

Statement of Accounts

2021 – 2022

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Statement of Responsibility for the Statement of Accounts

The Council's Responsibilities

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 Corporate Finance.
- * 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 Corporate Finance

The Head of Corporate Finance 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 Corporate Finance 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 Corporate Finance 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 Council at the reporting date and its income and expenditure for the year ended 31 March 2022. This is a replacement of the one signed on 28 July 2022.

Carolin Martlew
Head of Corporate Finance and s151 officer
Date: __ November 2023

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

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

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

Expenditure and Funding Analysis

The Expenditure and Funding Analysis is not a primary financial statement. It 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.

(Restated-Note 42)						
2020/21			2021/22			
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
1,170	64	1,234	Public Protection & Community Engagement	971	134	1,105
6,155	426	6,581	Resources	6,646	868	7,514
3,825	209	4,034	Environmental Services & Sustainability	3,913	86	3,999
1,753	36	1,789	Cabinet	2,535	429	2,964
608	186	794	Housing	1,679	2,742	4,421
9,995	(570)	9,425	Wellbeing	7,657	1,817	9,474
(2,417)	1,748	(669)	Planning and Economic Development	(3,324)	2,471	(853)
(30,932)	23,388	(7,544)	Housing Revenue Account	(24,688)	11,441	(13,247)
(2,602)	301	(2,301)	All other segments	(2,603)	327	(2,276)
(12,445)	25,788	13,343	Net Cost of Services	(7,214)	20,315	13,101
(7,233)	(9,835)	(17,068)	Other income and Expenditure	16,477	(39,108)	(22,631)
(19,678)	15,953	(3,725)	(Surplus) or Deficit	9,263	(18,793)	(9,530)
(22,364)			Opening General Fund and HRA Balance	(42,043)		
(19,679)			(Surplus) or Deficit on General Fund and HRA Balance in Year	13,176		
(42,043)			Closing General Fund and HRA Balance at 31 March	(28,867)		

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.

(Restated-Note 42)

	2020/21			2021/22		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
			Public Protection & Community			
1,534	(300)	1,234	Engagement	1,333	(228)	1,105
7,049	(468)	6,581	Resources	8,016	(502)	7,514
			Environmental Services &			
7,232	(3,198)	4,034	Sustainability	7,686	(3,687)	3,999
6,951	(5,162)	1,789	Cabinet	7,277	(4,313)	2,964
38,362	(37,568)	794	Housing	37,868	(33,447)	4,421
15,771	(6,346)	9,425	Wellbeing	16,509	(7,035)	9,474
			Planning and Economic			
4,549	(5,218)	(669)	Development	5,122	(5,975)	(853)
42,542	(50,086)	(7,544)	Housing Revenue Account	32,038	(45,285)	(13,247)
(2,288)	(13)	(2,301)	All other segments	(2,156)	(120)	(2,276)
121,702	(108,359)	13,343	Cost of Services	113,693	(100,592)	13,101
			Other operating expenditure			
		(2,098)	(Note 11)			(2,085)
			Financing and investment			
		6,500	(income) and expenditure			8,760
			(Note 12)			
			Taxation and Non-specific grant			
		(21,470)	income (note 13)			(29,306)
			(Surplus) or Deficit on			
		(3,725)	Provision of Services			(9,530)
			(Surplus) or deficit on revaluation			
		(90,948)	of Property, Plant and Equipment			(110,985)
			assets			
			Remeasurements of the net			
		(4,950)	defined benefit liability			(17,627)
			Other Comprehensive			
		(95,898)	(Income) and Expenditure			(128,612)
			Total Comprehensive			
		(99,623)	(Income) and Expenditure			(138,142)

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
Balance at 31 March 2021	(38,845)	(3,198)	(31,160)	(23,096)	(4,621)	(100,920)	(699,946)	(800,866)
Movement in reserves during 2021/22								
Total Comprehensive Income and Expenditure	(2,593)	(6,937)	-	-	-	(9,530)	(128,612)	(138,142)
Adjustments between accounting basis & funding basis under regulations	15,808	6,898	11,329	(3,913)	(3,042)	27,080	(27,080)	-
Increase/(Decrease) in 2021/22	13,215	(39)	11,329	(3,913)	(3,042)	17,550	(155,692)	(138,142)
Balance at 31 March 2022 carried forward	(25,630)	(3,237)	(19,831)	(27,009)	(7,663)	(83,370)	(855,638)	(939,008)
Analysed by:								
CBC Earmarked Reserves (Note 10)	(11,846)	-						
Amount uncommitted	(5,574)	(3,237)						
Total CBC Balance at 31 March 2022	(17,419)	(3,237)						
Non-CBC Earmarked Reserves (Note 10)	(8,210)	-						
Total Balance at 31 March 2022	(25,630)	(3,237)						

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
Balance at 31 March 2020	(19,166)	(3,198)	(37,103)	(15,875)	(3,288)	(78,630)	(622,613)	(701,243)
Movement in reserves during 2020/21								
Total Comprehensive Income and Expenditure	(3,700)	(25)	-	-	-	(3,725)	(95,898)	(99,623)
Adjustments between accounting basis & funding basis under regulations	(15,979)	25	5,943	(7,221)	(1,333)	(18,565)	18,565	-
Increase/(Decrease) in 2020/21	(19,679)	-	5,943	(7,221)	(1,333)	(22,290)	(77,333)	(99,623)
Balance at 31 March 2021 carried forward	(38,845)	(3,198)	(31,160)	(23,096)	(4,621)	(100,920)	(699,946)	(800,866)
Analysed by:								
CBC Earmarked Reserves (Note 10)	(9,673)	-						
Amount uncommitted	(5,457)	(3,198)						
Total CBC Balance at 31 March 2021	(15,130)	(3,198)						
Non-CBC Earmarked Reserves (Note 10)	(23,715)	-						
Total Balance at 31 March 2021	(38,845)	(3,198)						

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'.

31 March 2021			31 March 2022
£'000		Notes	£'000
914,459	Property, Plant & Equipment	14	1,046,624
52	Heritage Assets	15	52
24,648	Investment Property	16	17,888
639	Intangible Assets	17	802
-	Long Term Investments	18	9,886
12,705	Long Term Debtors	18	14,265
<u>28,383</u>	Net Pension Assets	38	<u>41,445</u>
980,886	Long Term Assets		1,130,962
92,134	Short Term Investments	18	108,975
38	Inventories		27
16,036	Short Term Debtors	19	19,550
<u>16,236</u>	Cash and Cash Equivalents	20	<u>9,596</u>
<u>124,444</u>	Current Assets		<u>138,148</u>

Balance Sheet (Continued)

31 March 2021			31 March 2022
£'000		Notes	£'000
(68)	Short Term Borrowing	18	(11,069)
(38,581)	Short Term Creditors	21	(62,570)
<u>(4,335)</u>	Provisions	22	<u>(5,897)</u>
(42,984)	Current Liabilities		(79,536)
(260,280)	Long Term Borrowing	18	(249,285)
<u>(1,200)</u>	Capital Grants Receipts in Advance	33	<u>(1,281)</u>
(261,480)	Long Term Liabilities		(250,566)
<u>800,866</u>	Net Assets		<u>939,008</u>
(100,920)	Usable Reserves	23	(83,370)
<u>(699,946)</u>	Unusable Reserves	24	<u>(855,638)</u>
<u>(800,866)</u>	Total Reserves		<u>(939,008)</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.

2020/21		2021/22
£'000		£'000
(3,725)	Net surplus/(deficit) on the provision of services	(9,530)
(51,980)	Adjustments to net surplus or deficit on the provision of services for non-cash movement (Note 25)	(27,600)
19,391	Adjustment for items included in the Net surplus or deficit on the provision of services that are investing and financing activities (note 25)	25,226
(36,314)	Net cash flows from Operating Activities (Note 25)	(11,904)
15,026	Investing Activities (Note 26)	50,469
14,204	Financing Activities (Note 27)	(31,925)
(7,084)	Net increase or (decrease) in cash and cash equivalents	6,640
(9,152)	Cash and cash equivalents at the beginning of the reporting period	(16,236)
16,236	Cash and cash equivalents at the end of the reporting period (Note 20)	9,596

Index of Explanatory Notes to the Core Financial Statements

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Notes to Main Financial Statements (Continued)

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Crawley Borough Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, 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 2021/22, 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. The Statement of Accounts has been prepared on a 'going-concern' basis.

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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Cash and Cash Equivalents

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

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

Notes to Main Financial Statements (Continued)

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

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

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

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

v. Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund balance (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

vi. Council Tax and Non-Domestic Rates

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 (i.e. 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 collected 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 (CIES) 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

Notes to Main Financial Statements (Continued)

Fund. Therefore, the difference between the income included in the CIES 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.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

vii. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. 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, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in 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 entitlements 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 restructuring.

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

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.

Notes to Main Financial Statements (Continued)

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 - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.7% (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
 - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or

Notes to Main Financial Statements (Continued)

because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

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

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

Discretionary Benefits

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

viii. Events After the Reporting Period

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

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

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

ix. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) 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.

Notes to Main Financial Statements (Continued)

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 CIES is the amount payable for the year according to the loan agreement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The Council holds financial assets measured at:

- amortised cost and
- fair value through profit or loss (FVPL)

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost 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 (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of a financial asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. When risk has increased significantly since an instrument was initially recognised, losses are assessed on lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL 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. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the provision of Services.

Notes to Main Financial Statements (Continued)

Fair Value Measurements of financial assets

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices - the market price
- other instruments with fixed and determinable payments - discounted cash flow analysis.

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 Council 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.

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 CIES.

Instruments Entered Into Before 1 April 2006

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

x. Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset 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.

Notes to Main Financial Statements (Continued)

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-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

Business Improvement District

Business Improvement District (BID) schemes apply in Manor Royal and the Town Centre. These schemes are funded by a BID levy paid by non-domestic ratepayers. The Council acts as agent under the schemes, 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 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.

xi. Heritage Assets

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets and described below. The council's collections of heritage assets are accounted for as follows:

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

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

Notes to Main Financial Statements (Continued)

xii. Intangible Assets

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

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

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

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

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

xiii. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, 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.

Notes to Main Financial Statements (Continued)

xiv. 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 Council 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.

xv. Leases

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

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

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

The Council as Lessee

Operating Leases

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

The Council 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 (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Notes to Main Financial Statements (Continued)

xvi. 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.

xvii. Property, Plant and Equipment

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

Recognition

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

Assets Included

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. 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.

Notes to Main Financial Statements (Continued)

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

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

Notes to Main Financial Statements (Continued)

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the valuer.
- 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

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation

Where assets are found to have significant components which would materially affect the depreciation charge, the valuation of these assets will be componentised. If the overall value of a Property, Plant and Equipment asset is greater than £1.5m, componentisation will then be applied to any such assets where individual components with a different useful life to the overall item has a cost of £10,000 or over.

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.

Notes to Main Financial Statements (Continued)

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to the Government. The balance of receipts remains within 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.

xviii. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council has an obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

Contingent Liabilities

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

Notes to Main Financial Statements (Continued)

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Contingent Assets

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

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

xix. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance 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, local taxation, retirement and employee benefits and do not represent usable resources for the Council - these reserves are explained in the relevant policies.

xx. Revenue Expenditure Funded from Capital under Statute

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

xxi. VAT

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

xxii. Fair value measurement of non-financial assets

The Council's accounting policy for fair value measurement of financial assets is set out in note ix. The Council 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

Notes to Main Financial Statements (Continued)

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

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

When measuring the fair value of a non-financial asset the Council 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 Council 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.

Inputs to the valuation techniques in respect of assets for which fair value is measured or disclosed in the Council'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

At the balance sheet date the following new standards and amendments to existing standards have been adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 for application from 1 April 2022:

- IFRS 1 First-time adoption will be amended in relation to foreign operations. The council does not have foreign operations so will not be impacted.
- IAS 37 Onerous contracts will be amended to clarify the intention.
- ISA 41 Agriculture will be amended but does not impact an urban local authority.
- IFRS 16 Leases has been amended to remove a misleading example that is not referenced in the Code material.

These amendments are minor and are not expected to have a material impact on the Statements of Accounts.

Notes to Main Financial Statements (Continued)

3. Critical Judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

Funding

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

Investment properties

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

Leases

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

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

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

The items in the Council's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Term	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced by 1 year, 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 £512,602.54 for every year that useful lives had to be reduced.</p>

Notes to Main Financial Statements (Continued)

Pensions Liability	<p>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.</p>	<p>The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £4.7m. A 1 year increase in member life expectancy would result in an increase in the pension liability of around £8.3m to £13.8m. A 0.1% increase in the Salary Increase Rate would result in an increase in the pension liability of £0.5m. A 0.1% increase in the Pension Increase Rate would result in an increase in £4.2m.</p>
Arrears	<p>At 31 March 20221, the Council had a balance of sundry debtors of £26.007m. A review of significant balances suggested that an impairment of doubtful debts of (£7.078m) was appropriate. However, due to the impact of Covid-19 on the current economic climate it is not certain that such an allowance would be sufficient.</p>	<p>If Collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £7.078m to set aside as an allowance.</p>
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>A 1% increase in the success rate of appeals would increase the provision by £1.7m. 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</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)

example for investment properties, the Council's appointed external valuer).

Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 16 and 18.

5. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Corporate Finance on 29 July 2022. 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 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Notes to Main Financial Statements (Continued)

6. Note to the Expenditure and Funding Analysis

2021/22	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	-	(135)	1	(134)
Resources	-	(867)	(1)	(868)
Environmental Services & Sustainability	417	(497)	(6)	(86)
Cabinet	1	(427)	(3)	(429)
Housing	(2,111)	(540)	(91)	(2,742)
Wellbeing	(494)	(1,315)	(8)	(1,817)
Planning and Economic Development	(4,603)	(427)	2,559	(2,471)
Housing Revenue Account	(10,273)	(856)	(312)	(11,441)
All other segments	-	-	(327)	(327)
Net Cost of Services	(17,063)	(5,064)	1,812	(20,315)
Other income and expenditure from the Expenditure and Funding Analysis	24,771	500	13,837	39,108
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	7,708	(4,564)	15,649	18,793

Notes to Main Financial Statements (Continued)

(Restated – Note 42) 2020/21	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	-	(64)	-	(64)
Resources	(97)	(329)	-	(426)
Environmental Services & Sustainability	(21)	(204)	16	(209)
Cabinet	-	(40)	4	(36)
Housing	(193)	(217)	224	(186)
Wellbeing	1,100	(531)	1	(570)
Planning and Economic Development	(1,427)	(180)	(141)	(1,748)
Housing Revenue Account	(22,806)	(335)	(247)	(23,388)
All other segments	-	-	(301)	(301)
Net Cost of Services	(23,444)	(1,900)	(444)	(25,788)
Other income and expenditure from the Expenditure and Funding Analysis	30,818	548	(21,531)	9,835
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	7,374	(1,352)	(21,975)	(15,953)

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 Council 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:

(Restated – Note 42)				
2020/21			2021/22	
Income from Services £' 000	Depreciation £' 000	Services	Income from Services £' 000	Depreciation £' 000
(211)	-	Public Protection & Community Engagement	(201)	-
(3,810)	545	Resources	(7,740)	517
(3,044)	445	Environmental Services & Sustainability	(3,564)	439
(3,986)	-	Cabinet	(6,041)	292
(1,728)	-	Housing	(2,943)	-
(5,899)	3,153	Wellbeing	(6,508)	2,227
(9,244)	664	Planning and Economic Development	(7,223)	669
(50,086)	-	Housing Revenue Account	(45,204)	-
(78,008)	4,807		(79,424)	4,144

Notes to Main Financial Statements (Continued)

8. Expenditure and Income Analysed by Nature

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

2020/21 £' 000	Expenditure/Income	2021/22 £' 000
	Expenditure	
24,735	Employee benefit expenses*	28,334
64,746	Other services expenses	68,820
2,727	Support service recharges	2,731
28,654	Depreciation, amortisation, impairment	15,815
8,349	Interest payments	8,269
-	Precepts and levies	-
1,031	Payments to Housing Capital Receipts Pool	1,033
(2,039)	Gain on the disposal of assets	(2,714)
128,203	Total expenditure	122,288
	Income	
(68,195)	Fees, charges and other service income	(68,054)
(952)	Interest and investment income	(1,516)
(12,618)	Income from council tax, non-domestic rates	(13,513)
(50,163)	Government grants and contributions	(48,735)
(131,928)	Total income	(131,818)
(3,725)	(Surplus) or deficit on the Provision of Services	(9,530)

*Employee benefit expense has increased largely due to an increase in the current service cost of IAS19 Pensions.

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

Notes to Main Financial Statements (Continued)

recover) at the end of the financial year. However, the balance is not available to be applied to funding HRA services.

Housing Revenue Account Balance

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

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have 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.

2021/22	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grant Unapplied
	£'000	£'000	£'000	£'000	£'000

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)	(3,710)	(854)	-	-	-
• Financial instruments (transferred to the Financial Instruments Adjustment Account)	2	-	-	-	-
• Council tax and NDR (transfers to or from) Collection fund Adjustments Account	15,655	-	-	-	-

Notes to Main Financial Statements (Continued)

2021/22	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grant Unapplied £'000
• Holiday pay (transferred to the Accumulated Absences Reserve)	(4)	(2)	-	-	-
• 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)	1,955	(18,241)	-	-	(3,047)
Total Adjustments to Revenue Resources	13,898	(19,097)	-	-	(3,047)
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts reserve	1,102	9,655	(10,757)	-	-
Transfer of capital grants and contributions ⁵³⁴⁸ to capital grants unapplied	-	-	-	-	-
Administration costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	-	-	-	-
Transfer of deferred sale proceeds credit as part of the gain /loss on disposal from revenue to the Deferred Capital Receipts Reserve	359	-	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1,033)	-	1,033	-	-
Posting of HRA resources from revenue to the Major Repair Reserve	-	16,339	-	(16,339)	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	922	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	560	-	-	-	-
Total Adjustments between Revenue and Capital Resources	1,910	25,994	(9,724)	(16,339)	-
Adjustments to Capital Resources					
Use of the Capital Receipts reserve to finance capital expenditure	-	-	21,287	-	-
Use of Major Repairs Reserve to financial capital expenditure	-	-	-	12,427	-
Application of capital grants to finance capital expenditure	-	-	-	-	5
Cash Payments in relation to deferred capital receipts	-	-	(234)	-	-
Total Adjustments to Capital Resources	-	-	21,053	12,427	5
Total Adjustments	15,808	6,897	11,329	(3,912)	(3,042)

Notes to Main Financial Statements (Continued)

2020/21	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grant Unapplied
Comparative Figures	£'000	£'000	£'000	£'000	£'000
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)	(1,017)	(335)	-	-	-
• Financial instruments (transferred to the Financial Instruments Adjustment Account)	-	-	-	-	-
• Council tax and NDR (transfers to (or from) Collection fund Adjustments Account)	(17,969)	-	-	-	-
• Holiday pay (transferred to the Accumulated Absences Reserve)	1	(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)	(3,490)	(31,371)	-	-	(1,333)
Total Adjustments to Revenue Resources	(22,475)	(31,707)	-	-	(1,333)
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts reserve	1,681	9,109	(10,790)	-	-
Transfer of capital grants and contributions to capital grants unapplied	-	-	-	-	-
Administration costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	-	-	-	-
Transfer of deferred sale proceeds credit as part of the gain /loss on disposal from revenue to the Deferred Capital Receipts Reserve	1,055	-	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1,032)	-	1,032	-	-
Posting of HRA resources from revenue to the Major Repair Reserve	-	22,623	-	(22,623)	-
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)	4,792	-	-	-	-
Total Adjustments between Revenue and Capital Resources	6,496	31,732	(9,758)	(22,623)	-

Notes to Main Financial Statements (Continued)

2020/21	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grant Unapplied
Comparative Figures	£'000	£'000	£'000	£'000	£'000
Adjustments to Capital Resources					
Use of the Capital Receipts reserve to finance capital expenditure	-	-	15,836	-	-
Use of Major Repairs Reserve to financial capital expenditure	-	-	-	15,402	-
Application of capital grants to finance capital expenditure	-	-	-	-	-
Cash Payments in relation to deferred capital receipts	-	-	(135)	-	-
Total Adjustments to Capital Resources	-	-	(15,701)	15,402	-
Total Adjustments	(15,979)	25	5,943	(7,221)	(1,333)

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 2021/22.

	Balance at 1 April 2020 £'000	Transfers Out 2020/21 £'000	Transfers In 2020/21 £'000	Balance at 31 March 2021 £'000	Transfers Out 2021/22 £'000	Transfers In 2021/22 £'000	Balance at 31 March 2022 £'000
General Fund:							
Capital Programme	3,555	(3,555)	2,242	2,242	(152)	203	2,293
Restructuring Impact Reserve	695	(295)	-	400	-	-	400
Vehicles and Plant	443	(203)	775	1,015	(68)	685	1,632
Insurance Fund	378	-	-	378	-	-	378
ICT Replacement	70	-	100	170	(10)	100	260
Specialist Equipment at K2 Crawley and Hawth	66	-	100	166	-	100	266
Risk Management	182	(82)	75	175	-	90	265
Quick Wins	18	(18)	-	-	-	-	-
Heritage Strategy	28	(10)	-	18	-	-	18
Pathfinder	24	-	-	24	-	-	24
Local Development Framework	396	(153)	200	443	(147)	127	423
Health & Wellbeing Grant	156	(8)	22	170	(6)	59	223
Connecting Communities	56	(8)	-	48	-	-	48
Homeless grant	81	-	60	141	-	-	141
Town Centre and Regeneration Reserve	96	-	28	124	(31)	161	254
Waste Collection	226	-	-	226	-	-	226
Worth Park HLF	33	-	-	33	-	-	33
Grant to voluntary organisations	75	(75)	24	24	-	34	58
Welfare Reform	200	(131)	361	430	(33)	-	397
Transparency	11	(11)	9	9	(16)	8	1
Shore gap fund	7	-	-	7	-	-	7
Tilgate Park Investment	8	(8)	-	-	(76)	344	268
New Museum	80	(20)	-	60	(1)	-	59
Town Centre 75 th Entertainment	-	-	-	-	-	5	5
Town Centre Partnership	25	(25)	-	-	-	-	-
Town Centre Markets	14	(14)	-	-	-	-	-
EU Exit Funding	338	-	-	338	(247)	-	91
Park Improvement Fund	-	-	87	87	-	-	87
Business Rates Pool Cycling	60	-	55	115	(13)	-	102
Homeless Accommodation Acquisition	699	-	830	1,529	-	-	1,529

Notes to Main Financial Statements (Continued)

	Balance at 1 April 2020 £'000	Transfers Out 2020/21 £'000	Transfers In 2020/21 £'000	Balance at 31 March 2021 £'000	Transfers Out 2021/22 £'000	Transfers In 2021/22 £'000	Balance at 31 March 2022 £'000
Queen Square	381	-	-	381	-	-	381
Supported Accommodation	120	-	-	120	-	-	120
Town Funds	173	(1,039)	1,000	134	(1,144)	1,055	45
Covid-19 LA Support Grant	41	(604)	1,208	645	-	172	817
HMO Licenses	-	-	21	21	-	25	46
Transformation and Project Deliver	-	-	-	-	-	500	500
Woodland Trust Forestry Work	-	-	-	-	-	27	27
Climate Emergency	-	-	-	-	-	7	7
DEFRA Environment Health	-	-	-	-	-	17	17
Biodiversity Net Gain Grant	-	-	-	-	-	10	10
Garage maintenance	-	-	-	-	-	169	169
Learning and Development	-	-	-	-	-	55	55
Town Hall Equalisation	-	-	-	-	-	150	150
Licensing New Burdens	-	-	-	-	-	14	14
CBC Earmarked Reserves	8,735	(6,259)	7,197	9,673	(1,944)	4,117	11,846
Business Rates Equalisation*	5,192	-	16,629	21,821	(13,859)	-	7,962
Covid Grants*	-	-	1,813	1,813	(1,813)	167	167
Council Tax Income Guarantee*	-	(52)	133	81	-	-	81
Total Earmarked Reserves	13,927	(6,311)	25,772	33,388	(17,616)	4,284	20,056

* The Business Grants & Isolation Payments Reserve is from grants that were received by the Council in 2020/21, but is for supporting businesses and individuals through 2021/22 due to Covid. The Business Rate Equalisation Reserve are made up of grants received from the government to offset losses on the Collection Fund. The legislation that governs Collection Fund accounting means that the deficit as a result of the loss of Business Rate income in 2020/21 will not be charged to the Council's General Fund until 2021/22 and 2022/23. This reserve will be used to offset losses on the Collection Fund already incurred.

Notes to Main Financial Statements (Continued)

11. Other Operating Expenditure

2020/21 £'000		2021/22 £'000
1,032	Payment to the Government Housing Receipts Pool	1,033
(2,039)	Gains/losses on the disposal of non-current assets	(2,715)
(1,091)	Notional Shared Equity Income	(403)
(2,098)	Total	(2,085)

12. Financing and Investment Income and Expenditure

2020/21 £'000		2021/22 £'000
8,349	Interest payable and similar charges	8,269
(548)	Net interest on the net defined benefit liability	(516)
(1,617)	Interest receivable and similar income	(1,516)
664	Impairment losses	(149)
(348)	Income and expenditure in relation to investment properties and changes in their fair market value	2,672
6,500	Total	8,760

13. Taxation and Non Specific Grant Incomes

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

2020/21 £'000		2021/22 £'000
(7,390)	Council Tax Income	(7,631)
(5,227)	Retained Business Rates	(5,882)
(6,710)	Non-ringfenced government grants	(2,830)
(2,143)	Capital grants and contributions	(12,963)
(21,470)	Total	(29,306)

Notes to Main Financial Statements (Continued)

14. Property, Plant and Equipment

Movements on Balances

Movements in 2021/22

	Council Dwellings £' 000	Other Land & Buildings £' 000	Vehicles, Plant, Furniture & Equipment £' 000	Infrastructure Assets £' 000	Community Assets £' 000	Surplus Assets £' 000	Assets Under Construction £' 000	Total Property, Plant and Equipment £' 000
Cost or Valuation								
At 1 April 2021	700,709	167,675	14,686	6,456	5,342	-	33,414	928,282
Additions	9,621	5,713	424	102	-	-	25,225	41,085
Revaluation increases/(decreases) recognised in the Revaluation Reserve	82,685	18,561	-	(90)	-	-	-	101,156
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,392)	(375)	-	-	-	-	-	(3,767)
Derecognition – Disposals	(7,983)	-	(547)	-	-	-	-	(8,530)
Assets Reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-
Other movements in asset classification*	5,692	2,614	(50)	-	6	-	(5,692)	2,570
At 31 March 2022	787,331	194,189	14,513	6,468	5,348	-	52,947	1,060,796
Accumulated Depreciation and Impairment								
At 1 April 2021	-	(1,033)	(10,553)	(1,309)	(928)	-	-	(13,823)
Depreciation charge	(7,269)	(2,806)	(1,083)	(253)	(54)	-	-	(11,465)
Depreciation written out to the Revaluation Reserve	6,973	2,856	-	-	-	-	-	9,829
Depreciation written out to the Surplus/Deficit on the Provision of Services	281	200	-	-	-	-	-	481
Impairment losses/(reversals) recognised in the Revaluation Reserves	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition – Disposals	15	-	526	-	-	-	-	541
Other movements in depreciation and impairment	-	214	51	-	-	-	-	265
At 31 March 2022	-	(569)	(11,059)	(1,562)	(982)	-	-	(14,172)
Net Book Value								
At 31 March 2022	787,331	193,620	3,454	4,906	4,366	-	52,947	1,046,624
At 31 March 2021	700,708	166,643	4,133	5,147	4,414	-	33,414	914,459

Notes to Main Financial Statements (Continued)

*£5,692k Assets under construction completed and transferred to council Dwellings, £2,834 transferred from Other Land & Buildings from Investment after an asset change of use.

Comparative Movements in 2020/21 RESTATED

	Council Dwellings £' 000	Other Land & Buildings £' 000	Vehicles, Plant, Furniture & Equipment £' 000	Infrastructure Assets £' 000	Community Assets £' 000	Surplus Assets £' 000	Assets Under Construction £' 000	Total Property, Plant and Equipment £' 000
Cost or Valuation								
At 1 April 2020	608,915	169,871	15,595	4,529	3,316	-	36,556	838,782
Additions	10,274	391	378	1,651	(42)	-	25,483	38,135
Revaluation increases/(decreases) recognised in the Revaluation Reserve	77,807	2,084	-	(10)	70	-	-	79,951
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(16,624)	(1,524)	-	-	402	-	-	(17,746)
Derecognition – Disposals	(8,642)	(3)	(1,287)	-	-	-	-	(9,932)
Assets Reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-
Other movements in asset classification	28,978	(3,143)	-	286	1,596	-	(28,625)	(908)
At 31 March 2021	700,708	167,676	14,686	6,456	5,342	-	33,414	928,282
Accumulated Depreciation and Impairment								
At 1 April 2020	(1,518)	(2,817)	(10,722)	(80)	(225)	-	-	(15,362)
Depreciation charge	(6,275)	(2,755)	(1,029)	(1,229)	(48)	-	-	(11,336)
Depreciation written out to the Revaluation Reserve	7,468	3,242	-	-	-	-	-	10,710
Depreciation written out to the Surplus/Deficit on the Provision of Services	329	616	-	-	-	-	-	945
Impairment losses/(reversals) recognised in the Revaluation Reserves	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition – Disposals	21	-	1,198	-	-	-	-	1,219
Other movements in depreciation and impairment	(25)	681	-	-	(655)	-	-	1
At 31 March 2021	-	(1,033)	(10,553)	(1,309)	(928)	-	-	(13,823)
Net Book Value								
At 31 March 2021	700,708	166,643	4,133	5,147	4,414	-	33,414	914,459
At 31 March 2020	607,397	167,054	4,873	4,449	3,091	-	36,556	823,420

Notes to Main Financial Statements (Continued)

Capital Commitments

At 31 March 2022, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2022/23 and future years budgeted to cost £55,915,512. Similar commitments at 31 March 2021 were £51,939,512.

The major commitments are:

	£'000
HRA Programmed Repairs	14,142
HRA Affordable Housing	32,921
Community – Park and Recreation	384
Cabinet – New Town Hall	5,803
Cabinet – District Heat Network	338
Cabinet – Crawley Growth Programme	2,328
	<u>55,916</u>

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	Surplus Assets £' 000	Assets under construction £' 000	Total £' 000
Carried at historical cost	-	-	3,454	4,906	4,366	-	52,947	65,673
Value at fair value as at:								
31 March 2022	787,331	171,875	-	-	-	-	-	959,206
31 March 2021	-	1,167	-	-	-	-	-	1,167
31 March 2020	-	7,553	-	-	-	-	-	7,553
31 March 2019	-	10,841	-	-	-	-	-	10,841
31 March 2018	-	2,184	-	-	-	-	-	2,184
	<u>787,331</u>	<u>193,620</u>	<u>3,454</u>	<u>4,906</u>	<u>4,366</u>	<u>-</u>	<u>52,947</u>	<u>1,046,624</u>

Notes to Main Financial Statements (Continued)

15. Heritage Assets

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

	Public Works of Art 2021/22 £' 000
Cost or Valuation	
01 April 2021	52
Additions	-
Disposals	-
31 March 2022	52

	Public Works of Art 2020/21 £' 000
Cost or Valuation	
01 April 2020	52
Additions	-
Disposals	-
31 March 2021	52

Public Works of Art

The Council has a number of sculptures and other artwork 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:

	2020/21 £'000	2021/22 £'000
Rental income from investment property	(1,593)	(1,251)
Direct operating expenses arising from investment property *	1,245	3,923
Net (Gain)/Loss	(348)	2,672

*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 Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance on income and proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property. With the exception of leases in which the Council retains responsibility for undertaking repairs, the Council 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:

	2020/21 £'000	2021/22 £'000
Balance at the start of the year	25,587	24,648
Additions:		
• Purchases	-	-
• Subsequent expenditure	-	-
Disposals	-	-
Net gains/(losses) from fair value adjustments	(939)	(3,926)
Transfers:		
• (to)/from Property, Plant and Equipment	-	(2,834)
• (to)/from Assets Held for Sale	-	-
• (to)/from Land and Buildings	-	-
Balance at end of the year	24,648	17,888

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 2022 £'000
Recurring fair value measurements using:				
Office Units	-	14,331	-	14,331
Commercial Units	-	3,557	-	3,557
Total	-	17,888	-	17,888

Notes to Main Financial Statements (Continued)

2020/21 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 2020 £'000
Office Units	-	15,934	-	15,934
Commercial Units	-	8,714	-	8,714
Total	-	24,648	-	24,648

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 council's six of the seven investment properties, the highest and best use of the properties is their current use.

One of the council's commercial properties is not being used at the highest and best current use, the council 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.

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.

Notes to Main Financial Statements (Continued)

Valuation Process for Investment Properties

The fair value of the Council's investment property is measured annually at each reporting date. All valuations are carried out by the Council'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 Council'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 £35,341.45 charged to revenue in 2021/22 was charged to appropriate service headings in the Net Expenditure of Services.

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

	2020/21			2021/22		
	Internally Generated Assets £'000	Other Assets £'000	Total £'000	Internally Generated Assets £'000	Other Assets £'000	Total £'000
Balance at start of year:						
▪ Gross carrying amounts	-	3,628	3,628	-	3,705	3,705
▪ Accumulated amortisation	-	(3,047)	(3,047)	-	(3,066)	(3,066)
Net carrying amount at start of year	-	581	581	-	639	639
Additions:						
▪ Purchases	-	77	77	-	198	198
Assets reclassified	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Other movements in Asset classification						
Amortisation for the period	-	(19)	(19)	-	(35)	(35)
Derecognition: Disposal	-	-	-	-	-	-
Net carrying amount at end of year	-	639	639	-	802	802
Comprising:						
▪ Gross carrying amounts	-	3,705	3,705	-	3,903	3,903
▪ Accumulated amortisation	-	(3,066)	(3,066)	-	(3,101)	(3,101)
	-	639	639	-	802	802

Notes to Main Financial Statements (Continued)

18. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

Financial Assets

	Long-Term		Short-Term	
	As at 31 March 2021 £'000	As at 31 March 2022 £'000	As at 31 March 2021 £'000	As at 31 March 2022 £'000
Investments				
Loans and receivables	-	-	-	-
Financial Assets at fair value through profit or loss	-	4,886	-	14,961
Financial assets at amortised cost	-	5,000	92,134	94,014
Total Investments	-	9,886	92,134	108,975
Cash and Cash Equivalents				
Loans and receivables	-	-	-	-
Financial assets at amortised cost	-	-	16,600	9,596
Financial liabilities at amortised cost	-	-	(364)	-
Total cash and cash equivalents	-	-	16,236	9,596
Debtors				
Loans and receivables	-	300	-	100
Shared equity loans valued at fair value through profit and loss	6,499	7,613	-	-
Financial assets carried at contract amounts	-	-	-	-
Financial assets at amortised cost	6,206	6,352	11,353	5,565
Total included in Debtors	12,705	14,265	11,353	5,665
Debtors that are not financial instrument	-	-	4,683	13,885
Total Debtors	12,705	14,265	16,036	19,550
Borrowings				
Financial liabilities at amortised cost	(260,280)	(249,285)	(68)	(11,069)
Total Borrowings	(260,280)	(249,285)	(68)	(11,069)
Creditors				
Financial liabilities at amortised cost	-	-	(22,846)	(16,182)
Total included in Creditors	-	-	(22,846)	(16,182)
Creditors that are not financial instruments	-	-	(15,735)	(46,388)
Total Creditors	-	-	(38,581)	(62,570)

Notes to Main Financial Statements (Continued)

Note 1 – Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including 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: Accrued interest is not required for instruments measured at EIR, as this adjustment covers a full year's interest.

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

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	31 March 2021		31 March 2022	
	Surplus or Deficit on the Provision of Services £'000	Other Comprehensive Income and Expenditure £'000	Surplus or Deficit on the Provision of Services £'000	Other Comprehensive Income and Expenditure £'000
Net gains/losses on:				
- Financial assets measured at fair value though profit or loss	(382)	-	(1,005)	-
-Financial assets measured at amortised cost	718	-	33	-
Total net gains/losses	336	-	(972)	-
Interest revenue:				
- Financial assets measured at amortised cost	(844)	-	(544)	-
Total interest revenue	(844)	-	(544)	-
Interest expense	8,349	-	8,269	-

Notes to Main Financial Statements (Continued)

Fair value of financial assets

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 2021 £'000	As at 31 March 2022 £'000
Fair Value through Profit and Loss				
Shared equity loans	Level 3	Historic cost adjusted by house price indices and discounted to the balance sheet date	6,499	7,613

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 2021 £'000	31 March 2022 £'000
Opening balance	5,069	6,499
Included in Surplus or Deficit on the Provision of Services	535	1,041
Additions	1,055	359
Disposals	(160)	(286)
Closing balance	6,499	7,613

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:

Notes to Main Financial Statements (Continued)

	31 March 2021 £'000	31 March 2022 £'000
Assumption		
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	126	128

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 represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value disclosed below have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2022, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans;
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March;
- No early repayment or impairment is recognised for any financial instrument;
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low interest rate environment.

The fair values calculated are as follows:

Financial Liabilities

	31 March 2021		31 March 2022	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Cash and Cash Equivalents	364	364	-	-
PWLB debt	260,348	299,128	260,354	272,065
Short term creditors	22,846	22,846	16,182	16,182
Total Liabilities	283,558	322,338	276,536	288,247

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2022) arising from a commitment to pay interest to lenders above current market rates.

Notes to Main Financial Statements (Continued)

Financial Assets	31 March 2021		31 March 2022	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Money market loans<1 year	17,094	17,094	-	-
Short term investments	92,134	92,134	94,014	94,014
Long term investments	-	-	5,000	4,885
Short term debtors	11,353	11,353	5,665	5,665
Long term debtors	6,206	6,206	6,352	6,352
Total Assets	126,787	126,787	111,031	110,916

The fair value of the assets is lower than the carrying amount because the Council's portfolio of loans includes a number of bonds where current market rates are lower than the rates at the time of acquisition at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2022) arising from a commitment to receive interest to lenders below current market rates.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.
March 2022

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

	31 March 2022			
	Quoted Prices in active markets for identical assets (Level 1) £'000	Other Significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
Recurring fair value measurements using:				
Financial Liabilities				
Financial liabilities held at amortised cost:				
Cash and cash equivalents	-	-	-	-
PWLB	-	272,065	-	272,065
Short term creditors	-	-	16,182	16,182
Total	-	272,065	16,182	288,247
Financial Assets				
Financial assets held at amortised cost:				
Money market loans<1 year	-	-	-	-
Short term investments	-	94,014	-	94,014
Long term investments	-	4,885	-	4,885
Short term debtors	-	-	5,665	5,665
Long term debtors	-	-	6,352	6,352
Total	-	98,899	12,017	110,916

Notes to Main Financial Statements (Continued)

	31 March 2021			
	Quoted Prices in active markets for identical assets (Level 1) £'000	Other Significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
Recurring fair value measurements using:				
Financial Liabilities				
Financial liabilities held at amortised cost:				
Cash and cash equivalents	-	364	-	364
PWLB	-	299,128	-	299,128
Short term creditors	-	-	22,846	22,846
Total	-	299,492	22,846	322,338
Financial Assets				
Financial assets held at amortised cost:				
Money market loans <1 year	17,094	-	-	17,094
Short term investments	-	92,134	-	92,134
Long term investments	-	-	-	-
Short term debtors	-	-	11,353	11,353
Long term debtors	-	-	6,206	6,206
Total	17,094	92,134	17,559	126,787

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.

- No early repayment or impairment is recognised for any financial instrument
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- The fair value of short-term instruments including trade payables and receivables, is assumed to approximate to the carrying amount given the low interest rate environment.

Notes to Main Financial Statements (Continued)

19. Debtors

	31 March 2021 £'000	31 March 2022 £'000
Central Government Departments	2,384	3,447
Other Local Authorities	7,475	1,454
NHS Bodies	-	136
Public Corporations and Trading Funds	-	-
Other Entities and Individuals*	6,177	14,513
Total Debtors	16,036	19,550

*includes £8.4m due from Coast to Capital LEP.

20. Cash and Cash Equivalent

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

31 March 2021 £'000		31 March 2022 £'000
(364)	Cash overdrawn	-
-	Bank Call account	92
16,600	Money Market Funds	9,504
16,236	Total Cash and Cash Equivalents	9,596

21. Creditors

	As at 31 March 2021 £'000	As at 31 March 2022 £'000
Central Government Departments	(8,087)	(44,987)
Other Local Authorities	(910)	(800)
NHS Bodies	(171)	(212)
Other Entities and Individuals	(29,413)	(16,571)
Total Creditors	(38,581)	(62,570)

Includes £31.055m (2020/21: £5.491m) in business rates funding due to be repaid to the government.

Notes to Main Financial Statements (Continued)

22. Provisions

	Accumulated Absences £'000	NNDR Appeal £'000	Total £'000
Balance at 1 April 2021	176	4,159	4,335
Additional provisions made in 2021/22	181	1,766	1,947
Amounts used in 2021/22	(176)	(209)	(385)
Unused amounts reversed in 2021/22	-	-	-
Unwinding of discounting in 2021/22	-	-	-
Balance at 31 March 2022	181	5,716	5,897

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.

Notes to Main Financial Statements (Continued)

23. Usable Reserves

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

24. Unusable Reserves

31 March 2021 £'000		31 March 2022 £'000
	Unusable Reserves Held for Capital Purposes	
(338,716)	Revaluation Reserve	(441,540)
-	Financial Instruments Revaluation Reserve	(2)
(341,049)	Capital Adjustment Account	(365,077)
(10,110)	Deferred Capital Receipts Reserve	(10,236)
(689,875)	Total Unusable Reserves Held for Capital Purposes	(816,855)
	Unusable Reserves Held for Revenue Purposes	
(28,383)	Pension Reserve	(41,445)
18,136	Collection Fund Adjustment Account	2,481
176	Accumulated Absences Account	181
(10,071)	Total Unusable Reserves Held for Revenue Purposes	(38,783)
(699,946)	Total Unusable Reserves	(855,638)

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.

Restated 31 March 2021 £'000			31 March 2022 £'000
(253,725)	Balance at 1 April		(338,716)
(95,320)	Upward revaluation of asset	(113,450)	
	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services		
<u>4,372</u>		<u>2,465</u>	
(90,948)	Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(110,985)
4,633	Difference between fair value depreciation and historical cost depreciation	6,085	
<u>1,324</u>	Accumulated gains on assets sold or scrapped	<u>2,076</u>	
<u>5,957</u>	Amount written off to the Capital Adjustment Account		<u>8,161</u>
<u>(338,716)</u>	Balance at 31 March		<u>(441,540)</u>

Notes to Main Financial Statements (Continued)

(b) Financial Instruments Revaluation Reserve

The financial instruments revaluation reserve contains the gains made by the Council arising from increases in the value of its investments that are measured at fair value through other comprehensive income. 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.

2020/21 £'000		2021/22 £'000
-	Balance at 1 April	-
-	Upward revaluation of investments	(2)
-	Downward revaluation of investments	-
-	Balance at 31 March	(2)

(c) 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.

2020/21 £'000		2021/22 £'000
(335,254)	Balance at 1 April	(341,049)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
	<ul style="list-style-type: none"> • Charges for depreciation and impairment of non-current assets 	
11,336		11,466
	<ul style="list-style-type: none"> • Revaluation losses on Property, Plant and Equipment 	
15,747		3,287
	<ul style="list-style-type: none"> • Amortisation of intangible assets 	
19		35
	<ul style="list-style-type: none"> • Revenue expenditure funded from capital under statute 	
5,613		3,641
	<ul style="list-style-type: none"> • 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 	
8,751		8,042
41,466		26,471
(5,957)	Adjusting amounts written out of the Revaluation Reserve	(8,161)
35,509	Net written out amount of the cost of non-current assets consumed in the year	18,310
	Capital financing applied in the year:	
	<ul style="list-style-type: none"> • Use of the Capital Receipts Reserve to finance new capital expenditure 	
(15,836)		(21,287)

Notes to Main Financial Statements (Continued)

(15,402)	• Use of the Major Repairs Reserve to finance new capital expenditure	(12,427)	
(6,213)	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(11,063)	
-	• Application of grants to capital financing from the Capital Grants Unapplied Account	(5)	
-	• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(922)	
(4,792)	• Capital expenditure charged against the General fund and HRA balances	(560)	
(42,243)			(46,264)
939	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		3,926
-	Movement in the donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-
(341,049)	Balance at 31 March		(365,077)

(d) 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.

2020/21 £'000		2021/22 £'000
(9,191)	Balance at 1 April	(10,110)
(1,055)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(359)
136	Transfer to the Capital Receipts Reserve upon receipt of cash	233
(10,110)	Balance at 31 March	(10,236)

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.

2020/21 £'000		2022/22 £'000
(24,785)	Balance at 1 April	(28,383)
(4,950)	Actuarial gains or losses on pensions assets and liabilities	(17,627)
5,109	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	8,243
<u>(3,757)</u>	Employer's pensions contribution and direct payments to pensioners payable in the year	<u>(3,678)</u>
(28,383)	Balance at 31 March	(41,445)

(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.

2020/21 £'000		2021/22 £'000
167	Balance at 1 April	18,136
17,969	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	(15,655)
<u>18,136</u>	Balance at 31 March	<u>2,481</u>

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.

2020/21 £'000		2021/22 £'000
175	Balance at 1 April	176
(175)	Settlement or cancellation of accrual made at the end of the preceding year	(176)
<u>176</u>	Amounts accrued at the end of the current year	<u>181</u>
<u>1</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	<u>5</u>
176	Balance at 31 March	181

25. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

31 March 2021 £'000		31 March 2022 £'000
933	Interest received	298
(8,344)	Interest paid	(8,263)
-	Dividends received	-

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

31 March 2021 £'000		31 March 2022 £'000
(11,336)	Depreciation	(11,466)
(15,747)	Impairments and downward valuations	(3,287)
(19)	Amortisation	(35)
-	Increase/(decrease) in impairment for bad debts	-
(14,802)	Increase/(decrease) in creditors	(6,390)
2,432	(Increase)/decrease in debtors	10,551
(3)	(Increase)/decrease in inventories	(11)

Notes to Main Financial Statements (Continued)

31 March 2021 £'000		31 March 2022 £'000
(1,352)	Movement in pension liability	(4,564)
(8,751)	Carrying amount of non-current assets and non-current assets held for sale, sole or derecognised	(8,042)
(2,402)	Other non-cash items charged to the net surplus or deficit on the provision of services	(4,356)
(51,980)		(27,600)

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

-	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	-
11,845	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	11,116
7,546	Any other items for which the cash effects are investing or financing cash flows	14,110
19,391		25,226

26. Cash Flow Statement – Investing Activities

The cash flows for operating activities include the following items:

2020/21 £'000		2021/22 £'000
28,248	Purchase of property, plant and equipment, investment property and intangible assets	48,507
247,200	Purchase of short-term and long-term investments	300,631
-	Other payments for investing activities	300
(10,838)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(10,941)
(243,100)	Proceeds from short-term and long-term investments	(273,750)
(6,484)	Other receipts from investing activities	(14,278)
15,026	Net cash flows from investing activities	50,469

Notes to Main Financial Statements (Continued)

27. Cash Flow Statement – Financing Activities

2020/21 £'000		2021/22 £'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	-
14,204	Other payments for financing activities	(31,925)
14,204	Net cash flows from financing activities	(31,925)

28. 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.

	2020/21 £'000	2020/21 £'000	2021/22 £'000	2021/22 £'000
Turnover for commercial operations	1,419		1,581	
Turnover related to non-commercial lets	4,275		4,799	
Total Turnover		5,694		6,380
Expenditure	(2,036)		(1,445)	
Movement in Fair Value of investment Properties	(939)		(3,926)	
		(2,975)		(5,371)
Net Surplus/(deficit) on trading operations		2,719		1,009

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

	2020/21 £'000	2021/22 £'000
Net Surplus on trading operations	2,719	1,009
Net Surplus credited to Financing and Investment Income and Expenditure	2,719	1,009

Notes to Main Financial Statements (Continued)

29. 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)

WSSC-Verge/Shrub maintenance	2020/21 £'000	2021/22 £'000
Expenditure incurred in providing verge/shrub maintenance	194	186
Income – contribution from WSSC	(170)	(172)
Net (surplus)/deficit arising on agency arrangement	24	14

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

WSSC-Civil Parking Enforcement	2020/21 £'000	2021/22 £'000
Expenditure incurred in providing a CPE/CPZ service	534	486
Income raised from fees and charges	(621)	(876)
Contribution to expenditure	(534)	(484)
Income Share	613	848
Management Fee Payable	(48)	(101)
Net (surplus)/deficit arising on agency arrangement	(56)	(127)

30. Members' Allowances

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

	2020/21 £'000	2021/22 £'000
Allowance	332	329
Expenses	-	1
Total	332	330

Notes to Main Financial Statements (Continued)

31. 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	2021/22	139,224	1,239	-	-	24,987	165,450
	2020/21	123,413	1,239	-	-	25,845	150,497
Deputy Chief Executive	2021/22	105,765	-	-	-	21,259	127,024
	2020/21	101,865	-	-	-	21,494	123,359
Head of Corporate Finance (S.151 Officer)	2021/22	76,681	-	-	-	15,413	92,094
	2020/21	75,559	-	-	-	15,943	91,502
Head of Governance, People & Performance	2021/22	70,809	-	-	-	14,233	85,042
	2020/21	39,191	-	-	-	7,971	47,162

The Head of Governance, People & Performance was only filled for six months during 2020/21. The Chief Executive role is also the council Returning Officer and included within Salary, Fees and Allowances is the remuneration for this work, the amount will be different each year depending on what elections take place within the year.

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 2020/21	Number of Employees 2021/22
£50,000 - £54,999	16	23
£55,000 - £59,999	10	6
£60,000 - £64,999	3	6
£65,000 - £69,999	-	1
£70,000 - £74,999	3	1
£75,000 - £79,999	2	3
£80,000 - £84,999	-	-
£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	
	2020/21 Qty	2021/22 Qty	2020/21 Qty	2021/22 Qty	2020/21 Qty	2021/22 Qty	2020/21 £	2021/22 £
£0 - £20,000	1	2	-	-	1	2	3,511	5,503
£20,001–£40,000	-	1	-	-	-	1	-	26,538
£40,001–£60,000	-	-	-	-	-	-	-	-
£60,001–£80,000	-	-	-	-	-	-	-	-
£80,001–£100,000	-	-	-	-	-	-	-	-
£100,001–£150,000	-	-	-	-	-	-	-	-
£150,001–£200,000	-	-	-	-	-	-	-	-
£200,001–£250,000	-	-	-	-	-	-	-	-
TOTAL	1	3	-	-	1	3	3,511	32,041

32. External Audit Cost

In 2020/21 the Council incurred the following fees payable to Ernst & Young LLP relating to external audit and inspection:

	2020/21 £'000	2021/22 £'000
Fees payable with regard to external audit services carried out by the appointed auditor	97	84
Fees payable with regard to other services provided by the appointed auditor	53	37
Additional fees paid to appointed auditor via a third party	1	2
Fees payable in respect of other services provided by the auditor during the year*	3	4
Total	154	127

*The fees for other services payable in 2021/22 related to the audit of the Capital Pooling return for 2020/21, which was not undertaken by the appointed auditor, Ernst & Young LLP.

Notes to Main Financial Statements (Continued)

33. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure statement in 2021/22:

	2020/21 £'000	2021/22 £'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	60	60
Capital Grants and Contributions	2,143	13,011
New Homes Bonus	1,831	1,109
Covid 19 related Grants	3,800	1,026
Other Grants	1,019	635
Business Rate Grants	15,432	6,621
	24,285	22,463
Credited to Services		
Rent Allowance	17,509	15,052
Rent Rebates	15,108	12,135
Benefits Administration	513	504
NNDR Collection	213	219
Covid 19 related Grants	5,505	1,325
Other Grants	2,406	2,508
Total	41,254	31,743

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;

	2020/21 £'000	2021/22 £'000
Capital Grants Receipts in Advance		
S106 – Transport	181	116
S106 – Amenity Space	429	298
S106 – Other Grants	590	41
CIL	-	826
Total	1,200	1,281

Notes to Main Financial Statements (Continued)

34. 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 8 Expenditure and Income Analysed by Nature. Grant receipts outstanding at 31 March 2022 are shown in Note 33.

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 £482,510 in which ten 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 or the discretionary rent relief.

One member had an interest in an organisation which leased a retail unit from the Council at a cost of £24,500 per annum, of which £15,980 was outstanding at 31 March 2022: this was built up during a period the unit was closed during the Covid lockdowns. Additionally, a rental deposit of £6,930 is also held. The lease was made with proper consideration of declarations of interest and the relevant member did not take part in any discussion or decision relating to the lease of the retail unit.

Notes to Main Financial Statements (Continued)

35. 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.

	2020/21 £'000	2021/22 £'000
Capital Expenditure and Capital Financing		
Opening Capital Financing Requirement	260,325	260,325
Capital Investment		
Property, Plant and Equipment	36,553	41,085
Investment Properties	-	-
Intangible Assets	77	198
Revenue Expenditure Funded from Capital under Statute	5,613	4,041
Long Term Debtors	-	18
Sources of Finance		
Capital receipts	15,836	21,287
Capital reserves	3,556	152
Major Repairs Reserve	15,402	12,427
Government Grants and other contributions	6,213	11,069
Revenue contributions	1,236	407
Sums set aside from revenue		
Direct revenue contribution	-	922
Closing Capital Financing Requirement	260,325	259,403
	2020/21 £'000	2021/22 £'000
Explanation of movements in year		
Decrease in underlying need to borrow (unsupported by government finance assistance)	-	(922)
Increase/(decrease) in Capital Financing Requirement	-	(922)

Notes to Main Financial Statements (Continued)

36. Leases

Council as Lessor

Operating Leases

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

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

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

	31 March 2021 £'000	31 March 2022 £'000
Not later than one year	4,766	4,807
Later than one year and not later than five years	14,327	13,062
Later than five years	20,242	18,654
	39,335	36,523
Contingent rents	698	808

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 2021/22 £808,207 contingent rents were receivable by the Authority (2020/21 £698,158).

37. Termination Benefits

The Council terminated the contracts of a number of employees in 2021/22, incurring liabilities of £32,041 (£3,511 in 2020/21). See note 31 for the number of exit packages and total cost per band.

Notes to Main Financial Statements (Continued)

38. 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 each employee falls into. Under Regulation 9 of the LGPS 2014 the contribution bands are reviewed on 1 April each year in line with Pension increase orders. The new bands for 2022/23 are expected to be as follows:

Bands	Range	Contribution Rates	
		Main Section	50/50 Section
1	Up to £15,000	5.50%	2.75%
2	£15,001 to £23,600	5.80%	2.90%
3	£23,601 to £38,300	6.50%	3.25%
4	£38,301 to £48,500	6.80%	3.40%
5	£48,501 to £67,900	8.50%	4.25%
6	£67,901 to £96,200	9.90%	4.95%
7	£96,201 to £113,400	10.50%	5.25%
8	£113,401 to £170,100	11.40%	5.70%
9	£170,101 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 2021/22 the Council made a contribution of £3.398 million, 21.4% of pensionable pay (2020/21 £3.472 million, 21.4%). In addition the Council made a contribution for unfunded benefits of £0.280 million (2020/21 £0.285 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
2022/23	21.40%	Plus	-2.30%	19.10%

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)

	2020/21 £'000	2021/22 £'000
Comprehensive Income & Expenditure Statement		
Cost of Services		
- Current service cost	(5,657)	(8,743)
- Past service cost	-	(16)
- (Gains)/losses from settlements	-	-
Financing and Investment Income and Expenditure		
Net interest comprising:		
- Interest on plan assets	5,882	6,417
- Interest cost on defined benefit obligation	(5,334)	(5,901)
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	(5,109)	(8,243)
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
- Changes in demographic assumptions	(473)	12,318
- Changes in financial assumptions	(59,106)	12,526
- Other experience	2,571	70
- Return on assets (excluding amounts included in net interest)	61,958	(7,287)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(159)	9,384
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(8,866)	(11,921)
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to scheme	(3,472)	(3,398)
Contributions in respect of unfunded benefits	(285)	(280)

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:

	2020/21	2021/22
	£'000	£'000
Fair value of the employer assets	322,410	319,291
Present value of funded liabilities	(290,030)	(274,352)
Present value of unfunded liabilities	(3,997)	(3,494)
Net Asset	<u>28,383</u>	<u>41,445</u>

Reconciliation of the Movements in the Fair Value of Plan Assets

	2020/21	2021/22
	£'000	£'000
Opening fair value of scheme assets	257,231	322,410
Interest income on plan assets	5,882	6,417
Remeasurement gain/(loss):		
- Return on assets excluding amounts included in net interest	61,958	(7,287)
Contributes from employer	3,472	3,398
Contributions from employees into the scheme	1,115	1,140
Contributions in respect of unfunded benefits	285	280
Benefits paid	(7,248)	(7,182)
Unfunded benefits paid	(285)	(280)
Other experience	0	395
Closing fair value of scheme assets	<u>322,410</u>	<u>319,291</u>

Reconciliation of Present Value of the Scheme Liabilities

	2020/21	2021/22
	£'000	£'000
Opening balance at 1 April	(232,446)	(294,027)
Current service cost	(5,657)	(8,743)
Past service cost	-	(16)
Interest cost on defined benefit obligation	(5,334)	(5,901)
Remeasurement (gains)/losses:		
- Changes in demographic assumptions	(473)	12,526
- Changes in financial assumptions	(59,106)	12,318
- Other experience	2,571	(325)
Contributions from employees into the scheme	(1,115)	(1,140)
Benefits paid	7,248	7,182
Unfunded benefits paid	285	280
Closing balance at 31 March	<u>(294,027)</u>	<u>(277,846)</u>

Notes to Main Financial Statements (Continued)

Local Government Pension Scheme assets comprised:

	Period Ended 31 March 2021			Period Ended 31 March 2022		
	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000
Equity Securities						
Consumer	33,494.1	-	33,494.1	-	-	-
Manufacturing	18,821.1	-	18,821.1	-	-	-
Energy and Utilities	4,938.5	-	4,938.5	-	-	-
Financial Institutions	29,210.4	-	29,210.4	-	-	-
Health and Care	21,561.2	-	21,561.2	-	-	-
Information Technology	44,744.1	-	44,744.1	-	-	-
Other	10,684.4	-	10,684.4	-	-	-
Debt Securities						
Corporate Bonds (investment grade)	-	-	-	-	-	-
Corporate Bonds (non-investment grade)	-	-	-	-	-	-
UK Government	4,094.4	-	4,094.4	-	-	-
Other	-	-	-	-	-	-
Private Equity	-	5,136.8	5,136.8	-	6,524.2	6,524.2
Real Estate						
UK Property	-	21,877.9	21,877.9	-	31,159.7	31,157.7
Overseas Property	-	-	-	-	-	-
Investment Funds and Unit Trusts						
Equities	-	-	-	149,406.2	-	149,406.2
Bonds	108,495.8	-	108,495.8	110,364.8	-	110,364.8
Hedge Funds	-	-	-	-	-	-
Commodities	-	-	-	-	-	-
Infrastructure	-	-	-	-	13,725.3	13,725.3
Other	5,057.2	-	5,057.2	-	6,958.8	6,958.8
Cash and Cash Equivalents	14,294.1	-	14,294.1	1,152.0	-	1,152.0
Totals	295,395.3	27,014.7	322,410.0	260,923.0	58,368.0	319,291.0

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 2022.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2020/21	2021/22
Mortality assumptions:		
Longevity at 65 for current pensioners:		
• Men	22.1	22.3
• Women	24.4	24.7
Longevity at 65 for future pensioners:		
• Men	23.1	23.2
• Women	26.1	26.5
Rate of increase in salaries	3.35%	4.70%
Rate of increase in pensions	2.85%	3.20%
Rate for discounting scheme liabilities	2.00%	2.70%

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 2014 service and 50% of the maximum tax-free cash for post April 2014 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.

	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
Change in assumptions at 31 March 2022:		
0.1% decrease in Real Discount Rate	2%	4,798
1 year increase in member life expectancy	4%	11,114
0.1% increase in the Salary Increase Rate	0%	475
0.1% increase in the Pension Increase Rate (CPI)	2%	4,282

Notes to Main Financial Statements (Continued)

McCloud

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the Supreme Court but this was denied at the end of June 2019. Therefore, LGPS benefits accrued from 2014 may need to be enhanced so that all eligible members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections.

Information about the Defined benefit obligation

	Liability split
Active members	33.10%
Deferred members	24.15%
Pensioner members	42.75%
Total	100%

The weighted average duration of the funded liabilities is 20 years (19 years in 2020/21)

Analysis of projected amount to be charged to operating profit for the period to 31 March 2023

	Assets	Obligation	Net (liability)/asset	
Period Ended 31 March 2023	£'000	£'000	£'000	% of pay
Projected Current service cost*		7,549	(7,549)	(44.30%)
Past service cost including curtailment				
Effect of settlements				
Total Service Cost		7,549	(7,549)	(44.30%)
Interest income on plan assets	8,584		8,584	50.30%
Interest cost on defined benefit obligation		7,518	(7,518)	(44.10%)
Total Net Interest cost	8,584	7,518	1,066	6.20%
Total Included in Profit and Loss	8,584	15,068	(6,483)	(38.10%)

*The current service cost includes an allowance for administration expenses of 0.5% of payroll.

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

Notes to Main Financial Statements (Continued)

39. 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 2022, the total amount guaranteed was £980,579.

40. 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 is contained within the Treasury Management Strategy which is available on the Council's website.

Credit Risk management Practices

The Council's credit risk management practices are set out in the Annual Investment Strategy. With particular regard to determining whether the credit risk of financial instruments has increased significantly since initial recognition.

The Annual Investment Strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and

Notes to Main Financial Statements (Continued)

Standard & Poor's Credit Ratings Services. The Strategy also considers maximum amounts and time limits with a financial institution located in each category.

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

The Council takes credit risk advice from Arlingclose Ltd, which includes an assessment of:

- Credit rating, watches and outlooks from credit rating agencies
- Credit default swap spreads and share prices as market indicators of risk
- Legal framework for extraordinary support, bail-in and insolvency
- Financial statement analysis including the possible impact of a bank bail-n
- Market sentiment towards the counterparty

The full Treasury Management Strategy for 2021/22 was approved by Full Council on 24 February 2021 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 £157.6m 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 2022 that this was likely to crystallise.

Amounts Arising from Expected Credit Losses

The changes in loss allowance for investments at amortised cost during the year are as follows:

Credit Risk Exposure

The Council has the following exposure to credit risk at 31 March 2022:

Credit Rating	31 March 2021		31 March 2022	
	Long-term £000	Short-term £000	Long-term £000	Short-term £000
AAA	-	16,600	-	9,503
AA+	-	-	-	-
AA	-	-	-	-
AA-	-	-	4,886	12,160
A+	-	494	-	10,558
A	-	-	-	-
A-	-	-	-	-
BBB+	-	-	-	-
Unrated local authorities	-	92,134	5,000	86,813
Total investments	-	109,228	9,886	119,033

The Council has a substantial number of trade receivables. As the assets do not have a significant financing component, the loss allowance is to be based on lifetime expected credit losses. The Council uses a provision matrix based on historical observed default rates over the lifecycle of trade receivables, adjust for forward-looking estimates. The loss allowance is as follows:

Notes to Main Financial Statements (Continued)

Lifecycle stage	Gross carrying amount* £000	Lifetime expected credit losses* £000
Current	4,587	282
Less than 3 months	340	159
3 to 6 months	389	199
6 months to 1 year	787	267
More than 1 year	1,553	1,106
	7,656	2,013

* Excluding statutory debtors – Council Tax / NNDR

Collateral – 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 2022 was £0.5m.

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 Treasury Management Code of Practice. This seeks to ensure that cash is available when needed.

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

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

	31 March 2021 £'000	31 March 2022 £'000
Less than 1 year	109,227	119,033
Between 1 and 2 years	-	9,886
Between 2 and 3 years	-	-
More than 3 years	-	-
Total	109,227	128,919

Refinancing and Maturity Risk

The Council maintains a significant debt and 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

Notes to Main Financial Statements (Continued)

address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

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

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

	Approved minimum limits	Approved maximum limits	Actual 31 March 2021 £'000	Actual 31 March 2022 £'000
Less than one year	0%	10%	-	11,000
Between 1 and 2 years	0%	10%	11,000	12,000
Between 2 and 5 years	0%	20%	38,000	41,000
Between 5 and 10 years	0%	40%	86,000	92,000
Between 10 and 20 years	0%	55%	125,325	104,325
Between 20 and 30 years	0%	10%	-	-
Between 30 and 40 years	0%	10%	-	-
Between 40 and 50 years	0%	10%	-	-
Total			<u>260,325</u>	<u>260,325</u>

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.

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

Notes to Main Financial Statements (Continued)

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 2022, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(208)
Increase in Government grant receivable for financing costs	-
Impact on Surplus or Deficit on the Provision of Services	(208)
Share of overall impact credited to the HRA	(457)
Decrease in fair value of loans and investments at amortised cost*	58
Decrease in fair value of fixed rate borrowing*	19,724

*no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure

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 the Note – Fair Value of Assets and Liabilities carried at Amortised Cost.

Price risk

The Council does not generally invest in equity shares.

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.

41. Heritage Assets: Five-Year Summary of Transactions

There has been no transactions in the five-year period to March 31, 2022.

42. Prior Period Adjustments

The following material prior period adjustments have been identified for 2020/21 during the preparation of the 2021/22 financial accounts. The adjustments related to the following and have been adjusted in the financial statements:

Notes to Main Financial Statements (Continued)

Introduction of the Resources portfolio

For transparency of spend the Resources portfolio has been shown separately with costs allocated to their new responsibility owner.

Treatment of accumulated depreciation on the Housing Revenue Account Dwelling Stock and Other Land and Buildings assets.

On revaluation of assets accumulated depreciation should be written out as part of the revaluation movement. In 2020/21 the Dwelling Stock and Other Land and Buildings assets were valued in two parts, formal valuation as at 31 December 2020 and indexation applied to the 31 March 2021. Whilst depreciation on formal valuation to 31 December was written out, the depreciation on the indexed revaluations to the 31 March had not been eliminated.

The depreciation not written out was £2,703k and constituted a material restatement. This has been corrected in the 2020/21 comparator figures shown in these accounts and is subsequently reflected in the opening position for 2021/22.

The impact of these two corrections is shown in the following statements.

Notes to Main Financial Statements (Continued)

Expenditure and Funding Analysis (2020/21 Restatement Comparative Figures)

	2020/21 Published Statement			Adjustment for the reallocation of resources			2020/21 Restated		
	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Resources	-	-	-	6,156	425	6,581	6,156	425	6,581
Environmental Services	4,001	223	4,224	(177)	(13)	(190)	3,824	210	4,034
Cabinet	5,718	338	6,056	(3,964)	(303)	(4,267)	1,754	35	1,789
Wellbeing	9,506	889	10,395	489	(1,459)	(970)	9,995	(570)	9,425
Planning and Economic Development	(366)	1,916	1,550	(2,051)	(168)	(2,219)	(2,417)	1,748	(669)
Housing Revenue Account	(30,932)	23,457	(7,475)	0	(69)	(69)	(30,932)	23,388	(7,544)

Comprehensive of Income and Expenditure (2020/21 Restatement Comparative Figures)

	2020/21 Published Statement			Adjustment for the reallocation of resources			2020/21 Restated		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Resources	-	-	-	7,049	(468)	6,581	7,049	(468)	6,581
Environment Services	7,422	(3,198)	4,224	(190)	-	(190)	7,232	(3,198)	4,034
Cabinet	11,686	(5,629)	6,057	(4,735)	467	(4,268)	6,951	(5,162)	1,789
Wellbeing	15,830	(6,331)	9,499	59	(15)	44	15,771	(6,346)	9,425
Planning and Economic Development	6,784	(5,234)	1,550	(2,183)	16	(2,219)	4,549	(5,218)	(669)
Housing Revenue Account	42,611	(50,086)	(7,475)	(69)	0	(69)	42,542	(50,086)	(7,544)

Notes to Main Financial Statements (Continued)

Movement in Reserves (2020/21 Restatement Comparative Figures)

	General Fund Balance £'00	Housing Revenue Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2020 carried forward – previously reported	38,845	3,198	100,920	695,958	796,878
Prior period adjustment	0	0	0	3,988	3,988
Balance at 31 March 2020 carried forward – Restated	38,845	3,198	100,920	699,946	800,866

Changes in Movement in reserves during 2020/21 due to prior period adjustments

Total Comprehensive Income and Expenditure

Previously reported	2,633	(44)	2,589	93,046	95,635
Prior period adjustment	1,067	69	1,136	2,851	3,987
Restated	3,700	25	3,725	95,897	99,622

Adjustments between accounting basis & funding basis under regulations

Previously reported	17,046	44	19,701	(19,701)	0
Prior period adjustment	(1,067)	(69)	(1,136)	1,136	0
Restated	15,979	(25)	18,565	(18,565)	0

Increase/(Decrease) in 2020/21

Previously reported	19,679	0	22,290	73,345	95,635
Prior period adjustment	0	0	0	3,987	3,987
Restated	19,679	0	22,290	77,332	99,622

Balance Sheet (2020/21 Restatement Comparative Figures)

	2020/21 Published Statement £'000	Adjustment for HRA depreciation £'000	2020/21 Restated £'000
Property, Plant & Equipment	910,471	4,492	914,963
Long Term Assets	976,898	4,492	919,455
Net Assets	796,878	4,492	801,370
Unusable Reserves	695,958	2,703	698,661
Total Reserves	798,878	2,703	799,581

Notes to Main Financial Statements (Continued)

Note 6 – Note to the Expenditure and Funding Analysis

	2020/21 Published Statement				Adjustment for the reallocation of resources and HRA depreciation				2020/21 Restated			
	Adjustment for Capital Purposes	Net charge for the Pensions Adjustments	Other Differences	Total Adjustments	Adjustment for Capital Purposes	Net charge for the Pensions Adjustments	Other Differences	Total Adjustments	Adjustment for Capital Purposes	Net charge for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Resources	0	0	0	0	98	327	0	425	98	327	0	425
Environmental Services	21	218	(16)	223	0	(14)	0	(14)	21	204	(16)	209
Cabinet	98	244	(4)	338	(98)	(204)	0	(302)	0	40	(4)	36
Wellbeing	364	525	(1)	888	0	5	0	5	364	530	(1)	893
Planning and Economic Development	1,480	295	141	1,916	0	(115)	1	(114)	1,480	180	142	1,802
Housing Revenue Account	22,875	335	247	23,457	(69)	0	0	(69)	22,806	335	247	23,388

Note 7 – Segmental Income (2020/21 Restatement)

	2020/21 Published Statement		Adjustment for the reallocation of resources		2020/21 Restated	
	Income From Services	Depreciation	Income From Services	Depreciation	Income From Services	Depreciation
	£'000	£'000	£'000	£'000	£'000	£'000
Resources	0	0	(3,810)	545	(3,810)	545
Environmental Services	(3,044)	445	0	0	(3,044)	445
Cabinet	(7,796)	356	3,810	(356)	(3,986)	0
Wellbeing	(5,884)	2,703	(15)	0	(5,899)	2,703
Planning and Economic Development	(9,260)	853	16	(189)	(9,244)	664

Notes to Main Financial Statements (Continued)

Note 9 - Adjustments between Accounting Basis and Funding Basis under Regulations

2020/21	General Fund Balance £'000	Housing Revenue Account £'000
Total Adjustments – previously reported	17,046	44
Prior period adjustment	(61)	(69)
Restated	16,985	(25)
<u>Changes in Adjustment to Revenue Resources due to prior period adjustments</u>		
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)		
Previously reported	4,557	31,440
Prior period adjustment	(61)	(69)
Restated	4,495	31,371
<u>Total Adjustments to Revenue Resources</u>		
Previously reported	23,542	31,776
Prior period adjustment	(61)	(69)
Restated	23,481	31,707

Notes to Main Financial Statements (Continued)

Note 14 - Property, Plant and Equipment (2020/21 Restatement)

	Council Dwellings £' 000	Other Land & Buildings £' 000	Vehicles, Plant, Furniture & Equipment £' 000	Infrastructure Assets £' 000	Community Assets £' 000	Surplus Assets £' 000	Assets Under Construction £' 000	Total Property, Plant and Equipment £' 000
Cost or Valuation								
At 31 March 2021 - Restated	700,708	167,676	14,686	6,456	5,846	0	33,414	928,786
<u>Lines within "cost or valuation" that have changed due to prior period adjustments</u>								
At 1 April 2020 - Restated	608,915	169,871	15,595	4,529	0	0	0	838,782
Additions - Restated	10,274	391	378	1,651	(42)	0	25,483	38,135
Revaluation increases/(decreases) recognised in the Revaluation Reserve - Restated	77,807	2,084	0	(10)	70	0	0	79,951
Other movements in asset classification - Restated	28,978	(3,143)	0	286	1,596	0	0	0
Accumulated Depreciation and Impairment								
At 31 March 2021 – previously reported	(1,744)	(1,992)	(10,553)	(1,309)	(928)	0	0	(16,526)
Prior period adjustments	1,744	959	0	0	0	0	0	2,703
At 31 March 2021 - Restated	0	(1,033)	(10,553)	(1,309)	(928)	0	0	(13,823)

	Council Dwellings £' 000	Other Land & Buildings £' 000	Vehicles, Plant, Furniture & Equipment £' 000	Infrastructure Assets £' 000	Community Assets £' 000	Surplus Assets £' 000	Assets Under Construction £' 000	Total Property, Plant and Equipment £' 000
<u>Lines within "accumulated depreciation and impairment" that have changed due to prior period adjustments</u>								
Depreciation charge - Restated	(6,275)	(2,755)	(1,029)	(1,229)	(48)	0	0	(11,336)
<u>Depreciation written out to the Revaluation Reserve</u>								
Previously reported	5,793	2,344	0	0	0	0	0	8,137
Prior period adjustments	1,675	898	0	0	0	0	0	2,573
Restated	7,468	3,242	0	0	0	0	0	10,710

Notes to Main Financial Statements (Continued)

Depreciation written out to the Surplus/Deficit on the Provision of Services

Previously reported	260	555	0	0	0	0	0	815
Prior period adjustments	69	61	0	0	0	0	0	130
Restated	329	616	0	0	0	0	0	945
Net Book Value								
At 31 March 2020 – Restated	607,397	167,054	4,873	4	3,091	0	36,556	823,420
At 31 March 2021 – previously reported	698,964	165,684	4,133	5,147	4,918	0	33,414	912,260
Prior period adjustments	1,744	959	0	0	0	0	0	2,703
At 31 March 2021 – Restated	700,708	166,643	4,133	5,147	4,918	0	33,414	914,963

Note 25 - Unusable Reserves (2020/21 Restatement Comparative Figures)

	2020/21 Published Statement	Adjustment for HRA depreciation	2020/21 Restated
	£'000	£'000	£'000
Revaluation Reserve	335,867	2,569	338,436
Capital Adjustment Account	339,909	134	340,043
Total Unusable Reserves Held for Capital Purposes	685,887	2,703	688,590
Total Unusable Reserves	695,958	2,703	698,661

(a) Revaluation Reserve

	2020/21 Published Statement	Adjustment for HRA depreciation	2020/21 Restated
	£'000	£'000	£'000
Upward Revaluation	92,467	2,852	95,319
Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	88,095	2,852	90,947
Balance at 31 March	335,868	2,848	338,716

(b) Capital Adjustment Account

	2020/21 Published Statement	Adjustment for HRA depreciation	2020/21 Restated
	£'000	£'000	£'000
Charges for depreciation and impairment of non-current assets	(10,886)	450	(11,336)
Revaluation losses on Property, Plant and Equipment	(17,333)	1,586	(15,747)
Adjusting amounts written out of the Revaluation Reserve	5,953	4	5,957
Balance at 31 March	339,909	1,140	341,049

Notes to Main Financial Statements (Continued)

43. Going Concern

These accounts have been prepared on a going concern basis: there is an assumption that the Council's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code of Practice in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a local authority's services will continue to operate for the foreseeable future.

Even if the Council's assets were transferred to another public body, with perhaps no compensation, the continued use of the property for the public benefit means that the Council does not need to consider the restriction on its own ability to make use of the property from the going concern perspective. Therefore, the performance of local authority assets would not need to be impaired under these circumstances.

Financial position:

The Council's Section 151 officer has a duty each year to provide a statement on the robustness of the Council's budget and adequacy of reserves. This statement can be found in the budget report approved at Full Council on the 22 February 2023.

The budget report detailed a forecast budget gap in 2023/24 with the need to transfer £262k from the General Fund reserve to balance the budget in 2023/24. The General Fund working balance was £6m at the 31 March 2023. The recommended minimum level of working balance is set at £3m.

This budget report also documented the regular monitoring reports brought to councillors covering revenue budgets and the capital programme. The Budget Monitoring report for Quarter 2 2023/2024 forecasts an overspend of £1.738k mainly as a result of the significant pressures of Homelessness. It is planned to use £365k of earmarked reserve in year, together with the budgeted transfer of £262k, with the rest of the overspend to be met from the General Fund Working balance. This leaves a projected balance as at 31 March 2024 of £4,365k which is still above the minimum recommended balance of £3m.

The Section 151 officer also reviews the Council's capital investment plans to ensure they are affordable and that there are resources available to fund those capital investment plans. This is detailed in the Council's Capital Strategy for 2023-24.

The budget report also considers the Council's Treasury position and projections within the Council's Treasury Management strategy for 2023-24. There has been no material deterioration on the Council's resources of liquidity since the budget was approved that would invalidate the analysis and conclusions reached by the Section 151 officer.

Notes to Main Financial Statements (Continued)

Ahead of the 2024-25 budget an All-Member Finance Seminar was held on the 8 November 2023. This addressed the financial challenges being faced by the Council and those that would continue into future years as well as the external factors that continue to directly and indirectly affect the Council's operations and financial position. The seminar also detailed the mitigations being put in place to secure the financial position of the Council for 2024-25 and beyond.

Following the seminar the detailed Budget Strategy was reported to Cabinet on the 27 November 2023. That report noted that the 2023/24 financial position will have a significant impact on the future year predictions. Setting a balanced budget for 2024/25 is considered challenging but achievable with the use of General Fund reserve without going below the £3m recommended minimum balance.

The escalation of the cost of temporary accommodation and other budget pressures has resulted in an increasing budget gap from 2025/26. The longer-term approach to balancing the budget is no longer sufficient as reserves become depleted at an accelerated rate. The budget strategy 2024/25 therefore focuses on the period three-year period 2024/25 to 2026/27.

The proposed strategy to balance the budget over the three-year period is:

1. To continue the budget challenge process to identify permanent savings.
2. To continue the Asset Review to ensure best use of assets and consideration of an exit strategy where this is not met.
3. To continue the review of reserves including renewals funds to determine appropriate levels and to free up resources to support higher level priority projects and to support the General Fund if required.
4. To review Capital programme to ensure that it remains affordable and aligned to the Council's priorities.
5. Identify additional income opportunities through the commercialisation agenda.
6. Continue with thematic reviews identified as part of the Transformation Plan and carry out service reviews to improve services and drive future efficiencies.

Budget monitoring will continue to be undertaken regularly with monthly monitoring introduced for key service areas.

Cash position

The Council's cashflow projections through to March 2025 show the Council has sufficient cash for its services throughout the medium term. The Council is also able to borrow short term for revenue purposes, though it is not expected for this to be necessary.

As reported in the Treasury Management Mid-Year Review 2023-24 the Council had £105.004m of investments as at 30 September 2023 (£98.025m at 31 March 2023).

Conclusion

The Council concludes that it is appropriate to prepare the financial statements on a going concern basis and that no material impact exists relating to the Council's ability to continue to provide its statutory services based on the review of the forecasted reserve and cash position to 31 March 2025.

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.

2020/21 £'000		2021/22 £'000
	Expenditure	
10,742	Repairs and Maintenance	11,957
8,831	Supervision and Management	9,564
163	Rent Rebates	245
-	(Increase)/decrease in provision for bad & doubtful debts	-
6,548	Depreciation & Impairments of non-current assets (Note 5)	7,358
16,258	Revaluation Losses	2,914
42,542	Total Expenditure	32,038
	Income	
(45,605)	Dwelling Rents	(43,449)
(2,336)	Non-dwelling Rents (gross)	-
(2,145)	Charges for Services and Facilities	(1,836)
-	Contributions towards expenditure	-
(50,086)	Total Income	(45,285)
(7,544)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	(13,247)
(7,544)	Net Income for HRA Services (cost if positive)	(13,247)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:	
-	Notional Shared Equity Income	-
(488)	(Gain) or loss on sale of HRA non-current assets	(1,687)
8,309	Interest payable and similar charges	8,309
(284)	Interest and Investment Income	(409)
39	Impairment Losses	98
(57)	Non Specific Grant Income	-
(25)	(Surplus) or deficit for the year on HRA services	(6,936)

Movement on the HRA Statement

2020/21 £'000		2021/22 £'000
(3,198)	Balance on HRA at the end of the previous year	(3,198)
(25)	(Surplus) or deficit for the year on the HRA income and expenditure statement	(6,936)
25	Adjustment between accounting basis and funding basis under regulation (note 9 of the main financial statement)	6,897
-	Net (increase) or decrease before transfers to or from reserves	(39)
	Transfers to or (from) reserves	-
-	(Increase) or decrease in year on the HRA	-
(3,198)	Balance on the HRA at the end of the current year	(3,237)

Notes to the Housing Revenue Account

1. Housing Stock

The Council was responsible for over 8,000 dwellings in 2021/22. The stock at the year-end was made up as follows:

	31 March 2021	31 March 2022
Houses	4,368	4,359
Flats and Maisonettes	3,275	3,280
Bungalows	434	433
Hostels – lettable units	55	55
Number of rented units	8,132	8,127
Shared Ownership *	110	119
Total Stock	8,242	8,246

*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:

	31 March 2021	31 March 2022
Stock at 1 April	8,099	8,242
Less Sales	(39)	(52)
Demolitions/Disposals	-	(2)
Add New Build	180	57
Acquisitions	2	1
Transfer to/from GF	-	-
Stock at 31 March	8,242	8,246

2. Stock Valuation

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

	31 March 2021 £'000	31 March 2022 £'000
Property, Plant and Equipment:		
Council Dwellings	700,708	787,331
Other Land and Buildings*	25,713	6,554
Vehicles, Plant & Equipment	173	149
Investment Properties	-	-
Intangible Assets	-	-
Total	726,594	794,034

Notes to the Housing Revenue Account (Continued)

*The council transferred Garages (£19m) from the HRA to the GF.

The vacant possession value of dwellings within the Council's HRA, excluding hostels, as at 31 March 2022 was £2,363 million (£2,097 million at 31 March 2021). 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. Authorities are permitted to make an additional transfer for an amount to the Major Repairs Reserve in excess of any charge for depreciation.

	31 March 2021 £'000	31 March 2022 £'000
Balance on MRR 1 April 2020	15,875	23,096
Transfer amount equal to depreciation	6,548	7,336
Additional transfer	16,075	9,003
Financing of capital expenditure	(15,402)	(12,427)
Balance on MRR 31 March 2020	<u>23,096</u>	<u>27,008</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:

		£'000
Opening Capital Financing Requirement		260,325
Capital Investment		
Enhancements to Council Housing	9,541	
Other Capital Expenditure	4,307	
Acquisition of Council Dwellings	80	
	<hr/>	13,928
Sources of Finance		
Usable Capital Receipts	1,501	
Revenue Contribution to Capital	-	
Major Repairs Reserve	12,427	
Government Grant	-	
	<hr/>	(13,928)
Transfer of Garages to General Funds		(19,700)
Closing Capital Financing Requirement		240,625
		<hr/>
	£'000	£'000
A summary of capital receipts is as follows:		
Capital Receipts		
Sale of Dwellings	8,993	
Less Pooled Housing Capital Receipts	(1,033)	
	<hr/>	7,960
Miscellaneous HRA Land Sales		58
		<hr/>
		8,018
		<hr/>

5. Depreciation & Impairment of Non-Current Assets

Depreciation charges for council dwellings within the HRA amounted to £6,973k. Depreciation on other HRA assets amounted to £88k. No impairment charges were applied to HRA assets during the financial year, giving a total charge for depreciation and impairment losses of £7,061k.

Notes to the Housing Revenue Account (Continued)

6. Rent Arrears

Rent arrears at the end of the financial year totalled £1,195,694 (£1,028,131 in 2020/21).

A provision of £954,625 (£854,274 in 2020/21) for bad or doubtful debts has been made in the balance sheet.

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.

9. Prior Period Adjustments

The following material prior period adjustment has been identified for 2020/21 during the preparation of the 2021/22 financial accounts. The adjustment related to the following and has been adjusted in the financial statements:

Treatment of accumulated depreciation on the Housing Revenue Account Dwelling

On revaluation of assets accumulated depreciation should be written out as part of the revaluation movement. In 2020/21 the Dwelling Stock was valued in two parts, formal valuation as at 31 December 2020 and indexation applied to the 31 March 2021. Whilst depreciation on formal valuation to 31 December was written out, the depreciation on the indexed revaluations to the 31 March had not been eliminated.

The depreciation not written out was £2,703k and constituted a material restatement. This has been corrected in the 2020/21 comparator figures shown in these accounts and is subsequently reflected in the opening position for 2021/22.

The impact of this corrections is shown in the following statements.

Housing Revenue Account – Income and Expenditure Account

	2020/21 Published Statement	Adjustment for HRA Depreciation	2020/21 Restated
	£'000	£'000	£'000
Expenditure			
Revaluation Losses	16,327	(69)	16,258
Total Expenditure	42,611	(69)	42,542
Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	(7,475)	(69)	(7,544)
Net Income for HRA Services (cost if positive)	(7,475)	(69)	(7,544)

Notes to the Housing Revenue Account (Continued)

(Surplus) or deficit for the year on the HRA income and expenditure statement	44	(69)	(25)
Adjustment between accounting basis and funding basis under regulation (note 9 of the main financial statement)	(44)	69	25
(Surplus) or deficit for the year on HRA services	44	(69)	(25)

Housing Revenue Account – Note 2. Stock Valuation

	2020/21 Published Statement £'000	Adjustment for HRA Depreciation £'000	2020/21 Restated £'000
Property, Plant and Equipment			
Council Dwellings	698,964	1,744	700,708
Total	724,850	1,744	726,594

Collection Fund

COLLECTION FUND 2021/22

INCOME	Notes	Business Rates £'000	Council Tax £'000	Total £'000
Council Tax Receivable	3	-	69,300	69,300
Business Rates Receivable	2	113,860	-	113,860
Total Income		113,860	69,300	183,160
EXPENDITURE				
Apportionment of Previous Year (Surplus)/Deficit				
Central Government		20,241	-	20,241
Crawley Borough Council		16,193	65	16,258
West Sussex County Council		5,162	449	5,611
Sussex Police and Crime Commissioner		-	62	62
Total Expenditure		41,596	576	42,172
Precepts, Demands and shares				
Central Government		(55,343)	-	(55,343)
Crawley Borough Council		(44,274)	(7,476)	(51,750)
West Sussex County Council		(11,069)	(52,812)	(63,881)
Sussex Police and Crime Commissioner		-	(7,514)	(7,514)
		(110,686)	(67,802)	(178,488)
Charges to Collection Fund				
Write offs of uncollectible amounts		-	-	-
(Increase) / Decrease in Impairment of debts		(122)	(104)	(226)
Appeals and List alterations charged to Collection fund		522	-	522
(Increase) / Decrease in Provision for Appeals		(4,414)	-	(4,414)
Transitional Protection Payments		(832)	-	(832)
Cost of Collection		(219)	-	(219)
Renewable Energy		(5)	-	(5)
		(5,070)	(104)	(5,174)
Surplus / (Deficit) arising during the year		39,701	1,970	41,671
Surplus / (Deficit) b/fwd 1st April		(45,947)	(1,798)	(47,745)
Surplus / (Deficit) c/fwd 31st March	1	(6,246)	172	(6,074)

Collection Fund (Continued)

COLLECTION FUND 2020/21

INCOME	Notes	Business Rates £'000	Council Tax £'000	Total £'000
Council Tax Receivable	3	-	65,449	65,449
Business Rates Receivable	2	84,512	-	84,512
Total Income		84,512	65,449	149,961
EXPENDITURE				
Apportionment of Previous Year Surplus				
Central Government		(323)	-	(323)
Crawley Borough Council		(259)	(51)	(310)
West Sussex County Council		(807)	(346)	(1,153)
Sussex Police and Crime Commissioner		-	(47)	(47)
Total Expenditure		(1,389)	(444)	(1,833)
Precepts, Demands and shares				
Central Government		(62,175)	-	(62,175)
Crawley Borough Council		(49,740)	(7,481)	(57,221)
West Sussex County Council		(12,435)	(51,524)	(63,959)
Sussex Police and Crime Commissioner		-	(7,159)	(7,159)
		(124,350)	(66,164)	(190,514)
Charges to Collection Fund				
Less write offs of uncollectible amounts		-	-	-
Less: (Increase) / Decrease in impairments of debt		(1,140)	(804)	(1,944)
Less: (Increase) / Decrease in Provision for Appeals		(655)	-	(655)
Less: Transitional Protection Payments		(1,868)	-	(1,868)
Less: Cost of Collection		(213)	-	(213)
Less: Disregarded Amounts		(5)	-	(5)
		(3,881)	(804)	(4,685)
Surplus / (Deficit) arising during the year		(45,108)	(1,963)	(47,071)
Surplus / (Deficit) b/fwd 1st April		(839)	165	(674)
Surplus / (Deficit) c/fwd 31st March	1	(45,947)	(1,798)	(47,745)

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 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 2022 will be distributed as follows:

	2021/22		
	Business Rates £'000	Council Tax £'000	Total £'000
Central Government	(3,123)	-	(3,123)
Crawley Borough Council	(2,498)	17	(2,481)
West Sussex County Council	(625)	134	(491)
Sussex Police	-	21	21
	(6,246)	172	(6,074)

	2020/21		
	Business Rates £'000	Council Tax £'000	Total £'000
Central Government	(22,416)	-	(22,416)
Crawley Borough Council	(17,934)	(203)	(18,137)
West Sussex County Council	(5,597)	(1,400)	(6,997)
Sussex Police	-	(195)	(195)
	(45,947)	(1,798)	(47,745)

2. Income from Business Rates (NDR)

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 (51.2p for 2021/22) which is multiplied by the rateable value for each property to arrive at the charge per property for the year. For businesses that qualify for Small Business Rate Relief, the rate multiplier was 49.9p for 2021/22. At year-end, the total rateable value was £267 million.

Notes to the Collection Fund (Continued)

3. Income from Council Tax

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

	£'000
Council Tax benefits paid by the General Fund	3
Balance payable by Council Tax Payers	<u>69,297</u>
Total Council Tax due for year	<u>69,300</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 2021/22 are shown in the following table.

Band	Number of Properties (a)	Net Properties (b)	Ratio to Band D	Equivalent Number of Band D
A	1,221	783	6/9	522
B	7,405	4,478	7/9	3,483
C	22,066	17,197	8/9	15,287
D	8,901	7,724	9/9	7,724
E	3,800	3,497	11/9	4,274
F	2,273	2,149	13/9	3,104
G	471	443	15/9	738
H	7	3	18/9	6
	46,144	36,274		35,138
Provision for non-collection				(176)
Council Tax Base				34,962

Notes

(a) Number of properties per September 2020 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 £1,939.31

The Council Tax Surplus as at 31 March 2022 was £171,761.53

Glossary of Terms

Accounting Period

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

Accounting Policies

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

Accounting Standards

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

Accruals

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

Actuarial Gains and Losses

The changes in actuarial deficits or surpluses that arise because:

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

Actuarial Valuation

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

Agency Arrangements

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

Amortisation

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

Amortised Cost

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

- the amount at which the financial asset or financial liability is measured at initial recognition (usually "cost").
- minus any repayments of principal
- minus any reduction for impairment or uncollectible, 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.

Glossary of Terms (Continued)

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 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)

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)

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)

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)

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)

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.

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 controls an element of capital resources required to be used on Housing Revenue Account (HRA) assets or for capital financing purposes.

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)

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 uprated 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.

Net Book Value

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

Non-Distributed Costs

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

Net Realisable Value

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

Operating Lease

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

Operational Assets

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

Other Comprehensive Income and Expenditure

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

Outturn

Actual income and expenditure in a financial year.

Past Service Costs

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

Pension Scheme Liabilities

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

Pooling Arrangements (Capital Receipts)

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

Glossary of Terms (Continued)

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)

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)

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.