

# Crawley Borough Council



## Report to Audit Committee

26 July 2017

### Approval of the 2016/17 Statement of Accounts

Report of the Head of Finance, Revenues and Benefits (FIN/416)

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#### 1. Purpose

- 1.1 The purpose of this report is to seek member approval of 2016/17 Statement of Accounts and to comply with the statutory deadline of 30 September 2017.

#### 2. Recommendations

- 2.1 It is recommended that
- a) the 2016/17 Statement of Accounts be approved
  - b) the Chair of the Committee be authorised to sign the 2016/17 Letter of Representation
  - c) the Chair of the Committee be authorised to sign the 2016/17 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 Regulations 2015 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 2017.
- 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 2016/2017 comparing actual expenditure against approved budgets was considered by Cabinet in June.

#### 5. Narrative Statement

- 5.1 The Narrative Statement is attached as Appendix 2. The Narrative Statement, Statement of Accounts, and the Annual Governance Statement are shown as separate documents for 2016/17.

- 5.2 The narrative statement includes a brief explanation of the financial statements (see pages 16 to 17).

## **6. Statement of Accounts 2016/17**

- 6.1 The 2016/2017 Statement of Accounts is attached as Appendix 3.
- 6.2 There have been some significant changes to the 2016/17 accounts from previous years. The Comprehensive Income and Expenditure Statement is now prepared on the same basis as the Council is organised – so the services breakdown is now on a Portfolio basis. A new Expenditure and Funding Analysis has also been introduced to link the Outturn report to the Comprehensive Income and Expenditure Statement.
- 6.3 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:
- 6.6 The Movement in Reserves Statement shows a decrease in the General Fund balance (inclusive of Earmarked Reserves) of £4.6 million (page 8). Note 10 details the contributions to, and use of, earmarked reserves. The Council's total usable reserves have increased during the year from £97.8 million to £102.3 million.
- 6.7 The Balance Sheet (pages 10 - 11) shows that the Council's total assets less liabilities have increased by £89.7 million to £625.6 million. The main reason for this is the revaluations of fixed assets of £75.5 million.
- 5.7 An explanatory document "Understanding Local Authority Financial Statements" in Appendix 5 aims to give Members and other stakeholders an introduction to the format of the accounts.

## **7. Annual Governance Statement**

- 6.1 The Accounts and Audit Regulations 2015 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:

*"A relevant authority must ensure that it has a sound system of internal control which—*  
*(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;*  
*(b) ensures that the financial and operational management of the authority is effective; and*  
*(c) includes effective 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 2016/2017 review are set out in Appendix 4. The Annual Governance Statement has been approved and signed by the Leader and the Chief Executive.

## **8. Audit of Accounts for 2016/2017**

- 7.1 The audit of the accounts commenced in June. The work is due to be completed by 31 July. As stated in Ernst & Young's Audit Results Report (elsewhere on the agenda) no substantial issues have emerged as a result of the audit.

## **9. Letter of Representation**

- 8.1 The Letter of Representation (Appendix 1) are the assurances made by management and members to the auditors that all information pertinent to the audit has been made available to them.

## **10. Background Papers**

[Financial Outturn 2015/16 – Report to Cabinet 29/06/2016 \(FIN/385\)](#)

The Accounts and Audit Regulations 2015

Code of Practice on Local Authority Accounting in the UK 2015/2016 (Chartered Institute of Public Finance and Accountancy)

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

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This letter of representations is provided in connection with your audit of the financial statements of Crawley Borough Council ("the Council") for the year ended 31/03/16. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Crawley Borough Council as of 31/03/16 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**A. Financial Statements and Financial Records**

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

#### **B. Fraud**

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

#### **C. Compliance with Laws and Regulations**

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

#### **D. Information Provided and Completeness of Information and Transactions**

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council and Cabinet, Audit Committee and Governance Committee (or summaries of actions

of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 29 June 2016.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the [period] end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

#### **E. Liabilities and Contingencies**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 38 to the financial statements all guarantees that we have given to third parties.
4. No other claims in connection with litigation have been or are expected to be received.

#### **F. Subsequent Events**

1. As described in Note 5 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

#### **G. Ownership of Assets**

1. The Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.
2. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

## **H. Reserves**

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

## **I. Use of the Work of a Specialist**

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of Property, Plant and Equipment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

## **J. Accounting Estimates**

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the applicable financial reporting framework.
2. We confirm that the significant assumptions used in making accounting estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the applicable financial reporting framework.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

## **K. Retirement benefits**

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

*Yours faithfully,*

Karen Hayes  
(Head of Finance, Revenues and Benefits)

Cllr K Sudan  
(Chairman of the Audit Committee)

# **Narrative Report**

**2016 – 2017**



## 1. An Introduction to Crawley Borough Council

Crawley borough covers 4,497 hectares and has a population of 110,000 residents, which is growing and forecast to reach 122,000 by 2034. It is situated in the north eastern part of the county of West Sussex.

Crawley is a bustling modern town and the major economic force in West Sussex as well as the Gatwick Diamond with over 3,000 active businesses.

Crawley benefits from Gatwick Airport, the world's busiest single runway airport, which hosts up to 40 million passengers per year and from Manor Royal, the South East's premier business park, which employs 30,000 people across 240 hectares. The land between Manor Royal and the airport is required to be safeguarded for a potential second runway.

Despite having just two per cent of the West Sussex land mass, Crawley contributes 25 per cent of its annual economic wealth output – it is superbly placed to sustain high value economic growth.

With 89,000 jobs and growing, Crawley has the third highest job density in the country outside Central London. Centre for Cities 2016 report, has found that Crawley is one of the most productive and innovative places in the UK (10<sup>th</sup> lowest JSA claimant count, 2<sup>nd</sup> highest weekly wages (after London), highest proportion of private sector jobs.

The town is divided into a series of residential neighbourhoods around the town centre, each with its own schools, shops and community facilities. Crawley has a rich history and heritage going back to the Bronze Age, but the town really took off in the 1940's when it was designated one of 8 'New Towns'.

We benefit from being a shopping destination, have excellent transport links, companies of all sizes are based here and the town is home to Gatwick Airport and Manor Royal Business District – the largest business park in the Gatwick Diamond.

We have an ambitious programme of regeneration on the town centre, which is building on the strengths of the town's economy to help develop retail, employment, business and residential opportunities. Our exciting plans for Queens Square, major new developments and the wealth of town centre opportunity sites make Crawley the place to invest in.

## 2. Council Structure-the council is made up of Portfolios -

### Cabinet (Leader)

Leadership of the Council including:

- overall policy direction
- financial strategy
- representing the Council in the community
- negotiating with national organisations
- emergency planning
- democratic renewal
- concessionary travel
- regional governance and development

## **Narrative Report (Continued)**

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### **Planning and Economic Development**

Responsibility for:

- local development framework
- transport issues
- economic development
- liaison on highways issues
- Gatwick strategy

### **Resources**

Responsibility for driving up the performance of council services.

Specific responsibilities include:

- human resources and staffing issues
- ICT and e-government
- customer services and complaints
- the council's Contact Centre
- procurement
- performance issues across the whole council
- democratic services
- fostering interest in local government

### **Public Protection and Community Engagement**

Responsibility for driving up the performance of council services.

Responsibility for:

- community strategy and planning
- community and neighbourhood development
- community safety
- equal opportunities
- grants to voluntary bodies
- issues relation to travellers
- health

### **Housing**

Responsibility for:

- Crawley Homes (landlord role)
- housing strategic services
- liaison and joint working with housing agencies

## Narrative Report (Continued)

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### Environmental Services and Sustainability

Responsibility for:

- public and environmental health
- waste management and recycling
- Port Health
- land drainage

### Wellbeing

Responsibility for:

- arts (including The Hawth)
- museums and galleries
- sport and fitness
- parks and open spaces
- allotments
- play service
- liaison with education authority
- community centres
- nature conservation

## 3. Council's Performance

### In 2016/17

Work nears completion on a £1.735m new cemetery for Crawley, which will provide more customer choice and sufficient burial capacity for the next 50 years

Completion of a new 'Madagascar Zone' within Tilgate Park's Nature Centre, plus an improved events space, indoor classroom and additional toilet facilities for visitors. Back in April we also opened the 'Australia Zone'

Full refurbishment of Cherry Lane Adventure Playground, following extensive consultation with residents and staff on the final design, creating a series of exciting activity zones for children to increase their physical and mental health, as well as their social skills

Transformation of neighbourhood services including parks and open spaces, sports grounds, street cleansing, grass and shrub bed maintenance. Crawley is now maintained as five 'patches' using teams of multi-skilled staff, leading to increased efficiency, maintenance standards and customer satisfaction

Through our own-build and enabling programmes we delivered 226 new affordable homes and achieved a further 209 start-on-sites.

Through our multi-agency outreach and resettlement team we have almost halved our number of rough sleepers.

## Narrative Report (Continued)

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Restructured the benefits service, resulting in a better service for our customers as they now have their own case officer and at the same time realising over £120,000 per annum of savings

Commenced the regeneration of the Town centre with work on site for Queens Square.

Crawley's first Pazzivehaus project was completed which focusses on enhancing energy efficiency with excellent thermal performance, airtightness and mechanical ventilation

Awards for work with Crawley Dementia alliance, we are seen as one of the most dementia friendly towns around

Award for Best Affordable Housing Development at the South East LABC Building Excellence Awards for the new housing development at Brunel Place

Approval for a New Town hall development which will realise over 200 new homes, a Town centre ready Heat Network and significant financial savings from running costs

Green Flag awards for Tilgate Park, Goffs Park and Memorial Gardens together with awards for South East in Bloom including Worth Park in the heritage award category, which has seen a refurbishment with help from the Heritage lottery fund.

Carbon usage across council buildings fallen by a quarter over the last 5 years which exceeds targets.

Purchased an investment property which resulted in annual income of over half a million which meant we did not have to cut services

The fraud and inspections team recovered 15 properties which we were able to allocate to new tenants; prevented 11 allocations for homes and stopped 13 unauthorised Right to Buy applications.

### Corporate Priorities looking ahead

#### Leader (Cabinet)

- Run a balanced budget. Maintaining our approach of multi-year budgeting, prioritising raising new revenue over service reductions, and removing unnecessary processes from council operations to maintain service delivery in the face of central government cuts.
- Work to keep council tax low without compromising local services.
- Seek to get the most out of the Council's remaining capital reserves by limiting major expenditure to spending required to maintain council assets, spend-to-save initiatives and invest-to-earn opportunities.

## **Narrative Report (Continued)**

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- Put money back into reserves where possible, to finance future investments.
- Continue to use and invest public money in an ethical way.

### **Housing**

#### **Making housing more affordable**

- Continue with the programme to build 1,250 new affordable units exclusively for Crawley residents.
- Look to increase the council's temporary and sheltered housing supply, saving money and meeting local need.
- Work to tackle the housing fraud, which takes homes away from those who genuinely need them

### **Planning & Economic Development**

#### **Delivering better job opportunities**

- Seek to establish a Town Centre Skills Academy, providing the construction skills we need for economic growth and providing jobs for the next generation.
- Work to found a 'Skills Laboratory', bringing employers and educators together to design the skills training necessary for local people move on in their careers.
- Continue to deliver results with our regeneration strategy, getting Crawley's town centre back on track

### **Community Engagement/Public Protection**

#### **Building a stronger community**

- Work with the police and fire service, supporting them where possible and holding them to account where necessary, while fulfilling the Council's community safety remit.
- Support the town's voluntary organisations, including through grants where appropriate, as they tackle those areas not covered by local statutory services.

### **Wellbeing**

#### **Providing for leisure and culture**

- Strategically invest in the town's leisure facilities, not only providing new leisure opportunities for residents but generating the revenue these services need to keep running. We will also look to provide more small-scale leisure facilities, increasing local provision at low maintenance costs.

## Narrative Report (Continued)

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- Follow through with our recently adopted strategy for improving allotment provision within the town.
- Continue to support the award-winning Crawley Dementia Alliance as they work to make Crawley an increasingly dementia-friendly town.
- Promote opportunities to undertake physical activity in the town, helping to keep local residents fitter and healthier for longer.

### Environment

- Set an example of sustainability for other local organisations to follow. Bringing forward solar PV panels on council properties and Passivhaus developments where viable.
- Continue the council's energy switch scheme, helping residents across Crawley to save money on energy bills.

### Resources

#### Changing the way we work

- Adapt to the changing ways in which residents want to access council services, making it easier for citizens to secure the result they need from the Council, in the way they want.
- Continue to redesign services to make them more efficient. This not only reduces the costs of operation, enabling the Council to protect frontline services in the face of cuts, but should enable a better experience for residents when accessing services.
- Become increasingly paperless, making use of modern technology to both reduce costs and save the environment

## 4. Financial Performance

Since 2010 Crawley Borough Council has faced significant financial challenges due to reductions in funding from central government along with cost pressures within services due to factors such as the economic climate.

### Revenue Expenditure and Income in 2016/17

In February 2016 the Council set a net expenditure budget for 2016/17 of £14.5million. This resulted in a Band D Council Tax for Crawley of £189.27 and a total Band D Council Tax including the precepts from West Sussex County Council and Sussex Police and Crime Commissioner of £1,546.07.

The 2016/2017 budget provided for a transfer to reserves of £431,634, at outturn this was higher due to the successes of the Council's transformation plan and sound

## Narrative Report (Continued)

financial management which brought forward efficiencies and savings and additional income and resulted in a contribution to capital reserves of £2,114,841.

	Original Estimate £000's	Latest Estimate £000's	Outturn £000's
Cabinet	1,437	1,551	1,492
Public Protection & Community Engagement	1,573	1,575	1,565
Resources	1,286	1,604	1,238
Environmental Services & Sustainability	5,984	5,742	5,600
Housing	3,275	3,548	3,474
Wellbeing	6,761	8,643	8,404
Planning & Economic Development	(2,142)	(4,822)	(5,711)
<b>Total Portfolio Variances</b>	<b>18,174</b>	<b>17,841</b>	<b>16,062</b>
Depreciation & Capital Financing	(2,984)	(4,145)	(4,145)
Renewals Fund	400	400	400
Interest on Balances	(1,118)	(1,135)	(1,139)
New Homes Bonus	(1,881)	(1,881)	(1,889)
Year-end financing		1,512	1,508
Transfer to Tilgate Park investment reserve			112
<b>Transfer to Capital Reserve</b>	<b>432</b>	<b>432</b>	<b>2,115</b>

Within the Planning and Economic Development Portfolio the council purchased an investment property in April 2016 which resulted in increased rental income of over £500,000 per annum.

### Summary of the Housing Revenue Account

The Council continues to be the provider of rental accommodation within the borough with a stock of 7,946 dwellings at 31 March 2017. 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 £45.3m in the year with other income to the HRA of £2.3m. The council took out loans on 28<sup>th</sup> March 2012 for £260.325m, borrowed from the Public Works Loan Board (PWLb). Interest on these loans amounted to £8.309m. 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 26 years and a robust business plan to invest additional resources in place.

## Narrative Report (Continued)

The balance was invested in the provision of council housing including management and maintenance of over 7,800 dwellings, 5,000 garages and 1,590 leasehold properties. There was a budgeted transfer to the Major Repairs reserve in the year of £8.940m for future investment in housing stock.

The Housing Revenue account saw an underspend in year due to additional rental income, reduced programmed and responsive maintenance due to the better weather over the last quarter of the year.

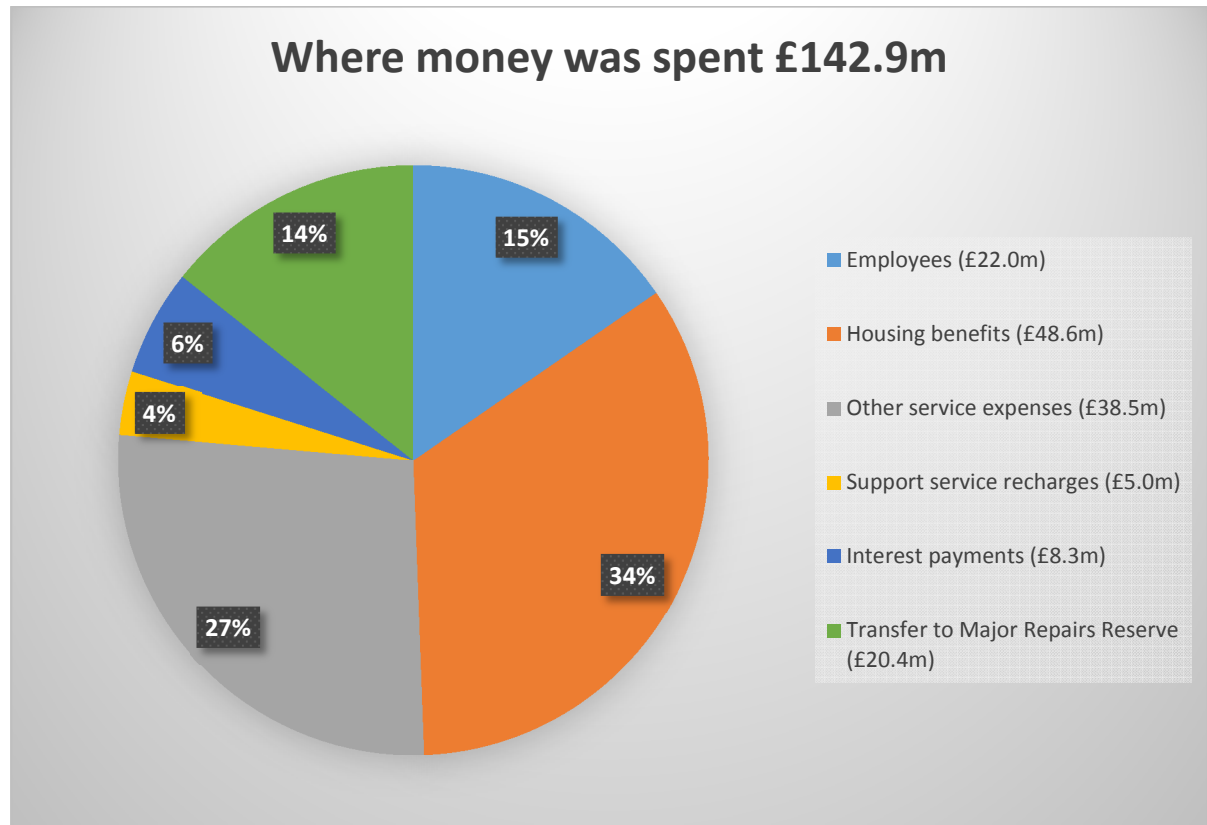
<b>HOUSING REVENUE ACCOUNT</b>			
<b>Expenditure Description</b>	<b>Latest Estimate</b>	<b>Outturn</b>	<b>Variation</b>
	£'000s	£'000s	£'000s
<b>Income</b>			
Rental Income	(45,028)	(45,391)	(363)
Other Income	(2,477)	(2,303)	174
Interest received on balances	(77)	(65)	12
<b>Total income</b>	<b>(47,582)</b>	<b>(47,758)</b>	<b>(176)</b>
<b>Expenditure</b>			
Employees	3,695	3,574	(121)
Repairs & Maintenance	11,342	11,116	(226)
Other running costs	2,331	2,056	(275)
Support services	2,645	2,645	0
	<b>20,013</b>	<b>19,391</b>	<b>(622)</b>
<b>Net (Surplus) / Deficit</b>	<b>(27,569)</b>	<b>(28,368)</b>	<b>(799)</b>
Use of Reserves:			
Debt Interest Payments	8,309	8,309	0
Depreciation, Revaluation & Impairment	11,122	11,119	(3)
Financing of Capital Programme & Transfer to Housing Reserve for future investment	8,138	8,940	802
<b>Total</b>	<b>27,569</b>	<b>28,368</b>	<b>799</b>

### Total Revenue Expenditure

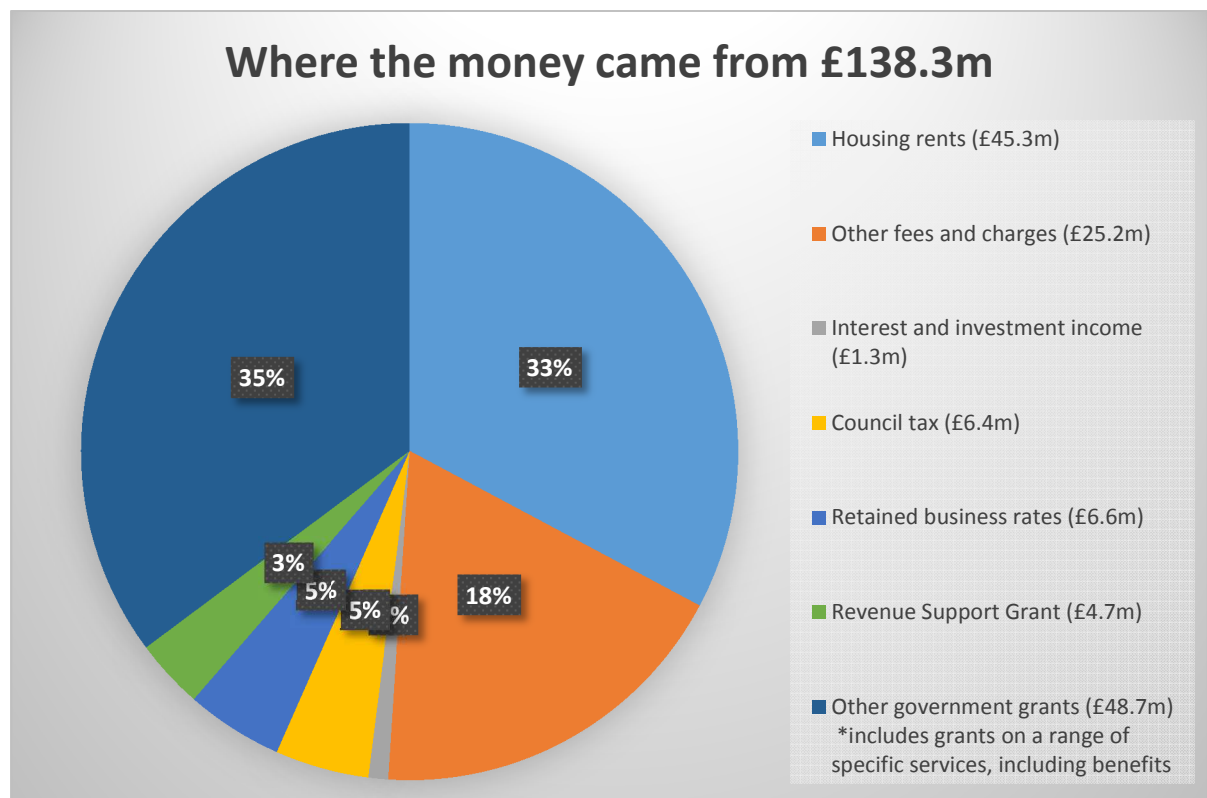
Overall the Council incurred expenditure in 2016/17 of £142.9m on its services to the public.



## Narrative Report (Continued)



The main sources of income are depicted below:



## Narrative Report (Continued)

The tables above are different from the figures reported in the statement of accounts because they have been adjusted from an accounting basis to a funding basis. The net expenditure of £4.6m agrees to the deficit on General Fund and HRA Balance in year as reported in the Expenditure and Funding Analysis and the Movement in Reserves Statement.

### Capital Programme

The Council is embarking on an ambitious capital programme of £156m from 2016/17. This includes £116.9m within Crawley Homes for investment in new and existing housing stock. There is also provision for purchase of further investment properties.

In 2016/17 the Council spent £31.117 million on capital assets, which was funded from the sale of assets, capital grants, external funding and revenue resources

Portfolio Description	Outturn 2016/17 £000's	2017/18 Latest Budget £000's	2018/19 Latest Budget £000's	2019/20 Latest Budget £000's
Cabinet	1,649	3,529	2,971	-
Resources	561	327	-	-
Environmental Services & Sustainability	1,257	1,718	1,984	94
Planning & Economic Development	7,941	5,000	1,700	-
Public Protection & Community Engagement	20	119	70	-
Housing Services	958	942	1,941	55
Wellbeing	2,437	3,044	720	200
<b>Total General Fund</b>	<b>14,823</b>	<b>14,679</b>	<b>9,386</b>	<b>349</b>
<b>Housing Revenue Account</b>	<b>16,294</b>	<b>26,026</b>	<b>43,255</b>	<b>31,312</b>
<b>Total Capital</b>	<b>31,117</b>	<b>40,705</b>	<b>52,641</b>	<b>31,661</b>

The table below summarises the approved resources available to fund the capital programme to 2019/20, this excludes the costs associated with the New Town Hall as the scheme has not been legally signed off yet.

Funded By				
Capital Receipts	3,238	7,604	9,322	255
Capital Reserve	7,941	5,000	-	-
Disabled Facilities Grant	654	440	-	-
Lottery & External Funding	1,458	1,202	-	-
1-4-1 Receipts	3,495	3,025	8,375	4,223
MRR	13,009	23,001	34,880	27,090
Replacement Fund/Revenue Financing	1,034	285	64	94
Section 106	288	149	-	-
<b>TOTAL FUNDING</b>	<b>31,117</b>	<b>40,705</b>	<b>52,641</b>	<b>31,661</b>

## Narrative Report (Continued)

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### Financial outturn

The table below reconciles the outturn for the General Fund and HRA back to the Expenditure and Funding Analysis.

	<b>General Fund £'000</b>	<b>HRA £'000</b>	<b>Combined £'000</b>
<b>Surplus / (deficit) in year</b>	<b>16,062</b>	<b>(28,368)</b>	<b>(12,306)</b>
Revaluation losses	(1,829)	-	(1,829)
Movement in investment properties	3,733	-	3,733
Capital grants	1,640	-	1,640
Revenue expenditure funded from capital	(2,121)	-	(2,121)
Pensions	(197)	-	(197)
Accumulated absences	4	1	5
<b>Net Cost of Services in the Expenditure and Funding Analysis</b>	<b>17,292</b>	<b>(28,367)</b>	<b>11,075</b>

## 5. Corporate Risks

The council has a process to manage risks and assist the achievement of its objectives. Corporate risks are subject to review quarterly by the Corporate Management Team and the Audit Committee.

The following have been identified as strategic risks for the Council:

### **Failure to deliver key infrastructure projects as planned, on time and within budget, such as:**

#### a. **Town Hall**

Feasibility work to remodel the existing town hall is largely complete. Alongside this the Council are in discussions with Westrock regarding a potential mixed use development which would see the provision of a new town hall, commercial office space and residential units on the town hall and adjacent car park site. A recommendation on the preferred option was presented to Cabinet early in 2017 and was approved at full Council on 22<sup>nd</sup> February 2017. This proposal will require a partial demolition of the current building to allow for the development of a new Town Hall within the site. Plans are underway to decant affected staff and relocate some services and facilities by March 2018 to allow this to take place

## Narrative Report (Continued)

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- **LEP Infrastructure**

A business case application seeking £14.6 million of Local Growth Fund from the Coast to Capital LEP is currently being drawn up to unlock resources to invest in sustainable transport and public realm infrastructure in the town centre and Manor Royal. This funding will come from the ring-fenced Crawley Area Transport Package. The principle purpose of this investment will be to help bring forward regeneration sites to achieve new homes, jobs and commercial space. The drafting of this business case is being progressed jointly by Crawley Borough Council, Manor Royal BID and West Sussex County Council – the accountable body for the LEP funding. It also involves dialogue with stakeholders such as Metrobus, Gatwick Airport Ltd and Network Rail and site developers.

- **Three Bridges Railway Station**

On 11<sup>th</sup> February 2015 [SHAP/43](#), Cabinet approved the allocation of £430,000 of S106 funding towards the delivery of improvement works to the Station Forecourt. Network Rail have now formally agreed with the Council a Deed of Variation related to the above S106 funds, which extends the spend deadline from end March 2017 to end March 2021.

Member approval has been granted to reallocate £1.5 million of Borough Council capital programme funding, originally earmarked for the Queens Square regeneration scheme, to the Three Bridges station improvements programme. This can be combined with the total of £500,000 of S106 resources (including £70,000 via Forge Wood) already secured for the station improvements. Borough Council officers have agreed with Network Rail and West Sussex CC to progress detailed designs for the station forecourt improvement scheme later this year and engagement is currently taking place with GTR Southern prior to a delivery schedule.

The original intention was for the Three Bridges station improvement project to receive LEP funding via the Crawley Transport Area Package. However the County Council was unable to obtain confirmation of support from Network Rail in time. The intention is now to progress the scheme using the above combination of resources, working closely with Network Rail on the Project Brief in order to define in more detail how the resources will be spent and what the outcomes will be.

- **Town Centre**

Blakedown Landscapes, the principal works contractor, commenced the Queens Square programme of works during the week of 5<sup>th</sup> September and they are due to be completed during the summer. The delivery of the works is being closely monitored by the Council's Built Environment and Economic Development & Regeneration teams, and in conjunction with the Finance Team as regards the programme expenditure.

Design proposals for a second phase of public realm improvements to extend the Queens Square regeneration work along the Queensway, the Pavement and Kingsgate were approved by Cabinet in March this year. This £2.2 million scheme is expected to be the subject of a planning application submission this summer.

## Narrative Report (Continued)

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### **Delivering the affordable housing programme**

The Administration has pledged to deliver 1,000 new affordable homes over a four year period and to look to add a further 250 new affordable homes to this programme in year five. Meeting this objective requires a twin track approach through both the Council's enabling role and its own-build programme. Progress is closely monitored on a monthly basis through the corporate Strategic Housing Board and is overseen by CMT. The stalling of three phases of the Forge Wood development together with two market led schemes significantly impacts the delivery programme. This impact would be mitigated by the approval of the town hall development site proposals, achieving additionality at Telford Place and, subject to funding being available, enabling windfall schemes. Options are currently being actively explored.

Mitigating actions have been taken to address the impact of the four year 1% rent reduction on the HRA to ensure the delivery programme can be maintained. These included setting affordable rather than social rents for new development, discounted sale as an alternative tenure option, a reduced capital programme for existing stock and re-profiling the delivery programme. Further impacts arising from the Housing and Planning Act provisions relating to the sale of high value stock cannot as yet be quantified as further secondary legislation is still awaited.

The decision to leave the EU may impact upon the costs of housing schemes as future restrictions may increase labour costs, this will be monitored over the coming years.

### **Disaster recovery and business continuity**

A report to Cabinet on 9<sup>th</sup> September 2015 recommended a more resilient hosting of data by providing a resilient, energy efficient, cost effective and available hosting environment for the IT systems to support our services. A partnership contract has been agreed with Surrey County Council for them to host the data centre. Migration is underway with a planned completion date of September 2017.

The Bewbush Centre has been designated as the Council's main alternative site should there be no or limited access to the Town Hall building. There is a link to this centre so that systems will remain operational in the event of the Town Hall being out of operation but the network still running and it is possible for staff to get into the CBC network via this link. Once the move to the SCC data centre is complete then staff will be able to access the CBC network in the event of a network failure in the Town Hall. Wi fi will allow access for up to 70 users at the Bewbush Centre using laptops and a small number of desktop network points.

### **Terrorist Attacks**

In the wake of recent attacks, in May 2017 the UK terror threat level was raised to its highest level of "critical", amid fears that more attacks may be imminent, however this has now been reduced back to "severe". There are

## Narrative Report (Continued)

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no specific threats to Crawley or West Sussex, and CBC is in regular contact with community stakeholders and the police, monitoring for any community tension and providing support where we can.

### **A balanced budget is not achieved in the medium term resulting in an increased use of reserves, which is not sustainable.**

The [Budget and Council Tax 2017/18 FIN/401](#) report to Cabinet on 8<sup>th</sup> February 2017 showed that we achieved a balanced budget despite a 41.64% reduction in revenue support grant and a cut in the New Homes Bonus.

The Corporate Management Team continue to work with staff and contractors to identify and implement improved ways of working and to focus on the aim of dealing with matters first time. The transformation programme of service improvements and efficiencies achieved through systems thinking and other types of review continue with the aim of continual streamlining of internal processes to reduced waste and duplication, and also to focus on the defined purpose of each service. The transformation programme includes an increased focus on achieving new sources of income.

The impact of the decision to leave the EU may have a detrimental impact on the Council's objectives and finances, this will be reviewed as part of the budget strategy.

### **Recruitment and retention**

Recruitment and retention of key specialist and professional roles is challenging. The impact of a period of pay restraint in the public sector combined with an increase in salary levels generally in the South East has led to problems with recruitment and retention in roles such as Economic Regeneration, IT, Project Management, Legal and some Housing roles. HR officers are working with managers to ensure we promote these roles effectively. The Council promotes the use of apprenticeships and trainee roles to grow our own skills. There is a recruitment and retention scheme which will allow time limited salary uplifts on appointment but this is only a temporary incentive and it does cause pay inequality within teams. We are exploring other ways of mitigating this risk. The Job Evaluation Scheme has been amended to create a further grade at the top of the scale to assist with the recruitment and retention of third tier managers.

## **6. Summary Position**

It is clear that the Council's financial and non-financial performance in 2016/17 continues to be good. The revenue savings and additional income earned in the year were in most cases in line with expectations, capital outturn has been managed to minimise the level of re-profiling required at the year end and the Council has sufficient reserves and balances to provide financial resilience for 2017/18 and future years.

In 2016/17, the Council has faced and dealt successfully with significant change. This trend will continue and indeed accelerate but the Council is well placed to adapt

## Narrative Report (Continued)

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to the challenges and to take advantage of the opportunities offered. There are risks as highlighted above, but there are well established and robust risk management processes in place and, together with robust financial management and reporting, the Council is in a strong position as it moves into 2017/18.

### 7. Explanation of the Financial Statement

The Statement of Accounts for 2016/17 have been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) and show the financial performance of Crawley Borough Council for the year, together with its overall financial position as at 31 March 2017. The purpose of the published statement of accounts is to give local taxpayers, Council Members, stakeholders and other interested parties clear information about the Council's finances. It therefore aims to provide information so that these stakeholders can:

- Understand the overarching financial position of the Council
- Have confidence that the public money with the Council has been entrusted and has been accounted for in an appropriate manner
- Be assured that the financial position of the Council is safe and secure

The style and format of the accounts complies with CIPFA standard and is similar to that of previous years.

The accounts provide the reader with information on the cost of services provided by the Council in the year 2016/17, how these services were paid for and a statement of the Council's assets and liabilities at the year end.

The Council's financial report consists of three reports:

- The Narrative Report (this statement)
- The Annual Governance Statement
- The Statement of Accounts

The Annual Governance Statement 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.

The Statement of 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.

- Main Financial Statements

#### **Expenditure and Funding Analysis**

This statement takes the net expenditure that is chargeable to taxation/rents and reconciles it to the Comprehensive Income and Expenditure Statement.

## Narrative Report (Continued)

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### **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.

### **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.

### **Balance Sheet**

This statement shows the balances and reserves at the Council's disposal as well as the liabilities as at 31 March 2017. 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 2016/17 (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.

- 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 and Crime Commissioner. 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.



## **Narrative Report (Continued)**

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### **8. Change in accounting policies**

There were no changes to accounting policies in the year.

### **9. Further Information**

Further information about the 2016/17 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: 15 June 2017

# Statement of Accounts

2016 – 2017

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# Statement of Responsibility for the Statement of Accounts

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## 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 2017.

Karen Hayes  
Head of Finance, Revenues and Benefits  
Date: 15 June 2017

**Independent Auditor's Report to the Members of Crawley Borough Council**

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TO FOLLOW

**Independent Auditor's Report to the Members of Crawley Borough Council (Continued)**

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TO FOLLOW

**Independent Auditor's Report to the Members of Crawley Borough Council (Continued)**

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TO FOLLOW

## Expenditure and Funding Analysis

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

<b>2015/16</b>			<b>2016/17</b>		
Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
1,243	28	1,271	1,294	17	1,311
6,188	444	6,632	6,280	109	6,389
4,768	352	5,120	4,325	46	4,371
2,668	(112)	2,556	2,770	(175)	2,595
2,317	1,946	4,263	1,961	329	2,290
4,916	635	5,551	5,477	1,548	7,025
(1,974)	1,121	(853)	(2,596)	1,630	(966)
(29,552)	9,451	(20,101)	(28,367)	10,309	(18,058)
(2,246)	307	(1,939)	(2,219)	258	(1,961)
<b>(11,672)</b>	<b>14,172</b>	<b>2,500</b>	<b>(11,075)</b>	<b>14,071</b>	<b>2,996</b>
9,464	(14,872)	(5,408)	15,661	(27,227)	(11,566)
<b>(2,208)</b>	<b>(700)</b>	<b>(2,908)</b>	<b>4,586</b>	<b>(13,156)</b>	<b>(8,570)</b>
<b>(28,362)</b>			<b>(30,569)</b>		
<b>(2,207)</b>			<b>4,586</b>		
<b>(30,569)</b>			<b>(25,983)</b>		



## Comprehensive Income and Expenditure Statement

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

2015/16 Restated			2016/17		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
					Public Protection & Community
1,567	(296)	1,271	1,543	(232)	Engagement
7,261	(629)	6,632	7,143	(754)	Corporate Resources
					Environmental Services &
10,313	(5,193)	5,120	10,085	(5,714)	Sustainability
3,170	(614)	2,556	3,219	(624)	Cabinet
56,488	(52,225)	4,263	53,377	(51,087)	Housing
13,794	(8,243)	5,551	15,644	(8,619)	Wellbeing
					Planning and Economic
4,205	(5,058)	(853)	4,395	(5,361)	Development
28,470	(48,571)	(20,101)	29,584	(47,642)	Housing Revenue Account
(1,753)	(186)	(1,939)	(1,761)	(200)	All other segments
<b>123,515</b>	<b>(121,015)</b>	<b>2,500</b>	<b>123,229</b>	<b>(120,233)</b>	<b>Cost of Services</b>
					Other operating expenditure
		2,879			(Note 11)
					Financing and investment income
		8,100			and expenditure (Note 12)
		(16,387)			Taxation and non-specific grant
					income (note 13)
					(16,100)
		<b>(2,908)</b>			<b>(Surplus) or Deficit on</b>
					<b>Provision of Services</b>
					<b>(8,570)</b>
					Property, Plant and Equipment
		(81,107)			assets
					(75,544)
					(Surplus) or deficit on revaluation
		17			of available for sale financial
					assets
					(35)
					Remeasurements of the net
		(20,950)			defined benefit liability
					(5,523)
		<b>(102,040)</b>			<b>Other Comprehensive Income</b>
					<b>and Expenditure</b>
					<b>(81,102)</b>
		<b>(104,948)</b>			<b>Total Comprehensive Income</b>
					<b>and Expenditure</b>
					<b>(89,672)</b>

## Movement in Reserves Statement

### 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	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2016 Carried Forward</b>	<b>27,371</b>	<b>3,198</b>	<b>39,689</b>	<b>25,494</b>	<b>2,045</b>	<b>97,797</b>	<b>438,133</b>	<b>535,930</b>
<b>Movement in reserves during 2016/17</b>								
Total Comprehensive Income and Expenditure	(370)	8,940	-	-	-	8,570	81,102	89,672
Adjustments between accounting basis & funding basis under regulations	(4,216)	(8,940)	1,706	7,106	247	(4,097)	4,097	-
<b>Increase/Decrease in 2016/17</b>	<b>(4,586)</b>	<b>-</b>	<b>1,706</b>	<b>7,106</b>	<b>247</b>	<b>4,473</b>	<b>85,199</b>	<b>89,672</b>
<b>Balance at 31 March 2017 carried forward</b>	<b>22,785</b>	<b>3,198</b>	<b>41,395</b>	<b>32,600</b>	<b>2,292</b>	<b>102,270</b>	<b>523,332</b>	<b>625,602</b>
<b>Analysed by:</b>								
Amounts earmarked (Note 10)	<b>18,785</b>	-						
Amount uncommitted	<b>4,000</b>	<b>3,198</b>						
<b>Total Balance at 31 March 2017</b>	<b>22,785</b>	<b>3,198</b>						

## Movement in Reserves Statement (Continued)

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2015</b>	<b>25,041</b>	<b>3,321</b>	<b>37,516</b>	<b>22,453</b>	<b>2,065</b>	<b>90,396</b>	<b>340,586</b>	<b>430,982</b>
<b>Movement in reserves during 2015/16</b>								
Total Comprehensive Income and Expenditure	(5,985)	8,893	-	-	-	2,908	102,040	104,948
Adjustments between accounting basis & funding basis under regulations	8,315	(9,016)	2,173	3,041	(20)	4,493	(4,493)	-
<b>Increase/Decrease in 2015/16</b>	<b>2,330</b>	<b>(123)</b>	<b>2,173</b>	<b>3,041</b>	<b>(20)</b>	<b>7,401</b>	<b>97,547</b>	<b>104,948</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>27,371</b>	<b>3,198</b>	<b>39,689</b>	<b>25,494</b>	<b>2,045</b>	<b>97,797</b>	<b>438,133</b>	<b>535,930</b>
<b>Analysed by:</b>								
Amounts earmarked (Note 10)	<b>23,371</b>	-						
Amount uncommitted	<b>4,000</b>	<b>3,198</b>						
<b>Total Balance at 31 March 2016</b>	<b>27,371</b>	<b>3,198</b>						

## Balance Sheet

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'.

<b>31 March 2016</b>		<b>Notes</b>	<b>31 March 2017</b>
<b>£'000</b>			<b>£'000</b>
698,347	Property, Plant & Equipment	<b>14</b>	768,845
52	Heritage Assets	<b>15</b>	52
9,324	Investment Property	<b>16</b>	20,972
621	Intangible Assets	<b>17</b>	555
11,000	Long Term Investments	<b>18</b>	5,000
<u>6,442</u>	Long Term Debtors	<b>18</b>	<u>6,862</u>
<b>725,786</b>	<b>Long Term Assets</b>		<b>802,286</b>
103,494	Short Term Investments	<b>18</b>	108,322
9	Assets Held for Sale	<b>21</b>	9
36	Inventories		36
6,413	Short Term Debtors	<b>19</b>	5,864
<u>3,871</u>	Cash and Cash Equivalents	<b>20</b>	<u>4,319</u>
<b>113,823</b>	<b>Current Assets</b>		<b>118,550</b>

## Balance Sheet (Continued)

31 March 2016			31 March 2017
£'000		Notes	£'000
(68)	Short Term Borrowing	18	(68)
(20,414)	Short Term Creditors	22	(17,523)
<u>(3,828)</u>	Provisions	23	<u>(2,306)</u>
<b>(24,310)</b>	<b>Current Liabilities</b>		<b>(19,897)</b>
(260,254)	Long Term Borrowing	18	(260,259)
(16,370)	Other Long Term Liabilities	39	(11,823)
<u>(2,745)</u>	Capital Grants Receipts in Advance	34	<u>(3,255)</u>
<b>(279,369)</b>	<b>Long Term Liabilities</b>		<b>(275,337)</b>
<u><b>535,930</b></u>	<b>Net Assets</b>		<u><b>625,602</b></u>
97,797	Usable Reserves	24	102,270
<u>438,133</u>	Unusable Reserves	25	<u>523,332</u>
<u><b>535,930</b></u>	<b>Total Reserves</b>		<u><b>625,602</b></u>

## Cash Flow Statement

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.

<b>2015/16</b> <b>£'000</b>		<b>2016/17</b> <b>£'000</b>
2,908	Net surplus/(deficit) on the provision of services	8,570
30,989	Adjustments to net surplus or deficit on the provision of services for non-cash movement (Note 26)	21,792
<u>(13,156)</u>	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities (note 26)	<u>(12,338)</u>
20,741	Net cash flows from Operating Activities	18,024
(19,741)	Investing Activities (Note 27)	(12,815)
<u>(1,727)</u>	Financing Activities (Note 28)	<u>(4,761)</u>
(727)	Net increase or decrease in cash and cash equivalents	449
<u>4,598</u>	Cash and cash equivalents at the beginning of the reporting period	<u>3,871</u>
<u><b>3,871</b></u>	<b>Cash and cash equivalents at the end of the reporting period (Note 20)</b>	<u><b>4,320</b></u>

## Index of Explanatory Notes to the Core Financial Statements

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### 1. Accounting Policies

#### i. General Principles

The Statement of Accounts summarises the Crawley Borough Council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) regulations 2016, 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 2016/17 and the Service Reporting Code of Practice 2016/17, 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.



## Notes to Main Financial Statements (Continued)

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### 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.

## Notes to Main Financial Statements (Continued)

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### **vii. Council Tax and Non-Domestic Rates (England)**

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie the collection fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collection could be less or more than predicted.

#### Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Councils share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowance for doubtful debts, overpayments and prepayments and appeals.

### **viii. 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 in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to a corporate service segment 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

## Notes to Main Financial Statements (Continued)

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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 3.5% (based on the indicative rate of return on high quality corporate bond, the iBoxx AA corporate bonds index).
- 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

## Notes to Main Financial Statements (Continued)

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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.

### **ix. 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.

## Notes to Main Financial Statements (Continued)

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### x. 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 two types:

- loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments.

#### 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.

## Notes to Main Financial Statements (Continued)

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### 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.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly and indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus/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.

## Notes to Main Financial Statements (Continued)

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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.

### **xi. Government Grants and Contributions**

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

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

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

Monies advanced 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.

### Business Improvement District

A Business Improvement District (BID) scheme applies in Manor Royal. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Authority acts as agent under the scheme, and does not show income or expenditure within the comprehensive Income and Expenditure Statement.

### Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The

## Notes to Main Financial Statements (Continued)

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income from the levy will be used to fund a number of infrastructure projects to support the development of the area.

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

### xii. 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.

### xiii. 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



## Notes to Main Financial Statements (Continued)

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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.

### **xiv. Investment Property**

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

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

### **xv. Joint Operations**

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its share of the revenue from the sale of the output by the joint operation
- Its expenses, including its share of any expenses incurred jointly.

## Notes to Main Financial Statements (Continued)

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### **xvi. 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.

### **xvii. Overheads and Support Services**

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

### **xviii. 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).

## Notes to Main Financial Statements (Continued)

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### 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:

- infrastructure community assets and assets under construction - depreciated historical cost
- dwellings - current value, determined using the basis of existing use value for social housing (EUV-SH)
- council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), except for a few offices that are situated close to the council's housing properties, where there is no market for office accommodation, and that are measured at depreciated replacement cost (instant built) as an estimate of current value.
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- 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 current 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 current value.

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

## Notes to Main Financial Statements (Continued)

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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 10 years according to estimated useful life.
- Infrastructure – straight-line allocation over 25 years

## Notes to Main Financial Statements (Continued)

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

## Notes to Main Financial Statements (Continued)

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### **xix. 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.

### **xx. 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

## Notes to Main Financial Statements (Continued)

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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.

### **xxi. 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.

### **xxii. 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.

### **xxiii. Fair value measurement**

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as Certificates of Deposit and Corporate Bonds at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) In the principal market for the asset or liability, or
- b) In the absence of a principal market, in the most advantageous market for the asset or liability

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset. The authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

## Notes to Main Financial Statements (Continued)

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Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability

### **2. Accounting Standards that have been issued but have not yet been adopted**

There are no changes to accounting standards which require adoption in The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code).

### **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.



## Notes to Main Financial Statements (Continued)

### 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 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Term</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
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 £153,354 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 £22.4m. A 1 year increase in member life expectancy would result in an increase in the pension liability of around £7.5m to £12.4m. A 0.5% increase in the Salary Increase Rate would result in an increase in the pension liability of £3.2m. A 0.5% increase in the Pension Increase Rate would result in an increase in £18.8m.
Arrears	At 31 March 2017, the Council had a balance of sundry debtors of £10.921m. A review of significant balances suggested that an impairment of doubtful debts of (£4.978m) 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 £4.978m to set aside as an allowance.

## Notes to Main Financial Statements (Continued)

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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 2017.</p>	<p>A 1% increase in the success rate of appeals would increase the provision by £0.7m. The Council's overall financial losses would be protected by the safety net.</p>
Fair value measurements	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using valuation techniques (eg quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the Council's chief valuation officer and external valuer).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 15 and 17.</p>	<p>The Council uses the discounted cash flow (DCF) model to measure the fair value of some of its investment properties and financial assets.</p> <p>The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates-adjusted for regional factors (for both investment properties and some financial assets)</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.</p>

## Notes to Main Financial Statements (Continued)

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 15 June 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

### 6. Note to the Expenditure and Funding Analysis

2016/17	Adjustments between Funding and Accounting Basis			
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £' 000	Net change for the Pensions Adjustments £' 000	Other Differences £' 000	Total Adjustments £' 000
Public Protection & Community Engagement	-	17	-	17
Corporate Resources	6	104	(1)	109
Environmental Services & Sustainability	8	38	-	46
Cabinet	-	(174)	(1)	(175)
Housing	260	73	(4)	329
Wellbeing	1,448	101	(1)	1,548
Planning and Economic Development	(3,146)	39	4,737	1,630
Housing Revenue Account	10,456	78	(225)	10,309
All other segments	-	-	258	258
<b>Net Cost of Services</b>	<b>9,032</b>	<b>276</b>	<b>4,763</b>	<b>14,071</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(28,609)</b>	<b>701</b>	<b>680</b>	<b>(27,227)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(19,577)</b>	<b>977</b>	<b>5,443</b>	<b>(13,156)</b>

## Notes to Main Financial Statements (Continued)

2015/16 (restatement)	Adjustments between Funding and Accounting Basis			
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £' 000	Net change for the Pensions Adjustments £' 000	Other Differences £' 000	Total Adjustments £' 000
Public Protection & Community Engagement	-	28	-	28
Customer and Corporate Services	257	187	-	444
Environmental Services	232	121	(1)	352
Cabinet	-	(113)	1	(112)
Housing Services	1,811	134	1	1,946
Wellbeing	391	248	(4)	635
Planning and Economic Development	740	198	183	1,121
Housing Revenue Account	9,173	135	143	9,451
All other segment	-	-	307	307
<b>Net Cost of Services</b>	<b>12,604</b>	<b>938</b>	<b>630</b>	<b>14,172</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(21,167)</b>	<b>1,428</b>	<b>4,867</b>	<b>(14,872)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(8,563)</b>	<b>2,366</b>	<b>5,497</b>	<b>(700)</b>

### Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the service line, and for:

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

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

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

## Notes to Main Financial Statements (Continued)

### Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

**For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs past service costs.

For **financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

### Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

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

## 7. Segmental Income & Expenditure

Income received and depreciation are analysed below on a segmental basis:

2015/16			2016/17	
Income from Services £' 000	Depreciation £' 000	Services	Income from Services £' 000	Depreciation £' 000
(261)	-	Public Protection & Community Engagement	(204)	-
(6,228)	601	Corporate Resources	(6,169)	651
(5,190)	531	Environmental Services & Sustainability	(5,701)	467
(2,526)	13	Cabinet	(2,445)	6
(2,461)	16	Housing	(2,241)	13
(7,826)	1,842	Wellbeing	(8,277)	2,113
(6,325)	579	Planning and Economic Development	(7,023)	589
(48,718)	22	Housing Revenue Account	(47,596)	-
-	-	All other segments	-	-
<b>(79,535)</b>	<b>3,604</b>		<b>(79,656)</b>	<b>3,839</b>

## Notes to Main Financial Statements (Continued)

### 8. Expenditure and Income Analysed by Nature

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

<b>Expenditure/Income</b>	<b>2015/16 £' 000</b>	<b>2016/17 £' 000</b>
<b>Expenditure</b>		
Employee benefit expenses	24,202	22,945
Other services expenses	81,423	75,249
Support service recharges	4,504	4,986
Depreciation, amortisation, impairment	14,519	15,833
Interest payments	8,309	8,309
Precepts and levies	-	-
Payments to Housing Capital Receipts Pool	1,215	1,049
Gain on the disposal of assets	2,702	939
<b>Total expenditure</b>	<b>136,874</b>	<b>129,310</b>
<b>Income</b>		
Fees, charges and other service income	(71,319)	(70,782)
Interest and investment income	(1,342)	(1,337)
Income from council tax, non-domestic rates	(10,153)	(11,381)
Government grants and contributions	(56,968)	(54,380)
<b>Total income</b>	<b>(139,782)</b>	<b>(137,880)</b>
<b>Surplus or deficit on the Provision of Services</b>	<b>(2,908)</b>	<b>(8,570)</b>

### 9. Adjustments between Accounting Basis and Funding Basis under Regulations

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

## Notes to Main Financial Statements (Continued)

### 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.

<b>2016/17</b>	<b>General Fund Balance £'000</b>	<b>Housing Revenue Account £'000</b>	<b>Capital Receipts Reserve £'000</b>	<b>Major Repairs Reserve £'000</b>	<b>Capital Grant Unapplied £'000</b>
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### Adjustments to the Revenue Resources

Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:

• Pension Cost (transferred to (or from) the Pension Reserve)	897	78	-	-	-
• Financial instruments (transferred to the Financial Instruments Adjustment Account)	-	-	-	-	-
• Council tax and NDR (transfers to (or from) Collection fund Adjustments Account)	1,611	-	-	-	-
• Holiday pay (transferred to the Accumulated Absences Reserve)	(4)	(1)	-	-	-

## Notes to Main Financial Statements (Continued)

<b>2016/17</b>	<b>General Fund Balance</b>	<b>Housing Revenue Account</b>	<b>Capital Receipts Reserve</b>	<b>Major Repairs Reserve</b>	<b>Capital Grant Unapplied</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<ul style="list-style-type: none"> <li>Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)</li> </ul>	1,690	20,611	-	-	404
<b>Total Adjustments to Revenue Resources</b>	<b>4,194</b>	<b>20,688</b>	<b>-</b>	<b>-</b>	<b>404</b>
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts reserve	(277)	(9,146)	9,422	-	-
Administration costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(54)	54	-	-
Transfer of deferred sale proceeds credit as part of the gain /loss on disposal from revenue to the Deferred Capital Receipts Reserve	(207)	-	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	1,049	-	(1,049)	-	-
Posting of HRA resources from revenue to the Major Repair Reserve	-	(20,428)	-	20,428	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	-	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(8,975)	-	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(8,410)</b>	<b>(29,628)</b>	<b>8,427</b>	<b>20,428</b>	<b>-</b>
<b>Adjustments to Capital Resources</b>					
Use of the Capital Receipts reserve to finance capital expenditure	-	-	(6,732)	-	-
Use of Major Repairs Reserve to financial capital expenditure	-	-	-	(13,322)	-
Application of capital grants to finance capital expenditure	-	-	-	-	(157)
Cash Payments in relation to deferred capital receipts	-	-	11	-	-
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>(6,721)</b>	<b>(13,322)</b>	<b>(157)</b>
<b>Total Adjustments</b>	<b>(4,216)</b>	<b>(8,940)</b>	<b>1,706</b>	<b>7,106</b>	<b>247</b>



## Notes to Main Financial Statements (Continued)

<b>2015/16 Restated</b>	<b>General Fund Balance</b>	<b>Housing Revenue Account</b>	<b>Capital Receipts Reserve</b>	<b>Major Repairs Reserve</b>	<b>Capital Grant Unapplied</b>
<b>Comparative Figures</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>

### Adjustments to the Revenue Resources

Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:

• Pension Cost (transferred to (or from) the Pension Reserve)	2,232	134	-	-	-
• Financial instruments (transferred to the Financial Instruments Adjustment Account)	-	-	-	-	-
• Council tax and NDR (transfers to (or from) Collection fund Adjustments Account)	1,915	-	-	-	-
• Holiday pay (transferred to the Accumulated Absences Reserve)	(3)	1	-	-	-
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	5,174	21,228	-	-	93
<b>Total Adjustments to Revenue Resources</b>	<b>9,318</b>	<b>21,363</b>	<b>-</b>	<b>-</b>	<b>93</b>

### Adjustments between Revenue and Capital Resources

Transfer of non-current asset sale proceeds from revenue to the Capital Receipts reserve	(200)	(9,218)	9,418	-	-
Administration costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(10)	10	-	-
Transfer of deferred sale proceeds credit as part of the gain /loss on disposal from revenue to the Deferred Capital Receipts Reserve	(1,037)	-	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	1,214	-	(1,214)	-	-
Posting of HRA resources from revenue to the Major Repair Reserve	-	(21,151)	-	21,151	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	-	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(980)	-	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(1,003)</b>	<b>(30,379)</b>	<b>8,214</b>	<b>21,151</b>	<b>-</b>

### Adjustments to Capital Resources

Use of the Capital Receipts reserve to finance capital expenditure	-	-	(6,469)	-	-
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## Notes to Main Financial Statements (Continued)

<b>2015/16 Restated</b>	<b>General Fund Balance</b>	<b>Housing Revenue Account</b>	<b>Capital Receipts Reserve</b>	<b>Major Repairs Reserve</b>	<b>Capital Grant Unapplied</b>
<b>Comparative Figures</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Use of Major Repairs Reserve to financial capital expenditure	-	-	-	(18,110)	-
Application of capital grants to finance capital expenditure	-	-	-	-	(113)
Cash Payments in relation to deferred capital receipts	-	-	428	-	-
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>(6,041)</b>	<b>(18,110)</b>	<b>(113)</b>
<b>Total Adjustments</b>	<b>8,315</b>	<b>(9,016)</b>	<b>2,173</b>	<b>3,041</b>	<b>(20)</b>

## Notes to Main Financial Statements (Continued)

### 10. 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 2015/16.

	Balance at 1 April 2015 £'000	Transfers Out 2015/16 £'000	Transfers In 2015/16 £'000	Balance at 31 March 2016 £'000	Transfers Out 2016/17 £'000	Transfers In 2016/17 £'000	Balance at 31 March 2017 £'000
<b>General Fund:</b>							
Capital Programme	8,893	(5,155)	1,773	5,511	(4,720)	4,473	5,264
Restructuring Impact Reserve	1,381	(94)	-	1,287	(537)	-	750
Vehicles and Plant	388	(383)	200	205	(167)	203	241
Development of Facilities for Young People	160	(160)	-	-	-	-	-
Insurance Fund	424	(45)	-	379	-	-	379
ICT Replacement	101	(143)	100	58	(44)	100	114
Specialist Equipment at K2 and Hawth	102	(202)	100	-	-	-	-
Risk Management	32	-	-	32	-	12	44
Quick Wins	50	(6)	-	44	(5)	-	39
Community Cohesion	53	(38)	-	15	(12)	-	3
Heritage Strategy	55	-	-	55	(21)	-	34
Pathfinder	11	-	5	16	(2)	19	33
Local Development Framework	479	(85)	-	394	-	48	442
Climate Change	7	-	-	7	(7)	-	-
Health & Wellbeing PCT	16	(16)	-	-	-	-	-
Defra Water Management	24	-	-	24	(24)	-	-
Health & Wellbeing Grant	340	-	16	356	(125)	35	266
Connecting Communities	30	(3)	30	57	-	-	57
Priority 2 & 3	5	(5)	-	-	-	-	-
Homeless grant	19	-	-	19	(3)	10	26
Town Centre and Regeneration Reserve	546	(68)	-	478	(101)	-	377
Preventing Repossessions	3	(3)	-	-	-	-	-
Council tax support funding	146	(112)	-	34	(34)	-	-
Investment Acquisition	3,791	(16)	5,000	8,775	(7,941)	4,166	5,000
Waste Collection	281	-	-	281	-	-	281
Worth Park HLF	55	(55)	-	-	-	-	-

## Notes to Main Financial Statements (Continued)

	Balance at 1 April 2015 £'000	Transfers Out 2015/16 £'000	Transfers In 2015/16 £'000	Balance at 31 March 2016 £'000	Transfers Out 2016/17 £'000	Transfers In 2016/17 £'000	Balance at 31 March 2017 £'000
Social Housing Fraud	13	-	-	13	(13)	-	-
Preventing B&B over 6 weeks	96	(27)	-	69	(19)	-	50
Stone court play adoption	91	(91)	-	-	-	-	-
Grant to voluntary organisations	75	-	10	85	(10)	-	75
Welfare Reform	79	(69)	55	65	(73)	99	91
Transparency	6	-	9	15	-	9	24
Shore gap fund	10	-	-	10	(3)	-	7
Tilgate Park Investment	-	-	87	87	(158)	112	41
Business Rates Equalisation	-	-	5,000	5,000	-	-	5,000
New Museum	-	-	-	-	-	33	33
Leap Project Small Business Grants	-	-	-	-	-	69	69
Leisure Management Contract	-	-	-	-	-	45	45
<b>Total</b>	<b>17,762</b>	<b>(6,776)</b>	<b>12,385</b>	<b>23,371</b>	<b>(14,019)</b>	<b>9,433</b>	<b>18,785</b>
<b>HRA:</b>							
Leased car compensation	-	-	-	-	-	-	-
Restructuring Impact	123	(123)	-	-	-	-	-
<b>Total</b>	<b>123</b>	<b>(123)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 11. Other Operating Expenditure

2015/16 £'000		2016/17 £'000
1,214	Payment to the Government Housing Receipts Pool	1,049
2,702	Gains/losses on the disposal of non-current assets	939
(1,037)	Notional Shared Equity Income	(207)
<b>2,879</b>	<b>Total</b>	<b>1,781</b>

## Notes to Main Financial Statements (Continued)

### 12. Financing and Investment Income and Expenditure

<b>2015/16</b>		<b>2016/17</b>
<b>£'000</b>		<b>£'000</b>
8,309	Interest payable and similar charges	8,309
1,135	Net interest on the net defined benefit liability	577
(1,342)	Interest receivable and similar income	(1,337)
(2)	Income and expenditure in relation to investment properties and changes in their fair market value	(4,796)
-	Other investment income	-
<b>8,100</b>	<b>Total</b>	<b>2,753</b>

### 13. Taxation and Non Specific Grant Incomes

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

<b>2015/16</b>		<b>2016/17</b>
<b>£'000</b>		<b>£'000</b>
(6,232)	Council Tax Income	(6,382)
(3,921)	Retained Business Rates	(4,999)
(4,319)	Non-ringfenced government grants	(3,711)
(1,915)	Capital grants and contributions	(1,008)
<b>(16,387)</b>	<b>Total</b>	<b>(16,100)</b>

## Notes to Main Financial Statements (Continued)

### 14. Property, Plant and Equipment

#### Movements on Balances

Movements in 2016/17

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
<b>Cost or Valuation</b>							
At 1 April 2016	<b>510,062</b>	<b>171,634</b>	<b>11,579</b>	<b>3,639</b>	<b>3,251</b>	<b>9,214</b>	<b>709,379</b>
Additions	12,088	1,543	1,003	151	145	6,012	20,942
Revaluation increases/(decreases) recognised in the Revaluation Reserve	63,233	4,662	-	-	34	-	67,929
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,900)	(1,233)	-	-	-	(332)	(6,465)
Derecognition – Disposals	(10,176)	(181)	(82)	-	-	-	(10,439)
Assets Reclassified (to)/from Held for Sale	-	-	-	-	-	-	-
Other movements in asset classification	2,906	77	-	-	-	(3,016)	(33)
<b>At 31 March 2017</b>	<b>573,213</b>	<b>176,502</b>	<b>12,500</b>	<b>3,790</b>	<b>3,430</b>	<b>11,878</b>	<b>781,313</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2016	<b>(1,695)</b>	<b>(2,421)</b>	<b>(6,868)</b>	-	<b>(48)</b>	-	<b>(11,032)</b>
Depreciation charge	(5,307)	(2,865)	(999)	(20)	(54)	-	(9,245)
Depreciation written out to the Revaluation Reserve	5,053	2,562	-	-	-	-	7,615
Depreciation written out to the Surplus/Deficit on the Provision of Services	22	49	-	-	-	-	71
Derecognition – Disposals	23	20	80	-	-	-	123
Other movements in depreciation and impairment	-	-	-	-	-	-	-
<b>At 31 March 2017</b>	<b>(1,904)</b>	<b>(2,655)</b>	<b>(7,787)</b>	<b>(20)</b>	<b>(102)</b>	-	<b>(12,468)</b>
<b>Net Book Value</b>							
<b>At 31 March 2017</b>	<b>571,309</b>	<b>173,847</b>	<b>4,713</b>	<b>3,770</b>	<b>3,328</b>	<b>11,878</b>	<b>768,845</b>
<b>At 31 March 2016</b>	<b>508,367</b>	<b>169,213</b>	<b>4,711</b>	<b>3,639</b>	<b>3,203</b>	<b>9,214</b>	<b>698,347</b>

## Notes to Main Financial Statements (Continued)

### Comparative Movements in 2015/16

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
<b>Cost or Valuation</b>							
At 1 April 2015	<b>458,370</b>	<b>113,009</b>	<b>10,839</b>	-	-	<b>8,369</b>	<b>590,587</b>
Additions	10,581	3,305	929	683	94	8,813	24,405
Revaluation increases/(decreases) recognised in the Revaluation Reserve	57,124	14,783	-	-	-	-	71,907
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,916)	(2,067)	-	-	-	-	(5,983)
Derecognition-Disposals	(12,097)	-	(323)	-	-	-	(12,420)
Assets Reclassified (to)/from Held for Sale	-	-	-	-	-	-	-
Other movements in asset classification	-	42,604	134	2,956	3,157	(7,968)	40,883
<b>At 31 March 2016</b>	<b>510,062</b>	<b>171,634</b>	<b>11,579</b>	<b>3,639</b>	<b>3,251</b>	<b>9,214</b>	<b>709,379</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2015	<b>(4,492)</b>	<b>(1,530)</b>	<b>(6,260)</b>	-	-	-	<b>(12,282)</b>
Depreciation charge	(4,735)	(2,675)	(931)	-	(48)	-	(8,389)
Depreciation written out to the Revaluation Reserve	7,478	1,722	-	-	-	-	9,200
Depreciation written out to the Surplus/Deficit on the Provision of Services	12	62	-	-	-	-	74
Derecognition – Disposals	42	-	323	-	-	-	365
Other movements in depreciation and impairment	-	-	-	-	-	-	-
<b>At 31 March 2016</b>	<b>(1,695)</b>	<b>(2,421)</b>	<b>(6,868)</b>	-	<b>(48)</b>	-	<b>(11,032)</b>
<b>Net Book Value</b>							
<b>At 31 March 2016</b>	<b>508,367</b>	<b>169,213</b>	<b>4,711</b>	<b>3,639</b>	<b>3,203</b>	<b>9,214</b>	<b>698,347</b>
<b>At 31 March 2015</b>	<b>453,878</b>	<b>111,479</b>	<b>4,579</b>	-	-	<b>8,369</b>	<b>578,305</b>

## Notes to Main Financial Statements (Continued)

### Capital Commitments

At 31 March 2017, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years budgeted to cost £12,646,715. Similar commitments at 31 March 2016 were £13,755,291.

The major commitments are:

	£'000
HRA Programmed Repairs	10,416
HRA Affordable Housing	53
Community – Park and Recreation	151
Community – New Museum	753
Environment – Flooding and Water Management	1,007
Environment – Residential Improvement	266
	12,646

### 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	Infrastructure Assets £' 000	Community Assets £' 000	Assets under construction £' 000	Total £' 000
Carried at historical cost	-	-	4,713	3,770	3,328	11,878	23,689
Value at fair value as at:							
31 March 2017	571,309	123,371	-	-	-	-	694,680
31 March 2016	-	38,841	-	-	-	-	38,841
31 March 2015	-	3,936	-	-	-	-	3,936
31 March 2014	-	5,251	-	-	-	-	5,251
31 March 2013	-	2,448	-	-	-	-	2,448
	571,309	173,847	4,713	3,770	3,328	11,878	768,845



## Notes to Main Financial Statements (Continued)

### 15. Heritage Assets

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

	<b>Public Works of Art 2017 £' 000</b>
<b>Cost or Valuation</b>	
01 April 2016	52
Additions	-
Disposals	-
<b>31 March 2017</b>	<b>52</b>

	<b>Public Works of Art 2016 £' 000</b>
<b>Cost or Valuation</b>	
01 April 2015	52
Additions	-
Disposals	-
<b>31 March 2016</b>	<b>52</b>

#### 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.

### 16. 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:

	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>
Rental income from investment property	(720)	(1,217)
Direct operating expenses arising from investment property *	717	(3,579)
<b>Net (Gain)/Loss</b>	<b>(3)</b>	<b>(4,796)</b>

\*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.

## Notes to Main Financial Statements (Continued)

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

	2015/16 £'000	2016/17 £'000
Balance at the start of the year	48,675	9,324
Additions:		
• Purchases	1,552	7,899
• Subsequent expenditure	-	-
Disposals	-	-
Net gains/losses from fair value adjustments	71	3,733
Transfers:		
• to/from Property, Plant and Equipment	(40,974)	16
• to/from Assets Held for Sale	-	-
• to/from Land and Buildings	-	-
<b>Balance at end of the year</b>	9,324	20,972

### 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.

### Fair Value

	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2017 £'000
Recurring fair value measurements using:				
Office Units	-	16,420	-	16,420
Commercial Units	-	4,552	-	4,552
<b>Total</b>	-	20,972	-	20,972

## Notes to Main Financial Statements (Continued)

### 2016 Comparative Figures

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2016 £'000
Office Units	-	5,209	-	5,209
Commercial Units	-	4,115	-	4,115
<b>Total</b>	-	9,324	-	9,324

To give a clear comparison the 2016 figures only includes the investment properties held at 31<sup>st</sup> March 2017.

### Transfer between Levels of the Fair Value Hierarchy

There were no transfers between Levels 1 and 2 during the year.

### Valuation Techniques used to Determine Level 2 Fair Values for Investment Properties

#### Significant Observable Inputs – Level 2

The fair value of the Office and Commercial Units located in the local authority area (at market rents) has been based on the market approach using current market conditions and recent sales process and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

#### Highest and Best use of Investment Properties

In estimating the fair value of the authority's five of the seven investment properties, the highest and best use of the properties is their current use.

For two of the authorities commercial properties are not being used at the highest and best current use, the authority is looking to address this by developing these sites in the future.

#### Valuation Techniques

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

Additional information has been supplied to arrive at the notional 'Highest and Best use value' for the assets within the principal market whilst ensuring that any alternative use is physically, legally and financially possible.

## Notes to Main Financial Statements (Continued)

This has been achieved, for these purpose, by comparing the 'current use' of the assets to the notional 'alternative use' based on potential redevelopment on a land value basis for the site.

### Valuation Process for Investment Properties

The fair value of the authority's investment property is measured annually at each reporting date. All valuations are carried out by the authority's appointed valuers Wilks Head & Eve, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The authority's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

## 17. 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 £193,950 charged to revenue in 2016/17 was charged to appropriate service headings in the Net Expenditure of Services.

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

	2015/16			2016/17		
	Internally Generated Assets £'000	Other Assets £'000	Total £'000	Internally Generated Assets £'000	Other Assets £'000	Total £'000
<b>Balance at start of year:</b>						
▪ Gross carrying amounts	-	2,980	2,980	-	3,217	3,217
▪ Accumulated amortisation	-	(2,375)	(2,375)	-	(2,596)	(2,596)
Net carrying amount at start of year	-	605	605	-	621	621
Additions:						
▪ Purchases	-	145	145	-	111	111
Assets reclassified	-	-	-	-	-	-
Other movements in Asset classification	-	92	92	-	17	17
Amortisation for the period	-	(221)	(221)	-	(194)	(194)
Net carrying amount at end of year	-	621	621	-	555	555
Comprising:						
▪ Gross carrying amounts	-	3,217	3,217	-	3,345	3,345
▪ Accumulated amortisation	-	(2,596)	(2,596)	-	(2,790)	(2,790)
	-	621	621	-	555	555

## Notes to Main Financial Statements (Continued)

### 18. 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 2016 £'000	As at 31 March 2017 £'000	As at 31 March 2016 £'000	As at 31 March 2017 £'000
<b>Investments</b>				
Loans and receivables	11,000	5,000	73,028	76,231
Available-for-sale financial assets	-	-	30,466	32,091
Financial assets at fair value through profit and loss <sup>2</sup>	-	-	-	-
<b>Total Investments</b>	<b>11,000</b>	<b>5,000</b>	<b>103,494</b>	<b>108,322</b>
<b>Cash and Cash Equivalents</b>				
Loans and receivables	-	-	3,871	4,319
Available-for-sale financial assets	-	-	-	-
Financial liabilities at amortised cost <sup>1</sup>	-	-	-	-
<b>Total cash and cash equivalents</b>	<b>-</b>	<b>-</b>	<b>3,871</b>	<b>4,319</b>
<b>Debtors</b>				
Loans and receivables	5,314	5,433	-	-
Shared equity loans valued at fair value through profit and loss	1,037	1,350	-	-
Financial assets carried at contract amounts	91	79	2,643	2,614
<b>Total included in Debtors</b>	<b>6,442</b>	<b>6,862</b>	<b>2,643</b>	<b>2,614</b>
Debtors that are not financial instrument	-	-	3,770	3,250
<b>Total Debtors</b>	<b>6,442</b>	<b>6,862</b>	<b>6,413</b>	<b>5,864</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	(260,254)	(260,259)	(68)	68
<b>Total Borrowings</b>	<b>(260,254)</b>	<b>(260,259)</b>	<b>(68)</b>	<b>(68)</b>
<b>Creditors</b>				
Financial liabilities carried at contract amount	-	-	(9,103)	(10,604)
<b>Total included in Creditors</b>	<b>-</b>	<b>-</b>	<b>(9,103)</b>	<b>(10,604)</b>
Creditors that are not financial instruments	-	-	(11,311)	(6,919)
<b>Total Creditors</b>	<b>-</b>	<b>-</b>	<b>(20,414)</b>	<b>(17,523)</b>

## Notes to Main Financial Statements (Continued)

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

	2015/16					2016/17				
	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	-	-	-	-	-	-	-	-	-	-
Reduction in fair value	-	-	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-	-
Fee expense	-	-	-	-	-	-	-	-	-	-
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>8,309</b>	-	-	-	<b>8,309</b>	<b>8,309</b>	-	-	-	<b>8,309</b>
Interest Income	-	(1,050)	(259)	-	(1,309)	-	(1,075)	(257)	-	(1,332)
Interest income accrued on impaired financial assets	-	-	-	-	-	-	-	-	-	-
Increases in fair value	-	-	-	-	-	-	-	-	-	-

## Notes to Main Financial Statements (Continued)

	2015/16					2016/17				
	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
Gains on derecognition	-	-	(32)	-	(32)	-	-	(6)	-	(6)
Fee Income	-	-	-	-	-	-	-	-	-	-
<b>Total income in Surplus or Deficit on the Provision of Services</b>	-	<b>(1,050)</b>	<b>(291)</b>	-	<b>(1,341)</b>	-	<b>(1,075)</b>	<b>(263)</b>	-	<b>(1,338)</b>
Gains on revaluation	-	-	(25)	-	(25)	-	-	(57)	-	(57)
Losses on revaluation	-	-	41	-	41	-	-	38	-	38
Amount recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-	-	-	-	-	-	-
Amount recycled to the Surplus or Deficit on the Provision of Services after derecognition	-	-	-	-	-	-	-	-	-	-
<b>Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	-	-	<b>16</b>	-	<b>16</b>	-	-	<b>(19)</b>	-	<b>(19)</b>
<b>Net gain/(loss) for the year</b>	<b>8,309</b>	<b>(1,050)</b>	<b>(275)</b>	-	<b>6,984</b>	<b>8,309</b>	<b>(1,075)</b>	<b>(282)</b>	-	<b>6,952</b>

## Notes to Main Financial Statements (Continued)

### Fair value of assets and liabilities carried at amortised cost

Some of the council's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

#### Financial assets measured at fair value

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	As at 31 March 2016 £'000	As at 31 March 2017 £'000
<b>Available for sale</b>				
Certificates of Deposits	Level 1	Unadjusted quoted process in active markets for identical instruments	18,555	18,058
Corporate Bonds	Level 1	Unadjusted quoted prices in active markets for identical instruments	11,911	13,847
<b>Total</b>			<b>30,466</b>	<b>31,905</b>

#### Fair value through profit & loss:

Shared equity loans	Level 3	Historic cost adjusted by house price indices and discounted to the balance sheet date	1,037	1,350
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#### Transfer between Levels of the Fair Value Hierarchy

There were no transfer between input levels 1 and 2 during the year.

#### Changes to the Valuation Technique

There has been no change in the valuation technique used during the year for the financial instruments.

#### Reconciliation of Fair Value Measurements for Financial Assets Carried at Fair Value Categorised within Level 3 of the Fair Value Hierarchy for financial Assets

	Shared Equity Loans	
	31 March 2016 £'000	31 March 2017 £'000
Opening balance	-	1,037
Included in Surplus or Deficit on the Provision of Services	-	105
Additions	1,037	208
Closing balance	1,037	1,350



## Notes to Main Financial Statements (Continued)

Shared equity loans are provided by third party developers as a discount on the market value of new homes for the benefit of first time buyers. The discount is registered as a charge on the property and becomes payable to the Council on certain events, including the sale of the property. On initial recognition, the loan is recognised in the Other Operating Income line within the Surplus or Deficit on the Provision of Services. There is no directly observable fair value for individual loans arising from the sale of specific properties under the scheme, and therefore the Council determines the fair value of the portfolio of loans based on house price indices and a discount factor. Details of the key assumptions are as follows:

	<b>31 March 2016 £'000</b>	<b>31 March 2017 £'000</b>
<b>Assumption</b>		
Period over which shared equity loan receivable are discounted	9 years	9 years
Nominal discount rate	3.5%	3.5%
Number of loans under the shared equity scheme outstanding at the year-end	29	35

### The Fair Values of Financial Assets and Financial Liabilities that are not Measured at Fair Value (but for which Fair Value Disclosures are Required)

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets held by the Council are classified as loans and receivables and long-term debtors and creditors and are carried in the Balance Sheet at amortised cost. The fair values calculated are as follows.

	<b>31 March 2016</b>		<b>31 March 2017</b>	
	<b>Carrying amount £'000</b>	<b>Fair value £'000</b>	<b>Carrying amount £'000</b>	<b>Fair value £'000</b>
PWLB debt	260,254	269,637	260,259	283,882

The fair value of the Public Works Loan Board (PWLB) loans of £283,882,257 measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the Council will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB.

If a value is calculated on this basis, the carrying amount of £260,259,286 would be valued at £290,321,383. But, if the Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £323,582,902.

## Notes to Main Financial Statements (Continued)

Financial Assets	31 March 2016		31 March 2017	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Loans and receivables	11,000	11,282	5,000	5,163
Long-term debtors	6,442	6,442	6,862	6,862

The fair value of the assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2017) attributable to the commitment to receive interest above current market rates.

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

### Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value

	31 March 2017			Total £'000
	Quoted Prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	
<b>Recurring fair value measurements using:</b>				
<b>Financial Liabilities</b>				
PWLB debt	-	283,882	-	283,882
<b>Total</b>	-	<b>283,882</b>	-	<b>283,882</b>
<b>Financial Assets</b>				
Loans and receivables	-	5,163	-	5,163
Long-term debtors	-	-	6,862	6,862
<b>Total</b>	-	<b>5,163</b>	<b>6,862</b>	<b>12,025</b>

## Notes to Main Financial Statements (Continued)

31 March 2016 Comparative Year

	Quoted Prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
<b>Recurring fair value measurements using:</b>				
<b>Financial Liabilities</b>				
PWLB debt	-	269,637	-	269,637
<b>Total</b>	<b>-</b>	<b>269,637</b>	<b>-</b>	<b>269,637</b>
<b>Financial Assets</b>				
Loans and receivables	-	11,282	-	11,282
Long-term debtors	-	-	6,442	6,442
<b>Total</b>	<b>-</b>	<b>11,282</b>	<b>6,442</b>	<b>17,724</b>

The fair value for financial liabilities and financial assets that are not measured at fair value included in levels 2 and 3 in the table above have been arrived at using the discounted cash flow analysis with the most significant inputs being the discount rate.

The fair value for financial liabilities and assets that are not measured at fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions.

### Financial assets

- No early repayment or impairment is recognised
- Estimated ranges of interest rates at 31 March 2017 of 0.78% for loans receivable, based on new lending rates for equivalent loans at that date
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

### Financial liabilities

- No early repayment is recognised
- Estimated ranges of interest rates at 31 March 2017 of 1.38% to 2.57% for loans payable based on new lending rates for equivalent loans at that date

## Notes to Main Financial Statements (Continued)

### 19. Debtors

	31 March 2016 £'000	31 March 2017 £'000
Central Government Departments	674	874
Other Local Authorities	1,948	207
NHS Bodies	26	47
Public Corporations and Trading Funds	-	-
Other Entities and Individuals	3,765	4,736
<b>Total Debtors</b>	<b>6,413</b>	<b>5,864</b>

### 20. Cash and Cash Equivalent

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

31 March 2016 £'000		31 March 2017 £'000
-	Cash overdrawn	-
1,528	Bank Call account	1,026
2,343	Money Market Funds	3,293
<b>3,871</b>	<b>Total Cash and Cash Equivalents</b>	<b>4,319</b>

### 21. Assets Held for Sale

	Current	
	2015/16 £'000	2016/17 £'000
<b>Balance Outstanding at start of year</b>	<b>9</b>	<b>9</b>
Assets newly classified as held for sale:		
• Property, Plant and Equipment	-	-
• Investment Property	-	-
Assets declassified as held for sale:		
• Property, Plant and Equipment	-	-
• Investment Property	-	-
Revaluation Gains	-	-
Impairment Losses	-	-
Assets sold	-	-
<b>Balance outstanding at year end</b>	<b>9</b>	<b>9</b>

## Notes to Main Financial Statements (Continued)

### 22. Creditors

	<b>As at 31 March 2016 £'000</b>	<b>As at 31 March 2017 £'000</b>
Central Government Departments	7,829	4,736
Other Local Authorities	1,781	1,104
NHS Bodies	-	73
Public Corporations and Trading Funds	-	-
Other Entities and Individuals	10,804	11,610
<b>Total Creditors</b>	<b>20,414</b>	<b>17,523</b>

### 23. Provisions

	<b>Accumulated Absences £'000</b>	<b>Other £'000</b>	<b>NNDR Appeal £'000</b>	<b>Total £'000</b>
<b>Balance at 1 April 2016</b>	<b>159</b>	<b>126</b>	<b>3,543</b>	<b>3,828</b>
Additional provisions made in 2016/17	154	-	(1,008)	(854)
Amounts used in 2016/17	(159)	(126)	(383)	(668)
Unused amounts reversed in 2016/17	-	-	-	-
Unwinding of discounting in 2016/17	-	-	-	-
<b>Balance at 31 March 2017</b>	<b>154</b>	<b>-</b>	<b>2,152</b>	<b>2,306</b>

#### 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.

## Notes to Main Financial Statements (Continued)

### 24. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement, Note 9 and Note 10.

### 25. Unusable Reserves

31 March 2016 £'000		31 March 2017 £'000
	<b>Unusable Reserves Held for Capital Purposes</b>	
150,972	Revaluation Reserve	222,254
297,564	Capital Adjustment Account	308,307
5,492	Deferred Capital Receipts Reserve	5,688
<u>454,028</u>	<b>Total Unusable Reserves Held for Capital Purposes</b>	<u>536,249</u>
	<b>Unusable Reserves Held for Revenue Purposes</b>	
(17)	Available for Sale Financial Instrument Reserve	19
(16,370)	Pension Reserve	(11,823)
651	Collection Fund Adjustment Account	(959)
(159)	Accumulated Absences Account	(154)
<u>(15,895)</u>	<b>Total Unusable Reserves Held for Revenue Purposes</b>	<u>(12,917)</u>
<u>438,133</u>	<b>Total Unusable Reserves</b>	<u>523,332</u>

## Notes to Main Financial Statements (Continued)

### (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 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.

<b>31 March 2016 £'000</b>			<b>31 March 2017 £'000</b>
<b>72,546</b>	<b>Balance at 1 April</b>		<b>150,972</b>
82,740	Upward revaluation of asset	76,532	
(1,633)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(988)	
<b>81,107</b>	Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		<b>75,544</b>
-	Prior year adjustment		-
(2,002)	Difference between fair value depreciation and historical cost depreciation	(3,095)	
(679)	Accumulated gains on assets sold or scrapped	(1,167)	
<b>(2,681)</b>	<b>Amount written off to the Capital Adjustment Account</b>		<b>(4,262)</b>
<b>150,972</b>	<b>Balance at 31 March</b>		<b>222,254</b>

## Notes to Main Financial Statements (Continued)

### (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.

2015/16 £'000		2016/17 £'000
<b>295,706</b>	<b>Balance at 1 April</b>	<b>297,564</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
	<ul style="list-style-type: none"> <li>• Charges for depreciation and impairment of non-current assets</li> <li>• Revaluation losses on Property, Plant and Equipment</li> <li>• Amortisation of intangible assets</li> <li>• Revenue expenditure funded from capital under statute</li> <li>• 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</li> </ul>	
(8,389)		(9,245)
(5,537)		(6,707)
(221)		(194)
(2,853)		(2,121)
(12,130)		(10,415)
(29,130)		(28,682)
2,681	Adjusting amounts written out of the Revaluation Reserve	4,262
<b>(26,449)</b>	Net written out amount of the cost of non-current assets consumed in the year	<b>(24,420)</b>
	Capital financing applied in the year:	
	<ul style="list-style-type: none"> <li>• Use of the Capital Receipts Reserve to finance new capital expenditure</li> <li>• Use of the Major Repairs Reserve to finance new capital expenditure</li> <li>• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing</li> <li>• Application of grants to capital financing from the Capital Grants Unapplied Account</li> <li>• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances</li> <li>• Capital expenditure charged against the General fund and HRA balances</li> </ul>	
6,469		6,732
18,110		13,322
2,564		2,244
113		157
-		-
980		8,975
<b>28,236</b>		<b>31,430</b>
71	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	<b>3,733</b>
-	Movement in the donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-
<b>297,564</b>	<b>Balance at 31 March</b>	<b>308,307</b>



## Notes to Main Financial Statements (Continued)

### (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.

2015/16 £'000		2016/17 £'000
4,883	<b>Balance at 1 April</b>	5,492
1,037	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	207
(428)	Transfer to the Capital Receipts Reserve upon receipt of cash	(11)
<b>5,492</b>	<b>Balance at 31 March</b>	<b>5,688</b>

### 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.

2015/16 £'000		2016/17 £'000
-	<b>Balance at 1 April</b>	(17)
24	Upward revaluation of investments	58
(41)	Downward evaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(38)
-	Accumulated gains on assets sold and maturing assets written out to the comprehensive Income and Expenditure Statement as part of Other Investment Income	16
<b>(17)</b>	<b>Balance at 31 March</b>	<b>19</b>

## Notes to Main Financial Statements (Continued)

### (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.

<b>2015/16 £'000</b>		<b>2016/17 £'000</b>
<b>(34,954)</b>	<b>Balance at 1 April</b>	<b>(16,370)</b>
20,950	Actuarial gains or losses on pensions assets and liabilities	5,523
(5,930)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and expenditure Statement	(4,384)
3,564	Employer's pensions contribution and direct payments to pensioners payable in the year	3,408
<b>(16,370)</b>	<b>Balance at 31 March</b>	<b>(11,823)</b>

### (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.

<b>2015/16 £'000</b>		<b>2016/17 £'000</b>
<b>2,566</b>	<b>Balance at 1 April</b>	<b>651</b>
(1,915)	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	(1,610)
<b>651</b>	<b>Balance at 31 March</b>	<b>(959)</b>

## Notes to Main Financial Statements (Continued)

### (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.

2015/16 £'000			2016/17 £'000
(161)	<b>Balance at 1 April</b>		(159)
161	Settlement or cancellation of accrual made at the end of the preceding year	159	
(159)	Amounts accrued at the end of the current year	(154)	
<u>2</u>	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
<b>(159)</b>	<b>Balance at 31 March</b>		<b>(154)</b>

### 26. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

31 March 2016 £'000		31 March 2017 £'000
1,078	Interest received	1,318
(8,314)	Interest paid	(8,304)
-	Dividends received	-

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

31 March 2016 £'000		31 March 2017 £'000
8,390	Depreciation	9,245
5,909	Impairments and downward valuations	6,394
221	Amortisation	194
1	Increase/(decrease) in impairment for bad debts	-
1,074	Increase/(decrease) in creditors	(523)
1,458	Increase/(decrease) in debtors	833
(11)	Increase/Decrease in inventories	-

## Notes to Main Financial Statements (Continued)

<b>31 March 2016 £'000</b>		<b>31 March 2017 £'000</b>
2,366	Movement in pension liability	976
12,131	Carrying amount of non-current assets and non-current assets held for sale, sole or derecognised	10,416
(550)	Other non-cash items charged to the net surplus or deficit on the provision of services	(5,743)
<b>30,989</b>		<b>21,792</b>

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

(32)	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	(6)
(10,466)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(9,683)
(2,658)	Any other items for which the cash effects are investing or financing cash flows	(2,649)
<b>(13,156)</b>		<b>(12,338)</b>

### 27. Cash Flow Statement – Investing Activities

The cash flows for operating activities include the following items:

<b>2015/16 £'000</b>		<b>2016/17 £'000</b>
(25,800)	Purchase of property, plant and equipment, investment property and intangible assets	(26,670)
(180,955)	Purchase of short-term and long-term investments	(146,630)
(38)	Other payments for investing activities	(44)
10,894	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	9,694
173,256	Proceeds from short-term and long-term investments	147,572
2,902	Other receipts from investing activities	3,263
<b>(19,741)</b>	<b>Net cash flows from investing activities</b>	<b>(12,815)</b>

## Notes to Main Financial Statements (Continued)

### 28. Cash Flow Statement – Financing Activities

2015/16 £'000		2016/17 £'000
-	Cash receipts of short and long-term borrowing	-
-	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	-
(1,727)	Other payments for financing activities	(4,761)
(1,727)	<b>Net cash flows from financing activities</b>	<b>(4,761)</b>

### 29. 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.

	2015/16 £'000	2015/16 £'000	2016/17 £'000	2016/17 £'000
Turnover for commercial operations	658		1,157	
Turnover related to non-commercial lets	4,160		4,183	
Total Turnover		4,818		5,340
Expenditure	(1,822)		(1,757)	
Movement in Fair Value of investment Properties	-		3,733	
Net Surplus/(deficit) on trading operations		(1,822)		1,976
		2,996		7,316

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

	2015/16 £'000	2016/17 £'000
<b>Net Surplus on trading operations</b>	2,996	7,316
<b>Net Surplus credited to Financing and Investment Income and Expenditure</b>	2,996	7,316

## Notes to Main Financial Statements (Continued)

### 30. 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.

#### Verge maintenance on behalf of West Sussex County Council (WSSC)

	2015/16 £'000	2016/17 £'000
<b>WSSC-Verge/Shrub maintenance</b>		
Expenditure incurred in providing verge/shrub maintenance	194	185
Income – contribution from WSSC	(182)	(180)
Net (surplus)/deficit arising on agency arrangement	12	5

#### Car Parking Enforcement (CPE) service and Controlled Parking Zone (CPZ) service on behalf of WSSC and other Partners

	2015/16 £'000	2016/17 £'000
<b>WSSC-Civil Parking Enforcement</b>		
Expenditure incurred in providing a CPE/CPZ service	367	387
Income raised from fees and charges	(823)	(915)
Income Share	(367)	(387)
Management Fee Payable	800	895
Net (surplus)/deficit arising on agency arrangement	(102)	(112)
	(125)	(132)

### 31. Members' Allowances

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

	2015/16 £'000	2016/17 £'000
Salaries	n/a	n/a
Allowance	335	330
Expenses	1	0
Total	336	330

## Notes to Main Financial Statements (Continued)

### 32. 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	2016/17	115,165	1,721	-	-	20,233	137,119
	2015/16	121,434	1,635	-	-	20,875	143,944
Deputy Chief Executive	2016/17	100,661	1,239	-	-	19,584	121,484
	2015/16	95,567	1,239	-	-	17,686	114,492
Head of Finance, Revenue and Benefits (S.151 Officer)	2016/17	66,057	(400)	-	-	12,918	78,575
	2015/16	63,705	(400)	-	-	11,821	75,126
Head of Legal and Democratic Services	2016/17	69,739	(369)	-	-	13,481	82,851
	2015/16	68,747	(400)	-	-	12,667	81,014

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 2015/16	Number of Employees 2016/17
£50,000 - £54,999	11	11
£55,000 - £59,999	1	4
£60,000 - £64,999	2	-
£65,000 - £69,999	6	7
£70,000 - £74,999	-	1
£75,000 - £79,999	-	-
£80,000 - £84,999	-	1
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000+	-	-

## Notes to Main Financial Statements (Continued)

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2015/16 Qty	2016/17 Qty	2015/16 Qty	2016/17 Qty	2015/16 Qty	2016/17 Qty	2015/16 £	2016/17 £
£0 - £20,000	8	4	-	-	8	4	76,060	20,636
£20,001–£40,000	5	3	-	-	5	3	129,481	99,162
£40,001–£60,000	-	2	-	1	-	3	-	132,245
£60,001–£80,000	1	-	-	-	1	-	66,575	-
£80,001–£100,000	1	1	-	-	1	1	81,780	94,926
£100,001–£150,000	-	-	-	-	-	-	-	-
£150,001–£200,000	-	-	-	-	-	-	-	-
£201,000–£250,000	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>15</b>	<b>10</b>	<b>-</b>	<b>1</b>	<b>15</b>	<b>11</b>	<b>353,896</b>	<b>346,969</b>

### 33. External Audit Cost

In 2016/17 the Council incurred the following fees payable to Ernst & Young LLP relating to external audit and inspection:

	2015/16 £'000	2016/17 £'000
Fees payable with regard to external audit services carried out by the appointed auditor	81	77
Fees payable in respect of other services provided by the auditor during the year*	2	3
<b>Total</b>	<b>83</b>	<b>80</b>

\*The fees for other services payable in 2016/17 related to the audit of the Capital Pooling return 2015/16, which was not undertaken by the appointed auditor.



## Notes to Main Financial Statements (Continued)

### 34. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure statement in 2016/17:

	2015/16 £'000	2016/17 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	2,625	1,776
Capital Grants and Contributions	1,915	1,008
New Homes Bonus	1,584	1,888
Council Tax Freeze Grant	71	-
Preventing Homelessness	-	-
Pathfinder	-	-
Community Cohesion	-	-
Other Grants	39	48
Business Rate Grants	468	326
	<b>6,702</b>	<b>5,046</b>
<b>Credited to Services</b>		
Rent Allowance	27,058	26,995
Rent Rebates	22,042	21,203
Council Tax Benefits	-	-
Benefits Administration	738	655
NNDR Collection	208	209
Other Grants	687	598
<b>Total</b>	<b>50,733</b>	<b>49,660</b>

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;

	2015/16 £'000	2016/17 £'000
<b>Capital Grants Receipts in Advance</b>		
S106 – Transport	1,282	1,416
S106 – Amenity Space	844	916
S106 – Other Grants	619	923
<b>Total</b>	<b>2,745</b>	<b>3,255</b>

### 35. 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 7 Expenditure and Income Analysed by Nature. Grant receipts outstanding at 31 March 2017 are shown in Note 34.

#### 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 £624,036 in which twelve 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.

## Notes to Main Financial Statements (Continued)

### 36. 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.

	2015/16 £'000	2016/17 £'000
<b>Capital Expenditure and Capital Financing</b>		
Opening Capital Financing Requirement	259,940	260,325
<b>Capital Investment</b>		
Property, Plant and Equipment	24,405	20,942
Investment Properties	1,552	7,899
Intangible Assets	144	111
Revenue Expenditure Funded from Capital under Statute	2,853	2,121
Long Term Debtors	38	44
<b>Sources of Finance</b>		
Capital receipts	6,469	6,732
Major Repairs Reserve	18,110	13,322
Government Grants and other contributions	2,677	2,401
Revenue contributions	980	8,975
<b>Revaluation loss in the HRA</b>	(371)	313
Closing Capital Financing Requirement	260,325	260,325

	2015/16 £'000	2016/17 £'000
<b>Explanation of movements in year</b>		
Increase in underlying need to borrowing (unsupported by government financial assistance)	385	-
<b>Increase/(decrease) in Capital Financing Requirement</b>	385	-

## Notes to Main Financial Statements (Continued)

### 37. 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:

	<b>31 March 2016</b>	<b>31 March 2017</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	4,050	4,599
Later than one year and not later than five years	9,782	13,578
Later than five years	16,634	18,614
	<b>30,466</b>	<b>36,791</b>
Contingent rents	939	843

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 2016/17 £843,101 contingent rents were receivable by the authority (2015/16 £939,310).

### 38. Termination Benefits

The Council terminated the contracts of a number of employees in 2016/17, incurring liabilities of £346,968 (£353,896 in 2015/16). See note 32 for the number of exit packages and total cost per band.

In 2016-17 the Council continued with transformation and redesign of many of its services. Looking for continual improvement which has identified various staffing reductions with the breakdown of the £346,968 is as follows:

- The continuing redesigns within the Finance, Revenues & Benefits has given an amount of £102,367 payable in the form of compensation for loss of office and £77,926 in enhanced pension benefits
- The change in working practices to patch working within the Streetscene service has generated costs of £111,064 for the compensation for loss of office and £17,550 for enhanced pension benefits
- Other reviews across the whole of the council have generated costs of £38,061.

## Notes to Main Financial Statements (Continued)

### 39. 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	Range	Contribution Rates	
		Main Section	50/50 Section
1	£0 to £13,700	5.50%	2.75%
2	£13,701 to £21,400	5.80%	2.90%
3	£21,401 to £34,700	6.50%	3.25%
4	£34,701 to £43,900	6.80%	3.40%
5	£43,901 to £61,300	8.50%	4.25%
6	£61,301 to £86,800	9.90%	4.95%
7	£86,801 to £102,200	10.50%	5.25%
8	£102,201 to £153,300	11.40%	5.70%
9	£153,301 or more	12.50%	6.25%

The Council's contribution is set to meet the balance of the fund liabilities as required under the pension regulations. In 2016/17 the Council made a contribution of £2.998 million, 19.6% of pensionable pay (2015/16 £3.174 million, 18.6%). In addition the Council made a contribution for unfunded benefits of 0.315 million (2015/16 £0.351 million). The agreed contribution rate for future years is set out below.

Recommended Contribution Rates	Primary rate Cost of New Benefits Accruing % of Payroll	Plus	Secondary Rate Adjustment to the Primary Rate of % of payroll	Rate
2017/18	17.90%	plus	3.20%	21.10%
2018/19	17.90%	plus	3.70%	21.60%
2019/20	17.90%	plus	4.20%	22.10%

#### 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.

## Notes to Main Financial Statements (Continued)

	2015/16 £'000	2016/17 £'000
<b>Comprehensive Income &amp; Expenditure Statement</b>		
Cost of Services		
- Current service cost	(4,265)	(3,739)
- Past service cost	(530)	(68)
- (Gains)/losses from settlements	-	-
Financing and Investment Income and Expenditure		
Net interest comprising:		
- Interest on plan assets	6,231	6,859
- Interest cost on defined benefit obligation	(7,366)	(7,436)
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	(5,930)	(4,384)
<b>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>		
Remeasurement of the net defined benefit liability comprising:		
- Changes in demographic assumptions	-	6,346
- Changes in financial assumptions	19,946	(37,759)
- Other experience	3,151	1,252
- Return on assets (excluding amounts included in net interest)	(2,147)	35,684
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	15,020	1,139
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	2,367	976
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to scheme	(3,213)	(2,998)
Contributions in respect of unfunded benefits	(351)	(315)

## Notes to Main Financial Statements (Continued)

### 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 fits defined benefit plan is as follows:

	<b>2015/16</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of the employer assets	197,782	237,270
Present value of funded liabilities	(208,788)	(243,581)
Present value of unfunded liabilities	(5,364)	(5,512)
Net liability	<u>(16,370)</u>	<u>(11,823)</u>

### Reconciliation of the Movements in the Fair Value of Plan Assets

	<b>2015/16</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Opening fair value of scheme assets	196,131	197,782
Interest income on plan assets	6,231	6,859
Remeasurement gain/(loss):		
- Return on assets excluding amounts included in net interest	(2,147)	35,684
Contributes from employer	3,213	2,869
Contributions from employees into the scheme	943	929
Contributions in respect of unfunded benefits	351	315
Benefits paid	(6,589)	(6,853)
Unfunded benefits paid	(351)	(315)
Closing fair value of scheme assets	<u>197,782</u>	<u>237,270</u>

### Reconciliation of Present Value of the Scheme Liabilities

	<b>2015/16</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance at 1 April	(231,084)	(214,152)
Current service cost	(4,266)	(3,515)
Past service cost	(530)	(68)
Interest cost on defined benefit obligation	(7,366)	(7,436)
Remeasurement (gains)/losses:		
- Changes in demographic assumptions	-	6,346
- Changes in financial assumptions	19,946	(37,759)
- Other experience	3,151	1,252
Contributions from employees into the scheme	(943)	(929)
Benefits paid	6,589	6,853
Unfunded benefits paid	351	315
Closing balance at 31 March	<u>(214,152)</u>	<u>(249,093)</u>

## Notes to Main Financial Statements (Continued)

### Local Government Pension Scheme assets comprised:

	Period Ended 31 March 2016			Period Ended 31 March 2017		
	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
<b>Equity Securities</b>						
Consumer	32,272.5	-	32,272.5	33,741.2	-	33,741.2
Manufacturing	6,752.6	-	6,752.6	21,677.9	-	21,677.9
Energy and Utilities	6,833.3	-	6,833.3	11,454.1	-	11,454.1
Financial Institutions	32,002.8	-	32,002.8	38,630.3	-	38,630.3
Health and Care	12,752.2	-	12,752.2	16,433.4	-	16,433.4
Information Technology	25,522.0	-	25,522.0	32,410.6	-	32,410.6
Other	17,292.6	-	17,292.6	10,927.3	-	10,927.3
<b>Debt Securities</b>						
Corporate Bonds (investment grade)	-	-	-	-	-	-
Corporate Bonds (non-investment grade)	-	-	-	-	-	-
UK Government	3,439.5	-	3,439.5	4,397.8	-	4,397.8
Other	-	-	-	-	-	-
Private Equity	-	9,495.0	9,495.0	10,195.8	-	10,195.8
<b>Real Estate</b>						
UK Property	17,825.9	-	17,825.9	18,703.9	-	18,703.9
Overseas Property	21.6	-	21.6	-	-	-
<b>Investment Funds and Unit Trusts</b>						
Equities	-	-	-	-	-	-
Bonds	27,760.1	-	27,760.1	29,718.7	-	29,718.7
Hedge Funds	-	-	-	-	-	-
Commodities	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-
Other	1,739.0	-	1,739.0	2,875.1	-	2,875.1
Cash and Cash Equivalents	4,072.9	-	4,072.9	6,103.9	-	6,103.9
<b>Totals</b>	<b>188,287.0</b>	<b>9,495.0</b>	<b>197,782.0</b>	<b>237,270.0</b>	<b>-</b>	<b>237,270.0</b>



## Notes to Main Financial Statements (Continued)

### 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 2016.

The significant assumptions used by the actuary have been:

	<b>Local Government Pension Scheme</b>	
	<b>2015/16</b>	<b>2016/17</b>
Mortality assumptions:		
Longevity at 65 for current pensioners:		
• Men	24.4	23.6
• Women	25.8	25.0
Longevity at 65 for future pensioners:		
• Men	26.9	26.0
• Women	28.5	27.8
Rate of increase in salaries	3.7%	3.10%
Rate of increase in pensions	2.2%	2.40%
Rate for discounting scheme liabilities	3.5%	2.60%

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 2017:	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	9%	22,378
0.5% increase in the Salary Increase Rate	1%	3,223
0.5% increase in the Pension Increase Rate	8%	18,839

## Notes to Main Financial Statements (Continued)

### Information about the Defined benefit obligation

	Liability split	Weighted Average Duration
Active members	34.4%	24.1%
Deferred members	21.1%	23.4%
Pensioner members	44.5%	11.9%
<b>Total</b>	<b>100%</b>	<b>17.6%</b>

### Analysis of projected amount to be charged to operating profit for the period to 31 March 2018

	Assets	Obligation	Net (liability)/asset	
Period Ended 31 March 2017	£'000	£'000	£'000	% of pay
Projected Current service cost*	-	5,853	(5,853)	(42.4%)
Past service cost including curtailment	-	-	-	-
Effect of settlements	-	-	-	-
<b>Total Service Cost</b>	<b>-</b>	<b>5,853</b>	<b>(5,853)</b>	<b>(42.4%)</b>
Interest income on plan assets	6,128	-	6,128	44.4%
Interest cost on defined benefit obligation	-	6,468	(6,468)	(46.9%)
<b>Total Net Interest cost</b>	<b>6,128</b>	<b>6,468</b>	<b>(340)</b>	<b>(2.5%)</b>
<b>Total Included in Profit and Loss</b>	<b>6,128</b>	<b>12,321</b>	<b>(6,193)</b>	<b>(44.9%)</b>

\*The current service cost includes an allowance for administration expenses of 0.4% 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 2016), or at any other time as instructed to do so by the Administering Authority.

## 40. 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 2017, the total amount guaranteed was £1,056,579.

## Notes to Main Financial Statements (Continued)

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### 41. 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

## Notes to Main Financial Statements (Continued)

The full Investment Strategy for 2016/17 was approved by Full Council on 24/02/2016 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 £41,232 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 2017 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 2017 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2017 %	Estimated maximum exposure to default & uncollectability at 31 March 2017 £'000	Estimated maximum exposure at 31 March 2016 £'000
AAA	3,293	0.00	0.00	-	-
AA	88,116	0.02	0.02	18	13
A	26,231	0.09	0.09	23	38
BBB	-	0.20	0.20	-	10
Customers*	3,608	25.36	25.36	915	1,028
Total	<u>121,248</u>			<u>956</u>	<u>1,089</u>

\*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 £2.2m of the £3.6m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2016 £'000	31 March 2017 £'000
Less than three months	581	585
Three to six months	134	155
Six months to one year	101	157
More than one year	899	707
Total	<u>1,715</u>	<u>1,604</u>

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 2017 was £0.7m.

## Notes to Main Financial Statements (Continued)

### 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:

	<b>31 March 2016 £'000</b>	<b>31 March 2017 £'000</b>
Less than 1 year	107,365	112,640
Between 1 and 2 years	6,000	5,000
Between 2 and 3 years	5,000	-
Between 3 and 4 years	-	-
Between 4 and 5 years	-	-
Total	<u>118,365</u>	<u>117,640</u>

### 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):

## Notes to Main Financial Statements (Continued)

	Approved minimum limits	Approved maximum limits	Actual 31 March 2016 £'000	Actual 31 March 2017 £'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%	49,000	64,000
Between 10 and 20 years	0%	80%	177,000	179,000
Between 20 and 30 years	0%	25%	34,325	17,325
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 2017, if all interest rates had been 1% higher (will all other variables held constant) the financial effect would be:

## Notes to Main Financial Statements (Continued)

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	<b>£'000</b>
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(176)
Increase in Government grant receivable for financing costs	-
Impact on Surplus or Deficit on the Provision of Services	(176)
Share of overall impact credited to the HRA	(322)
Impact on Other Comprehensive Income and Expenditure	175
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)	84
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)	30,451

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 17 – 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.

## **42. Heritage Assets: Five-Year Summary of Transactions**

There has been no transaction in the five-year period to March 31, 2017

## Housing Revenue Account – Income and Expenditure Account

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.

2015/16 £'000		2016/17 £'000
	<b>Expenditure</b>	
11,171	Repairs and Maintenance	11,494
7,983	Supervision and Management	7,728
108	Rent Rebates	92
(95)	(Increased)/decrease provision for bad & doubtful debts	106
5,027	Depreciation & Impairments of non-current assets (Note 5)	5,600
4,276	Revaluation Losses	4,565
<u>28,470</u>	<b>Total Expenditure</b>	<u>29,585</u>
	<b>Income</b>	
(43,882)	Dwelling Rents	(43,226)
(2,014)	Non-dwelling Rents (gross)	(2,104)
(2,486)	Charges for Services and Facilities	(2,179)
(189)	Contributions towards expenditure	(133)
<u>(48,571)</u>	<b>Total Income</b>	<u>(47,642)</u>
(20,101)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	(18,057)
-	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	-
<u>(20,101)</u>	<b>Net Income for HRA Services (cost if positive)</b>	<u>(18,057)</u>
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>	
2,826	(Gain) or loss on sale of HRA non-current assets	955
8,309	Interest payable and similar charges	8,309
73	Interest and Investment Income	(125)
-	Capital Grants and Contributions	(21)
<u>(8,893)</u>	<b>(Surplus) or deficit for the year on HRA services</b>	<u>(8,940)</u>



## Movement on the HRA Statement

2015/16 £'000		2016/17 £'000
(3,198)	Balance on HRA at the end of the previous year	(3,198)
(8,893)	(Surplus) or deficit for the year on the HRA income and expenditure statement	(8,940)
9,016	Adjustment between accounting basis and funding basis under regulation (note 9 of financial statement)	8,940
123	Net (increase) or decrease before transfers to or from reserves	-
<u>(123)</u>	Transfers to or (from) reserves	<u>-</u>
<u>-</u>	(Increase) or decrease in year on the HRA	<u>-</u>
<u>(3,198)</u>	<b>Balance on the HRA at the end of the current year</b>	<u>(3,198)</u>

## Notes to the Housing Revenue Account

### 1. Housing Stock

The Council was responsible for over 7,800 dwellings in 2016/17. The stock at the year-end was made up as follows:

	<b>31 March 2016</b>	<b>31 March 2017</b>
Houses	4,350	4,312
Flats and Maisonettes	3,007	3,034
Bungalows	437	437
Hostels – lettable units	60	60
Number of rented units	7,854	7,843
Shared Ownership *	104	103
<b>Total Stock</b>	<b>7,958</b>	<b>7,946</b>

\*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:

	<b>31 March 2016</b>	<b>31 March 2017</b>
Stock at 1 April	8,011	7,958
Less Sales	(70)	(60)
Demolitions/Disposals	(2)	(2)
Add New Build	18	49
Acquisitions	1	1
<b>Stock at 31 March</b>	<b>7,958</b>	<b>7,946</b>

### 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.

	<b>31 March 2016 £'000</b>	<b>31 March 2017 £'000</b>
Property, Plant and Equipment:		
Council Dwellings	508,367	571,310
Other Land and Buildings	19,808	21,725
Vehicles, Plant & Equipment	75	118
Investment Properties	1,310	1,310
Intangible Assets	-	-
<b>Total</b>	<b>529,560</b>	<b>594,463</b>

## Notes to the Housing Revenue Account (Continued)

The vacant possession value of dwellings within the Council's HRA, excluding hostels, as at 31 December 2016 was £1,723 million (£1,586 million in December 2015). 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 2016/17 the MRA was £8,560,000 (2015/16: £8,575,000).

	<b>31 March 2016 £'000</b>	<b>31 March 2017 £'000</b>
Balance on MRR 1 April 2016	22,454	25,494
Transfer amount equal to depreciation	5,027	5,600
Additional transfer	16,123	14,828
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	(18,110)	(13,322)
Balance on MRR 31 March 2017	<u>25,494</u>	<u>32,600</u>

## Notes to the Housing Revenue Account (Continued)

### 4. Capital Expenditure

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

		<b>£'000</b>
<b>Opening Capital Financing Requirement</b>		<b>260,325</b>
<b>Capital Investment</b>		
Enhancements to Council Housing	9,448	
Other Capital Expenditure	4,026	
Acquisition of Council Dwellings	2,820	
Revenue Expenditure Funded from Capital under Statute	-	
	<hr/>	16,294
<b>Sources of Finance</b>		
Usable Capital Receipts	(3,264)	
Revenue Contribution to Capital	-	
Major Repairs Reserve	(13,322)	
Government Grant	(21)	
	<hr/>	(16,607)
<b>Revaluation loss in HRA</b>		313
<b>Closing Capital Financing Requirement</b>		<hr/> <b>260,325</b> <hr/>
	<b>£'000</b>	<b>£'000</b>
<b>A summary of capital receipts is as follows:</b>		
<b>Capital Receipts</b>		
Sale of Dwellings	9,074	
Less Pooled Housing Capital Receipts	(1,049)	
	<hr/>	8,025
Miscellaneous HRA Land Sales		75
		<hr/> <b>8,100</b> <hr/>

### 5. Depreciation & Impairment of Non-Current Assets

Depreciation charges for council dwellings within the HRA amounted to £5,307,097. Depreciation on other HRA assets amounted to £292,754. No impairment charges were applied to HRA assets during the financial year, giving a total charge for depreciation and impairment losses of £5,599,851.

## Notes to the Housing Revenue Account (Continued)

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### 6. Rent Arrears

Rent arrears at the end of the financial year totalled £765,965 (£817,139 in 2015/16).

A provision of £533,677 (566,466 in 2015/16) for bad or doubtful debts has been made in the balance sheet. This has reduced as the rents received in year are the highest ever recorded resulting in less being set aside for write off.

### 7. Adjustments between Accounting Basis and Funding Basis under Regulation

Note 9 of the main financial statements include details of the adjustments in relation to the HRA.

### 8. Transfer to or from reserves

The transfer to or from reserves is detailed within the Movement in Reserves Statement and Notes 10 and 25 of the main financial statements.

## Collection Fund

### COLLECTION FUND 2016/17

INCOME	Notes	Business Rates £'000	Council Tax £'000	Total £'000
Council Tax Receivable	3	-	52,051	52,051
Business Rates Receivable	2	118,645	-	118,645
Total Income		118,645	52,051	170,696
<b>EXPENDITURE</b>				
<b>Apportionment of Previous Year Surplus</b>				
Central Government		(2,539)	-	(2,539)
Crawley Borough Council		(2,032)	(71)	(2,103)
West Sussex County Council		(508)	(441)	(949)
Sussex Police and Crime Commissioner		-	(55)	(55)
Total Expenditure		(5,079)	(567)	(5,646)
<b>Precepts, Demands and shares</b>				
Central Government		(59,752)	-	(59,752)
Crawley Borough Council		(47,802)	(6,316)	(54,118)
West Sussex County Council		(11,950)	(40,305)	(52,255)
Sussex Police and Crime Commissioner		-	(4,969)	(4,969)
		(119,504)	(51,590)	(171,094)
<b>Charges to Collection Fund</b>				
Less write offs of uncollectible amounts		-	-	-
Less: (Increase) / Decrease in Bad Debt Provision		(1,056)	83	(973)
Less: (Increase) / Decrease in Provision for Appeals		3,478	-	3,478
Less: Transitional Protection Payments		(281)	-	(281)
Less: Cost of Collection		(207)	-	(207)
Less: Disregarded Amounts		(10)	-	(10)
		1,924	83	2,007
<b>Surplus / (Deficit) arising during the year</b>		(4,014)	(23)	(4,037)
<b>Surplus / (Deficit) b/fwd 1<sup>st</sup> April</b>		1,424	657	2,081
<b>Surplus / (Deficit) c/fwd 31<sup>st</sup> March</b>	1	(2,590)	634	(1,956)

## Collection Fund (Continued)

### COLLECTION FUND 2015/16

INCOME	Notes	Business Rates £'000	Council Tax £'000	Total £'000
Council Tax Receivable	3	-	49,606	49,606
Business Rates Receivable	2	117,383	-	117,383
Total Income		117,383	49,606	166,989
<b>EXPENDITURE</b>				
<b>Apportionment of Previous Year Surplus</b>				
Central Government		(403)	-	(403)
Crawley Borough Council		(322)	(73)	(395)
West Sussex County Council		(81)	(455)	(536)
Sussex Police and Crime Commissioner			(55)	(55)
Total Expenditure		(806)	(583)	(1,389)
<b>Precepts, Demands and shares</b>				
Central Government		(59,103)	-	(59,103)
Crawley Borough Council		(47,282)	(6,142)	(53,424)
West Sussex County Council		(11,821)	(37,994)	(49,815)
Sussex Police and Crime Commissioner			(4,705)	(4,705)
		(118,206)	(48,841)	(167,047)
<b>Charges to Collection Fund</b>				
Less write offs of uncollectible amounts		-	-	-
Less: (Increase) / Decrease in Bad Debt Provision		(395)	(42)	(437)
Less: (Increase) / Decrease in Provision for Appeals		(2,127)	-	(2,127)
Less: Cost of Collection		(208)	-	(208)
Less: Disregarded Amounts		(472)	-	(472)
		(3,202)	(42)	(3,244)
<b>Surplus / Deficit (-) arising during the year</b>		(4,831)	140	(4,691)
<b>Surplus / Deficit (-) b/fwd 1<sup>st</sup> April</b>		6,255	517	6,772
<b>Surplus / Deficit (-) c/fwd 31<sup>st</sup> March</b>	1	1,424	657	2,081

## Notes to the Collection Fund

### 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 2017 will be distributed as follows:

	<b>2016-17</b>		
	<b>Business Rates £'000</b>	<b>Council Tax £'000</b>	<b>Total £'000</b>
Central Government	(1,295)	-	(1,295)
Crawley Borough Council	(1,036)	78	(958)
West Sussex County Council	(259)	495	236
Sussex Police	-	61	61
	<b>(2,590)</b>	<b>634</b>	<b>(1,956)</b>

	<b>2015-16</b>		
	<b>Business Rates £'000</b>	<b>Council Tax £'000</b>	<b>Total £'000</b>
Central Government	712	-	712
Crawley Borough Council	570	83	653
West Sussex County Council	142	511	653
Sussex Police	-	63	63
	<b>1,424</b>	<b>657</b>	<b>2,081</b>

### 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 (49.7p for 2016/17) 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,



## Notes to the Collection Fund (Continued)

the rate multiplier was 48.4p for 2016/17. 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:

	<b>£'000</b>
Council Tax benefits paid by the General Fund	(3)
Balance payable by Council Tax Payers	<u>52,054</u>
Total Council Tax due for year	<u>52,051</u>

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 2016/17 are shown in the following table.

<b>Band</b>	<b>Number of Properties (a)</b>	<b>Net Properties (b)</b>	<b>Ratio to Band D</b>	<b>Equivalent Number of Band D</b>
A	868	629.0	6/9	419.3
B	6,718	4,105.1	7/9	3,192.8
C	21,096	16,397.8	8/9	14,575.8
D	8,418	7,368.2	9/9	7,368.2
E	3,748	3,470.5	11/9	4,241.7
F	2,187	2,085.8	13/9	3,012.8
G	461	426.7	15/9	711.1
H	9	7.3	18/9	14.5
	43,505	34,490.4		33,536.2
Less provision for bad debts				(167.7)
Council Tax Base				33,368.5

#### Notes

- (a) Number of properties per October 2015 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 £ 1,546.07

The Council Tax Surplus as at 31 March 2017 was £633,728.42

## Glossary of Terms

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### Accounting Period

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

## Glossary of Terms (Continued)

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### 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.

## Glossary of Terms (Continued)

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### **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.

## Glossary of Terms (Continued)

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### **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.

### **Curtailement**

Curtailements 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.

## Glossary of Terms (Continued)

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### **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.

## **Glossary of Terms (Continued)**

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### **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.

## Glossary of Terms (Continued)

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### 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.



## Glossary of Terms (Continued)

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### **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 1<sup>st</sup> 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.

## Glossary of Terms (Continued)

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### **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*.

## Glossary of Terms (Continued)

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### 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.

## Glossary of Terms (Continued)

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### **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.

# **Annual Governance Statement**

**2016 – 2017**

# Annual Governance Statement

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## 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.

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 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 2015, 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 2017 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;

## Annual Governance Statement (Continued)

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- 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 of 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. For example neighbourhood forums are set up widely across the Borough and Crawley Question Time took place on 9<sup>th</sup> March 2017.

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 the NHS and Crawley Open House.
- 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 was approved and adopted on 16<sup>th</sup> December 2015 by Full Council. In 2016 there was a statutory legal challenge to the Plan which was considered by the High Court. The Council successfully defended the action.
- The Council has adopted a 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 policy 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.

## Annual Governance Statement (Continued)

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The Overview and Scrutiny Commission also monitors the decisions of the Cabinet, helping them to consider whether the decision is appropriate and it can make representations to the Cabinet. Provisions exist for 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
  - Employees' Code of Conduct
  - Safeguarding Policy
  - The Whistle Blowing policy
  - Independent Person under the Localism Act
- 
- The Council has an effective formal complaints procedure. Under the scheme in place, 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 published in the Members bulletin on a quarterly basis.
  - The Local Government Ombudsman responded to 8 complaints made against the Council in 2016/17. They decided that 4 of these complaints should not be investigated, 1 found no fault, 1 was referred back for local resolution, 1 recorded a partial fault and 1 was being investigated.
  - A programme of management development for middle managers entitled 'Leading Through Transformation', started in 2014/15. To date, 60 managers have completed the programme.
  - 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



## Annual Governance Statement (Continued)

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means of alerting them in regular team meetings/team briefings, 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 2015 which was current during the period of review. This is part of a revised approach to risk management.
- The Safeguarding Policy known as Safeguarding Children, Young People and Adults at Risk Policy was updated in February 2017 takes on board changes in legislation and statutory Guidance as well as recommendations from West Sussex Adult and Children safeguarding boards. The Head of Community Services is the lead safeguarding officer for the Council and the Community Services Manager is the lead designated officer, supported by designated officers from across the Council. Both lead officers regularly attend district, borough and safeguarding board meetings. Section 11 self-assessment audits are updated annually and reviewed by the West Sussex children's safeguarding board.

### 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,

## Annual Governance Statement (Continued)

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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 in December 2014, 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
- 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 and charring meetings.
- The Council has in place various channels of communication with the community and other stakeholders. Publications such as Crawley Live are sent to the majority of 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.

### 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:

## Annual Governance Statement (Continued)

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- 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 Committee has approved that a comprehensive review of the Council's Constitution is undertaken to be approved and in place for the start of the 2018/2019 municipal year. A Constitution Review Working group has been established for this purpose.
- The Cabinet has responsibility for overseeing 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 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 an Independent Person.
- 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 Committee and Section 151 Officer. The Audit and Risk Manager presents the Internal Audit Strategy and Annual Audit Plan to the Audit 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 2016/2017, 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 been presented to the Audit 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 Audit Letter. The latest available covers the financial year 2015/2016 and is dated October 2016. No significant issues were raised at this time.

## Annual Governance Statement (Continued)

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### 5. Significant Governance Issues

Following a review of the Council's governance arrangements, we are satisfied that, except for the matters listed below, the Corporate Governance arrangements for Crawley Borough Council are adequate and operating effectively.

Areas of Non Compliance:

#### Medium Priority

The Council is committed to the elimination of fraud and corruption (including Bribery) and supports a zero tolerance approach to this. To support this approach, an Anti-Fraud and Corruption policy was approved by CMT in September 2011, and the Audit Committee in January 2012. However, this has not been formally reviewed and approved by CMT or the Audit Committee since those dates.

In addition, the Council is committed to the highest possible standards of openness, probity and accountability and in line with that commitment it expects employees, and others that it deals with, who have serious concerns about any aspect of the Council's work to come forward and voice those concerns. To support this, a Whistle Blowing Policy was approved at the same time as the Anti-Fraud and Corruption policy. This is also requiring review and approval by CMT and the Audit Committee.

### 6. Declaration

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signatures:

.....  
Leader of the Council

Date:

.....

.....  
Acting Chief Executive

Date:

.....

# understanding local authority financial statements

2016

# \ introduction

Local authority financial statements have a key part to play in accountability to taxpayers and other stakeholders as to how public money is used. However, the complexity of the financial statements has not always helped this accountability, particularly allowing the amounts in the statements to be easily reconciled to management accounting and in-year monitoring of budgets.

The introduction of the Expenditure and Funding Analysis to the 2016/17 Code is intended to allow a clear link to be made between in-year monitoring and General Fund information and final outturn as set out in the audited financial statements, thus closing the accountability loop from budgets through to outturn.

A key to achieving the aims of the changes will be to use the information not just in the narrative section of the financial statements to explain performance during the year, but more widely to all stakeholders, including elected members as citizens' representatives, in a range of formats and media to provide a definitive position on financial performance. Local authorities are also urged to look to their balance sheets as a part of this explanation and the key messages that can be drawn out.

At the same time it is important that opportunities are taken to cut the clutter and remove immaterial disclosures or through the use of technical appendices to separate out the more complex disclosures. Working in partnership CIPFA/LASAAC will itself continue to review opportunities for improvement and explore links with other published information to ensure that the definitive position remains clear.

This briefing note is intended to help chief financial officers and other senior staff to present the financial statements to members and other stakeholders by explaining how the formats can be used to convey key information. It is also designed to give elected members and stakeholders an introduction to the format of the accounts and provide them with key questions on the financial statements.

An important element of financial reporting which will assist local authorities to tell the story of their financial performance is the narrative report (management commentary in Scotland). This report accompanies the financial statements and should provide a commentary on how the authority has used its resources to achieve desired outcomes in line with its objectives and strategies. It should provide an explanation of the main messages of financial performance, financial position and cash flows in the financial statements.

This publication includes extract financial statements to demonstrate key issues. It is important to note that the Code sets out the minimum requirements for the financial statements of the authority, but authorities are free to include more detail if they think it will help them to explain the accounts to members and other stakeholders.

This publication also highlights the opportunities to simplify presentation and make the messages clearer in a number of areas:

- comparisons with budgets (General Fund and Housing Revenue Account performance)
- reserves position, and
- cash flows.

# comparisons with budgets

For members, probably the most important issue will be whether the authority has a surplus or deficit on General Fund or Housing Revenue Account (HRA) balances against its budget for the year.

The financial statements will enable individual authorities to demonstrate performance both in the way in which they organise themselves and, more importantly, in how they budget against the General Fund to provide services.

## **The introduction of the new expenditure and funding analysis**

The financial statements primarily follow accounting standards rather than local government legislation. Although some information is provided on General Fund and HRA balances this hasn't always been easy to identify in the past. However, the new Expenditure and Funding Analysis provides users of the financial statements with more information to make that analysis (for example, by comparison with their budget reports).

The Expenditure and Funding Analysis brings together local authority performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund (including the HRA).

Proper accounting practices measure the resources that have been generated and consumed in the year including such things as the use of property (depreciation) and the value of pensions benefits earned by the employees. Statutory provisions determine how much of the authority's expenditure needs to be met from council tax each year.

The Expenditure and Funding Analysis:

- shows for each of the authority's services or directorates a comparison of the net resources applied and the net charge against council tax, and
- provides an opportunity to explain significant differences between the two within the authority's framework for accountability.

The Expenditure and Funding Analysis promotes accountability and stewardship by providing a more direct link with the annual decision making process of the authority and its budget ie the General Fund. The changes are more transparent and follow the performance framework of the authority.

The Expenditure and Funding Analysis takes the net expenditure that is chargeable to taxation and rents and reconciles it to the Comprehensive Income and Expenditure Statement. To demonstrate accountability and to meet segmental reporting requirements it is necessary to reconcile to the statutory position on the General Fund balance. The service analysis for both the Expenditure and Funding Analysis and the Comprehensive Income and Expenditure Statement are now both provided in the way in which an authority organises itself and manages financial performance.

The Expenditure and Funding Analysis needs to be positioned in the financial statements where it is most accessible and relevant to its users. This means it could be placed before the main statements, to accompany the Comprehensive Income and Expenditure Statement, or even included as the first note. An authority will be able to decide for itself.

## Expenditure and Funding Analysis (extract)

The Expenditure and Funding Analysis analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

20X0/20X1	Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
People Directorate	47,385	898	48,283
Neighbourhoods	5,929	13,608	19,537
Business Change	30	224	254
Corporate and Central Services	19,358	833	20,191
<b>Net Cost of Services</b>	72,702	15,563	88,265
Other Income and Expenditure	(72,658)	(1,019)	(73,677)
<b>Surplus or Deficit</b>	44	14,544	14,588
Opening General Fund and HRA Balance at 31 March 20X0	(25,247)		
Less Deficit on General Fund and HRA Balance in Year	44		
<b>Closing General Fund and HRA Balance at 31 March 20x1*</b>	<b>(25,203)</b>		

\*for a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement



# comprehensive income and expenditure statement

The Comprehensive Income and Expenditure Statement shows how resources have been generated and expended in accordance with International Financial Reporting Standards. It shows whether the authority's operations resulted in a surplus or deficit. The key lines that summarise performance are highlighted below.

## Comprehensive Income and Expenditure Statement (extract)

The Comprehensive Income and Expenditure 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 [or rents]. Authorities raise taxation [and rents] to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Comprehensive Income and Expenditure Statement 20X0/X1	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
People Directorate	74,297	(26,014)	48,283
Neighbourhoods	58,225	(38,688)	19,537
Business Change	11,624	(11,370)	254
Corporate and Central Services	24,021	(3,830)	20,191
<b>Cost of Services</b>	<b>168,167</b>	<b>(79,902)</b>	<b>88,265</b>
Other Operating Expenditure (Note 9)	2,218	–	2,218
Financing and Investment Income and Expenditure (Note 10)	11,340	(2,359)	8,981
Taxation and Non-specific Grant Income and Expenditure (Note 11)	–	(84,876)	(84,876)
<b>(Surplus) or Deficit on Provision of Services</b>			<b>14,588</b>
(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets			(36,597)
(Surplus) or Deficit on Revaluation of Available-for-Sale Financial Assets			(101)
Remeasurement of the Net Defined Benefit Liability (Asset)			(8,444)
<b>Other Comprehensive Income and Expenditure</b>			<b>(45,142)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(30,554)</b>

Expenditure of continuing operations, analysed by service segment, these lines are reconciled to the General Fund in the Expenditure and Funding Analysis

Operational costs of providing the services of the authority.

Total income and expenditure of the authority for the year, this line is also reconciled to the General Fund in the Expenditure and Funding Analysis

From 2016/17 local authorities are required to report their service segments based on the way in which they operate and manage services. There is no longer a requirement for that service analysis to be based on the definition of total cost or the service expenditure analysis in the *Service Reporting Code of Practice* in the financial statements. This new format means that the service section of the Comprehensive Income and Expenditure Statement supports accountability and transparency as it reflects the way in which services operate and performance is managed.

Where an authority uses alternative service reporting formats it will need to select the presentation most commonly used by the individual or group within the authority who has the most significant role in allocating resources and assessing performance of services when considering the allocation of resources.

This format of the Comprehensive Income and Expenditure Statement is also more meaningful for both local authority members and users of the financial statements as it follows their budget and performance monitoring and other key documents such as their council tax leaflets.

Treatment of overheads will depend on an authority's arrangements for accountability. If an authority operates and manages some or all of its corporate and support services separately then these service segments would be shown separately on the face of the Comprehensive Income and Expenditure Statement and not apportioned.

The test is whether the expenditure relating to these activities is reported to key decision makers as separate activities or spread across services as overheads for the financial statements. Therefore, there is no longer an absolute requirement to apportion support service overheads to services. However, local authorities will not need to change any of their financial reporting requirements for internal management processes. Whatever you are doing internally determines the structure for external reporting statements.

The Comprehensive Income and Expenditure Statement is then split into two parts.

The first part reflects the full economic cost of providing the services of the authority with the results summarised at the Surplus or Deficit on the Provision of Services line, highlighted above. It represents the operating costs of providing the services of the authority in the year. In the private sector this would be equivalent to the profit or loss of a company.

The second part, other comprehensive income and expenditure, shows the gains or losses in the measurement of the assets and liabilities of the authority. These gains or losses arise as a result of changes in market valuations, interest rates or changes in measurement assumptions in relation to pensions assets and liabilities.

# movement in reserves statement

The Comprehensive Income and Expenditure Statement shows the income and expenditure on the authority's services in the year in accordance with International Financial Reporting Standards as adopted by the Code. However, the amount chargeable to council tax and an authority's General Fund is limited by statutory requirements and requires a number of adjustments. The statutory adjustments largely relate to arrangements for funding local authority capital expenditure or the timing with which some items are charged to council tax. The reserves of the authority represent its net worth; the usable reserves show the resources currently available to spend on services.

The movements in the financial position of the authority are summarised in the Movement in Reserves Statement.

The Movement in Reserves Statement shows how:

- the authority has generated and expended resources in the year; and
- the resourcing position is adjusted under statutory rules to show the funds available to be spent at year end.

The Movement in Reserves Statement prescriptions have been reduced to the absolute minimum in the Code. Authorities can provide additional rows to these minimum requirements if they consider that they need to do so to provide a true and fair presentation of their reserves.

## Movement in Reserves Statement (extract)

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can currently be used to fund expenditure or reduce local taxation) and other 'unusable' reserves. It shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax [or rents] for the year. The Net Increase/Decrease line shows the statutory General Fund balance and Housing Revenue Account balance movements in the year following those adjustments.

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve* £000	Major Repairs Reserve** £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 20X0</b>	22,118	3,129	10,065	1,600	450	37,362	1,350,567	1,387,929
<b>Movement in reserves during 20X0/X1</b>								
<b>Total Comprehensive Income and Expenditure</b>	(14,983)	395	–	–	–	(14,588)	45,142	30,554
Adjustments from income & expenditure charged under the accounting basis to the funding basis	14,835	(291)	(750)	–	–	13,794	(13,794)	–
<b>Increase or (decrease) in 20X0/X1</b>	<b>(148)</b>	<b>104</b>	<b>(750)</b>	<b>–</b>	<b>–</b>	<b>(794)</b>	<b>31,348</b>	<b>30,554</b>
<b>Balance at 31 March 20X1 carried forward</b>	<b>21,970</b>	<b>3,233</b>	<b>9,315</b>	<b>1,600</b>	<b>450</b>	<b>36,568</b>	<b>1,381,915</b>	<b>1,418,483</b>

\* Capital Fund Scotland

\*\* Applicable in England Only

An overall increase in usable reserves can arise despite a loss being shown in the Comprehensive Income and Expenditure Statement where statutory provisions allow a different charge to revenue from the authority expenditure incurred (eg replacement of depreciation by minimum revenue provision (MRP)). The adjustment to usable reserves is balanced by a movement in unusable reserves.

Unusable reserves such as the Capital Adjustment Account and the Pensions Reserve with debit balances will need to be funded in the future, even if it is over a long period, so increases in these balances show an increasing burden on future taxpayers.

# balance sheet

The balance sheet in local authorities is very similar to other public sector or private sector balance sheets. The balance sheet presents an authority's financial position, ie its net resources at the financial year end. The balance sheet is composed of two main balancing parts: its net assets and its total reserves. The net assets part shows the assets the authority would have control of after settling all its liabilities. The balance of these assets and liabilities is then shown as being attributable to the various reserves of the authority.

For local authorities balance sheet presentation is split between the usable reserves and unusable reserves. Usable reserves are those which the authority can utilise to support future service provision. Unusable reserves cannot be used to support services and include gains and losses where amounts can only become available to support services if the assets are sold. These gains and losses are referred to as unrealised.

## Balance sheet (extract)

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the authority 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 represents those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Balance Sheet	Notes	31 March 20X1	
			£000
Property, plant and equipment	12	628,924	The authority's property portfolio
Highways Network Asset	13	1,028,700	The Highways Network Asset (not applicable to district councils). This will be the largest asset balance in a local highways authority balance sheet
Heritage assets	14	3,379	
Investment property	15	4,020	
Intangible assets	16	709	
Long-term investments	17	948	
Long-term debtors	17	3,798	Long term assets ie those expected to provide benefits to the authority beyond 12 months
<b>Long-term assets</b>		<b>1,670,478</b>	
Short-term investments	17	24,060	
Assets held for sale	22	1,409	Current assets ie those anticipated to be consumed in 12 months – the normal operating cycle for the authority
Inventories	18	1,769	
Short-term debtors	20	15,351	
<b>Current assets</b>		<b>42,589</b>	Reconciles to the cash and cash equivalents balance in the cash flow statement
Bank overdraft		(13,767)	
Short-term borrowing	17	(9,500)	
Short-term creditors	23	(21,960)	Current liabilities ie those liabilities anticipated to be settled within 12 months
<b>Current liabilities</b>		<b>(45,227)</b>	
Provisions	24	(4,297)	
Long-term borrowing	17	(89,733)	
Other long-term liabilities	17	(155,327)	Long-term liabilities ie those liabilities that are anticipated to be settled beyond 12 months
<b>Long-term liabilities</b>		<b>(249,357)</b>	
<b>Net assets</b>		<b>1,418,483</b>	Total assets less total liabilities

# \ reserves

Reserves – including the General Fund and (where relevant) the Housing Revenue Account – are an indication of the resources available to an authority to deliver services at the balance sheet date. The key messages that members will be looking for in terms of reserves – especially the General Fund and the HRA – are how the balances have changed over the year, whether the balances are still adequate, and what the balances mean in terms of future budgets and services.

Information on the level of reserves can be found in the balance sheet and related notes, and in the Movement in Reserves Statement (and related notes). This latter statement will be more useful in explaining the changes that have taken place during the year.

	Notes	31 March 20X1 £'000
Usable reserves	24	36,568
Unusable Reserves	25	1,381,915
		<u>1,418,483</u>

The minimum requirement in presenting resources is to include only two lines – usable reserves (such as General Fund) and unusable reserves (such as the Revaluation Reserve and the Capital Adjustment Account).  
If there are some reserves you do want to show on the balance sheet, that's fine, as long as these totals are shown.

While the balance sheet aims to show those reserves over which members have control, don't forget that some of the unusable reserves will become a charge against the revenue account – or usable reserves – over time. And in some cases, such as the Unequal Pay Back Pay Account, this might be within a year or two.

As indicated above, not all reserves can be used to deliver services, and the Code reflects this by reporting reserves in two groups – 'usable' and 'unusable' reserves. Usable reserves such as the General Fund are those where members will be involved in deciding on the levels maintained, and their use. Unusable reserves such as the Revaluation Reserve and the Capital Adjustment Account are not subject to such member influence.

# cash flows

The final statement required by the Code is the cash flow statement.<sup>1</sup> The cash flow statement shows changes in cash flows of the authority during the financial year. It shows net cash flows split into three activities: operating, investing and financing. The cash flow statement shows the resulting movement in the authority's cash and cash equivalents. Cash and cash equivalents include short term investments that are readily convertible and which are subject to only insignificant risk of changes in value.

## Cash Flow Statement (extract)

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

	20X0/X1 £000	
Net (surplus) or deficit on the provision of services	14,588	Surplus or deficit taken from the Comprehensive Income and Expenditure Statement
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(36,267)	
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	11,523	Three groups of transactions: <ul style="list-style-type: none"> <li>■ Operating</li> <li>■ Investing</li> <li>■ Financing</li> </ul>
Net cash flows from Operating Activities (Note 26)	(10,156)	
Investing Activities (Note 27)	(24,585)	
Financing Activities (Note 28)	35,140	
Net increase or decrease in cash and cash equivalents	399	
Cash and cash equivalents at the beginning of the reporting period	(14,166)	
<b>Cash and cash equivalents at the end of the reporting period (Note 19)</b>	<b>(13,767)</b>	Cash and cash equivalents figure in the balance sheet

<sup>1</sup> Note the format of the cash flow statement shown is produced under the indirect method.



# a checklist of questions to ask about a local authority's financial statements

To assist with the understanding of local authority financial statements a checklist about the core financial statements and the Expenditure and Funding Analysis has been included below.

<b>Checklist</b>	
<b>Expenditure and Funding Analysis</b>	
1	Have any significant differences between budget reports and net expenditure chargeable to General Fund and Housing Revenue Account balances been explained?
2	Are the major statutory adjustments clearly explained and easily understood?
<b>Comprehensive Income and Expenditure Statement</b>	
3	Is the purpose of the Comprehensive Income and Expenditure Statement clear (ie does it show actual financial performance under accounting standards before fiscal adjustments)?
4	Do the service net expenditure figures clearly demonstrate the financial performance of the services on the face of the Comprehensive Income and Expenditure Statement during the year?
5	Are the material items of income and expenditure in the Comprehensive Income and Expenditure Statement presented separately on the face of the Statement or explained in the notes?
6	Do the notes to the Comprehensive Income and Expenditure Statement provide easily understandable information relating to the Statement (or lines within the Statement)?
7	Are there any unexplained significant variances between current and previous year information?
<b>Movement in Reserves Statement</b>	
8	Can the major movements in net worth that occur within the Movement in Reserves Statement be easily identified? Are these explained within the financial statements or Narrative Report?
9	Do the opening balances in the Movement in Reserves Statement match with the closing balances of the preceding year? Are any adjustments to opening balances explained on the face of the Statement and/or in the notes?
10	Is there a clear explanation of the statutory adjustments in the adjustments from income and expenditure charged under the accounting basis to the funding basis line in the Movement in Reserves Statement? (Note this may be linked with the Expenditure and Funding Analysis.)
11	Do the entries on the statutory adjustment line net to nil?
12	Do the related notes on reserves clearly explain the line or columnar items not explained in the Statement?

## Checklist

13	Does the Total Comprehensive Income and Expenditure line in the Movement in Reserves Statement agree with the information in the Comprehensive Income and Expenditure Statement?
14	How have the balances of usable reserves moved during the year? Are these balances sufficient to support an authority's financial plans in the immediate future and over the medium term?
<b>Balance Sheet</b>	
15	Does the property, plant and equipment information tell the story of the authority's property portfolio during the year (including the major movements in that portfolio ie major disposals and acquisitions)? Do these balances reflect the authority's asset management strategy?  (Note the same question can be asked for local authorities with substantial portfolios of investment properties.)
16	For highways authorities – do the movements in the Highways Network Asset represent the transport management/investment decisions of the authority?
17	Has there been any substantial movement in the pension asset or liability? If yes, has the reason for such a movement been explained and the subsequent consequences described in the financial statements or the Narrative Report?
18	Have there been any new provisions or significant movements in provisions in the year? If yes, have the reasons for making these provisions been set out in the financial statements or any material movements been explained?
19	Have there been any significant movements in the authority's borrowings during the year? Are these movements reflected in your council's borrowing strategy and what impact will this have on the prudential indicators or future investment plans?
20	Are there any significant movements in an authority's investment portfolio? Do these agree with the plans in the authority's treasury management strategies and statutory investment plans?
21	Are there any other significant movements in balances in the balance sheet that are not clearly explained?
22	Do the balance sheet reserves agree with the totals in the Movement in Reserves Statement?
<b>Cash Flow Statement</b>	
23	Do the cash balances in the cash flow statement agree with the relevant balances in the balance sheet?
24	Are the council's cash balances reflected adequately in the council's treasury management strategies?

# reminders and questions raised on the IFRS-based code

## **IFRS – what is it?**

International Financial Reporting Standards (IFRSs) are a suite of accounting standards used across the world. The Code of Practice on Local Authority Accounting is based on IFRS standards as adapted or interpreted for local authority circumstances.

## **The pension deficit is meaningless – why do we have to show it?**

The deficit doesn't have to be funded from this year's budget, but it's still a true cost estimated by actuaries – it represents the amount that will need to be found from future budgets to pay for pension entitlements already incurred in delivering services. So it's a real call on future funding arising from past activity. Not showing this would hide the liability that the authority has incurred.

This also applies to other reserves. Like the Pension Reserve, the Capital Adjustment Account, the Unequal Pay Back Pay Account and similar reserves all do one thing: they hold expenditure that the authority has incurred but not yet financed. Think of them as being a bit like a credit card balance – these amounts will have to be funded in future, either from taxation or from usable reserves.

Concerns have been expressed that all these reserves make the balance sheet incomprehensible. But all that needs to be shown on the balance sheet itself are 'usable reserves' and 'unusable reserves' – the details can all go in a note. This will help to declutter the balance sheet.

## **The financial statements do not clearly demonstrate traditional measures of local authority performance ie General Fund and HRA balances**

The IFRS-based Code sets out that local authority financial statements are intended to be used for assessing the stewardship of local authority resources and for making economic decisions. Thus the information is intended for two purposes. The Comprehensive Income and Expenditure Statement presents information on the real economic cost of providing services in the year and it does not show the movement in General Fund and HRA balances. This reconciliation is provided in the Movement in Reserves Statement, whose bottom line shows the General Fund and HRA resources available at year end. CIPFA has reviewed options for making this even clearer. The new Expenditure and Funding Analysis brings together both the accounting measures of performance and the performance against General Fund for council tax setting purposes.

## **The accounts are too long!**

Yes, the accounts can be long, but local authorities have a complex story to tell. But notes only need to be produced if they are material – leaving out notes that aren't material or required by legislation is a good start. CIPFA/LASAAC as standard setter is continuously challenging the need to introduce disclosures and reporting requirements for local government.

## What changes were made to the 2016/17 Code?

CIPFA and CIPFA/LASAAC consulted widely in preparation for these changes, particularly the Telling the Story consultation in the summer of 2015. CIPFA also engaged a working group to consider a wide range of proposals for change. Following feedback from consultations from local authority accounts preparers and the work of the Working Group, the Telling the Story consultation set out proposals for change that CIPFA/LASAAC considers will reconnect the financial statements of local authorities with the way those authorities are both organised and funded.

The changes to the 2016/17 Code therefore have two main strands:

- to allow local authorities to report on the same basis as they are organised by breaking the formal link between the Service Reporting Code of Practice (SeRCOP) and the Comprehensive Income and Expenditure Statement
- to introduce a new Expenditure and Funding Analysis which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the Comprehensive Income and Expenditure Statement in a way that is accessible to the lay reader. This analysis is supported by a streamlined Movement in Reserves Statement and replaces the current segmental reporting note.

The changes to the Code will for the first time allow local authorities to bring together the funding framework and the accounting framework in one analysis.

# further reading

*Financial Statements: A Good Practice Guide for Local Authorities* (CIPFA, 2013)

*Clear out the Clutter* (Public Finance, April 2014)

*Simplified Accounts: Small Isn't Always Beautiful* (Public Finance, September 2015)

*Code of Practice on Local Authority Accounting in the United Kingdom* (CIPFA, issued annually)

*Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners*  
(CIPFA, issued annually)



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