fair value of scheme assets	<u>172,457</u>	<u>196,131</u>

Reconciliation of Present Value of the Scheme Liabilities

	2013/14 £'000	2014/15 £'000
Opening balance at 1 April	(182,050)	(197,137)
Current service cost	(3,568)	(3,865)
Past service cost	-	(240)
Interest cost on defined benefit obligation	(8,149)	(8,431)
Remeasurement (gains)/losses:		
- Changes in demographic assumptions	(9,613)	-

- Changes in financial assumptions	735	(28,597)
- Other experience	250	1,530
Contributions from employees into the scheme	(973)	(968)
Benefits paid	5,893	6,276
Unfunded benefits paid	338	347
Closing balance at 31 March	(197,137)	(231,085)

Local Government Pension Scheme assets comprised:

	Period Ended 31 March 2014			Period Ended 31 March 2015		
	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000
Equity Securities						
Consumer	29,027.8	-	29,027.8	29,526.2	-	29,526.2
Manufacturing	15,440.0	-	15,440.0	17,199.0	-	17,199.0
Energy and Utilities	8,889.7	-	8,889.7	8,720.2	-	8,720.2
Financial Institutions	26,848.6	-	26,848.6	30,772.5	-	30,772.5
Health and Care	11,936.1	-	11,936.1	13,034.8	-	13,034.8
Information Technology	20,189.5	-	20,189.5	25,248.7	-	25,248.7
Other	4,679.0	-	4,679.0	6,871.9	-	6,871.9
Debt Securities						
Corporate Bonds (investment grade)	-	-	-	-	-	-
Corporate Bonds (non-investment grade)	-	-	-	-	-	-
UK Government	4,345.3	-	4,345.3	3,996.7	-	3,996.7
Other	-	-	-	-	-	-
Private Equity	-	10,503.2	10,503.2	-	10,670.3	10,670.3
Real Estate						
UK Property	13,441.3	-	13,441.3	12,697.4	-	12,697.4
Overseas Property	385.9	-	385.9	-	108.2	108.2
Investment Funds and Unit Trusts						
Equities	-	-	-	-	-	-
Bonds	15,501.1	-	15,501.1	26,969.3	-	26,969.3
Hedge Funds	-	-	-	-	-	-
Commodities	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-
Other	7,564.40	-	7,564.4	1,626.7	-	1,626.7
Cash and Cash Equivalents	3,704.8	-	3,704.8	8,689.1	-	8,689.1
Totals	161,953.5	10,503.2	172,456.7	185,352.5	10,778.5	196,131.0

Basis of 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 dependant on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2013.

The significant assumptions used by the actuary have been:

Local Government Pension Scheme		
	2013/14	2014/15
Mortality assumptions:		
Longevity at 65 for current pensioners:		
• Men	24.4	24.4
• Women	25.8	25.8
Longevity at 65 for future pensioners:		
• Men	26.9	26.9
• Women	28.5	28.5
Rate of increase in salaries	4.1%	3.8%
Rate of increase in pensions	2.8%	2.4%
Rate for discounting scheme liabilities	4.3%	3.2%

An allowance is included for future retirements to elect to take 50% of the maximum additional tax free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post April 2008 service.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses 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 the 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, ie 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 31 March 2015:	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	10%	22,584
1 year increase in member life expectancy	3%	6,922
0.5% increase in the Salary Increase Rate	3%	6,633
0.5% increase in the Pension Increase Rate	7%	15,514

Information about the Defined benefit obligation

	Liability split	Weighted Average Duration
Active members	44.0%	24.6
Deferred members	18.6%	22.9
Pensioner members	37.5%	12.1
Total	100.0%	18.4

Analysis of projected amount to be charged to operating profit for the period to 31 March 2016

Period Ended 31 March 2016	Assets £(000)	Obligations £(000)	Net (liability)/asset £(000)	% of pay
Projected Current service cost*		4,513	(4,513)	(30.9%)
Past service cost including curtailment		-	-	-
Effect of settlements	-	-	-	-
Total Service Cost	-	4,513	(4,513)	(30.9%)
Interest income on plan assets	6,227		6,227	42.6%
Interest cost on defined benefit obligation		7,361	(7,361)	(50.4%)
Total Net Interest cost	6,227	7,361	(1,134)	(7.8%)
Total Included in Profit and Loss	6,227	11,874	(5,647)	(38.7%)

*The current service cost includes an allowance for administration expenses of 0.3% of payroll.

The contributions paid by the Employer are set by the Fund Actuary at each triennial actuarial valuation (the most recent being as at 31 March 2013), or at any other time as instructed to do so by the Administering Authority.

38. Contingent Liabilities

The Council has entered into indemnity agreements with financial institutions in respect of mortgages granted by the institutions on shared ownership sales of certain Council dwellings. At 31 March 2015, the total amount guaranteed was £1,169,741.

39. Nature and Extent of Risks arising from Financial Instruments

Key Risks

The Council's activities expose it to a variety of financial risks, the key risks are:

- **Credit risk** the possibility that other parties might fail to pay amounts due to the Council;
- **Liquidity risk** the possibility that the council might not have funds available to meet its commitments to make payments;
- **Re-financing risk** the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- **Market risk** the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

The Council's overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services.

Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below:

The Council uses the creditworthiness service provided by Capita Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies – Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

The full Investment Strategy for 2014/15 was approved by Full Council on 26/02/2014 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in financial institutions of £57,681 cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2015 that this was likely to crystallise.

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions:

	Amount at 31 March 2014 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2015 %	Estimated maximum exposure to default & uncollectability at 31 March 2015 £'000	Estimated maximum exposure at 31 March 2014 £'000
AAA	9,063	0.00	0.00	-	20
AA	58,654	0.02	0.02	12	1
A	39,934	0.09	0.09	36	32
BBB	5,004	0.20	0.20	10	-
Customers*	6,204	19.43	19.43	1,205	1,128
Total	118,859			1,263	1,181

*Excluding statutory debtors-Council Tax/NNDR

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for its customers, such that £1.8m of the £6.2m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2014 £'000	31 March 2015 £'000
Less than three months	688	594
Three to six months	138	235
Six months to one year	273	160
More than one year	705	768
Total	1,804	1,757

The council initiates a legal charge on property where, for instance, clients require the assistance of social services but cannot afford to pay immediately. The total collateral at 31 March 2015 was £0.8m.

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets, excluding the sums due from customers, is as follows:

	31 March 2014 £'000	31 March 2015 £'000
Less than 1 year	96,098	94,425
Between 1 and 2 years	-	7,230
Between 2 and 3 years	7,164	6,000
Between 3 and 4 years	6,200	5,000
Between 4 and 5 years	9,890	-
Total	119,352	112,655

Refinancing and Maturity Risk

The Council maintains a significant investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy):

	Approved minimum limits	Approved maximum limits	Actual 31 March 2014 £'000	Actual 31 March 2015 £'000
Less than one year	0%	10%	-	-
Between 1 and 2 years	0%	10%	-	-
Between 2 and 5 years	0%	10%	-	-
Between 5 and 10 years	0%	20%	23,000	36,000
Between 10 and 20 years	0%	100%	170,000	173,000
Between 20 and 30 years	0%	30%	67,325	51,325
Between 30 and 40 years	0%	10%	-	-
Between 40 and 50 years	0%	10%	-	-
Total			260,325	260,325

Market risk

Interest rate risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure statement will rise, and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government grants (i.e. HRA). Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

According to this assessment strategy, at 31 March 2015, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(104)
Increase in Government grant receivable for financing costs	-
Impact on Surplus or Deficit on the Provision of Services	<u>(104)</u>
Share of overall impact credited to the HRA	<u>(232)</u>
Impact on Other Comprehensive Income and Expenditure	<u>-</u>
Decrease in fair value of fixed rate investment assets (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	<u>509</u>
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	<u>36,278</u>

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in Note 15 – Fair value of Assets and Liabilities carried at Amortised Cost.

Price risk

The Council does not generally invest in equity shares or marketable bonds.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

40. Heritage Assets: Five-Year Summary of Transactions

There has been no transaction in the five-year period to March 31, 2015.

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rent to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised is shown in the Movement on the HRA Statement.

2013/14 £'000	2014/15 £'000
Expenditure	
10,742 Repairs and Maintenance	12,127
7,995 Supervision and Management	8,115
284 Rent Rebates	56
147 Increased provision for bad & doubtful debts	152
4,532 Depreciation & Impairments of non-current assets (Note 5)	4,793
8,111 Revaluation Losses	10,337
31,811 Total Expenditure	35,580
Income	
(41,128) Dwelling Rents (Note 7)	(42,910)
(1,881) Non-dwelling Rents (gross)	(1,903)
(2,394) Charges for Services and Facilities	(2,547)
(199) Contributions towards expenditure	(194)
- HRA Subsidy Receivable	-
(45,602) Total Income	(47,554)
(13,791) Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	(11,974)
- HRA services' share of Corporate and Democratic Core	-
- HRA share of other amounts included in the whole Council Cost of Services but not allocated to specific services	-
(13,791) Net Income for HRA Services (cost if positive)	(11,974)
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:	
(2,762) (Gain) or loss on sale of HRA non-current assets	(1,228)
8,309 Interest payable and similar charges	8,309
(105) Interest and Investment Income	(84)
(479) Capital Grants and Contributions	(673)
(8,828) (Surplus) or deficit for the year on HRA services	(5,650)

2013/14 £'000		2014/15 £'000
(3,198)	Balance on HRA at the end of the previous year	(3,198)
(8,828)	(Surplus) or deficit for the year on the HRA income and expenditure statement	(5,650)
8,828	Adjustment between accounting basis and funding basis under regulation (note 6 of financial statement)	5,650
	- Net (increase) or decrease before transfers to or from reserves	-
	- Transfers to or (from) reserves	-
	- (Increase) or decrease in year on the HRA	-
(3,198)	Balance on the HRA at the end of the current year	(3,198)

1. Housing Stock

The Council was responsible for over 8,000 dwellings in 2014/15. The stock at the year-end was made up as follows:

	31 March 2014	31 March 2015
Houses	4,398	4,381
Flats and Maisonettes	2,998	3,024
Bungalows	437	437
Hostels – lettable units	62	62
Number of rented units	7,895	7,904
Shared Ownership *	112	107
Total Stock	8,007	8,011

*Shared ownership properties are owned in part by the Council. A rent, based on the proportion of the dwelling owned by the Council is charged to the occupier who is also responsible for maintaining the property.

The change in stock can be summarised as follows:

	2013/14	2014/15
Stock at 1 April	8,104	8,007
Less Sales	(106)	(71)
Demolitions/Disposals	-	-
Add New Build	-	62
Acquisitions	9	13
Stock at 31 March	8,007	8,011

2. Stock Valuation

The following statement shows the value of HRA assets in the Balance Sheet. Valuation of land and buildings are carried out externally by Wilks Head Eve Chartered Surveyors. The basis for valuation is set out in the Statement of Accounting Policies.

	31 March 2014 £'000	31 March 2015 £'000
Property, Plant and Equipment:		
Council Dwellings	422,013	453,878
Other Land and Buildings	18,573	19,664
Vehicles, Plant & Equipment	4	34
Investment Properties	763	732
Intangible Assets	17	9
Total	441,370	474,317

The vacant possession value of dwellings within the Council's HRA, excluding hostels, as at 1 April 2014 was £1,420 million (£1,322 million in April 2013). The difference between the vacant possession value and the balance sheet value of dwellings within the HRA show the economic cost to Government of providing council housing at less than open market rents.

3. Major Repairs Reserve (MRR)

Authorities are required to set up a Major Repairs Reserve, and to transfer into it a sum equal to depreciation. In addition authorities have the ability to reduce this amount by the amount that housing dwelling depreciation exceeds the national Major Repairs Allowance (MRA). Authorities are permitted to make an additional transfer for an amount to the Major Repairs Reserve in excess of any charge for depreciation. In 2014/15 the MRA was £8,588,477 (2013/14: £8,600,703).

	31 March 2014 £'000	31 March 2015 £'000
Balance on MRR 1 April 2014	8,160	17,439
Transfer amount equal to depreciation	4,251	4,526
Additional transfer	14,039	14,441
Amounts transferred to HRA in year		
Excess of Major Repairs Allowance over depreciation on dwellings	-	
Depreciation on HRA assets other than dwellings	-	
Financing of capital expenditure	(9,011)	(13,952)
Balance on MRR 31 March 2015	<u>17,439</u>	<u>22,454</u>

4. Capital Expenditure

Capital expenditure on land, houses and other property within the Council's HRA during the financial year was as follows:

		£'000
Opening Capital Financing Requirement		260,273
Capital Investment		
Enhancements to Council Housing	7,936	
Other Capital Expenditure	1,204	
Acquisition of Council Dwellings	6,839	
Revenue Expenditure Funded from Capital under Statute	-	15,979
Sources of Finance		
Usable Capital Receipts	368	
Revenue Contribution to Capital	-	
Major Repairs Reserve	13,953	
Government Grant	1,658	(15,979)
Revaluation loss in HRA		(2)
Transfer of land to the General Fund		(124)
Closing Capital Financing Requirement		260,147
	£'000	£'000
A summary of capital receipts is as follows:		
Capital Receipts		
Sale of Dwellings	7,114	
Less Pooled Housing Capital Receipts	(973)	6,141
Miscellaneous HRA Land Sales		2
		6,143

5. Depreciation & Impairment of Non-Current Assets

Depreciation charges for council dwellings within the HRA amounted to £4,525,984. Depreciation on other HRA assets amounted to £267,196. No impairment charges were applied to HRA assets during the financial year, giving a total charge for depreciation and impairment losses of £4,793,180.

6. Government Subsidy

If a Crawley Homes tenant is eligible for Housing Benefit, this is paid in the form of a Rent Rebate to their Rent account. The DWP reimburses Local authorities for these payments by way of a subsidy claim but the value which can be claimed is capped on the basis of a weekly 'Limit rent' set by government.

If the Local authority's average weekly rent is higher than the Limit Rent set, then the Rent Rebate subsidy from the DWP will be pro-rated to a calculation based on the Limit Rent. The HRA is expected to pay the difference between the LA's average rent and the government's limit rent.

In 2014/15, Crawley's average HRA rent no longer exceeds the government's limit rent, so the HRA is not required to fund any of this cost.

7. Rent Arrears

Rent arrears at the end of the financial year totalled £1,195,949 (£1,191,487 in 2013/14). Provision of £784,456 (£794,537 in 2013/14) for bad or doubtful debts has been made in the balance sheet.

8. Adjustments between Accounting Basis and Funding Basis under Regulation

Note 6 of the main financial statements include details of the adjustments in relation to the HRA.

9. Transfer to or from reserves

The transfer to or from reserves is detailed within the Movement in Reserves Statement and Notes 7 and 22 of the main financial statements.

COLLECTION FUND 2014/15

INCOME	Notes	Business Rates	Council Tax £'000	Total £'000
Council Tax Receivable	3	-	48,577	48,577
Business Rates Receivable	2	113,859	-	113,859
Total Income		113,859	48,577	162,436
EXPENDITURE				
Apportionment of Previous Year Surplus				
Central Government		2,102	-	2,102
Crawley Borough Council		1,681	(71)	1,610
West Sussex County Council		420	(444)	(24)
Sussex Police			(53)	(53)
Total Expenditure		4,203	(568)	3,635
Precepts, Demands and shares				
Central Government		(55,150)	-	(55,150)
Crawley Borough Council		(44,120)	(6,042)	(50,162)
West Sussex County Council		(11,030)	(37,379)	(48,409)
Sussex Police			(4,540)	(4,540)
		(110,300)	(47,961)	(158,261)
Charges to Collection Fund				
Less write offs of uncollectible amounts		(3)	-	(3)
Less: (Increase) / Decrease in Bad Debt Provision		(716)	(91)	(807)
Less: (Increase) / Decrease in Provision for Appeals		(1,164)	-	(1,164)
Less: Cost of Collection		(216)	-	(216)
Less: Disregarded Amounts		(515)	-	(515)
		(2,614)	(91)	(2,705)
Surplus / (Deficit) arising during the year		5,148	(43)	5,105
Surplus / (Deficit) b/fwd 1st April		1,107	560	1,667
Surplus / (Deficit) c/fwd 31st March	1	6,255	517	6,772

COLLECTION FUND 2013/14

INCOME	Notes	Business Rates £'000	Council Tax £'000	Total £'000
Council Tax Receivable	3	-	47,907	47,907
Business Rates Receivable	2	112,686	-	112,686
Total Income		112,686	47,907	160,593
EXPENDITURE				
Apportionment of Previous Year Surplus				
Central Government		-	-	-
Crawley Borough Council		-	(31)	(31)
West Sussex County Council		-	(194)	(194)
Sussex Police		-	(23)	(23)
Total Expenditure		-	(248)	(248)
Precepts, Demands and shares				
Central Government		(52,523)	-	(52,523)
Crawley Borough Council		(42,018)	(5,971)	(47,989)
West Sussex County Council		(10,505)	(36,940)	(47,445)
Sussex Police		-	(4,400)	(4,400)
		(105,046)	(47,311)	(152,357)
Charges to Collection Fund				
Less write offs of uncollectible amounts		-	-	-
Less: (Increase) / Decrease in Bad Debt Provision		(147)	(61)	(208)
Less: (Increase) / Decrease in Provision for Appeals		(5,567)	-	(5,567)
Less: Cost of Collection		(216)	-	(216)
Less: Disregarded Amounts		(604)	-	(604)
		(6,534)	(61)	(6,595)
Surplus / Deficit (-) arising during the year		1,106	287	1,393
Surplus / Deficit (-) b/fwd 1st April		-	274	274
Surplus / Deficit (-) c/fwd 31st March	1	1,106	561	1,667

1. General

The Collection Fund is a statutory account administered separately by the Council as the billing authority for the area. The account reflects income due from the Council Tax payers, Non-Domestic Rate payers, residual Community Charge payments and the distribution of such sums.

The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. The new arrangements for the retention of business rates came into effect on 1 April 2013. Business Rates collected are shared between Central Government (50%), Crawley Borough Council (40%) and West Sussex County Council (10%).

The year-end surplus or deficit on the Collection Fund must be distributed between billing and precepting authorities and Central Government in the following financial years. This in turn will reduce/increase the relevant authority's requirement from the Collection Fund in future years. Surpluses and deficits relating to Community Charge are retained by the Council to reduce its demand on the Collection Fund. The balance as at 31 March 2015 will be distributed as follows:

	2014-15		
	Business Rates £'000	Council Tax £'000	Total £'000
Central Government	3,127	-	3,127
Crawley Borough Council	2,502	65	2,567
West Sussex County Council	626	403	1,029
Sussex Police	-	49	49
	6,255	517	6,772

	2013-14		
	Business Rates £'000	Council Tax £'000	Total £'000
Central Government	554	-	554
Crawley Borough Council	441	72	513
West Sussex County Council	111	437	548
Sussex Police	-	52	52
	1,106	561	1,667

2. Income from Business Rates (NNDR)

Business Rates are set by the Government but collected locally by the Council. The amount collected is paid into a central pool administered by the Government after the deduction of an allowance towards collection costs. The Government specifies a uniform rate in the pound (48.2p for 2014/15) which is multiplied by the rateable value for each property to arrive at the charge per property for the year. For businesses that qualify for Small Business Rate Relief, the rate multiplier was 47.1p for 2014/15. At year-end, the total rateable value was £259 million.

3. Income from Council Tax

This figure represents the total Council Tax due for the year compiled as follows:

	£'000
Council Tax benefits paid by the General Fund	(23)
Balance payable by Council Tax Payers	48,600
Total Council Tax due for year	48,577

Each domestic property has been placed by the Inland Revenue into one of eight bands according to April 1991 valuations. The Council Tax due from each property varies according to the band it has been placed into. Band D has been assumed to be the national average with A having the lowest tax and H the highest. Statutory discounts relating to particular circumstances such as single occupancy reduce the Council Tax charged for relevant properties. An estimate of the Council Tax to be collected after allowing for discounts, changes in valuation, new properties and bad debts is made prior to the commencement of the year. This estimate is converted to a Band D equivalent number of properties described as the Council Tax Base. The figures for 2014/15 are shown in the following table.

Band	Number of Properties (a)	Net Properties (b)	Ratio to Band D	Equivalent Number of Band D
A	841	509	6/9	339
B	6,600	3,737	7/9	2,907
C	20,924	15,987	8/9	14,211
D	8,351	7,134	9/9	7,134
E	3,714	3,471	11/9	4,242
F	2,172	2,050	13/9	2,961
G	450	425	15/9	708
H	9	12	18/9	24
	43,061	33,325		32,526
Less provision for bad debts				(358)
Council Tax Base				32,168

Notes

- (a) Number of properties per October 2013 valuation list.
(b) Net properties after allowing for discounts and other estimated charges.

To arrive at the Council Tax payable per band, the precepts and demands on the fund are divided by the estimated Council Tax Base to arrive at a Band D charge for the year. Other bands are calculated pro rata to Band D by the proportions shown in the table above.

The Band D charge for the year was £ 1,490.94

The Council Tax Surplus as at 31 March 2015 was £ 517,129.31

Accounting Period

The timescale during which accounts are prepared. Local authority accounts have an overall accounting period of one year from 1st April to 31st March.

Accounting Policies

Accounting Policies are the specified principles, bases, conventions, rules and practices applied by the authority in preparing and presenting its financial statements.

Accounting Standards

A set of rules explaining how accounts are to be kept. By law, local authorities must follow 'proper accounting practices', which are set out in Act of Parliament and in professional codes and statements of recommended practice.

Accruals

The concept that income is accounted for when it is earned and expenditure when it is incurred, rather than when the money is received or paid.

Actuarial Gains and Losses

The changes in actuarial deficits or surpluses that arise because:

- (a) events have not coincided with actuarial assumptions made for the last valuation (experience gains or losses), or
- (b) the actuarial assumptions have changed.

Actuarial Valuation

Every three years the Actuary reviews the assets and liabilities of the Pension Fund and reports to the Council on the fund's financial position and recommended employers contribution rates.

Agency Arrangements

Services which are performed by or for another Authority or public body, where the agent is reimbursed for the cost of the work done.

Amortisation

A term that applies to Intangible Assets and Capital Grants. It is an accounting adjustment that spreads the cost of an asset over its useful life.

Amortised Cost

The amortised cost of a financial asset or a financial liability is

- the amount at which the financial asset or financial liability is measured at initial recognition (usually "cost").
- minus any repayments of principal
- minus any reduction for impairment or uncollectibility, and
- plus or minus the cumulative amortisation of the difference between that initial amount and the maturity amount.

Amortisation is calculated using the **effective interest method**.

Appropriations

The transfer of resources between various revenue reserves.

Area Based Grant

Area based grant is a non ring fenced general grant allocate directly to the Council.

Asset

An item having value to the authority in monetary terms. Assets are categorised as either current or fixed:

- A **current** asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A **fixed** asset provides benefits to the Council and to the services it provides for a period of more than one year and may be **tangible** e.g. a school building, or **intangible**, e.g. computer software licences.

Asset Register

A record of Council assets including land and buildings, housing, infrastructure, vehicles equipment etc. This is maintained for the purpose of calculating capital charges that are made to service revenue accounts. It is updated annually to reflect new acquisitions, disposals, revaluations and depreciation.

Audit Commission

The body responsible for the appointment of external auditors to local authorities, co-ordinating audits throughout the country, and operates a quality control framework to ensure auditing standards are met.

Audit of Accounts

The audit of the accounts of an audited body comprises all work carried out by auditors in accordance with the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Available for Sale Financial Asset

An available for sale financial asset is a non derivative financial asset that is not classified as loans and receivables, held to maturity investments or financial assets at fair value through profit or loss.

Balances

These represent the accumulated surplus of revenue income over expenditure.

Balance Sheet

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

Baseline Funding Level

Set at the outset of the *retained business rates* scheme and based on collected business rates before commencement of the scheme. Increases each year in line with the small business non-domestic rate *multiplier*.

Benefit Payable during Employment

Benefits payable during employment covers:

- Short-term employee benefits, such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees.
- Benefits earned by current employees but payable 12 months or more after the end of the reporting period, such as disability benefits.

Budget

An expression, mainly in financial terms, of the Council's intended income and expenditure to carry out its objectives

Capital Adjustment Account

The capital adjustment account provides a specific accounting mechanism to reconcile the different rates at which assets are depreciated under the Code and are financed through the capital controls system. Statute required that the charge to the General Fund Balance is determined by the capital control system.

Capital Expenditure

Expenditure on the acquisition of a fixed asset or expenditure which adds to the life or value of an existing fixed asset.

Capital Financing

This term describes the method of financing capital expenditure, the principal methods now being, capital receipts, the Major Repairs Reserve, government grants and revenue contributions.

Capital Programme

The capital schemes the Council intends to carry out over a specified period of time.

Capital Receipts

Monies received from the sale of assets, which may be used to finance new capital expenditure or to repay outstanding loan debt as laid down within rules set by Central Government.

Carrying Amount

The carrying amount is the amount at which an asset is recognised in the Balance Sheet after deducting any accumulated depreciation and accumulated impairment losses.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the main professional body for accountants working in the public service. It draws up the Accounting Code of Practices and issues professional guidance that is used to compile these accounts.

Collection Fund

The Collection Fund is a separate account kept by every billing authority into which Council Tax and Business Rates are paid.

Community Assets

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

Comprehensive Income and Expenditure Statement

The comprehensive income and expenditure statement shows the accounting costing the year of providing services in accordance with generally accepted practices, rather than the amount to be funded from taxation.

Consistency

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

Contingent Asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

Contingent Liabilities

A contingent liability is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or

-
- a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core

These are the activities that a local authority engages in specifically because it is a democratically elected division making body. These are over and above what a private company would have if it were providing similar services. These costs are not apportioned to services but are shown separately. Examples of costs are Councillors' allowances, committee support and time spent by professional officers in giving policy advice.

Creditors

Amounts owed by the Council for goods and services provided for which payment has not been made at the end of the financial year.

Current Asset

A current asset is an asset that is intended to be sold within the normal operating cycle; the asset is held primarily for the purpose of trading or the Council expects to realise the asset within 12 months after the reporting date.

Current Liability

A current liability is an amount which will become payable or could be called in within the next accounting period; examples are creditors and cash overdrawn.

Current Service (Pensions) Cost

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Curtailment

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

Debtors

Sums of money due to the Council but not received at the end of the financial year.

Deferred Capital Receipts

This represents capital income still to be received. These transactions arise when fixed assets are sold and the amounts owed by the purchasers are repaid over a number of years. The balance is reduced by the amount repayable in any financial year.

Deferred Liabilities

Liabilities which by arrangement are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time. The main example of this is outstanding finance lease obligations.

Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation

A provision made in the accounts to reflect the value of assets used during the year. Depreciation forms part of the capital charge made to service revenue accounts.

Derivatives

Derivatives are securities or financial instruments whose value is derived from another, underlying asset.

Earmarked Reserves

These are amounts set aside for a specific purpose or a particular service, to meet future liabilities, for which it is not appropriate to establish provisions.

Effective Interest Method

This is a method of calculating the amortised cost of a financial asset or financial liability, and of allocating the interest income or interest expense over the relevant period. The effective interest rate in a financial instrument is the rate that exactly discounts the cash flows associated with the instrument (either through to maturity or to the next re-pricing date) to the net carrying amount at initial recognition, i.e. a constant rate on the carrying amount. The effective interest rate is sometimes termed the level yield to maturity (or the next re-pricing date), and is the internal rate of return of the financial asset or liability for that period.

Equity

The Council's value of total assets less total liabilities.

Events after Balance Sheet Date

Events after the balance sheet date are those events, favourable or unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Expected Rate of Return on Pensions Assets

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Extraordinary Items

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Finance Lease

A finance lease transfers all of the risks and rewards of ownership of a fixed asset to the lessee and such assets have been valued and included within Fixed Assets in the Balance Sheet.

Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term covers both financial assets and financial liabilities, from straightforward trade receivables (invoices owing) and trade payables (invoices owed) to complex derivatives and embedded derivatives.

Fixed Assets

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

General Fund

The General Fund is the main revenue account of the Council which provides the finance for all of its services other than council housing (e.g. leisure services, environmental services etc).

Going Concern

Going Concern defines that the functions of the Council will continue in operational existence for the foreseeable future.

Government Grants

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

Heritage Assets

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.

Historic Cost

The actual cost of an asset in terms of past consideration as opposed to its current value.

Housing Benefits

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by Central Government.

Housing Revenue Account

Local authorities are required to maintain a separate account - the Housing Revenue Account - which sets out the expenditure and income arising from the provision of council housing.

Impairment

A reduction in the value of a fixed asset to below its carrying amount on the balance sheet.

Income

Amounts that the Council receives or expects to receive from any source, including fees, charges, sales and grants.

Intangible Assets

Fixed assets that do not have physical substance, e.g. computer software licences

Interest Cost (Pensions)

The expected increase during the year in the present value of the scheme liabilities because the benefits are one year closer to settlement.

Interest on pension scheme liabilities

The expected increase during the period in the present value of the scheme liabilities because the benefits are one year closer to settlement.

Internal control

The whole system of controls, financial and otherwise, that is established in order to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards advise the accounting treatment and disclosure requirement of transactions so that the Council's accounts present fairly the financial position of the Council. IFRS applies to local authorities with effect from 1 April 2010.

Investments (Non-Pensions Fund)

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pensions fund, that do not meet the above criteria should be classified as current assets.

Investments (Pensions Fund)

The investments in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

Investment Property

Investment property is property (land or a building) held solely to earn rentals or for capital appreciation.

LABGI – Local Authority Business Growth Incentive Grant

A Government grant payable to Councils for the growth, over a year, in the value of Non-domestic Rateable values in the area.

LASAAC

Local Authority (Scotland) Accounts Advisory Committee.

Levy

Applied to the surplus of *retained business rates* over the *baseline funding level*. The levy rate for the Council is 50%.

Liability

A liability is where the Council owes payment to an individual or another organisation.

- A **current** liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A **deferred** liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

Liquid Resources

Current asset investments that are readily disposable by the Council without disrupting its business and are either:

- readily convertible to known amounts of cash at or close to the carrying amount; or
- traded in an active market.

Major Repairs Reserve

The major repairs reserve records the unspent balance of Housing Revenue Account (HRA) subsidy paid to the Council in the form of the Major Repairs Allowance.

Materiality

The concept that the Statement of Accounts should include all amounts which, if omitted, or misstated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

Movement in Reserves Statement

The movement in reserves statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves and other reserves.

Multiplier

The business rates multiplier when multiplied by the rateable value of a property determines a ratepayer's business rate bill. There are two multipliers – one for small businesses and one for larger businesses. These are set nationally. The small business rate multiplier is updated annually by the retail price index (RPI) (although exceptionally a less increase may be imposed) and the other multiplier adjusted accordingly.

National Non-Domestic Rate (NNDR)

The rates paid by businesses. The amount paid is based on the rateable value set by Valuation Office Agency multiplied by a rate in the £ set by the government which is the same throughout the country.

Negative Subsidy

If the Housing Revenue Account subsidy produces a result, which assumes that the Council's income is higher than its expenditure, a 'Negative Subsidy' situation arises. In this case the Council must pay an amount equivalent to the notional surplus, from its Housing Revenue Account to the government.

Net Book Value

The amount at which fixed assets are included in the balance sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

Non-Distributed Costs

These are overheads for which no user now benefits and as such are not apportioned to services.

Net Realisable Value

The open market value of the asset less the expenses to be incurred in realising the asset.

Operating Lease

A lease where the ownership of the fixed asset remains with the lessor and the annual rent is charged to the relevant service account.

Operational Assets

Fixed assets held and occupied, used or consumed by the Council in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Other Comprehensive Income and Expenditure

Other comprehensive income and expenditure comprises items of expense and income (including reclassification adjustments) that are not recognised in the Surplus or Deficit on the Provision of Services as required or permitted by the Code. Examples include changes in the revaluation surplus; actuarial gains and losses on defined benefit plans; and gains and losses on the re-measuring available-for-sale financial assets.

Outturn

Actual income and expenditure in a financial year.

Past Service Costs

The increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

Pension Scheme Liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Pooling Arrangements (Capital Receipts)

Since 1st April 2004, 75% of 'Right to Buy' capital receipts have to be paid to the Government; the remaining element can be used to finance capital expenditure. A proportion of other housing receipts must also be paid over unless it is intended to use the receipts for affordable housing or regeneration projects.

Post Balance Sheet Events

Events arising after the balance sheet date should be reflected in the statement of accounts if they provide additional evidence of conditions that existed at the balance sheet date and materially affect the amounts to be included.

Precepts

Amounts which the Borough Council is required to raise from Council Tax on behalf of other authorities.

Property, Plant and Equipment

Property, plant and equipment are tangible assets (i.e. assets with a physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and which are expected to be used during more than one period.

Provision

An amount set aside to provide for a liability which is likely to be incurred but the exact amount and the date on which it will arise is uncertain.

Prior Year Adjustment

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PWLB (Public Works Loans Board)

The PWLB is part of the Government Debt Management Organisation.

Rateable Value

The annual assumed rental value of a hereditament (normally a building), which is used for NDR purposes.

Related Parties

There is a detailed definition of related parties in IAS 24. For the Council's purposes, related parties are deemed to include the Council's members, the Chief Executive, its Directors and their close family and household members.

Related Party Transactions

The Code requires the disclosure of any material transactions between the Council and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

Reserves

A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.

Residual Value

The net realisable value of an asset at the end of its useful life.

Retained Business Rates

From 1 April 2013, collected business rates are shared between Central Government (50%), Billing Authority (40%) and County Council (10%). Retained business rates are the Council's share less the *tariff*.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Revenue Expenditure

Day to day expenses, mainly salaries and wages, general running costs and debt charges.

Revenue Expenditure funded from Capital under Statute

Revenue expenditure funded from capital under statute is revenue expenditure incurred that may be funded from capital resources under statutory provisions but does not result in the creation of a fixed asset. Items generally include grants, advances and financial assistance to others, expenditure on property not owned by the Council and amounts directed under section 16(2) of Part 1 of the Local Government Act 2003.

Revenue Support Grant

Central Government Grant towards the cost of local authority services.

Right to Buy

The council is legally required to sell council homes to tenants, at a discount, where the tenant wishes to buy their home. The money received from the sale is a capital receipt of which only 25% can be spent on capital expenditure. The remaining 75% must be paid over to the government under pooling arrangements.

Safety Net

Applies if the Council experiences a decrease in its business rates revenue. This protection limits losses to 7.5% of the Council's *baseline funding level*.

Scheme Liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Service Reporting Code of Practice (SeRCOP)

SeRCOP sets the financial reporting guidelines for local authorities. It supplements the principles and practice set out in the Code of Practice on Local Authority Accounting (known as the Code), by establishing practice for consistent reporting. It provides guidance in three key areas:

- The definition of total cost
- Trading accounts
- Service expenditure analysis

Soft Loan

A loan made interest free or at a rate less than the market rate, usually for policy reasons. Such loans are often made to individuals or organisations that the Council considers benefits the local population.

SOLACE

Society of Local Authority Chief Executives.

Specific Government Grants

Central Government financial support towards particular services which is 'ring fenced', i.e. can only be spent on a specific service area or items.

Stocks

Items of raw materials and stores a Council has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

Tariff

Calculated at the outset of the *retained business rates* scheme and increased each year by the retail price index (RPI).

Temporary Borrowing

Temporary borrowing is a sum of money borrowed for a period of less than one year.

Transfer Payments

A payment to a person or organisation that does not result in a reciprocal benefit or service being provided to the Council. The main examples are housing and council tax benefit. In most cases the cost of transfer payments is either fully or partially reimbursed by Central Government.

Usable Capital Receipts

Holds the proceeds of fixed assets sales available to meet future capital investment. These capital receipts are held in this reserve until such time they are used to finance capital expenditure.

VAT

Value-added tax: a tax levied on the difference between the cost of materials and the selling price of a commodity or service.

Write-Offs

Income is recorded in the Council's accounts on the basis of amounts due. When money owing to the Council cannot be collected the income is already showing in the accounts and has to be reduced or written off.