

Statement of Accounts

2017 – 2018

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Statement of Responsibility for the Statement of Accounts

The Council's Responsibilities

The Crawley Borough Council is required:

- * to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Finance, Revenues and Benefits.
- * to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- * to approve the Statement of Accounts.

Responsibilities of the Head of Finance, Revenues and Benefits

The Head of Finance, Revenues and Benefits is responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code")

In preparing this statement of accounts, the Head of Finance, Revenues and Benefits has:

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

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

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

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of the authority at the reporting date and its income and expenditure for the year ended 31st March 2018. This is a replacement of the one signed on 25th May, 2018.

Karen Hayes
Head of Finance, Revenues and Benefits
Date: 25 July 2018

Member Sign Off

I certify that these accounts were approved by the Audit Committee under delegated powers at a meeting held on 25th July 2018.

Councillor Karen Sudan
Chair of the Audit Committee
Date: 25th July 2018

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

Opinion

We have audited the financial statements of Crawley Borough Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement,
- Movement in Reserves Statement,
- Balance Sheet,
- Cash Flow Statement,
- The related notes 1 to 42,
- Housing Revenue Account Income and Expenditure Account, the Movement on the HRA Statement, and related notes 1 to 8, and
- Collection Fund and the related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Crawley Borough Council as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Head of Finance, Revenues and Benefits' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Finance, Revenues and Benefits has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the narrative statement set out on pages 2 to 8, other than the financial statements and our auditor's report thereon. The Head of Finance, Revenues and Benefits is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are satisfied that, in all significant respects, Crawley Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Responsibility of the Head of Finance, Revenues and Benefits

As explained more fully in the Statement of the Head of Finance, Revenues and Benefits' responsibilities set out on page 2, the Head of Finance, Revenues and Benefits is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Head of Finance, Revenues and Benefits is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the C&AG in November 2017, as to whether the Crawley Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Crawley Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

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

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

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

Certificate

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

Use of our report

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

Paul King (Associate Partner)
Ernst & Young LLP (Local Auditor)
Southampton
26 July 2018

The maintenance and integrity of the **Crawley Borough Council** web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Expenditure and Funding Analysis

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

2016/17			2017/18		
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
1,294	17	1,311	1,246	87	1,333
6,280	109	6,389	6,900	488	7,388
4,325	46	4,371	4,064	1,481	5,545
2,770	(175)	2,595	2,553	148	2,701
1,961	329	2,290	989	228	1,217
5,477	1,548	7,025	6,114	1,763	7,877
(2,596)	1,630	(966)	(2,512)	2,692	180
(28,367)	10,309	(18,058)	(28,441)	12,289	(16,152)
(2,219)	258	(1,961)	(2,256)	293	(1,963)
(11,075)	14,071	2,996	(11,343)	19,469	8,126
15,661	(27,227)	(11,566)	11,576	(16,280)	(4,704)
4,586	(13,156)	(8,570)	233	3,189	3,422
(30,569)			(25,983)		
4,586			233		
(25,983)			(25,750)		

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.

2016/17			2017/18		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
1,543	(232)	1,311	1,624	(291)	1,333
7,143	(754)	6,389	8,070	(682)	7,388
10,085	(5,714)	4,371	11,707	(6,162)	5,545
3,219	(624)	2,595	3,379	(678)	2,701
53,377	(51,087)	2,290	50,632	(49,415)	1,217
15,644	(8,619)	7,025	17,676	(9,799)	7,877
4,395	(5,361)	(966)	5,079	(4,899)	180
29,584	(47,642)	(18,058)	30,706	(46,858)	(16,152)
(1,761)	(200)	(1,961)	(1,761)	(202)	(1,963)
123,229	(120,233)	2,996	127,112	(118,986)	8,126
		Other operating expenditure 1,781 (Note 11)			3,520
		Financing and investment income 2,753 and expenditure (Note 12)			6,299
		Taxation and non-specific grant (16,100) income (note 13)			(14,523)
		(Surplus) or Deficit on (8,570) Provision of Services			3,422
		(Surplus) or deficit on revaluation of Property, Plant and Equipment (81,684) assets			(24,476)
		(Surplus) or deficit on revaluation of available for sale financial (35) assets			(11)
		Remeasurements of the net (5,523) defined benefit liability			(11,660)
		Other Comprehensive Income (87,242) and Expenditure			(36,147)
		Total Comprehensive Income (95,812) and Expenditure			(32,725)

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 2017 Carried Forward	22,785	3,198	41,395	32,600	2,292	102,270	529,472	631,742
Movement in reserves during 2017/18								
Total Comprehensive Income and Expenditure	(9,394)	5,972	-	-	-	(3,422)	36,147	32,725
Adjustments between accounting basis & funding basis under regulations	9,161	(5,972)	(288)	(126)	312	3,087	(3,087)	-
Increase/Decrease in 2017/18	(233)	-	(288)	(126)	312	(335)	33,060	32,725
Balance at 31 March 2018 carried forward	22,552	3,198	41,107	32,474	2,604	101,935	562,532	664,467
Analysed by:								
Amounts earmarked (Note 10)	18,552	-						
Amount uncommitted	4,000	3,198						
Total Balance at 31 March 2018	22,552	3,198						

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 2016	27,371	3,198	39,689	25,494	2,045	97,797	438,133	535,930
Movement in reserves during 2016/17								
Total Comprehensive Income and Expenditure	(370)	8,940	-	-	-	8,570	87,242	95,812
Adjustments between accounting basis & funding basis under regulations	(4,216)	(8,940)	1,706	7,106	247	(4,097)	4,097	-
Increase/Decrease in 2016/17	(4,586)	-	1,706	7,106	247	4,473	91,339	95,812
Balance at 31 March 2017 carried forward	22,785	3,198	41,395	32,600	2,292	102,270	529,472	631,742
Analysed by:								
Amounts earmarked (Note 10)	18,785	-						
Amount uncommitted	4,000	3,198						
Total Balance at 31 March 2017	22,785	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 2017			31 March 2018
£'000		Notes	£'000
774,985	Property, Plant & Equipment	14	793,060
52	Heritage Assets	15	52
20,972	Investment Property	16	21,322
555	Intangible Assets	17	605
5,000	Long Term Investments	18	20,000
6,862	Long Term Debtors	18	7,301
808,426	Long Term Assets		842,340
108,322	Short Term Investments	18	93,559
9	Assets Held for Sale	21	4,452
36	Inventories		26
5,864	Short Term Debtors	19	5,995
4,319	Cash and Cash Equivalents	20	4,844
118,550	Current Assets		108,876

Balance Sheet (Continued)

31 March 2017			31 March 2018
£'000		Notes	£'000
(68)	Short Term Borrowing	18	(68)
(17,523)	Short Term Creditors	22	(17,968)
<u>(2,306)</u>	Provisions	23	<u>(2,806)</u>
(19,897)	Current Liabilities		(20,842)
(260,259)	Long Term Borrowing	18	(260,264)
(11,823)	Other Long Term Liabilities	39	(3,223)
<u>(3,255)</u>	Capital Grants Receipts in Advance	34	<u>(2,420)</u>
(275,337)	Long Term Liabilities		(265,907)
<u>631,742</u>	Net Assets		<u>664,467</u>
102,270	Usable Reserves	24	101,935
<u>529,472</u>	Unusable Reserves	25	<u>562,532</u>
<u>631,742</u>	Total Reserves		<u>664,467</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.

2016/17		2017/18
£'000		£'000
8,570	Net surplus/(deficit) on the provision of services	(3,422)
21,792	Adjustments to net surplus or deficit on the provision of services for non-cash movement (Note 26)	31,429
<u>(12,338)</u>	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities (note 26)	<u>(11,655)</u>
18,024	Net cash flows from Operating Activities	16,352
(12,815)	Investing Activities (Note 27)	(18,148)
<u>(4,761)</u>	Financing Activities (Note 28)	<u>2,321</u>
449	Net increase or (decrease) in cash and cash equivalents	525
<u>3,871</u>	Cash and cash equivalents at the beginning of the reporting period	<u>4,319</u>
<u>4,320</u>	Cash and cash equivalents at the end of the reporting period (Note 20)	<u>4,844</u>

Index of Explanatory Notes to the Core Financial Statements

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1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Crawley Borough Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) 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 2017/18 and the Service Reporting Code of Practice 2017/18, 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 the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Cash and Cash Equivalents

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

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

iv. Exceptional Items

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

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

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

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

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

vi. Charges to Revenue for Non-Current Assets

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

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

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

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

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

Accounting for Council Tax and NDR

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

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

viii. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Notes to Main Financial Statements (Continued)

enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

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

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

The Local Government Pension Scheme

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

- The liabilities of the West Sussex pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 3.5% (based on the indicative rate of return on high quality corporate bond, the iBoxx AA corporate bonds index).
- The assets of West Sussex pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities - current bid price
 - unquoted securities- professional estimate
 - unitised securities- current bid price
 - property - market value.

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

- Service cost comprising:
 - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account

Notes to Main Financial Statements (Continued)

any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the West Sussex pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

ix. Events After the Balance Sheet Date

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

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

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

x. Financial Instruments

Financial Liabilities

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

Notes to Main Financial Statements (Continued)

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

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

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

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

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

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

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

Notes to Main Financial Statements (Continued)

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

Instruments Entered Into Before 1 April 2006

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

xi. Government Grants and Contributions

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

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

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

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

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

Business Improvement District

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

Community Infrastructure Levy

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

Notes to Main Financial Statements (Continued)

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

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

xii. Heritage Assets

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

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

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

xiii. Intangible Assets

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

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

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal

or abandonment of an intangible asset is posted to the other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

xiv. Investment Property

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

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

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

xv. Joint Operations

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

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

xvi. Leases

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

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

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

The Council as Lessor

Operating Leases

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

xvii. Overheads and Support Services

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

xviii. Property, Plant and Equipment

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

Recognition

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

Assets Included

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

Notes to Main Financial Statements (Continued)

Measurement

Assets are initially measured at cost, comprising:

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

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

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

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

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

Notes to Main Financial Statements (Continued)

credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the valuer.
- vehicles, plant, furniture and equipment – a straight-line allocation over between 3 and 10 years according to estimated useful life.
- Infrastructure – straight-line allocation over 25 years

Notes to Main Financial Statements (Continued)

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

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

Componentisation

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.

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

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

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

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

xix. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

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

Contingent Assets

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

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

xx. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a

reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

xxi. Revenue Expenditure Funded from Capital under Statute

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

xxii. VAT

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

xxiii. Fair value measurement

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

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

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

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

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

Notes to Main Financial Statements (Continued)

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

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

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

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 2018/19 for application from 1 April 2018:

- **IFRS 9 Financial Instruments** which changes the classification and measurement of financial assets, and introduces an expected credit loss model for impairments.
- **IFRS 15 Revenue from Contracts with Customers** introduces new requirements for the recognition of revenue, but this is not expected to have a material impact on the Council
- **IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses** relates to debt instruments not used by the Council.
- **IAS 7 Statement of Cash Flows: Disclosure Initiative** requires additional disclosures of liabilities arising from financing activities. The Council does have activities in 2017/18 that would require such disclosure.

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.

Notes to Main Financial Statements (Continued)

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 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Term	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £169,344 for every year that useful lives had to be reduced.</p>
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £23.1m. A 1 year increase in member life expectancy would result in an increase in the pension liability of around £7.5m to £12.5m. A 0.5% increase in the Salary Increase Rate would result in an increase in the pension liability of £3.2m. A 0.5% increase in the Pension Increase Rate would result in an increase in £19.6m.

Notes to Main Financial Statements (Continued)

Arrears	<p>At 31 March 2018, the Council had a balance of sundry debtors of £11.392m. A review of significant balances suggested that an impairment of doubtful debts of (£5.281m) was appropriate. However, in 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 £5.281m 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>The Council has recognised a provision for its share of the best estimate of refunds due to ratepayers who will successfully appeal against the rateable value of their properties on the rating list. This will include amounts relating to non-domestic rates charged to the business in 2012-13 and earlier financial years. The estimate has been calculated using the Valuation Office (VAO) rating list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2018.</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 example for investment properties, the</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)

Council's chief valuation officer and 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 15 and 17.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

5. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Finance, Revenue and Benefits on 25 July 2018. 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 2018, 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

2017/18	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	-	87	-	87
Corporate Resources	(3)	491	-	488
Environmental Services & Sustainability	1,132	351	(2)	1,481
Cabinet	-	148	-	148
Housing	1	227	-	228
Wellbeing	1,130	627	6	1,763
Planning and Economic Development	868	239	1,585	2,692
Housing Revenue Account	12,116	406	(233)	12,289
All other segments	-	-	293	293
Net Cost of Services	15,244	2,576	1,649	19,469
Other income and expenditure from the Expenditure and Funding Analysis	(17,533)	485	768	(16,280)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(2,289)	3,061	2,417	3,189

Notes to Main Financial Statements (Continued)

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

Adjustments for Capital Purposes

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

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

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

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

Notes to Main Financial Statements (Continued)

Net Change for the Pensions Adjustments

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

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

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

Other Differences

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

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

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

7. Segmental Income & Expenditure

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

2016/17			2017/18		
Income from Services £' 000	Depreciation £' 000	Services	Income from Services £' 000	Depreciation £' 000	
(204)	-	Public Protection & Community Engagement	(197)	-	
(6,169)	651	Corporate Resources	(7,042)	635	
(5,701)	467	Environmental Services & Sustainability	(6,094)	497	
(2,445)	6	Cabinet	(2,846)	6	
(2,241)	13	Housing	(2,450)	-	
(8,277)	2,113	Wellbeing	(9,669)	2,048	
(7,023)	589	Planning and Economic Development	(6,693)	605	
(47,596)	-	Housing Revenue Account	(46,792)	-	
-	-	All other segments	-	-	
(79,656)	3,839		(81,783)	3,791	

Notes to Main Financial Statements (Continued)

8. Expenditure and Income Analysed by Nature

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

Expenditure/Income	2016/17 £' 000	2017/18 £' 000
Expenditure		
Employee benefit expenses	22,945	25,310
Other services expenses	75,249	77,223
Support service recharges	4,986	5,413
Depreciation, amortisation, impairment	15,833	18,282
Interest payments	8,309	8,309
Precepts and levies	-	-
Payments to Housing Capital Receipts Pool	1,049	2,461
Gain on the disposal of assets	939	1,484
Total expenditure	129,310	138,482
Income		
Fees, charges and other service income	(70,782)	(71,764)
Interest and investment income	(1,337)	(1,125)
Income from council tax, non-domestic rates	(11,381)	(11,186)
Government grants and contributions	(54,380)	(50,985)
Total income	(137,880)	(135,060)
Surplus or deficit on the Provision of Services	(8,570)	3,422

9. Adjustments between Accounting Basis and Funding Basis under Regulations

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

General Fund Balance

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

Notes to Main Financial Statements (Continued)

Housing Revenue Account Balance

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

Major Repairs Reserve

The Authority is required to maintain the Major Repairs Reserve, which controls 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.

2017/18	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grant Unapplied £'000
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Adjustments to the Revenue Resources

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

• Pension Cost (transferred to or from) the Pension Reserve)	2,654	406	-	-	-
• Financial instruments (transferred to the Financial Instruments Adjustment Account)	-	-	-	-	-
• Council tax and NDR (transfers to or from) Collection fund Adjustments Account	(1,377)	-	-	-	-
• Holiday pay (transferred to the Accumulated Absences Reserve)	4	-	-	-	-

Notes to Main Financial Statements (Continued)

2017/18	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grant Unapplied £'000
<ul style="list-style-type: none"> 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) 	6,268	22,504	-	-	436
Total Adjustments to Revenue Resources	7,549	22,910	-	-	436
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts reserve	(251)	(8,708)	8,959	-	-
Administration costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(42)	42	-	-
Transfer of deferred sale proceeds credit as part of the gain /loss on disposal from revenue to the Deferred Capital Receipts Reserve	(369)	-	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	2,461	-	(2,461)	-	-
Posting of HRA resources from revenue to the Major Repair Reserve	-	(20,132)	-	20,132	-
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)	(229)	-	-	-	-
Total Adjustments between Revenue and Capital Resources	1,612	(28,882)	6,540	20,132	-
Adjustments to Capital Resources					
Use of the Capital Receipts reserve to finance capital expenditure	-	-	(6,995)	-	-
Use of Major Repairs Reserve to financial capital expenditure	-	-	-	(20,258)	-
Application of capital grants to finance capital expenditure	-	-	-	-	(124)
Cash Payments in relation to deferred capital receipts	-	-	167	-	-
Total Adjustments to Capital Resources	-	-	(6,828)	(20,258)	(124)
Total Adjustments	9,161	(5,972)	(288)	(126)	312

Notes to Main Financial Statements (Continued)

2016/17	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)	897	78	-	-	-
• Financial instruments (transferred to the Financial Instruments Adjustment Account)	-	-	-	-	-
• Council tax and NDR (transfers to (or from) Collection fund Adjustments Account)	1,611	-	-	-	-
• Holiday pay (transferred to the Accumulated Absences Reserve)	(4)	(1)	-	-	-
• 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)	1,690	20,611	-	-	404
Total Adjustments to Revenue Resources	4,194	20,688	-	-	404
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts reserve	(277)	(9,146)	9,422	-	-
Administration costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(54)	54	-	-
Transfer of deferred sale proceeds credit as part of the gain /loss on disposal from revenue to the Deferred Capital Receipts Reserve	(207)	-	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	1,049	-	(1,049)	-	-
Posting of HRA resources from revenue to the Major Repair Reserve	-	(20,428)	-	20,428	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	-	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(8,975)	-	-	-	-
Total Adjustments between Revenue and Capital Resources	(8,410)	(29,628)	8,427	20,428	-
Adjustments to Capital Resources					
Use of the Capital Receipts reserve to finance capital expenditure	-	-	(6,732)	-	-

Notes to Main Financial Statements (Continued)

2016/17	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grant Unapplied
Comparative Figures	£'000	£'000	£'000	£'000	£'000
Use of Major Repairs Reserve to financial capital expenditure	-	-	-	(13,322)	-
Application of capital grants to finance capital expenditure	-	-	-	-	(157)
Cash Payments in relation to deferred capital receipts	-	-	11	-	-
Total Adjustments to Capital Resources	-	-	(6,721)	(13,322)	(157)
Total Adjustments	(4,216)	(8,940)	1,706	7,106	247

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 2017/18.

	Balance at 1 April 2016 £'000	Transfers Out 2016/17 £'000	Transfers In 2016/17 £'000	Balance at 31 March 2017 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'000	Balance at 31 March 2018 £'000
General Fund:							
Capital Programme	5,511	(4,720)	4,473	5,264	-	923	6,187
Restructuring Impact Reserve	1,287	(537)	-	750	(55)	-	695
Vehicles and Plant	205	(167)	203	241	(74)	200	367
Insurance Fund	379	-	-	379	(1)	-	378
ICT Replacement	58	(44)	100	114	(95)	100	119
Specialist Equipment at K2 and Hawth	-	-	-	-	-	100	100
Risk Management	32	-	12	44	(17)	-	27
Quick Wins	44	(5)	-	39	(11)	-	28
Community Cohesion	15	(12)	-	3	(3)	-	-
Heritage Strategy	55	(21)	-	34	-	-	34
Pathfinder	16	(2)	19	33	(5)	1	29
Local Development Framework	394	-	48	442	-	65	507
Climate Change	7	(7)	-	-	-	-	-
Defra Water Management	24	(24)	-	-	-	-	-
Health & Wellbeing Grant	356	(125)	35	266	(30)	-	236
Connecting Communities	57	-	-	57	(5)	52	104
Homeless grant	19	(3)	10	26	(9)	64	81
Town Centre and Regeneration Reserve	478	(101)	-	377	(148)	21	250
Council tax support funding	34	(34)	-	-	-	-	-
Investment Acquisition	8,775	(7,941)	4,166	5,000	-	-	5,000
Waste Collection	281	-	-	281	(55)	-	226
Worth Park HLF	-	-	-	-	-	76	76
Social Housing Fraud	13	(13)	-	-	-	-	-
Preventing B&B over 6 weeks	69	(19)	-	50	(50)	-	-
Grant to voluntary organisations	85	(10)	-	75	-	-	75
Welfare Reform	65	(73)	99	91	-	35	126

Notes to Main Financial Statements (Continued)

	Balance at 1 April 2016 £'000	Transfers Out 2016/17 £'000	Transfers In 2016/17 £'000	Balance at 31 March 2017 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'000	Balance at 31 March 2018 £'000
Transparency	15	-	9	24	-	8	32
Shore gap fund	10	(3)	-	7	-	-	7
Tilgate Park Investment	87	(158)	112	41	(41)	57	57
Business Rates Equalisation	5,000	-	-	5,000	(1,794)	-	3,206
New Museum	-	-	33	33	-	35	68
Leap Project Small Business Grants	-	-	69	69	-	8	77
Leisure Management Contract	-	-	45	45	(45)	-	-
Journey to Work	-	-	-	-	-	32	32
Flexible Homelessness Grant	-	-	-	-	-	372	372
Town Centre Partnership	-	-	-	-	(5)	47	42
Town Centre Markets	-	-	-	-	-	14	14
Total	23,371	(14,019)	9,433	18,785	(2,443)	2,210	18,552

11. Other Operating Expenditure

2016/17 £'000		2017/18 £'000
1,049	Payment to the Government Housing Receipts Pool	2,461
939	Gains/losses on the disposal of non-current assets	1,484
(207)	Notional Shared Equity Income	(425)
1,781	Total	3,520

Notes to Main Financial Statements (Continued)

12. Financing and Investment Income and Expenditure

2016/17 £'000		2017/18 £'000
8,309	Interest payable and similar charges	8,309
577	Net interest on the net defined benefit liability	342
(1,337)	Interest receivable and similar income	(1,125)
(4,796)	Income and expenditure in relation to investment properties and changes in their fair market value	(1,227)
-	Other investment income	-
2,753	Total	6,299

13. Taxation and Non Specific Grant Incomes

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

2016/17 £'000		2017/18 £'000
(6,382)	Council Tax Income	(6,615)
(4,999)	Retained Business Rates	(4,572)
(3,711)	Non-ringfenced government grants	(2,588)
(1,008)	Capital grants and contributions	(748)
(16,100)	Total	(14,523)

Notes to Main Financial Statements (Continued)

14. Property, Plant and Equipment

Movements on Balances

Movements in 2017/18

	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 2017	578,921	176,954	12,500	3,790	3,430	-	11,878	787,473
Additions	11,562	2,736	420	73	89	111	11,650	26,641
Revaluation increases/(decreases) recognised in the Revaluation Reserve	14,493	1,391	-	-	54	(227)	-	15,711
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(5,594)	(2,960)	-	-	-	-	-	(8,554)
Derecognition – Disposals	(10,415)	-	(85)	-	-	-	-	(10,500)
Assets Reclassified (to)/from Held for Sale	-	30	-	-	-	-	(4,451)	(4,421)
Other movements in asset classification	4,175	899	420	-	-	766	(6,470)	(210)
At 31 March 2018	593,142	179,050	13,255	3,863	3,573	650	12,607	806,140
Accumulated Depreciation and Impairment								
At 1 April 2017	(1,923)	(2,656)	(7,787)	(20)	(102)	-	-	(12,488)
Depreciation charge	(5,828)	(2,927)	(966)	(20)	(55)	(1)	-	(9,797)
Depreciation written out to the Revaluation Reserve	6,201	2,525	-	-	25	11	-	8,762
Depreciation written out to the Surplus/Deficit on the Provision of Services	47	293	-	-	-	-	-	340
Derecognition – Disposals	26	-	77	-	-	-	-	103
Other movements in depreciation and impairment	(2)	12	-	-	-	(10)	-	-
At 31 March 2018	(1,479)	(2,753)	(8,676)	(40)	(132)	-	-	(13,080)
Net Book Value								
At 31 March 2018	591,663	176,297	4,579	3,823	3,441	650	12,607	793,060
At 31 March 2017	576,998	174,298	4,713	3,770	3,328	-	11,878	774,985

Notes to Main Financial Statements (Continued)

Comparative Movements in 2016/17

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost or Valuation							
At 1 April 2016	510,062	171,634	11,579	3,639	3,251	9,214	709,379
Additions	12,088	1,543	1,003	151	145	6,012	20,942
Revaluation increases/(decreases) recognised in the Revaluation Reserve	68,941	5,114	-	-	34	-	74,089
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,900)	(1,233)	-	-	-	(332)	(6,465)
Derecognition-Disposals	(10,176)	(181)	(82)	-	-	-	(10,439)
Assets Reclassified (to)/from Held for Sale	-	-	-	-	-	-	-
Other movements in asset classification	2,906	77	-	-	-	(3,016)	(33)
At 31 March 2017	578,921	176,954	12,500	3,790	3,430	11,878	787,473
Accumulated Depreciation and Impairment							
At 1 April 2016	(1,695)	(2,421)	(6,868)	-	(48)	-	(11,032)
Depreciation charge	(5,307)	(2,865)	(999)	(20)	(54)	-	(9,245)
Depreciation written out to the Revaluation Reserve	5,034	2,561	-	-	-	-	7,595
Depreciation written out to the Surplus/Deficit on the Provision of Services	22	49	-	-	-	-	71
Derecognition – Disposals	23	20	80	-	-	-	123
Other movements in depreciation and impairment	-	-	-	-	-	-	-
At 31 March 2017	(1,923)	(2,656)	(7,787)	(20)	(102)	-	(12,488)
Net Book Value							
At 31 March 2017	576,998	174,298	4,713	3,770	3,328	11,878	774,985
At 31 March 2016	508,367	169,213	4,711	3,639	3,203	9,214	698,347

Notes to Main Financial Statements (Continued)

Capital Commitments

At 31 March 2018, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2017/18 and future years budgeted to cost £32,049,634. Similar commitments at 31 March 2017 were £12,646,715.

The major commitments are:

	£'000
HRA Programmed Repairs	12,184
HRA Affordable Housing	19,576
Community – Park and Recreation	61
Cabinet – New Town Hall	37
Cabinet – Crawley Growth Programme	57
Environment – Town Centre Regeneration	134
	<u>32,049</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	-	-	4,579	3,823	3,441	650	12,607	25,100
Value at fair value as at:								
31 March 2018	591,663	123,239	-	-	-	-	-	714,902
31 March 2017	-	16,990	-	-	-	-	-	16,990
31 March 2016	-	27,628	-	-	-	-	-	27,628
31 March 2015	-	3,606	-	-	-	-	-	3,606
31 March 2014	-	4,834	-	-	-	-	-	4,834
	<u>591,663</u>	<u>176,297</u>	<u>4,579</u>	<u>3,823</u>	<u>3,441</u>	<u>650</u>	<u>12,607</u>	<u>793,060</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 2017/18 £' 000
Cost or Valuation	
01 April 2017	52
Additions	-
Disposals	-
31 March 2018	52

	Public Works of Art 2016/17 £' 000
Cost or Valuation	
01 April 2016	52
Additions	-
Disposals	-
31 March 2017	52

Public Works of Art

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

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:

	2016/17 £'000	2017/18 £'000
Rental income from investment property	(1,217)	(1,269)
Direct operating expenses arising from investment property *	(3,579)	42
Net (Gain)/Loss	(4,796)	(1,227)

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

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

Notes to Main Financial Statements (Continued)

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

	2016/17 £'000	2017/18 £'000
Balance at the start of the year	9,324	20,972
Additions:		
• Purchases	7,899	-
• Subsequent expenditure	-	-
Disposals	-	-
Net gains/losses from fair value adjustments	3,733	140
Transfers:		
• to/from Property, Plant and Equipment	16	210
• to/from Assets Held for Sale	-	-
• to/from Land and Buildings	-	-
Balance at end of the year	20,972	21,322

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 2018 £'000
Recurring fair value measurements using:				
Office Units	-	17,063	-	17,063
Commercial Units	-	4,259	-	4,259
Total	-	21,322	-	21,322

Notes to Main Financial Statements (Continued)

2017 Comparative Figures

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

Transfer between Levels of the Fair Value Hierarchy

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

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

Significant Observable Inputs – Level 2

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

Highest and Best use of Investment Properties

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

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

Valuation Techniques

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

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

Notes to Main Financial Statements (Continued)

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

Valuation Process for Investment Properties

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

17. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. None of the intangible assets are internally generated.

The carrying amount of all intangible assets is amortised on a straight-line basis across a useful life of 5 years. The amortisation of £135,268 charged to revenue in 2017/18 was charged to appropriate service headings in the Net Expenditure of Services.

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

	2016/17			2017/18		
	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	-	3,217	3,217	-	3,345	3,345
▪ Accumulated amortisation	-	(2,596)	(2,596)	-	(2,790)	(2,790)
Net carrying amount at start of year	-	621	621	-	555	555
Additions:						
▪ Purchases	-	111	111	-	185	185
Assets reclassified	-	-	-	-	-	-
Other movements in Asset classification	-	17	17	-	-	-
Amortisation for the period	-	(194)	(194)	-	(135)	(135)
Net carrying amount at end of year	-	555	555	-	605	605
Comprising:						
▪ Gross carrying amounts	-	3,345	3,345	-	3,530	3,530
▪ Accumulated amortisation	-	(2,790)	(2,790)	-	(2,925)	(2,925)
	-	555	555	-	605	605

Notes to Main Financial Statements (Continued)

18. Financial Instruments

Categories of Financial Instruments

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

	Long-Term		Current	
	As at 31 March 2017 £'000	As at 31 March 2018 £'000	As at 31 March 2017 £'000	As at 31 March 2018 £'000
Investments				
Loans and receivables	5,000	20,000	76,231	75,371
Available-for-sale financial assets	-	-	32,091	18,188
Financial assets at fair value through profit and loss ²	-	-	-	-
Total Investments	5,000	20,000	108,322	93,559
Cash and Cash Equivalents				
Loans and receivables	-	-	4,319	5,205
Available-for-sale financial assets	-	-	-	-
Financial liabilities at amortised cost ¹	-	-	-	(361)
Total cash and cash equivalents	-	-	4,319	4,844
Debtors				
Loans and receivables	5,433	5,581	-	-
Shared equity loans valued at fair value through profit and loss	1,350	1,604	-	-
Financial assets carried at contract amounts	79	116	2,614	2,917
Total included in Debtors	6,862	7,301	2,614	2,917
Debtors that are not financial instrument	-	-	3,250	3,078
Total Debtors	6,862	7,301	5,864	5,995
Borrowings				
Financial liabilities at amortised cost	(260,259)	(260,264)	(68)	(68)
Total Borrowings	(260,259)	(260,264)	(68)	(68)
Creditors				
Financial liabilities carried at contract amount	-	-	(10,604)	(8,924)
Total included in Creditors	-	-	(10,604)	(8,924)
Creditors that are not financial instruments	-	-	(6,919)	(9,044)
Total Creditors	-	-	(17,523)	(17,968)

Notes to Main Financial Statements (Continued)

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

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

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

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

Income, Expense, Gain and Losses

	2016/17					2017/18				
	Financial liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Financial Assets: Available for Sale £'000	Assets and Liabilities at Fair Value through Profit and Loss £'000	Total £'000	Financial Liabilities Measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Financial Assets: Available For Sale £'000	Assets & Liabilities at Fair Value through Profit and Loss £'000	Total £'000
Interest Expense	8,309	-	-	-	8,309	8,309	-	-	-	8,309
Losses on derecognition	-	-	-	-	-	-	-	-	-	-
Reduction in fair value	-	-	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-	-
Fee expense	-	-	-	-	-	-	-	-	-	-
Total expense in Surplus or Deficit on the Provision of Services	8,309	-	-	-	8,309	8,309	-	-	-	8,309
Interest Income	-	(1,075)	(257)	-	(1,332)	-	(967)	(158)	-	(1,125)
Interest income accrued on impaired financial assets	-	-	-	-	-	-	-	-	-	-
Increases in fair value	-	-	-	-	-	-	-	-	-	-

Notes to Main Financial Statements (Continued)

	2016/17					2017/18				
	Financial liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Financial Assets: Available for Sale £'000	Assets and Liabilities at Fair Value through Profit and Loss £'000	Total £'000	Financial Liabilities Measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Financial Assets: Available For Sale £'000	Assets & Liabilities at Fair Value through Profit and Loss £'000	Total £'000
Gains on derecognition	-	-	(6)	-	(6)	-	-	-	-	-
Fee Income	-	-	-	-	-	-	-	-	-	-
Total income in Surplus or Deficit on the Provision of Services	-	(1,075)	(263)	-	(1,338)	-	(967)	(158)	-	(1,125)
Gains on revaluation	-	-	(57)	-	(57)	-	-	(34)	-	(34)
Losses on revaluation	-	-	38	-	38	-	-	4	-	4
Amount recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-	-	-	-	-	-	-
Amount recycled to the Surplus or Deficit on the Provision of Services after derecognition	-	-	-	-	-	-	-	-	-	-
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	(19)	-	(19)	-	-	(30)	-	(30)
Net gain/(loss) for the year	8,309	(1,075)	(282)	-	6,952	8,309	(967)	(188)	-	7,154

Notes to Main Financial Statements (Continued)

Fair value of assets and liabilities carried at amortised cost

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

Financial assets measured at fair value

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	As at 31 March 2017 £'000	As at 31 March 2018 £'000
Available for sale				
Certificates of Deposits	Level 1	Unadjusted quoted prices in active markets for identical instruments	18,058	14,579
Corporate Bonds	Level 1	Unadjusted quoted prices in active markets for identical instruments	13,847	3,608
Total			31,905	18,187

Fair value through profit & loss:

Shared equity loans	Level 3	Historic cost adjusted by house price indices and discounted to the balance sheet date	1,350	1,604
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Transfer between Levels of the Fair Value Hierarchy

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

Changes to the Valuation Technique

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

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

	Shared Equity Loans	
	31 March 2017 £'000	31 March 2018 £'000
Opening balance	1,037	1,350
Included in Surplus or Deficit on the Provision of Services	105	66
Additions	208	369
Disposals	-	(181)
Closing balance	1,350	1,604

Notes to Main Financial Statements (Continued)

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

	31 March 2017 £'000	31 March 2018 £'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	35	44

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

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

	31 March 2017		31 March 2018	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
PWLB debt	260,259	283,882	260,264	279,194

The fair value of the Public Works Loan Board (PWLB) loans of £279,194,377 measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

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

If a value is calculated on this basis, the carrying amount of £260,264,365 would be valued at £285,147,532. But, if the Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £315,359,089.

Notes to Main Financial Statements (Continued)

Financial Assets	31 March 2017		31 March 2018	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Loans and receivables	5,000	5,163	20,000	20,121
Long-term debtors	6,862	6,862	7,301	7,301

The fair value of the assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2018) attributable to the commitment to receive interest above current market rates.

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

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

	31 March 2018			Total £'000
	Quoted Prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	
Recurring fair value measurements using:				
Financial Liabilities				
PWLB debt	-	279,194	-	279,194
Total	-	279,194	-	279,194
Financial Assets				
Loans and receivables	-	20,121	-	20,121
Long-term debtors	-	-	7,301	7,301
Total	-	20,121	7,301	27,422

Notes to Main Financial Statements (Continued)

31 March 2017 Comparative Year

	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				
PWLB debt	-	283,882	-	283,882
Total	-	283,882	-	283,882
Financial Assets				
Loans and receivables	-	5,163	-	5,163
Long-term debtors	-	-	6,862	6,862
Total	-	5,163	6,862	12,025

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

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

Financial assets

- No early repayment or impairment is recognised
- Estimated ranges of interest rates at 31 March 2018 of 1.25% to 1.57% for loans receivable, based on new lending rates for equivalent loans at that date
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

Financial liabilities

- No early repayment is recognised
- Estimated ranges of interest rates at 31 March 2018 of 2.05% to 2.75% for loans payable based on new lending rates for equivalent loans at that date

Notes to Main Financial Statements (Continued)

19. Debtors

	31 March 2017 £'000	31 March 2018 £'000
Central Government Departments	874	1,014
Other Local Authorities	207	743
NHS Bodies	47	75
Public Corporations and Trading Funds	-	-
Other Entities and Individuals	4,736	4,163
Total Debtors	5,864	5,995

20. Cash and Cash Equivalent

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

31 March 2017 £'000		31 March 2018 £'000
-	Cash overdrawn	(361)
1,026	Bank Call account	11
3,293	Money Market Funds	5,194
4,319	Total Cash and Cash Equivalents	4,844

21. Assets Held for Sale

	Current 2016/17 £'000	2017/18 £'000
Balance Outstanding at start of year	9	9
Assets newly classified as held for sale:		
• Property, Plant and Equipment	-	4,452
• Investment Property	-	-
Assets declassified as held for sale:		
• Property, Plant and Equipment	-	(30)
• Investment Property	-	-
Revaluation Gains	-	21
Impairment Losses	-	-
Assets sold	-	-
Balance outstanding at year end	9	4,452

Notes to Main Financial Statements (Continued)

22. Creditors

	As at 31 March 2017 £'000	As at 31 March 2018 £'000
Central Government Departments	4,736	6,617
Other Local Authorities	1,104	1,473
NHS Bodies	73	72
Public Corporations and Trading Funds	-	-
Other Entities and Individuals	11,610	9,806
Total Creditors	17,523	17,968

23. Provisions

	Accumulated Absences £'000	NNDR Appeal £'000	Total £'000
Balance at 1 April 2017	154	2,152	2,306
Additional provisions made in 2017/18	158	1,787	1,945
Amounts used in 2017/18	(154)	(1,291)	(1,445)
Unused amounts reversed in 2017/18	-	-	-
Unwinding of discounting in 2017/18	-	-	-
Balance at 31 March 2018	158	2,648	2,806

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)

24. Usable Reserves

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

25. Unusable Reserves

31 March 2017 £'000		31 March 2018 £'000
	Unusable Reserves Held for Capital Purposes	
228,394	Revaluation Reserve	247,511
308,307	Capital Adjustment Account	312,064
5,688	Deferred Capital Receipts Reserve	5,890
542,389	Total Unusable Reserves Held for Capital Purposes	565,465
	Unusable Reserves Held for Revenue Purposes	
19	Available for Sale Financial Instrument Reserve	30
(11,823)	Pension Reserve	(3,223)
(959)	Collection Fund Adjustment Account	418
(154)	Accumulated Absences Account	(158)
(12,917)	Total Unusable Reserves Held for Revenue Purposes	(2,933)
529,472	Total Unusable Reserves	562,532

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.

31 March 2017 £'000			31 March 2018 £'000
150,972	Balance at 1 April		228,394
82,670	Upward revaluation of asset	27,203	
	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services		
<u>(986)</u>		<u>(2,727)</u>	
81,684	Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		24,476
-	Prior year adjustment	-	
(3,095)	Difference between fair value depreciation and historical cost depreciation	(4,114)	
<u>(1,167)</u>	Accumulated gains on assets sold or scrapped	<u>(1,245)</u>	
(4,262)	Amount written off to the Capital Adjustment Account		(5,359)
228,394	Balance at 31 March		247,511

Notes to Main Financial Statements (Continued)

(b) Capital Adjustment Account

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

2016/17 £'000			2017/18 £'000
297,564	Balance at 1 April		308,307
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(9,245)	• Charges for depreciation and impairment of non-current assets	(9,797)	
(6,707)	• Revaluation losses on Property, Plant and Equipment	(8,196)	
(194)	• Amortisation of intangible assets	(134)	
(2,121)	• Revenue expenditure funded from capital under statute	(2,584)	
	• 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		
(10,415)		(10,485)	
(28,682)			(31,196)
4,262	Adjusting amounts written out of the Revaluation Reserve		5,359
(24,420)	Net written out amount of the cost of non-current assets consumed in the year		(25,837)
	Capital financing applied in the year:		
6,732	• Use of the Capital Receipts Reserve to finance new capital expenditure	6,995	
13,322	• Use of the Major Repairs Reserve to finance new capital expenditure	20,258	
2,244	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,848	
157	• Application of grants to capital financing from the Capital Grants Unapplied Account	124	
-	• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	-	
8,975	• Capital expenditure charged against the General fund and HRA balances	229	
31,430			29,454
3,733	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		140
-	Movement in the donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-
308,307	Balance at 31 March		312,064

Notes to Main Financial Statements (Continued)

(c) Deferred Capital Receipts Reserve

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

2016/17 £'000		2017/18 £'000
5,492	Balance at 1 April	5,688
207	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	369
(11)	Transfer to the Capital Receipts Reserve upon receipt of cash	(167)
5,688	Balance at 31 March	5,890

d) Available for Sale Financial Instrument Reserve

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

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

2016/17 £'000		2017/18 £'000
(17)	Balance at 1 April	19
58	Upward revaluation of investments	34
(38)	Downward evaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(4)
16	Accumulated gains on assets sold and maturing assets written out to the comprehensive Income and Expenditure Statement as part of Other Investment Income	(19)
19	Balance at 31 March	30

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.

2016/17 £'000		2017/18 £'000
(16,370)	Balance at 1 April	(11,823)
5,523	Actuarial gains or losses on pensions assets and liabilities	11,660
(4,384)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and expenditure Statement	(6,580)
3,408	Employer's pensions contribution and direct payments to pensioners payable in the year	3,520
(11,823)	Balance at 31 March	(3,223)

(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.

2016/17 £'000		2017/18 £'000
651	Balance at 1 April	(959)
(1,610)	Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	1,377
(959)	Balance at 31 March	418

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.

2016/17 £'000			2017/18 £'000
(159)	Balance at 1 April		(154)
159	Settlement or cancellation of accrual made at the end of the preceding year	154	
(154)	Amounts accrued at the end of the current year	(158)	
5	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(4)
(154)	Balance at 31 March		(158)

26. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

31 March 2017 £'000		31 March 2018 £'000
1,318	Interest received	916
(8,304)	Interest paid	(8,304)
-	Dividends received	-

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

31 March 2017 £'000		31 March 2018 £'000
9,245	Depreciation	9,795
6,394	Impairments and downward valuations	8,196
194	Amortisation	135
-	Increase/(decrease) in impairment for bad debts	(4)
(523)	Increase/(decrease) in creditors	(223)
833	(Increase)/decrease in debtors	(128)
-	(Increase)/decrease in inventories	10

Notes to Main Financial Statements (Continued)

31 March 2017 £'000		31 March 2018 £'000
976	Movement in pension liability	3,060
10,416	Carrying amount of non-current assets and non-current assets held for sale, sole or derecognised	10,485
(5,743)	Other non-cash items charged to the net surplus or deficit on the provision of services	103
21,792		31,429

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

(6)	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	-
(9,683)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(9,371)
(2,649)	Any other items for which the cash effects are investing or financing cash flows	(2,284)
(12,338)		(11,655)

27. Cash Flow Statement – Investing Activities

The cash flows for operating activities include the following items:

2016/17 £'000		2017/18 £'000
(26,670)	Purchase of property, plant and equipment, investment property and intangible assets	(28,479)
(146,630)	Purchase of short-term and long-term investments	(171,067)
(44)	Other payments for investing activities	(45)
9,694	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	9,080
147,572	Proceeds from short-term and long-term investments	170,797
3,263	Other receipts from investing activities	1,566
(12,815)	Net cash flows from investing activities	(18,148)

Notes to Main Financial Statements (Continued)

28. Cash Flow Statement – Financing Activities

2016/17 £'000		2017/18 £'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	-
(4,761)	Other payments for financing activities	2,321
(4,761)	Net cash flows from financing activities	2,321

29. Trading Operations

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

	2016/17 £'000	2016/17 £'000	2017/18 £'000	2017/18 £'000
Turnover for commercial operations	1,157		1,227	
Turnover related to non-commercial lets	4,183		4,301	
Total Turnover		5,340		5,528
Expenditure	(1,757)		(2,011)	
Movement in Fair Value of investment Properties	3,733		539	
		1,976		(1,472)
Net Surplus/(deficit) on trading operations		7,316		4,056

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

	2016/17 £'000	2017/18 £'000
Net Surplus on trading operations	7,316	4,056
Net Surplus credited to Financing and Investment Income and Expenditure	7,316	4,056

Notes to Main Financial Statements (Continued)

30. Agency Services

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

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

	2016/17 £'000	2017/18 £'000
WSSC-Verge/Shrub maintenance		
Expenditure incurred in providing verge/shrub maintenance	185	186
Income – contribution from WSSC	(180)	(180)
Net (surplus)/deficit arising on agency arrangement	5	6

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

	2016/17 £'000	2017/18 £'000
WSSC-Civil Parking Enforcement		
Expenditure incurred in providing a CPE/CPZ service	387	540
Income raised from fees and charges	(915)	(967)
Contribution to expenditure	(387)	(540)
Income Share	895	950
Management Fee Payable	(112)	(110)
Net (surplus)/deficit arising on agency arrangement	(132)	(127)

31. Members' Allowances

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

	2016/17 £'000	2017/18 £'000
Salaries	n/a	n/a
Allowance	330	326
Expenses	-	-
Total	330	326

Notes to Main Financial Statements (Continued)

32. Officers' Remuneration & Exit Package

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

		Salary, Fees and Allowances	Benefits in Kind	Expenses Allowances	Compensation for loss of Office	Pension Contribution	Total
		£	£	£	£	£	£
Chief Executive	2017/18	87,471	1,301	-	-	18,456	107,228
	2016/17	115,165	1,721	-	-	20,233	137,119
Deputy Chief Executive	2017/18	75,140	1,239	-	-	15,698	92,077
	2016/17	100,661	1,239	-	-	19,584	121,484
Head of Finance, Revenue and Benefits (S.151 Officer)	2017/18	72,350	(381)	-	-	15,234	87,203
	2016/17	66,057	(400)	-	-	12,918	78,575
Head of Legal and Democratic Services	2017/18	84,652	(420)	-	-	17,659	101,891
	2016/17	69,739	(369)	-	-	13,481	82,851

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 2016/17	Number of Employees 2017/18
£50,000 - £54,999	11	12
£55,000 - £59,999	4	6
£60,000 - £64,999	-	1
£65,000 - £69,999	7	1
£70,000 - £74,999	1	6
£75,000 - £79,999	-	1
£80,000 - £84,999	1	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000+	-	-

Notes to Main Financial Statements (Continued)

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2016/17 Qty	2017/18 Qty	2016/17 Qty	2017/18 Qty	2016/17 Qty	2017/18 Qty	2016/17 £	2017/18 £
£0 - £20,000	4	5	-	1	4	6	20,636	81,031
£20,001–£40,000	3	3	-	1	3	4	99,162	132,138
£40,001–£60,000	2	1	1	-	3	1	132,245	47,755
£60,001–£80,000	-	-	-	-	-	-	-	-
£80,001–£100,000	1	1	-	-	1	1	94,926	86,034
£100,001–£150,000	-	-	-	-	-	-	-	-
£150,001–£200,000	-	-	-	-	-	-	-	-
£201,000–£250,000	-	-	-	-	-	-	-	-
TOTAL	10	10	1	2	11	12	346,969	346,958

33. External Audit Cost

In 2017/18 the Council incurred the following fees payable to Ernst & Young LLP relating to external audit and inspection:

	2016/17 £'000	2017/18 £'000
Fees payable with regard to external audit services carried out by the appointed auditor	77	77
Rebate due to the break-up of the Audit Commission	-	(10)
Fees payable in respect of other services provided by the auditor during the year*	3	3
Total	80	70

*The fees for other services payable in 2017/18 related to the audit of the Capital Pooling return 2016/17, which was not undertaken by the appointed auditor.

Notes to Main Financial Statements (Continued)

34. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure statement in 2017/18:

	2016/17 £'000	2017/18 £'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	1,776	1,036
Capital Grants and Contributions	1,008	748
New Homes Bonus	1,888	1,440
Council Tax Freeze Grant	-	-
Preventing Homelessness	-	64
Pathfinder	-	-
Community Cohesion	-	-
Other Grants	48	48
Business Rate Grants	326	572
	5,046	3,908
Credited to Services		
Rent Allowance	26,995	25,901
Rent Rebates	21,203	19,935
Council Tax Benefits	-	-
Benefits Administration	655	613
NNDR Collection	209	214
Other Grants	598	985
Total	49,660	47,648

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;

	2016/17 £'000	2017/18 £'000
Capital Grants Receipts in Advance		
S106 – Transport	1,416	1,177
S106 – Amenity Space	916	911
S106 – Other Grants	923	332
Total	3,255	2,420

35. Related Parties

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

Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 8 Expenditure and Income Analysed by Nature. Grant receipts outstanding at 31 March 2018 are shown in Note 34.

Chief Officers and Members

Relevant Chief Officers and Members were canvassed and signed declarations have been obtained from them to ascertain any material transactions with related parties. In the financial year the Voluntary Sector Grants Awarded totalled £641,179 in which sixteen members had an interest. The relevant members did not take part in any discussion or decision relating to the grants.

Notes to Main Financial Statements (Continued)

36. Capital Expenditure and Capital Financing

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

	2016/17 £'000	2017/18 £'000
Capital Expenditure and Capital Financing		
Opening Capital Financing Requirement	260,325	260,325
Capital Investment		
Property, Plant and Equipment	20,942	26,641
Investment Properties	7,899	-
Intangible Assets	111	185
Revenue Expenditure Funded from Capital under Statute	2,121	2,584
Long Term Debtors	44	44
Sources of Finance		
Capital receipts	6,732	6,995
Major Repairs Reserve	13,322	20,258
Government Grants and other contributions	2,401	1,972
Revenue contributions	8,975	229
Revaluation loss in the HRA	313	-
Closing Capital Financing Requirement	260,325	260,325

	2016/17 £'000	2017/18 £'000
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by government financial assistance)	-	-
Increase/(decrease) in Capital Financing Requirement	-	-

Notes to Main Financial Statements (Continued)

37. Leases

Council as Lessor

Operating Leases

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

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

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

	31 March 2017 £'000	31 March 2018 £'000
Not later than one year	4,599	4,771
Later than one year and not later than five years	13,578	14,120
Later than five years	18,614	21,495
	36,791	40,386
Contingent rents	843	757

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 2017/18 £757,115 contingent rents were receivable by the authority (2016/17 £843,101).

38. Termination Benefits

The Council terminated the contracts of a number of employees in 2017/18, incurring liabilities of £346,958 (£346,968 in 2016/17). See note 32 for the number of exit packages and total cost per band.

In 2017/18 the Council continued with transformation and redesign of many of its services. Looking for continual improvement which has identified various staffing reductions with the breakdown of the £346,958 is as follows:

- The continuing redesigns within the Finance, Revenues & Benefits has given an amount of £44,460 payable in the form of compensation for loss of office and £19,004 in enhanced pension benefits
- The change in working practices to patch working within the Street scene service has generated costs of £79,733 for the compensation for loss of office and £54,056 for enhanced pension benefits
- Other reviews across the whole of the council have generated costs of £149,705.

Notes to Main Financial Statements (Continued)

39. Defined Benefit Pension Scheme

Participation in pension schemes

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

Employees were required to pay a contribution, calculated as a percentage of pensionable earnings, towards their pension. The rate payable is dependent on the pay 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 2018/19 are expected to be as follows:

Bands	Range	Contribution Rates	
		Main Section	50/50 Section
1	£0 to £14,100	5.50%	2.75%
2	£14,101 to £22,000	5.80%	2.90%
3	£22,001 to £35,700	6.50%	3.25%
4	£35,701 to £45,200	6.80%	3.40%
5	£45,201 to £63,100	8.50%	4.25%
6	£63,101 to £89,400	9.90%	4.95%
7	£89,401 to £105,200	10.50%	5.25%
8	£105,201 to £157,800	11.40%	5.70%
9	£157,801 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 2017/18 the Council made a contribution of £3.242 million, 21.1% of pensionable pay (2016/17 £2.998 million, 19.6%). In addition the Council made a contribution for unfunded benefits of 0.310 million (2016/17 £0.315 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
2018/19	17.90%	plus	3.70%	21.60%
2019/20	17.90%	plus	4.20%	22.10%

Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable into the pension fund. The real cost of retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

Notes to Main Financial Statements (Continued)

	2016/17 £'000	2017/18 £'000
Comprehensive Income & Expenditure Statement		
Cost of Services		
- Current service cost	(3,739)	(6,095)
- Past service cost	(68)	(143)
- (Gains)/losses from settlements	-	-
Financing and Investment Income and Expenditure		
Net interest comprising:		
- Interest on plan assets	6,859	6,129
- Interest cost on defined benefit obligation	(7,436)	(6,471)
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	(4,384)	(6,580)
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
- Changes in demographic assumptions	6,346	-
- Changes in financial assumptions	(37,759)	4,319
- Other experience	1,252	524
- Return on assets (excluding amounts included in net interest)	35,684	6,817
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	1,139	5,080
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	976	3,060
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to scheme	(2,998)	(3,210)
Contributions in respect of unfunded benefits	(315)	(310)

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:

	2016/17 £'000	2017/18 £'000
Fair value of the employer assets	237,270	247,620
Present value of funded liabilities	(243,581)	(246,043)
Present value of unfunded liabilities	(5,512)	(4,800)
Net liability	(11,823)	(3,223)

Reconciliation of the Movements in the Fair Value of Plan Assets

	2016/17 £'000	2017/18 £'000
Opening fair value of scheme assets	197,782	237,270
Interest income on plan assets	6,859	6,129
Remeasurement gain/(loss):		
- Return on assets excluding amounts included in net interest	35,684	6,817
Contributes from employer	2,869	3,210
Contributions from employees into the scheme	929	1,001
Contributions in respect of unfunded benefits	315	310
Benefits paid	(6,853)	(6,807)
Unfunded benefits paid	(315)	(310)
Closing fair value of scheme assets	237,270	247,620

Reconciliation of Present Value of the Scheme Liabilities

	2016/17 £'000	2017/18 £'000
Opening balance at 1 April	(214,152)	(249,093)
Current service cost	(3,515)	(6,095)
Past service cost	(68)	(143)
Interest cost on defined benefit obligation	(7,436)	(6,471)
Remeasurement (gains)/losses:		
- Changes in demographic assumptions	6,346	-
- Changes in financial assumptions	(37,759)	4,319
- Other experience	1,252	524
Contributions from employees into the scheme	(929)	(1001)
Benefits paid	6,853	6,807
Unfunded benefits paid	315	310
Closing balance at 31 March	(249,093)	(250,843)

Notes to Main Financial Statements (Continued)

Local Government Pension Scheme assets comprised:

	Period Ended 31 March 2017			Period Ended 31 March 2018		
	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	33,741.2	-	33,741.2	35,218.1	-	35,218.1
Manufacturing	21,677.9	-	21,677.9	22,626.8	-	22,626.8
Energy and Utilities	11,454.1	-	11,454.1	11,955.5	-	11,955.5
Financial Institutions	38,630.3	-	38,630.3	40,321.3	-	40,321.3
Health and Care	16,433.4	-	16,433.4	17,152.8	-	17,152.8
Information Technology	32,410.6	-	32,410.6	33,829.3	-	33,829.3
Other	10,927.3	-	10,927.3	11,405.7	-	11,405.7
Debt Securities						
Corporate Bonds (investment grade)	-	-	-	-	-	-
Corporate Bonds (non-investment grade)	-	-	-	-	-	-
UK Government	4,397.8	-	4,397.8	4,590.3	-	4,590.3
Other	-	-	-	-	-	-
Private Equity	10,195.8	-	10,195.8	10,642.1	-	10,642.1
Real Estate						
UK Property	18,703.9	-	18,703.9	19,522.6	-	19,522.6
Overseas Property	-	-	-	-	-	-
Investment Funds and Unit Trusts						
Equities	-	-	-	-	-	-
Bonds	29,718.7	-	29,718.7	31,019.6	-	31,019.6
Hedge Funds	-	-	-	-	-	-
Commodities	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-
Other	2,875.1	-	2,875.1	2,964.8	-	2,964.8
Cash and Cash Equivalents	6,103.9	-	6,103.9	6,371.1	-	6,371.1
Totals	237,270.0	-	237,270.0	247,620.0	-	247,620.0

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 2016.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2016/17	2017/18
Mortality assumptions:		
Longevity at 65 for current pensioners:		
• Men	23.6	23.6
• Women	25.0	25.0
Longevity at 65 for future pensioners:		
• Men	26.0	26.0
• Women	27.8	27.8
Rate of increase in salaries	3.10%	3.10%
Rate of increase in pensions	2.40%	2.40%
Rate for discounting scheme liabilities	2.60%	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 2008 service and 75% of the maximum tax-free cash for post April 2008 service.

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

Change in assumptions at 31 March 2018:	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	9%	23,148
0.5% increase in the Salary Increase Rate	1%	3,211
0.5% increase in the Pension Increase Rate	8%	19,641

Notes to Main Financial Statements (Continued)

Information about the Defined benefit obligation

	Liability split	Weighted Average Duration
Active members	36.8%	24.1%
Deferred members	20.8%	23.4%
Pensioner members	42.4%	11.9%
Total	100%	17.6%

Analysis of projected amount to be charged to operating profit for the period to 31 March 2019

	Assets	Obligation	Net (liability)/asset	
Period Ended 31 March 2019	£'000	£'000	£'000	% of pay
Projected Current service cost*	-	5,974	(5,974)	(40.9)%
Past service cost including curtailment	-	-	-	-
Effect of settlements	-	-	-	-
Total Service Cost	-	5,974	(5,974)	(40.9%)
Interest income on plan assets	6,642	-	6,642	45.5%
Interest cost on defined benefit obligation	-	6,763	(6,763)	(46.3%)
Total Net Interest cost	6,642	6,763	(121)	(0.8%)
Total Included in Profit and Loss	6,642	12,737	(6,095)	(41.7%)

*The current service cost includes an allowance for administration expenses of 0.4% of payroll.

The contributions paid by the Employer are set by the Fund Actuary at each triennial actuarial valuation (the most recent being as at 31 March 2016), or at any other time as instructed to do so by the Administering Authority.

40. Contingent Liabilities

The Council has entered into indemnity agreements with financial institutions in respect of mortgages granted by the institutions on shared ownership sales of certain Council dwellings. At 31 March 2018, the total amount guaranteed was £1,013,454.

41. Nature and Extent of Risks arising from Financial Instruments

Key Risks

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

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

Overall Procedures for Managing Risk

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

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

Credit risk

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

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

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

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

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

Notes to Main Financial Statements (Continued)

The full Investment Strategy for 2017/18 was approved by Full Council on 22/02/2017 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 £38,181 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 2018 that this was likely to crystallise.

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

	Amount at 31 March 2018 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2018 %	Estimated maximum exposure to default & uncollectability at 31 March 2018 £'000	Estimated maximum exposure at 31 March 2017 £'000
AAA	5,194	-	-	-	-
AA	99,407	0.02	.02	20	18
A	9,116	0.09	.09	8	23
BBB	5,047	0.20	.20	10	-
Customers*	4,024	24.64	24.64	991	915
Total	122,788			1,029	956

*Excluding statutory debtors-Council Tax/NNDR

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

The Council does not generally allow credit for its customers, such that £1.7m of the £4.0m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2017 £'000	31 March 2018 £'000
Less than three months	585	585
Three to six months	155	98
Six months to one year	157	139
More than one year	707	837
Total	1,604	1,659

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 2018 was £0.5m.

Notes to Main Financial Statements (Continued)

Liquidity risk

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

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

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

	31 March 2017 £'000	31 March 2018 £'000
Less than 1 year	112,640	98,764
Between 1 and 2 years	5,000	15,000
Between 2 and 3 years	-	-
Between 3 and 4 years	-	5,000
Between 4 and 5 years	-	-
Total	117,640	118,764

Refinancing and Maturity Risk

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

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

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

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

Notes to Main Financial Statements (Continued)

	Approved minimum limits	Approved maximum limits	Actual 31 March 2017 £'000	Actual 31 March 2018 £'000
Less than one year	0%	10%	-	-
Between 1 and 2 years	0%	10%	-	-
Between 2 and 5 years	0%	10%	-	11,000
Between 5 and 10 years	0%	30%	64,000	69,000
Between 10 and 20 years	0%	80%	179,000	180,325
Between 20 and 30 years	0%	15%	17,325	-
Between 30 and 40 years	0%	10%	-	-
Between 40 and 50 years	0%	10%	-	-
Total			260,325	260,325

Market risk

Interest rate risk

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

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

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

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

According to this assessment strategy, at 31 March 2018, if all interest rates had been 1% higher (will all other variables held constant) the financial effect would be:

Notes to Main Financial Statements (Continued)

	£'000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(152)
Increase in Government grant receivable for financing costs	-
Impact on Surplus or Deficit on the Provision of Services	(152)
Share of overall impact credited to the HRA	(357)
Impact on Other Comprehensive Income and Expenditure	47
Decrease in fair value of fixed rate investment assets (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	428
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	28,232

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in Note 18 – Fair value of Assets and Liabilities carried at Amortised Cost.

Price risk

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

Foreign exchange risk

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

42. Heritage Assets: Five-Year Summary of Transactions

There has been no transaction in the five-year period to March 31, 2018

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.

2016/17 £'000		2017/18 £'000
	Expenditure	
11,494	Repairs and Maintenance	10,683
7,728	Supervision and Management	8,080
92	Rent Rebates	119
106	(Increase)/decrease in provision for bad & doubtful debts	107
5,600	Depreciation & Impairments of non-current assets (Note 5)	6,140
4,565	Revaluation Losses	5,577
29,585	Total Expenditure	30,706
	Income	
(43,226)	Dwelling Rents	(43,009)
(2,104)	Non-dwelling Rents (gross)	(2,186)
(2,179)	Charges for Services and Facilities	(1,578)
(133)	Contributions towards expenditure	(85)
(47,642)	Total Income	(46,858)
(18,057)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	(16,152)
-	HRA services' share of Corporate and Democratic Core	-
-	HRA share of other amounts included in the whole Council Cost of Services but not allocated to specific services	-
(18,057)	Net Income for HRA Services (cost if positive)	(16,152)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:	
955	(Gain) or loss on sale of HRA non-current assets	1,639
8,309	Interest payable and similar charges	8,309
(125)	Interest and Investment Income	232
(21)	Capital Grants and Contributions	-
(8,940)	(Surplus) or deficit for the year on HRA services	(5,972)

Movement on the HRA Statement

2016/17 £'000		2017/18 £'000
(3,198)	Balance on HRA at the end of the previous year	(3,198)
(8,940)	(Surplus) or deficit for the year on the HRA income and expenditure statement	(5,972)
8,940	Adjustment between accounting basis and funding basis under regulation (note 9 of financial statement)	5,972
-	Net (increase) or decrease before transfers to or from reserves	-
-	Transfers to or (from) reserves	-
-	(Increase) or decrease in year on the HRA	-
(3,198)	Balance on the HRA at the end of the current year	(3,198)

Notes to the Housing Revenue Account

1. Housing Stock

The Council was responsible for over 7,800 dwellings in 2017/18. The stock at the year-end was made up as follows:

	31 March 2017	31 March 2018
Houses	4,312	4,298
Flats and Maisonettes	3,034	3,042
Bungalows	437	437
Hostels – lettable units	60	48
Number of rented units	7,843	7,825
Shared Ownership *	103	96
Total Stock	7,946	7,921

*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 2017	31 March 2018
Stock at 1 April	7,958	7,946
Less Sales	(60)	(52)
Demolitions/Disposals	(2)	(12)
Add New Build	49	37
Acquisitions	1	2
Stock at 31 March	7,946	7,921

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 2017 £'000	31 March 2018 £'000
Property, Plant and Equipment:		
Council Dwellings	576,998	591,663
Other Land and Buildings	21,725	22,557
Vehicles, Plant & Equipment	118	96
Investment Properties	1,310	911
Intangible Assets	-	-
Total	600,151	615,227

Notes to the Housing Revenue Account (Continued)

The vacant possession value of dwellings within the Council's HRA, excluding hostels, as at 31 March 2018 was £1,783 million (£1,740 million at March 31 2017). 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 2017 £'000	31 March 2018 £'000
Balance on MRR 1 April 2017	25,494	32,600
Transfer amount equal to depreciation	5,600	6,140
Additional transfer	14,828	13,992
Amounts transferred to HRA in year		
Excess of Major Repairs Allowance over depreciation on dwellings	-	-
Depreciation on HRA assets other than dwellings	-	-
Financing of capital expenditure	(13,322)	(20,258)
Balance on MRR 31 March 2018	32,600	32,474

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		
Capital Investment		260,325
Enhancements to Council Housing	10,096	
Other Capital Expenditure	6,285	
Acquisition of Council Dwellings	6,994	
		<hr/>
		23,375
Sources of Finance		
Usable Capital Receipts	(3,117)	
Revenue Contribution to Capital	-	
Major Repairs Reserve	(20,258)	
Government Grant	-	
		<hr/>
		(23,375)
Closing Capital Financing Requirement		<hr/>
		260,325
		<hr/>
	£'000	£'000
A summary of capital receipts is as follows:		
Capital Receipts		
Sale of Dwellings	8,850	
Less Pooled Housing Capital Receipts	(2,461)	
		<hr/>
		6,389
Miscellaneous HRA Land Sales		106
		<hr/>
		6,495
		<hr/>

5. Depreciation & Impairment of Non-Current Assets

Depreciation charges for council dwellings within the HRA amounted to £5,827,917. Depreciation on other HRA assets amounted to £311,619. No impairment charges were applied to HRA assets during the financial year, giving a total charge for depreciation and impairment losses of £6,139,536.

6. Rent Arrears

Rent arrears at the end of the financial year totalled £882,801 (£765,965 in 2016/17).

Notes to the Housing Revenue Account (Continued)

A provision of £637,267 (£533,677 in 2016/17) 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.

Collection Fund

COLLECTION FUND 2017/18

INCOME	Notes	Business Rates £'000	Council Tax £'000	Total £'000
Council Tax Receivable	3	-	54,762	54,762
Business Rates Receivable	2	118,895	-	118,895
Total Income		118,895	54,762	173,657
EXPENDITURE				
Apportionment of Previous Year (Surplus)/Deficit				
Central Government		2,953	-	2,953
Crawley Borough Council		2,363	(47)	2,316
West Sussex County Council		591	(303)	288
Sussex Police and Crime Commissioner		-	(37)	(37)
Total Expenditure		5,907	(387)	5,520
Precepts, Demands and shares				
Central Government		(58,218)	-	(58,218)
Crawley Borough Council		(46,574)	(6,577)	(53,151)
West Sussex County Council		(11,644)	(42,556)	(54,200)
Sussex Police and Crime Commissioner		-	(5,217)	(5,217)
		(116,436)	(54,350)	(170,786)
Charges to Collection Fund				
Less write offs of uncollectible amounts		-	-	-
Less: (Increase) / Decrease in Bad Debt Provision		224	(100)	124
Less: (Increase) / Decrease in Provision for Appeals		(1,242)	-	(1,242)
Less: Transitional Protection Payments		(3,677)	-	(3,677)
Less: Cost of Collection		(202)	-	(202)
Less: Disregarded Amounts		(4)	-	(4)
		(4,901)	(100)	(5,001)
Surplus / (Deficit) arising during the year		3,465	(75)	3,390
Surplus / (Deficit) b/fwd 1st April		(2,590)	634	(1,956)
Surplus / (Deficit) c/fwd 31st March	1	875	559	1,434

Collection Fund (Continued)

COLLECTION FUND 2016/17

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

Notes to the Collection Fund

1. General

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

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

The year-end surplus or deficit on the Collection Fund must be distributed between billing and precepting authorities and Central Government in the following financial years. This in turn will reduce/increase the relevant authority's requirement from the Collection Fund in future years. Surpluses and deficits relating to Community Charge are retained by the Council to reduce its demand on the Collection Fund. The balance as at 31 March 2018 will be distributed as follows:

	2017-18		
	Business Rates £'000	Council Tax £'000	Total £'000
Central Government	437	-	437
Crawley Borough Council	350	68	418
West Sussex County Council	88	438	526
Sussex Police	-	53	53
	875	559	1,434

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

2. Income from Business Rates (NNDR)

Business Rates are set by the Government but collected locally by the Council. The amount collected is paid into a central pool administered by the Government after the deduction of an allowance towards collection costs. The Government specifies a uniform rate in the pound (47.9p for 2017/18) 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 46.6p for 2017/18. At year-end, the total rateable value was £272 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	0
Balance payable by Council Tax Payers	<u>54,762</u>
Total Council Tax due for year	<u>54,762</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 2017/18 are shown in the following table.

Band	Number of Properties (a)	Net Properties (b)	Ratio to Band D	Equivalent Number of Band D
A	1,091	706	6/9	471
B	6,813	4,232	7/9	3,292
C	21,305	16,734	8/9	14,875
D	8,532	7,444	9/9	7,444
E	3,740	3,469	11/9	4,240
F	2,196	2,081	13/9	3,006
G	465	433	15/9	722
H	9	7	18/9	14
	<u>44,151</u>	<u>35,106</u>		<u>34,064</u>
Less provision for bad debts				(170)
Council Tax Base				<u>33,894</u>

Notes

- (a) Number of properties per October 2016 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 £1,603.54

The Council Tax Surplus as at 31 March 2018 was £558,866.46

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 uncollectibility, and
- plus or minus the cumulative amortisation of the difference between that initial amount and the maturity amount.

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

Appropriations

The transfer of resources between various revenue reserves.

Area Based Grant

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

Glossary of Terms (Continued)

Asset

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

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

Asset Register

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

Audit Commission

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

Audit of Accounts

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

Available for Sale Financial Asset

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

Balances

These represent the accumulated surplus of revenue income over expenditure.

Balance Sheet

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

Baseline Funding Level

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

Benefit Payable during Employment

Benefits payable during employment covers:

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

Budget

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

Capital Adjustment Account

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

Glossary of Terms (Continued)

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.

LABGI – Local Authority Business Growth Incentive Grant

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

LASAAC

Local Authority (Scotland) Accounts Advisory Committee.

Levy

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

Liability

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

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

Liquid Resources

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

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

Major Repairs Reserve

The major repairs reserve 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.

Negative Subsidy

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

Net Book Value

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

Non-Distributed Costs

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

Net Realisable Value

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

Operating Lease

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

Operational Assets

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

Other Comprehensive Income and Expenditure

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

Outturn

Actual income and expenditure in a financial year.

Past Service Costs

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

Pension Scheme Liabilities

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

Pooling Arrangements (Capital Receipts)

Since 1st April 2004, 75% of 'Right to Buy' capital receipts have to be paid to the Government; the remaining element can be used to finance capital expenditure. A proportion of other housing receipts

Glossary of Terms (Continued)

must also be paid over unless it is intended to use the receipts for affordable housing or regeneration projects.

Post Balance Sheet Events

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

Precepts

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

Property, Plant and Equipment

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

Provision

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

Prior Year Adjustment

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

PWLB (Public Works Loans Board)

The PWLB is part of the Government Debt Management Organisation.

Rateable Value

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

Related Parties

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

Related Party Transactions

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

Reserves

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

Residual Value

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

Retained Business Rates

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

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.