STATEMENT OF ACCOUNTS

2013/14

Arun District Council
Resources Directorate
Arun Civic Centre
Maltravers Road
Littlehampton
West Sussex
BN17 5LF
01903 737500

Contents

Explanatory Foreword

Introduction

Arun District is the largest district in West Sussex, both in terms of population (estimated at 153,341 mid-2013) and Council Taxbase (55,134 equivalent Band D properties). It includes the towns of Arundel, Bognor Regis and Littlehampton together with 28 surrounding parishes. The purpose of this Statement of Accounts is to provide information on how the Council has utilised the financial resources available to it in the delivery of the varied services it provides, both statutory and discretionary, to Arun's residents, and in a format which conforms as closely as possible to generally accepted accounting practices for company accounts.

Revenue Spending in 2013/14

The 2013/14 budget was considered by the Overview Select Committee on 22 January 2013 and by Cabinet on 11 February 2013 before being formally approved by full council on 20 February 2013. The budget took account of the Council's Medium Term Financial Strategy and the revenue budget savings in "Arun Priorities" approved by the Council in December 2009. The Local Government Finance settlement issued by the Department of Communities and Local Government (DCLG) in December 2012, which was the first under the new Business Rate Retention scheme and Localisation of Council Tax Benefit was also taken into account.

The original budget for 2013/14 anticipated a return to reserves of £0.626million. The outturn returned £0.470million to reserves resulting in a £0.156million adverse position against original budget. However, during the year additional supplementary estimates totalling £577,000 were approved in addition to a one off contribution to the Pensions Reserve resulting in a revised budgeted draw down from reserves of £1.951 million for 2013/14. The outturn for 2013/14 of £0.470million return to balances resulted in a favourable variation of **£2.421million** (see below) against the revised budget.

Some of the variations against the original budget are due to accounting requirements. During the year contingency and miscellaneous items are vired to service areas; capital schemes; added to earmarked reserves if required for future years; or if unrequired are made available as part of identified savings that can be vired to fund unforeseen expenditure in order to minimise the use of supplementary estimates during the year. The budget remaining at the end of the year forms part of the corporate underspend for that year. The variation against the original establishment budget is due to items like posts that have been budgeted under contingency items or are externally funded.

The revised budget takes account of the supplementary estimates and virements that have been approved during the year and therefore provides a better analysis of budget against outturn.

General Fund budget and outturn 2013/14

	Original Budget £,000	*Actual £,000*	*Variance £,000*
Cost of service			
Community Development	232	(244)	(476)
Corporate Governance	(287)	(81)	206
Council Strategy	49	(130)	(179)
Customer Services	(10)	(84)	(74)
Environmental Services	4,412	5,087	675
Housing	313	232	(81)
Planning & Infrastructure	(706)	(747)	(41)
Support Services	2,089	2,473	384
Establishment	10,915	11,746	831
Utilities and rates	704	718	14
Recharges	(1,003)	(1,126)	(123)
Total Cost of Service	**16,708**	**17,844**	**1,136**

Explanatory Foreword *(continued)*

General Fund budget and outturn 2013/14 *(continued)*

	Original Budget £,000	*Actual £,000*	*Variance £,000*
Corporate costs			
Parish precepts	3,321	3,321	-
Grant payments to parishes	431	431	-
Other precepts and levies	243	243	-
Interest and investment income	(564)	(671)	(107)
Contingencies / miscellaneous	1,873	-	(1,873)
Contribution to / (from) earmarked reserves	(2,263)	2,104	4,367
Capital expenditure financed from revenue	2,746	404	(2,342)
Pension deficit contributions	1,204	1,356	152
Total corporate costs	**6,991**	**7,188**	**197**
Total net budget requirement	**23,699**	**25,032**	**1,333**
Financed by:			
Revenue Support Grant/ Retained Business Rates	(8,492)	(8,696)	(204)
New Homes Bonus	(2,065)	(2,065)	-
Other non ring-fenced grants	(1,226)	(2,199)	(973)
Council Tax income	(12,218)	(12,218)	-
Collection Fund deficit / (surplus)	(324)	(324)	-
Total external finance	**(24,325)**	**(25,502)**	**(1,177)**
Transfer (to) / from General Fund Reserve	**(626)**	**(470)**	**156**

The variation against revised budget is summarised in the table below:

	Total variations £,000
Housing Benefit	(276)
Council Tax Benefit relating to 2012/13	(138)
Section106 Town & Country Planning Act 1990 contributions	(159)
Establishment under-achievement against savings targets	302
Additional recharges to Housing Revenue Account	(101)
Contingencies / miscellaneous	(417)
Net business growth	(800)
Income	(333)
Under / Overspending < £100,000	(499)
Total	**(2,421)**

Capital Spending and Finance

A budget of £6.7 million for capital and special revenue projects was approved by the Council for 2013/14, of which £5.4 million related to new schemes. Actual expenditure for the year amounted to £4.7 million on capital and £2.5 million on special revenue projects. The increase is due to additional scheme approvals offset by slippage (delayed progress on schemes).

Housing Revenue Account

Taken together the HRA and Major Repairs Reserve showed a surplus of £0.6million for the year, compared with a budgeted break even position. The improved position is due to savings and unrequired contingency sums. A number of supplementary capital estimates were approved during the year but the impact of these has been offset by slippage.

Explanatory Foreword *(continued)*

Pensions Liability

Under the requirements of IAS 19 the Council shows the total future costs of pension liabilities for the Local Government Pension Scheme. It is important to note that as the liability is matched by a reserve, the figures do not have any effect on the level of Council Tax. At 31 March 2014 the liability was £34.0 million compared with £33.9 million for the previous year. This slight increase is accounted for mainly by changes in actuarial assumptions.

Change in accounting policy for post-employment benefits

The June 2011 amendments to IAS 19, which introduced changes to the classification, recognition, measurement and disclosure requirements for post-employment benefits (pensions) have been included for the first time in the 2013/14 Statement of Accounts. Comparative figures for 2012/13 have been restated to reflect the changes as follows:

	2012/13 Statements £,000	*Adjustments made £,000*	*2013/14 Statements £,000*
Comprehensive Income and Expenditure Statement:			
Financing and Investment income and expenditure (net)	1,413	838	2,251
Actuarial gains/losses on pensions liability	4,995	(838)	4,157
Cash Flow Statement:			
Net surplus / (deficit) on the provision of services	4,851	(838)	4,013
IAS 19 pension adjustments	(375)	838	463
Movement in Reserves Statement			
Surplus or (deficit) on Provision of Services	4,851	(838)	4,013
Other Comprehensive Income and Expenditure	(4,444)	838	(3,606)

Notes to the Accounts

The changes also impact on: Note 1 (Accounting Policies); Note 7 (Adjustments between accounting basis and funding basis); Note 10 (Financing and investment income and expenditure); Note 23 (Unusable reserves); Note 27 (Amounts reported for resource allocation decisions); and Note 38 (Defined Benefit Pension Scheme) which have been restated accordingly.

Treasury Management

The Council has significant cash surpluses, and these are invested with the highest quality banks and building societies in strict compliance with the CIPFA Treasury Management Code of Practice. Total investments amounted to £50.3million (£50.7million including accrued interest), managed entirely internally. The portfolio included £13.1million (£13.4million including accrued interest) invested for longer than one year. The total interest earned in 2013/14 was £0.624million, representing an average interest rate of 1.6% (2012/13 1.9%).

Balances and Reserves

The Council's total usable reserves at 31 March 2014 amounted to £36.1 million, an increase of £3.9 million compared with the previous year. They were comprised of: earmarked reserves £8.4million; Housing Revenue Account balance £3.0 million; General Fund Revenue balance £ 13.8million; usable capital receipts £7.9 million; and Housing Major Repairs Reserve £2.9 million. The usable capital receipts are available to finance capital expenditure, and the earmarked reserves include £2.1 million intended for this purpose also. The increase in usable reserves will provide a useful extra cushion against the present adverse economic climate, which will almost inevitably lead to a decline in reserves in future years.

Significant Provisions and Material Write-offs

Following the introduction of the Business Rate retention scheme, billing authorities retain a significant share of net business rate income, rather than simply acting as collecting agents on behalf of the Government, as was the case up to 31 March 2013.

This change has significant implications for the Council in that although it will now share in the rewards of any growth in its Business rate base, it will also be partly exposed to the liability for refunds resulting from successful appeals by local businesses against the rateable value of their premises. The accounts for 2013/14 include a provision of £1.0 million for successful business rate appeals (note 21).

Explanatory Foreword *(continued)*

Unusual or Material Charge or Credit

There was a material loss on the revaluation of Fitzleet multi-storey car park (see Note 5 on page 29), however, this item is precluded by statute from affecting the level of usable reserves.

Localisation of support for Council Tax

With effect from 1 April 2013 the national system of Council tax benefit was abolished and billing authorities (those authorities with responsibility for collecting Council tax) were required to set up local schemes to provide Council tax support. Unlike Council tax benefit, Council tax support takes the form of a discount. Accordingly there is a reduction in the billing authority's tax base, resulting in a reduction in the amount of Council tax income credited to the Comprehensive Income and Expenditure Statement. The relevant detail is shown in the Collection Fund Statement and notes starting on page 68.

Business Rate retention

The changes relating to business rate income are set out above, under "Significant Provisions and Material Write-offs". The implications for the Council's accounts are disclosed in the statements, particularly the Collection Fund Statement on page 68 and Note 11 to the Comprehensive Income and Expenditure Statement on page 35. The variations between 2012/13 and 2013/14 apparent in Note 11 show the extent to which the balance of funding has changed between the two years due to both the business rate changes and localisation of support for Council Tax.

Impact of Economic Climate

The impact of the economic climate is difficult to assess as there are a number of variables which will affect the Council and we are currently in an unprecedented cycle of low interest rates. There has been a continual sharp decline in the level of Central Government support due to the government's austerity measures but the council has benefited from the New Homes Bonus and the new Business Rate Retention scheme. The income from fees and charges (principally from Planning and Car Parks) has been buoyant having benefitted from a number of large planning applications in the district. Also the collection rate of Council Tax showed an improvement from 2012/13, which should be considered a significant achievement given the current economic climate. As referred to above the low interest environment has persisted, which has meant that the Council has received considerably less interest from its investments than in previous years which is significant given the level of balances and reserves available which are outlined above.

The Council has a General Fund revenue balance of over £13.8million which is adequate to withstand immediate financial pressures but is inevitably a finite resource and will be monitored carefully. There are several major risks and uncertainties associated with the volatility in the council's funding, which means that the maintenance of a reasonably high level of balances is essential.

Explanatory Foreword *(continued)*

The Accounting Statements

The accounting statements and their location in this document are listed on page 2. Their nature and purpose are described in the introductory paragraph on the relevant page. Key features for this year of account are as follows:

The *Comprehensive Income and Expenditure Statement* shows income and expenditure on all Council services (including Council Housing), transactions of a corporate nature including financing transactions (general government grants, non domestic rates and Council tax), revaluation gains and losses on fixed assets, and actuarial gains and losses on the Defined Benefit Pension Scheme. This primary performance statement shows a surplus on provision of services for the year of £11.2 million. Other charges relating to fixed assets and pensions, are not proper charges against the General Fund or HRA balances, and are required to be reversed out of the statements. When this is allowed for, the General Fund and HRA balances (including Major Repairs Reserve), which form part of the Council's usable reserves, increased by £0.5M and £0.6 million respectively. With effect from 1 April 2013 the national system of Council tax benefit was abolished and billing authorities (those authorities with responsibility for collecting Council tax) were required to set up local schemes to provide Council tax support. Unlike Council tax benefit, Council tax support takes the form of a discount. Accordingly there is a reduction in the billing authority's tax base, resulting in a reduction in the amount of Council tax income credited to the Comprehensive Income and Expenditure Statement.

The *Movement in Reserves Statement* shows changes in the Council's reserves for the year, and essentially reconciles the Comprehensive Income and Expenditure Statement with those items which may not fall to be charged to the General Fund under statute, and those which do fall to be met from the General Fund also under statute. It is here that the large movements relating to property revaluations are disclosed.

The *Balance Sheet* discloses the Council's assets, liabilities, balances and reserves as at the year end, excluding any internal balances. The change in balances between March 2013 and March 2014 reflects an increase of £8 million in the value of the Council's housing stock.

The *Cash Flow Statement* summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined, for the purpose of this statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

Supplementary financial statements are also listed on page 2. Their nature and purpose is as follows:

The *Housing Revenue Account* shows income and expenditure on the management, maintenance and supervision of council housing. Separate disclosure of the accounts related to this service is required by statute. There is also the *Movement on the HRA Statement* analogous to the Movement in Reserves Statement. These statements are a subset of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement.

The Collection Fund Statement is a separate statutory account containing transactions related to Council Tax, Business Rates, and precept payments to West Sussex County Council and the Sussex Police and Crime Commissioner. Arun District Council's own taxation requirement is also transferred from the Collection Fund. Collection Fund transactions are not included in the Comprehensive Income and Expenditure Statement.

Further information on the accounts is available from the Head of Finance and Property, Arun Civic Centre, Maltravers Road, Littlehampton.

Statement of Responsibilities

The Authority's Responsibilities

The authority 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 authority, that officer is the Head of Finance and Property
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

Responsibilities of the Head of Finance and Property

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

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

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

The Head of Finance and Property has also:

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

Certificate of Head of Finance and Property and Section 151 Officer

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2014. I confirm that the date of this declaration is the date up to which events have been considered for inclusion within the Council's Statement of Accounts, and that events after the Balance Sheet date have been considered to this date and the accounts amended accordingly for such events and adjustments arising from audit. The accounts are therefore authorised for issue. These financial statements replace those certified by the Head of Finance on 24 June 2014

Alan Peach C.P.F.A., Head of Finance and Property *Dated 25 September 2014*

Certificate of Approval by Audit and Governance Committee

I confirm that these accounts statements were approved by the Audit and Governance Committee of Arun District Council on 25 September 2014.

Barbara L. Oakley

Councillor Barbara Oakley OBE - Chairman, Audit & Governance Committee *Dated 25 September 2014*

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable 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 dwelling rent setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance £,000	Earmarked General Fund Reserves £,000	Housing Revenue Account £,000	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 2012	**12,556**	**7,140**	**3,953**	**6,379**	**1,053**	**8**	**31,089**	**104,549**	**135,638**
Movement in reserves during 2012/13:									
Surplus or (deficit) on the provision of services	(2,095)	-	6,108	-	-	-	**4,013**	-	**4,013**
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	(3,606)	**(3,606)**
Total Comprehensive Income & Expenditure	**(2,095)**	**-**	**6,108**	**-**	**-**	**-**	**4,013**	**(3,606)**	**407**
Adjustments between accounting basis & funding basis under regulations (Note 7)	2,099	-	(7,074)	776	1,335	-	**(2,864)**	**2,864**	**-**
Net increase / (decrease) before transfers to Earmarked Reserves	**4**	**-**	**(966)**	**776**	**1,335**	**-**	**1,149**	**(742)**	**407**
Transfers to/from Earmarked Reserves (Note 8)	804	(804)	-	-	-	-	**-**	-	**-**
Increase / (decrease) in 2012/13	**808**	**(804)**	**(966)**	**776**	**1,335**	**-**	**1,149**	**(742)**	**407**
Balance at 31 March 2013 carried forward	**13,364**	**6,336**	**2,987**	**7,155**	**2,388**	**8**	**32,238**	**103,807**	**136,045**

Movement in Reserves Statement (continued)

	General Fund Balance £,000	Earmarked General Fund Reserves £,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 2013	**13,364**	**6,336**	**2,987**	**7,155**	**2,388**	**8**	**32,238**	**103,807**	**136,045**
Movement in reserves during 2013/14									
Surplus or (deficit) on the provision of services	(2,378)	-	13,622	-	-	-	**11,244**	1	**11,245**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	3,856	**3,856**
Total Comprehensive Income & Expenditure	**(2,378)**	**-**	**13,622**	**-**	**-**	**-**	**11,244**	**3,857**	**15,101**
Adjustments between accounting basis & funding basis under regulations (Note 7)	4,952	-	(13,585)	756	514	(8)	**(7,371)**	**7,371**	**-**
Net increase / (decrease) before transfers to Earmarked Reserves	**2,574**	**-**	**37**	**756**	**514**	**(8)**	**3,873**	**11,228**	**15,101**
Transfers to/from Earmarked Reserves (Note 8)	(2,104)	2,104	-	-	-	-	**-**	-	**-**
Increase / (decrease) in 2013/14	**470**	**2,104**	**37**	**756**	**514**	**(8)**	**3,873**	**11,228**	**15,101**
Balance at 31 March 2014 carried forward	**13,834**	**8,440**	**3,024**	**7,911**	**2,902**	**-**	**36,111**	**115,035**	**151,146**

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.

2012/13 restated				2013/14		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£,000	£,000	£,000		£,000	£,000	£,000
14,640	(12,665)	1,975	Central services to the public	2,631	(472)	2,159
5,015	(637)	4,378	Cultural and related services	4,696	(811)	3,885
10,091	(2,679)	7,412	Environmental and regulatory services	11,310	(3,796)	7,514
5,163	(1,532)	3,631	Planning services	6,308	(3,416)	2,892
1,097	(1,448)	(351)	Highways and transport services	1,452	(1,394)	58
8,055	(15,622)	(7,567)	Local authority housing (HRA)	1,577	(16,622)	(15,045)
-	-	-	Exceptional item - revaluation loss on Fitzleet multi-storey car park	2,753	-	2,753
54,271	(51,182)	3,089	Other housing services	57,008	(54,186)	2,822
2,240	-	2,240	Corporate and democratic core	1,748	-	1,748
160	-	160	Non distributed costs / (gains)	-	-	-
100,732	**(85,765)**	**14,967**	**Cost of Services**	**89,483**	**(80,697)**	**8,786**
4,866	(1,152)	3,714	Other operating expenditure (Note 9)	5,565	(1,437)	4,128
7,366	(5,115)	2,251	Financing and investment income and expenditure (Note 10)	6,830	(5,309)	1,521
-	(24,945)	(24,945)	Taxation and non-specific grant income (Note 11)	-	(25,680)	(25,680)
112,964	**(116,977)**	**(4,013)**	**(Surplus) or Deficit on Provision of Services**	**101,878**	**(113,123)**	**(11,245)**
-	(551)	(551)	Surplus or deficit on revaluation of Property, Plant & Equipment assets	-	(3,360)	(3,360)
4,157	-	4,157	Actuarial gains/losses on pension assets / liabilities	6,586	(7,082)	(496)
4,157	**(551)**	**3,606**	**Other Comprehensive Income and Expenditure**	**6,586**	**(10,442)**	**(3,856)**
117,121	**(117,528)**	**(407)**	**Total Comprehensive Income and Expenditure**	**108,464**	**(123,565)**	**(15,101)**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves contains those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
Assets and liabilities are shown on this page - reserves are disclosed on page 13.

31 March 2013 £,000		*Notes*	*31 March 2014 £,000*
	Property, Plant and Equipment (PPE)	12	
	Operational Assets (PPE)		
148,121	Council Dwellings		156,301
41,963	Other Land and Buildings		41,792
939	Vehicles, Plant and Equipment		1,132
5,137	Infrastructure Assets		4,941
2,214	Community Assets		2,215
198,374	**Total Operational PPE**		**206,381**
3,411	Investment property	13	4,317
243	Intangible Assets	14	143
224	Assets Held for Sale	19	224
11,049	Long Term Investments	15	13,034
49	Long term Debtors	15	41
213,350	**Long Term Assets**		**224,140**
29,357	Short Term Investments	15	33,335
10	Inventories	16	6
3,953	Short Term Debtors	17	5,392
4,522	Cash and Cash Equivalents	18	4,946
37,842	**Current Assets**		**43,679**
-	Short Term Borrowing (PWLB debt maturing in < 1 year)		8,862
10,380	Short Term Creditors	20	10,312
15	Provisions	21	1,017
-	Capital Grants Receipts in Advance		400
10,395	**Current Liabilities**		**20,591**
70,902	Long Term Borrowing	15	62,040
33,850	Pensions Liabilities	38	34,042
104,752	**Long Term Liabilities**		**96,082**
136,045	**Net Assets**		**151,146**

Balance Sheet (continued)

31 March 2013 £,000		*Notes*	*31 March 2014* £,000
	Usable Reserves	22	
13,364	General Fund balance		13,834
6,336	Earmarked General Fund Reserves		8,440
2,987	Housing Revenue Account		3,024
7,155	Capital Receipts Reserve		7,911
2,388	Major Repairs Reserve (HRA dwellings)		2,902
8	Capital Grants Unapplied		-
32,238	**Total Usable Reserves**		**36,111**
	Unusable Reserves	23	
15,709	Revaluation Reserve		18,713
121,820	Capital Adjustment Account		131,173
(67)	Financial Instruments Adjustment Account		-
(33,850)	Pensions Reserve		(34,042)
324	Collection Fund Adjustment Account		(658)
(129)	Accumulated Absences Account		(151)
103,807	**Total Unusable Reserves**		**115,035**
136,045	**Total Reserves**		**151,146**

Alan Peach CPFA, Head of Finance and Property

25 September 2014

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the 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 authority.

2012/13 £,000		*2013/14 £,000*
4,013	Net surplus or (deficit) on the provision of services	11,245
	Adjustments to net surplus or deficit on the provision of services for non-cash movements:	
(1,399)	Gains & losses on the revaluation of non-current assets	(6,470)
3,871	Depreciation & impairment of non-current assets	3,612
463	IAS 19 pension adjustments	688
(272)	Contributions to / (from) provisions	(15)
(1)	Increase / decrease in inventories	3
536	Carrying amount of non-current assets sold	1,324
2,237	Increase / (decrease) in debtors / creditors	1,024
(92)	Increase / (decrease) in interest debtors / creditors	37
(1,090)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(1,365)
8,266	**Net cash flows from Operating Activities (Note 24)**	**10,083**
(9,597)	Investing Activities (Note 25)	(8,302)
1,748	Financing Activities (Note 26)	(1,357)
417	**Net increase or decrease in cash and cash equivalents**	**424**
4,105	Cash and cash equivalents at the beginning of the reporting period	4,522
4,522	**Cash and cash equivalents at the end of the reporting period**	**4,946**

Notes to the Accounts

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, and those Regulations require the statements 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 2013/14* and the *Service Reporting Code of Practice 2013/14*, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii. Accruals of Expenditure and Income

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, subject to considerations of materiality.
- 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, subject to considerations of materiality.
- 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 investments that mature in one month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.
In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

Notes to the Accounts

1. Accounting Policies *(continued)*

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 & Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.
Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.
Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

vi. Charges to Revenue for Non-Current Assets

Services and support services 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. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations would therefore then be replaced by the contribution in the General Fund Balance for MRP, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two. Whilst the Council is no longer debt-free, the debt held relates solely to the HRA self-financing settlement, and under current regulations there is no requirement for MRP. However, the Council has an approved loan repayment provision policy which ensures that there will be sufficient funds available to repay the housing debt when it matures.

Notes to the Accounts

1. Accounting Policies *(continued)*

vii. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday 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 the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

Post-employment Benefits

Employees of the Council are members of The Local Government Pensions Scheme, administered by West Sussex County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work 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 County Council Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices using a discount rate of 4.5% - equivalent to market yields on high quality corporate bonds.
- The assets of the West Sussex County Council 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.

Notes to the Accounts

1. Accounting Policies *(continued)*

vii. Employee Benefits (continued)

The Local Government Pension Scheme *(continued)*

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

- Remeasurements comprising:

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

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

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the 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.

Notes to the Accounts

1. Accounting Policies *(continued)*

viii. Events After the Balance Sheet Date

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

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

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

ix. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority 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 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. Where premiums and discounts in respect of early repayment of debt have been charged to the Comprehensive Income and Expenditure Statement (CIES), the Council is required to spread the loss over the term that was remaining on the loans against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the Housing Revenue Account Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. Borrowing costs are charged to revenue.

Trade payables (amounts due to contractors and suppliers) are recognised in the accounts when contractual obligations are incurred in relation to exchange of goods and services, rather than when receipts or payments pass from one party to another. The trade payables are accounted for at amortised cost taken as being equivalent to the carrying amount on initial recognition (i.e. the transaction amount).

The financial guarantees given by the Council are not recognised in the Balance Sheet, but are disclosed in note 39.

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. *The Council currently has no assets of this type*.

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 the loans that the Authority 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.

Notes to the Accounts

1. Accounting Policies *(continued)*

x. Government Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grantor 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.

For 2011/12 onwards, the government has determined that most grants to local authorities are non-ringfenced. This means that they are required to be included in the Comprehensive Income and Expenditure Statement with Taxation and non-specific grant income.

xi. Heritage Assets

The Council recognises the following as tangible heritage assets: Blackfriars ancient monument, Arundel; 18th century clock, Hotham Park House, Bognor Regis; Hotham Park wall, Bognor Regis; Ice House, Bognor Regis; Queen Victoria monument, The Steyne, Bognor Regis; war memorial, Bognor Town Hall. The Council does not consider that reliable cost or valuation information can be obtained for these items due to their nature and the lack of comparable market values. Consequently, the Council does not recognise these assets on the balance sheet.

xii. Intangible Assets

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

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.

Notes to the Accounts

1. Accounting Policies *(continued)*

xiii. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO costing formula. Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

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, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually by a professionally qualified valuer 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. 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 Authority as Lessee

Finance Leases

The Council has no leases currently determined as finance leases

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services which benefit from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, which matches the pattern of payments in all cases.

The Authority as Lessor

Finance Leases

The Council has no leases currently determined as finance leases

Operating Leases

Where the Council grants an operating lease over a property, the asset is retained in the Balance Sheet. Rental income is credited to the Surplus or deficit on Provision of Services in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, which matches the pattern of receipts in all cases.

Notes to the Accounts

1. Accounting Policies *(continued)*

xvi. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

xvii. Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. Expenditure on individual items of less than £20,000 is regarded as de minimis, and charged to revenue.

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

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

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

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

Notes to the Accounts

1. Accounting Policies *(continued)*

xvii. Property, Plant and Equipment (continued)

Measurement (continued)

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Notes to the Accounts

1. Accounting Policies *(continued)*

xvii. Property, Plant and Equipment (continued)

Depreciation (continued)

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 – generally straight-line allocation over five years
- infrastructure - straight-line allocation over 20 - 40 years

Where appropriate the individual components of an asset will be depreciated separately. The materiality thresholds for applying componentisation are as follows:

General Fund assets

Componentisation will only apply to assets whose depreciable capital value is greater than or equal to £500,000.

Housing Revenue Account (HRA) assets

The current procedure is to apply a materiality threshold of 20% of the gross value of individual assets for dwellings and £100,000 for other works.

This procedure is currently being reviewed in the light of HRA self-financing.

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the Government in accordance with statutory requirements. 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). A further constraint applies to the use of the additional receipts resulting from the Government's policies for reinvigorating the Right to Buy. In accordance with the terms of an agreement between the Council and the Government these receipts can only be used to fund 30% of the cost of new social housing, the remaining 70% being met from other resources. Failure to meet these conditions will result in the receipts being paid to the Government. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

Notes to the Accounts

1. Accounting Policies *(continued)*

xvii. Property, Plant and Equipment (continued)

Disposals and Non-current Assets Held for Sale

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

xviii. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charged as an expense 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.

Contingent Liabilities

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

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

Contingent Assets

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

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

xix. Reserves

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

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

Notes to the Accounts

1. Accounting Policies *(continued)*

xx. Revenue Expenditure Funded from Capital under Statute

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

xxi. Value Added Tax (VAT)

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

2. Accounting standards issued but not yet adopted

Authorities are required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the CIPFA Code of Practice on Local Authority Accounting for the relevant financial year.

For 2013/14 the following accounting policy changes that need to be reported relate to:

- IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (as amended 2011).
- Annual Improvements to IFRSs 2009-2011 cycle.

The accounting changes required by these standards will not have a material effect on the Council's financial statements.

IFRS 13 Fair Value Measurement, although issued, has been deferred by the 2014/15 Code to 2015/16. The Council's financial statements do not include the measurement and disclosure requirements of this standard.

Notes to the Accounts

3. Critical judgements in applying accounting policies

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

- There is 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.
- Transactions related to leases form a fairly insignificant part of the Council's total income and expenditure. However, there is a requirement to assess whether leases are finance or operating leases. In making this assessment, officers have taken into account guidance from professional bodies such as CIPFA, the views of consultants, other local authorities and counter-parties to the leases. The conclusion of these deliberations is that all current leases are operating leases.
- Under IFRIC4, the Council is required to determine whether any contractual arrangements have the substance of a lease. Officers have considered and obtained advice upon the vehicles and plant used in the combined cleansing contract, the grounds maintenance contract, and the housing repairs and maintenance contracts. In all cases, it has been judged that these arrangements do not constitute any form of lease.
- The IFRS Code requires separate classification and disclosure of investment properties in accordance with strict criteria. Officers compiled lists of appropriate properties for consideration by the Asset Management Working Group, which in due course approved a list of properties to be considered as investment properties.
- In the course of providing its services, the Council has dealings with many entities. However, after due consideration by officers, it has been determined that none of these entities are controlled by the Council and that publication of group accounts is therefore unnecessary. Particular attention has been paid to the Littlehampton Harbour Board, Inspire Leisure and Age Concern West Sussex.
- Each year, as part of the process of preparing the annual accounts, senior finance staff consider whether there are any possible losses to be accounted for, and if so determine whether a provision or contingent liability note is required. Guidance published by CIPFA is used as part of this judgement.
- The Council has made judgements on a prudent level of allowances for doubtful debts. These are based on historical experience of debtor defaults and the current economic climate. By far the largest allowance relates to Housing Benefit overpayments, where due to the nature of these debts, 100% provision is made for debts over one year old, and 50% provision for debts less than one year old.
- The Council has made judgements about the likelihood of potential liabilities and whether provision should be made. The judgements are based on the degree of certainty and an assessment of the likely impact. Provisions resulting from these judgements are disclosed in note 21, and contingent liabilities in note 39.
- Retirement Benefit Obligations – The Council recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirements of IAS 19 “Employee Benefits”. The estimation of the net pension liability depends on a number of complex judgements and estimates 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 actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. Changes in these assumptions can have a significant effect on the value of the Council's retirement benefit obligation. The key assumptions made are set out in note 1, and transactions disclosed in note 38.

Notes to the Accounts

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, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	*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.	If the useful life of assets is reduced, depreciation increases and the carrying amount of assets falls. It is estimated that the annual depreciation charge for buildings would increase by £172,000 for every year that useful lives had to be reduced.
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% increase in the discount rate assumption would result in a decrease in the pension liability of £11.9million. However, the assumptions interact in complex ways. During 2013/14, the Council's actuaries advised that the net pensions liability had increased by £0.5 million attributable to updating of the assumptions.
Doubtful debt allowances	The Council has made allowances for doubtful debts of £2.737 million in 2013/14 (£2.519 million in 2012/13) based on what it believes to be a prudent but realistic level.	If debt collection rates were to deteriorate or improve, a 5% change in the allowances would require an adjustment to the allowance of £137,000 (£126,000 in 2012/13).
Provisions	A provision of £1.017 million has been made in respect of the Council's share of the estimated amounts which will be refunded in respect of business rate liability for 2013/14 and earlier years, following successful appeals. The provision is based on advise received from the Council's business rating consultants.	Business rates are an extremely volatile source of income and successful appeals can lead to a significant reduction in the amount receivable. If the amounts refunded following successful appeals were greater or less than anticipated, a 10% change in the provision would equate to £102,000.

Notes to the Accounts

5. Material items of income and expense

Revaluation of property assets

- Revaluation of the Council's car parks resulted in material gains and losses for the year - see Note 12, Property, Plant and Equipment - Effects of Changes in Estimates. Whilst the net effect on the Balance Sheet value of Property, Plant and Equipment Assets was not significant, net gains of £3.0 million were credited to the Revaluation Reserve, and net losses of £2.9 million were charged to the Comprehensive Income and Expenditure Statement - Cost of Services, including a loss of £2.7 million relating to Fitzleet multi-storey car park treated as an exceptional item.
- *It is important to appreciate that whilst the above item is material in terms of financial reporting, statutory regulations preclude any impact on the Council's usable reserves. Instead, the transactions are reversed out to specially constituted unusable reserves, namely the Revaluation Reserve and the Capital Adjustment Account.*

6. Events after the balance sheet date

The Statement of Accounts was authorised for issue by the Head of Finance and Property on 25 September 2014. 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 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Notes to the Accounts

7. 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.

2013/14	Usable Reserves					
	General Fund Balance £,000	Housing Revenue Account £,000	Capital Receipts Reserve £,000	Major Repairs Reserve £,000	Capital Grants Unapplied £,000	Movement in Unusable Reserves £,000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	1,343	2,174	-	-	-	(3,517)
Revaluation losses/(gains) on Property, Plant & Equipment	2,900	(8,464)	-	-	-	5,564
Movements in the market value of Investment Properties	(906)	-	-	-	-	906
Amortisation of intangible assets	71	24	-	-	-	(95)
Capital grants and contributions applied	(603)	-	-	-	-	603
Revenue expenditure funded from capital under statute	767	-	-	-	-	(767)
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	349	975	-	-	-	(1,324)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Capital expenditure charged against the General Fund and HRA balances	(404)	(641)	-	-	-	1,045
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(558)	-	-	-	558	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	(566)	566
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(47)	(1,318)	1,366	-	-	(1)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(435)	-	-	435
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	247	-	(247)	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-
Transfer from Housing Revenue Account re income from unattached capital receipts	-	(72)	72	-	-	-
Repayment of capital advances			-			-

Notes to the Accounts

7. Adjustments between accounting basis and funding basis under regulations *(continued)*

2013/14	Usable Reserves General Fund Balance £,000	Housing Revenue Account £,000	Capital Receipts Reserve £,000	Major Repairs Reserve £,000	Capital Grants Unapplied £,000	Movement in Unusable Reserves £,000
Adjustments primarily involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the Housing Revenue Account	-	(3,596)	-	3,596	-	-
Discretionary contribution from Housing Revenue Account	-	(2,500)	-	2,500	-	-
Amount set aside for debt repayment				(3,545)		3,545
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	(2,037)	-	2,037
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	(68)	-	-	-	68
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	3,613	378	-	-	-	(3,991)
Employer's pension contributions and direct payments to pensioners payable in year	(2,825)	(477)	-	-	-	3,302
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	983	-	-	-	-	(983)
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	22	-	-	-	-	(22)
Total Adjustments	**4,952**	**(13,585)**	**756**	**514**	**(8)**	**7,371**

Notes to the Accounts

7. Adjustments between accounting basis and funding basis under regulations *(continued)*

2012/13 Comparative Figures	Usable Reserves					
	General Fund Balance £,000	Housing Revenue Account £,000	Capital Receipts Reserve £,000	Major Repairs Reserve £,000	Capital Grants Unapplied £,000	Movement in Unusable Reserves £,000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation and impairment of non-current assets	1,571	2,151	-	-	-	(3,722)
Revaluation losses on Property, Plant & Equipment	12	(1,419)	-	-	-	1,407
Movements in the market value of Investment Properties	9	-	-	-	-	(9)
Amortisation of intangible assets	121	28	-	-	-	(149)
Capital grants and contributions applied	(1,369)	-	-	-	-	1,369
Revenue expenditure funded from capital under statute	1,383	-	-	-	-	(1,383)
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	-	536	-	-	-	(536)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Capital expenditure charged against the General Fund and HRA balances	(245)	(90)	-	-	-	335
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure	(77)	-	-	-	77	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	(77)	77
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(218)	(871)	1,153	-	-	(64)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(13)	-	-	13
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	364	-	(364)	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-
Transfer from Housing Revenue Account re income from unattached capital receipts	-	(63)	-	-	-	63
Repayment of capital advances			-			-

Notes to the Accounts

7. Adjustments between accounting basis and funding basis under regulations *(continued)*

2012/13 Comparative Figures	Usable Reserves					
	General Fund Balance £,000	Housing Revenue Account £,000	Capital Receipts Reserve £,000	Major Repairs Reserve £,000	Capital Grants Unapplied £,000	Movement in Unusable Reserves £,000
Adjustments primarily involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the Housing Revenue Account	-	(7,100)	-	7,100	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	(5,765)	-	5,765
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	(96)	-	-	-	96
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	3,146	352	-	-	-	(3,498)
Employer's pension contributions and direct payments to pensioners payable in year	(2,539)	(496)	-	-	-	3,035
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(53)	-	-	-	-	53
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(6)	(6)	-	-	-	12
Total Adjustments	**2,099**	**(7,074)**	**776**	**1,335**	**-**	**2,864**

Notes to the Accounts

8. Transfers to/from earmarked reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2013/14.

The balance for delayed capital projects at the year end represents the difference between the approved budget for the schemes and actual expenditure incurred.

The balance on the pension deficit financing reserve comprises sums set aside to meet anticipated past service costs.

The remaining reserves are shown grouped by service portfolios, and represent: approved but delayed revenue projects; or grants and contributions received from partnership bodies in advance of allocation to specific projects.

	Balance at 1 April 2012 £,000	*Transfers out 2012/13 £,000*	*Transfers in 2012/13 £,000*	*Balance at 31 Mar 2013 £,000*	*Transfers out 2013/14 £,000*	*Transfers in 2013/14 £,000*	*Balance at 31 Mar 2014 £,000*
Delayed capital and special projects	861	(861)	2,119	2,119	(2,119)	2,071	2,071
Pension deficit financing	3,098	(811)	-	2,287	(970)	2,000	3,317
Corporate Governance	191	(103)	157	245	(36)	127	336
Community Development	393	(359)	-	34	(32)	-	2
Environmental Services	387	(257)	125	255	(123)	498	630
Council Strategy	1,079	(916)	112	275	(139)	448	584
Housing	209	(60)	20	169	(353)	449	265
Planning and Infrastructure	683	(394)	372	661	(405)	699	955
Customer Services	239	(87)	139	291	(134)	123	280
Total	**7,140**	**(3,848)**	**3,044**	**6,336**	**(4,311)**	**6,415**	**8,440**

Notes to the Accounts

9. Other Operating Expenditure

2012/13 £,000		2013/14 £,000
3,691	Parish council precepts and grants	3,751
258	Levies	243
364	Payments to the Government Housing Capital Receipts Pool	247
(552)	(Gains) / losses on the disposal of non-current assets	(41)
16	Decrease in value of assets held for sale	-
(63)	Income from unattached capital receipts	(72)
3,714	**Total**	**4,128**

10. Financing and Investment Income and Expenditure

2012/13 £,000		2013/14 £,000
1,772	Interest payable and similar charges	1,772
1,378	Net interest on the net defined benefits liability	1,504
(859)	Interest receivable and similar income	(741)
(40)	Income and expenditure in relation to investment properties and changes in their fair value	(1,014)
2,251	**Total**	**1,521**

11. Taxation and Non-Specific Grant Income

2012/13 £,000		2013/14 £,000
(13,794)	Council tax income	(12,256)
(6,815)	Non domestic rates	(3,182)
(3,671)	Non-ringfenced government grants	(9,684)
(665)	Capital grants and contributions	(558)
(24,945)	**Total**	**(25,680)**

Notes to the Accounts

12. Property, Plant and Equipment

Movements on Balances

Movements in 2013/14

	Council Dwellings £,000	Other Land and Buildings £,000	Vehicles, Plant & Equipment £,000	Infrastructure Assets £,000	Community Assets £,000	Surplus Assets £,000	**Total** £,000
Cost or Valuation							
at 1 April 2013	148,121	43,134	1,689	12,553	2,214	-	**207,711**
additions	2,686	284	392	556	-	-	**3,918**
donations	-	-	-	-	-	-	**-**
revaluation increases/(decreases) recognised in the Revaluation reserve	-	3,183	-	-	-	-	**3,183**
revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	6,469	(3,159)	-	-	-	-	**3,310**
derecognition - disposals	-	(91)	(208)	-	-	-	**(299)**
derecognition - other	-	-	-	(471)	-	-	**(471)**
assets reclassified (to)/from Held for Sale	(975)	-	-			-	**(975)**
other movements in cost or valuation	-	-	-	-	1	-	**1**
at 31 March 2014	**156,301**	**43,351**	**1,873**	**12,638**	**2,215**	**-**	**216,378**
Accumulated Depreciation and Impairment							
at April 2013	-	(1,171)	(750)	(7,416)	-	-	**(9,337)**
depreciation charge	(2,096)	(725)	(196)	(499)	-	-	**(3,516)**
depreciation written out to the Revaluation Reserve	-	176	-	-	-	-	**176** **-**
Depreciation written out to the Surplus/Deficit on the Provision of Services	2,096	157	-	-	-	-	**2,253**
impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	**-**
impairment losses/(reversals) recognised in the Surplus/Deficit on Provision of services	-	-	-	-	-	-	**-**
derecognition - disposals	-	4	205	-	-	-	**209**
derecognition - other	-	-	-	218	-	-	**218**
other movements in depreciation and impairment	-	-	-	-	-	-	**-**
at 31 March 2014	**-**	**(1,559)**	**(741)**	**(7,697)**	**-**	**-**	**(9,997)**
Net Book Value							
at 31 March 2014	**156,301**	**41,792**	**1,132**	**4,941**	**2,215**	**-**	**206,381**
at 31 March 2013	**148,121**	**41,963**	**939**	**5,137**	**2,214**	**-**	**198,374**

Notes to the Accounts

12. Property, Plant and Equipment *(continued)*

Movements on Balances *(continued)*

Comparative Movements in 2012/13

	Council Dwellings £,000	Other Land and Buildings £,000	Vehicles, Plant & Equipment £,000	Infrastructure Assets £,000	Community Assets £,000	Surplus Assets £,000	**Total** £,000
Cost or Valuation							
at 1 April 2012	146,778	42,788	3,046	12,553	2,181	-	**207,346**
additions	2,249	181	71	-	33	-	**2,534**
donations		-					**-**
revaluation increases/(decreases) recognised in the Revaluation Reserve	-	249	-	-	-	-	**249**
revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(645)	(76)	-	-	-	-	**(721)**
derecognition - disposals	-	-	(1,428)	-	-	-	**(1,428)**
derecognition - other	-	-	-	-	-	-	**-**
assets reclassified (to)/from Held for Sale	(536)	-	-	-	-	-	**(536)**
other movements in cost or valuation	275	(8)	-	-	-	-	**267**
at 31 March 2013	**148,121**	**43,134**	**1,689**	**12,553**	**2,214**	**-**	**207,711**
Accumulated Depreciation and Impairment							
at April 2012	-	(745)	(1,973)	(6,889)	-	-	**(9,607)**
depreciation charge	(2,075)	(800)	(205)	(527)	-	-	**(3,607)**
depreciation written out to the Revaluation Reserve	-	301	-	-	-	-	**301**
depreciation written out to the Surplus/Deficit on the Provision of Services	2,075	69	-	-	-	-	**2,144**
impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	**-**
impairment losses/(reversals) recognised in the Surplus/Deficit on Provision of services	-	-	-	-	-	-	**-**
derecognition - disposals	-	-	1,428	-	-	-	**1,428**
other movements in depreciation and impairment	-	4	-	-	-	-	**4**
at 31 March 2013	**-**	**(1,171)**	**(750)**	**(7,416)**	**-**	**-**	**(9,337)**
Net Book Value							
at 31 March 2013	**148,121**	**41,963**	**939**	**5,137**	**2,214**	**-**	**198,374**
at 31 March 2012	**146,778**	**42,043**	**1,073**	**5,664**	**2,181**	**-**	**197,739**

Notes to the Accounts

12. Property, Plant and Equipment *(continued)*

Depreciation

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

- Council Dwellings: 60 years
- Other Land and Buildings: generally 35 years
- Vehicles, Plant and Equipment: generally 5 years
- Infrastructure: 20 - 40 years

Capital Commitments

At 31 March 2014, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2014/15 with an estimated value of £1.5 million. Similar commitments at 31 March 2013 were nil. The major commitment is for the East Bank public realm enhancements at a cost of £1.2 million.

Effects of changes in estimates

As part of the rolling programme of property revaluations (see below), the Council's valuer (Chichester District Council) revalued a sample of the Council's car parks including Fitzleet multi-storey. After due consideration of the issues involved with car park valuation, the valuer concluded that a revised EUV approach should be adopted, based upon income stream rather than a notional 'per space' basis as used previously, and that for consistency this approach should be applied to all car parks, including Fitzleet multi-storey which was previously valued on a DRC basis. An additional factor with Fitzleet multi-storey is that the valuer considers there is sufficient market evidence for an EUV valuation, and that this makes DRC an inappropriate basis for valuation. As this approach produced material changes in values for the sample, the valuer was asked to revalue all of the car parks, which was duly undertaken.

Application of the revised procedure to all the Council's car parks resulted in net upward revaluations of £3.7 million on the surface car parks, largely offset by a downward revaluation on Fitzleet of £3.6 million. After application of the balance of £0.9 million on the Fitzleet revaluation reserve, there is a net loss of £2.7 million charged to the Comprehensive Income and Expenditure Statement - Cost of Services for 2013/14, which is disclosed as an exceptional item. The new valuations also resulted in a reduction of £98,000 in the annual depreciation charge.

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. All valuations were carried out by either by Chichester District Council (with whom Arun has a Service Level Agreement for the provision of valuation services) or by external valuers. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Formal valuations of vehicles, plant, furniture and equipment are not carried out, as such items are carried at historical cost as a proxy for fair value.

Significant assumptions applied in estimating fair value are:

- that using beacon values for council dwellings represents a fair measure of the values to be used for the entire stock.
- that the Council has made arrangements for the adequate maintenance and repair of its properties.
- that historical cost is a reasonable proxy for the fair value of plant, equipment and intangibles.
- that there are no planning proposals that are likely to have an effect on the value of properties.
- that any plant and machinery forming part of a property is included in the valuation.

	Council Dwellings	*Other land & buildings*	*Vehicles, plant and Equipment*	*Surplus Assets*	**Total**
	£,000	£,000	£,000	£,000	**£,000**
Carried at historical cost:			1,132		**1,132**
Valued at fair value:	156,301	41,792			**198,093**
Total	**156,301**	**41,792**	**1,132**	**-**	**199,225**

Notes to the Accounts

13. Investment Properties

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

	2012/13 £,000	2013/14 £,000
Rental income from investment property	207	238
Direct operating expenses arising from investment property	(43)	(130)
Change in fair value of investment property	(124)	906
Net gain / (loss)	**40**	**1,014**

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

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

	2012/13 £,000	2013/14 £,000
Balance at start of the year	3,535	3,411
Net gains/(losses) from fair value adjustments	(9)	906
Other changes	(115)	-
Balance at end of the year	**3,411**	**4,317**

14. Intangible Assets

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

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful life assigned to all software licences is five years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £95,000 charged to revenue in 2013/14 was charged to the appropriate service, or the Corporate IT cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the Corporate IT amortisation is attributable to each service heading.

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

	2012/13 £,000	2013/14 £,000
Cost or valuation		
Balance at the start of the year	**1,132**	**1,028**
Additions: purchases	98	-
Derecognition - disposals	(202)	(562)
Balance at the end of the year	**1,028**	**466**
Accumulated depreciation and impairment		
Balance at the start of the year	**(838)**	**(785)**
Amortisation charge	(149)	(95)
Derecognition - disposals	202	557
Balance at the end of the year	**(785)**	**(323)**
Net book value at the end of the year	**243**	**143**

Notes to the Accounts

15. Financial Instruments

Categories of Financial Instruments

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

	Long-term		Current	
	March 2013	March 2014	March 2013	March 2014
	£,000	£,000	£,000	£,000
Financial assets (all loans and receivables)				
Investments:				
NatWest / RBS	2,000	6,000	8,000	2,000
Lloyds Banking Group	5,000	2,000	6,000	7,000
Santander UK	-	-	-	4,000
Barclays	2,000	2,000	5,000	4,000
Svenska Handelsbanken	2,000	2,000	4,000	7,000
United Overseas Bank	-	-	1,000	1,000
DBS Bank	-	-	-	2,000
Nationwide Building Society	-	-	5,000	6,000
Glasgow City Council	-	1,000	-	-
Accrued interest	49	34	357	335
Total investments	**11,049**	**13,034**	**29,357**	**33,335**
Debtors	49	41	1,407	1,402
Cash & cash equivalents	-	-	4,522	4,947
Financial liabilities at amortised cost				
Borrowings (all PWLB)	70,902	62,040	-	8,862
Creditors	-	-	2,134	3,011

Income, Expense, Gains and Losses

	2012/13	2013/14
	£,000	£,000
Interest on loans and receivables	(859)	(741)
Interest expense - financial liabilities	1,772	1,772

Fair value of assets and liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their 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:

- estimated ranges of interest rates at 31 March 2014 of 0.75 % to 3.53% for loans from the PWLB and 0.05% to 3.50% for loans receivable, based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature within 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2013		31 March 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	£,000	£,000	£,000	£,000
Financial liabilities (PWLB loans)	70,902	68,107	70,902	64,965
Loans and receivables	44,539	44,933	50,663	50,752
Long-term debtors	49	49	41	41

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

Notes to the Accounts

15. Financial Instruments (continued)

Fair value of assets and liabilities (continued)

The fair value of the PWLB loans (£65 million) is an estimate provided to the Council by Capita Asset Services (formerly Sector Treasury Services Ltd), who provide Treasury Management Services to both the public and private sectors. The Capita Asset Services calculation is based on the use of new borrowing rates, as this is thought to give a more meaningful fair value for previously debt-free councils, and to reflect the preferential rates that were available on the loans taken on 28 March 2012. There are other estimation bases available which provide different values. More specifically, the PWLB provide an estimate of £72 million based on premature repayment rates.

Nature and extent of risks arising from financial instruments

The Council's activities expose it to a variety of financial risks:

- ***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
- ***market risk*** – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Authority'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. The risk is minimised through the Annual Investment Strategy which requires that the Council only has deposits with Financial Institutions who have minimum Fitch rating (Moody's or S&P equivalent) of: Long - term "A-"; Viability "bbb"(with the exception of part nationalised institutions); Short-term "f1"; support 3; and Money Market Funds which have been rated "AAA", "mmf" or equivalent.

To date, the Council has not experienced any losses from non-performance by any of its counter parties in relation to its investments and none are currently anticipated in the coming reporting period.

Customers are not assessed for credit-worthiness, financial position or past experience unless in connection with tendering for service contracts. However, the Council operates an active debt recovery process to ensure the collection of all sums due to the council and the targeting of customers who may require assistance by way of extended terms for repayment of debt.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £50.3 million 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 2014 that this was likely to materialise. The following analysis summarises the risk categories of the Council's financial assets at 31 March 2014.

	Amount at 31 March 2014 *£,000*
Deposits with financial institutions:	
AAA rated counterparties	4,260
AA rated counterparties	12,033
A rated counterparties	34,000
Total	**50,293**

Notes to the Accounts

15. Financial Instruments (continued)

Credit Risk *(continued)*

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.

The Council does not generally allow credit for customers, such that £321,000 of the £1,443,000 balance is past its due date for payment. (This excludes housing rent arrears, where an aged debt analysis is not available). The past due but not impaired amount of other debts can be analysed by age as follows:

	31/03/2013	*31/03/2014*
	£,000	*£,000*
Less than three months	24	21
Three to nine months	116	85
Nine months to one year	15	9
More than one year	234	206
Total	**389**	**321**

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The risk that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates is mitigated by the borrowings being solely for the purpose of HRA self-financing, with the repayment of the debt linked to the HRA business plan. No further borrowing is planned. The maturity analysis of financial liabilities is as follows:

	31/03/2013	*31/03/2014*
	£,000	*£,000*
Less than one year	-	8,862
Between one and two years	8,862	-
Between two and five years	8,860	8,860
Between six and ten years	17,720	17,720
Between eleven and twenty years	8,870	8,870
More than twenty years	26,590	26,590
Total	**70,902**	**70,902**

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rates Risk. The Council's borrowings are 100% fixed rate and are therefore not subject to fluctuations in interest rates. All investments are cash. Generally investments are at a fixed rate, but to ensure stability and liquidity, Money Market Funds, structured products where there is an interest rate floor and cap and notice accounts for notice periods of 35 and 95 days are also used. The Treasury Management team has an active strategy for assessing interest rate exposure that feeds into the annual budget. Estimates for interest receivable are updated during the year as an integral part of the budget monitoring and planning process. This allows adverse changes to be identified at various times and accommodated within the budget. According to this assessment strategy, at 31 March 2014, if interest rates had been 1% higher with all other variables held constant, the financial effect would be an increase in interest receivable on variable rate investments of £72,000.

Price Risk. The Council does not invest in equity shares so is not exposed to losses arising from movements in the prices of shares.

Foreign Exchange Risk. The Council has no financial assets or liabilities denominated in foreign currencies and therefore have no exposure to losses arising from movements in exchange rates.

Notes to the Accounts

16. Inventories

	Consumable stores		Goods for sale		Total	
	2012/13 £,000	2013/14 £,000	2012/13 £,000	2013/14 £,000	2012/13 £,000	2013/14 £,000
Balance outstanding at start of year	8	**10**	-	**-**	8	**10**
Purchases	110	100	-	-	110	100
Recognised as an expense in the year	(106)	(104)	-	-	(106)	(104)
Written off balances	(2)	-	-	-	(2)	-
Balance outstanding at year-end	10	**6**	-	**-**	10	**6**

17. Short-term Debtors

	31/03/13 £,000	31/03/14 £,000
Central government bodies	793	1,824
Other local authorities	-	224
NHS bodies	-	-
Housing rents:		
Arrears	250	280
Provision for doubtful debts	(60)	(60)
Council taxpayers (Arun District Council share only):		
Arrears	851	844
Provision for doubtful debts	(536)	(531)
Business ratepayers (Arun District Council share only):		
Arrears	11	669
Provision for doubtful debts	(8)	(173)
Housing Benefit overpayments:		
Arrears	2,067	2,107
Provision for doubtful debts	(1,742)	(1,771)
Customers and clients:		
Arrears	1,801	1,122
Provision for doubtful debts	(173)	(202)
Payments in advance	699	1,059
Total	**3,953**	**5,392**

18. Cash and Cash Equivalents

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

	31/03/13 £,000	31/03/14 £,000
Cash held by the Council and its agents	437	553
Bank current accounts	(48)	99
Short-term deposits with banks and building societies	4,133	4,294
Total	**4,522**	**4,946**

Notes to the Accounts

19. Non-Current Assets Held for Sale

	2012/13 £,000	2013/14 £,000
Balance outstanding at start of year	**511**	**224**
Asset newly classified as held for sale, formerly Property, Plant and Equipment	536	975
Assets declassified	(270)	-
Assets sold	(537)	(975)
Loss on valuation	(16)	-
Balance outstanding at year-end	**224**	**224**

20. Short-term Creditors

	31/03/13 £,000	31/03/14 £,000
Central government bodies	1,414	2,132
Other local authorities	1,939	493
NHS bodies	-	-
Interest accrued on long-term loans	19	19
Housing rents	164	121
Council taxpayers (Arun District Council share only)	126	122
Business ratepayers (Arun District Council share only)	-	177
Employees	164	184
Contractors and suppliers	2,149	3,181
s.106 Town & Country Planning Act 1990 contributions	3,850	3,223
Other deposits and receipts in advance	555	660
Total	**10,380**	**10,312**

21. Provisions

	MMI Insurance £,000	Business rate appeals £,000	Total £,000
Balance at 1 April 2013	15	-	15
Additional provisions made in 2013/14	-	1,017	1,017
Amounts used in 2013/14	-	-	-
Unused amounts reversed in 2013/14	(15)	-	(15)
Balance at 31 March 2014	**-**	**1,017**	**1,017**

Following the introduction of the Business Rate Retention scheme the Council has assumed responsibility for a share of the cost of any refunds resulting from successful appeals by local businesses against the rateable value of their premises. The provision of £1,017,000 represents the Council's share of the estimated amounts which will be refunded in respect of business rate liability for 2013/14 and earlier years following successful appeals. The provision is based only on appeals lodged by 31 March 2014. No account has been taken of appeals which may or may not be lodged after that date.

Notes to the Accounts

22. Usable Reserves

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

23. Unusable Reserves

31 March 2013 £,000		31 March 2014 £,000
15,709	Revaluation Reserve	18,713
121,820	Capital Adjustment Account	131,173
(67)	Financial Instruments Adjustment Account	-
-	Deferred Capital Receipts Reserve	-
(33,850)	Pensions Reserve	(34,042)
324	Collection Fund Adjustment Account	(658)
(129)	Accumulated Absences Account	(151)
103,807	**Total Unusable Reserves**	**115,035**

Revaluation Reserve

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

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

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

2012/13 £,000			2013/14 £,000
15,583	**Balance at 1 April**		**15,709**
1,165	Upward revaluation of assets	4,574	
(615)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,214)	
550	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of services		3,360
(294)	Difference between fair value depreciation and historical cost depreciation	(327)	
(130)	Accumulated gains on assets sold or scrapped	(29)	
(424)	Amount written off to the Capital Adjustment Account		(356)
15,709	**Balance at 31 March**		**18,713**

Notes to the Accounts

23. Unusable Reserves *(continued)*

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2012/13 £,000			*2013/14 £,000*
118,228	**Balance at 1 April**		**121,820**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(3,722)	◆ Charges for depreciation and impairment of non-current assets	(3,517)	
3,545	◆ Provision for loan repayment	3,545	
1,407	◆ Revaluation gains/(losses) on Property, Plant and Equipment	5,564	
(149)	◆ Amortisation of intangible assets	(95)	
(1,383)	◆ Revenue expenditure funded from capital under statute	(766)	
(536)	◆ 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	(1,324)	
(838)			3,407
424	Adjusting amounts written out of the Revaluation Reserve		356
(414)	Net written out amount of the cost of non-current assets consumed in the year		3,763
	Capital financing applied in the year:		
14	◆ Use of the Capital Receipts Reserve to finance new capital expenditure		435
2,220	◆ Use of the Major Repairs Reserve to finance new capital expenditure		2,037
1,369	◆ Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing		602
77	◆ Application of grants to capital financing from the Capital Grants Unapplied Account		565
335	◆ Capital expenditure charged against the General Fund and HRA balances		1,045
4,015			4,684
(9)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		906
-	Repayment of capital advances		-
121,820	**Balance at 31 March**		**131,173**

Notes to the Accounts

23. Unusable Reserves *(continued)*

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the Housing Revenue account Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the HRA Balance in accordance with statutory arrangements for spreading the burden on housing rents.

2012/13 £,000			2013/14 £,000
(163)	**Balance at 1 April**		**(67)**
-	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	
96	Proportion of premiums incurred in previous financial years to be charged against the HRA Balance in accordance with statutory requirements	67	
96	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		67
(67)	**Balance at 31 March**		**-**

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.

2012/13 £,000		2013/14 £,000
(29,230)	**Balance at 1 April**	**(33,850)**
(4,995)	Actuarial gains or (losses) on pensions assets and liabilities	496
(2,660)	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	(3,991)
3,035	Employer's pension contributions and direct payments to pensioners payable in the year	3,303
(33,850)	**Balance at 31 March**	**(34,042)**

Notes to the Accounts

23. Unusable Reserves *(continued)*

Collection Fund Adjustment Account

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

2012/13 £,000		2013/14 £,000
271	**Balance at 1 April**	**324**
53	Amount by which council tax and business rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rate income calculated for the year in accordance with statutory requirements	(982)
324	**Balance at 31 March**	**(658)**

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.

2012/13 £,000		2013/14 £,000
(141)	**Balance at 1 April**	**(129)**
141	Cancellation of accrual made at the end of the preceding year	129
(129)	Amounts accrued at the end of the current year	(151)
12	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.	(22)
(129)	**Balance at 31 March**	**(151)**

Notes to the Accounts

24. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2012/13 £,000		2013/14 £,000
776	Interest received	757
(1,772)	Interest paid	(1,772)

25. Cash Flow Statement - Investing Activities

2012/13 £,000		2013/14 £,000
(2,708)	Purchase of property, plant and equipment and intangible assets	(3,674)
(11,000)	Purchase of short-term and long-term investments	(17,000)
(22)	Other payments for investing activities	(20)
1,090	Proceeds from the sale of property, plant and equipment	1,365
3,000	Proceeds from short-term and long-term investments	11,000
43	Other receipts from investing activities	27
(9,597)	**Net cash flows from investing activities**	**(8,302)**

26. Cash Flow Statement - Financing Activities

2012/13 £,000		2013/14 £,000
-	Cash receipts from long-term borrowing	-
1,748	Receipts relating to operation of Collection Fund	-
-	Payments relating to operation of Collection Fund	(1,357)
1,748	**Net cash flows from financing activities**	**(1,357)**

Notes to the Accounts

27. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across Cabinet portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- expenditure on support services and the Housing Revenue Account is budgeted for separately from Cabinet portfolios

Cabinet portfolio income and expenditure 2013/14

	Community Development £,000	Corporate Governance £,000	Council Strategy £,000	Customer Services £,000	Environmental Services £,000	Housing £,000	Planning & Infrastructure £,000	**Total** £,000
Total income	**(1,157)**	**(392)**	**(803)**	**(53,951)**	**(5,167)**	**(780)**	**(2,273)**	**(64,523)**
Employee expenses	691	64	249	1,459	1,868	652	1,758	6,741
Premises	12	236	117	-	2,129	4	39	2,537
Transport	36	1	4	26	156	37	55	315
Supplies and services	603	111	525	397	1,365	1,718	1,231	5,950
Contract costs	249	-	19	-	6,889	11	121	7,289
Transfer payments	-	-	-	53,359	-	-	-	53,359
Total expenditure	**1,591**	**412**	**914**	**55,241**	**12,407**	**2,422**	**3,204**	**76,191**
Net expenditure	**434**	**20**	**111**	**1,290**	**7,240**	**1,642**	**931**	**11,668**

Cabinet portfolio income and expenditure 2012/13 comparative figures

	Community Development £,000	Corporate Governance £,000	Council Strategy £,000	Customer Services £,000	Environmental Services £,000	Housing £,000	Planning & Infrastructure £,000	**Total** £,000
Total income	**(812)**	**(353)**	**(172)**	**(63,505)**	**(4,384)**	**(226)**	**(1,225)**	**(70,677)**
Employee expenses	546	55	188	1,603	1,878	644	1,809	6,723
Premises	28	126	-	-	1,735	-	21	1,910
Transport	22	1	3	27	167	35	54	309
Supplies and services	1,071	119	321	453	1,112	1,136	1,064	5,276
Contract costs	254	-	-	-	6,653	10	115	7,032
Transfer payments	-	-	-	62,887	-	-	-	62,887
Total expenditure	**1,921**	**301**	**512**	**64,970**	**11,545**	**1,825**	**3,063**	**84,137**
Net expenditure	**1,109**	**(52)**	**340**	**1,465**	**7,161**	**1,599**	**1,838**	**13,460**

Notes to the Accounts

27. Amounts Reported for Resource Allocation Decisions *(continued)*

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

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

	2012/13	*2013/14*
	£,000	*£,000*
Net expenditure in the Portfolio Analysis	13,460	11,668
Net expenditure of services not included in the analysis, but reported separately to management:		
Housing Revenue Account	(7,411)	(8,209)
Support Services	7,702	8,069
Amounts included in the Analysis not included in the Comprehensive Income & Expenditure Statement	(1,681)	(688)
Amounts not reported to management	2,897	(2,054)
Cost of Services in the Comprehensive Income and Expenditure Statement	**14,967**	**8,786**

Reconciliation to Subjective Analysis

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

2013/14	Portfolio analysis	Services not in analysis	Amounts not reported	Amounts not in CoS	Cost of services (CoS)	Corporate amounts	**Total**
	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Fees, charges & other service income	(10,452)	(16,886)	72	249	(27,017)	(249)	(27,266)
Financing & investment income	(249)	(104)		104	(249)	(5,966)	(6,215)
Gain on disposal of fixed assets						(415)	(415)
Income from local tax					-	(15,438)	(15,437)
Government grants and contributions	(53,822)	(7)			(53,829)	(10,242)	(64,071)
Total Income	**(64,523)**	**(16,997)**	**72**	**353**	**(81,095)**	**(32,310)**	**(113,404)**
Employee expenses	6,741	6,995	732		14,468		14,468
Other service expenses	16,091	8,055		(100)	24,046	100	24,146
Transfer payments	53,359				53,359		53,359
Support service recharges				(40)	(40)	40	-
Depreciation, amortisation and impairment			(2,858)	906	(1,952)	-	(1,952)
Non-distributed costs					-		-
Financing & investment expenditure		1,806		(1,806)	-	7,595	7,595
Precepts and levies					-	3,994	3,994
Loss on disposal of fixed assets					-	302	302
Payments to Housing Capital Receipts Pool					-	247	247
Total expenditure	**76,191**	**16,856**	**(2,126)**	**(1,040)**	**89,881**	**12,278**	**102,159**
Surplus or deficit on the provision of services	**11,668**	**(141)**	**(2,054)**	**(687)**	**8,786**	**(20,032)**	**(11,245)**

Notes to the Accounts

27. Amounts Reported for Resource Allocation Decisions *(continued)*

Reconciliation to Subjective Analysis *(continued)*

2012/13 Comparative figures	Portfolio analysis	Services not in analysis	Amounts not reported	Amounts not in CoS	Cost of services (CoS)	Corporate amounts	Total
	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Fees, charges & other service income	(7,181)	(16,219)	63	214	(23,123)	(214)	(23,337)
Financing & Investment Income	(214)	(71)		71	(214)	(4,901)	(5,115)
Gain on disposal of fixed assets						(616)	(616)
Income from local tax					-	(20,608)	(20,608)
Government grants and contributions	(63,282)	-			(63,282)	(4,336)	(67,618)
Total Income	**(70,677)**	**(16,290)**	**63**	**285**	**(86,619)**	**(30,675)**	**(117,294)**
Employee expenses	6,722	7,056	375		14,153		14,153
Other service expenses	14,528	7,734		(38)	22,224	38	22,262
Transfer payments	62,887				62,887		62,887
Support service recharges				(11)	(11)	11	-
Depreciation, amortisation and impairment			2,457	(124)	2,333	140	2,473
Financing & investment expenditure		1,793		(1,792)		7,193	7,193
Precepts and levies					-	3,949	3,949
Payments to Housing Capital Receipts Pool					-	364	364
Gain or loss on disposal of fixed assets					-	-	-
Total expenditure	**84,137**	**16,583**	**2,832**	**(1,965)**	**101,586**	**11,695**	**113,281**
Surplus or deficit on the provision of services	**13,460**	**293**	**2,895**	**(1,680)**	**14,967**	**(18,980)**	**(4,013)**

28. Agency Services

The Council provided the following agency services in 2013/14:

- The Council collects all the business rates payable in the District. Under the Business Rate Retention scheme the amount collected is distributed between Arun, West Sussex County Council and the Government in accordance with statutory requirements. The total amount collected was £32,716,000.
- Collection of council tax for West Sussex County Council and the Sussex Police and Crime Commissioner. The amounts collected were £64,361,000 and £7,667,000 respectively.
- Collection of car park income for West Sussex County Council (£708,000) and other third parties (£123,000).
- Provision of a payroll service for a number of voluntary organisations and one parish council (no charge is made for this service).

Notes to the Accounts

29. Members' Allowances

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

	2012/13	*2013/14*
	£,000	*£,000*
Allowances	446	453
Expenses	20	18
Total	**466**	**471**

30. Officers' Remuneration

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

		Salary and allowances	Expenses allowances	Compensation for loss of office	Pension Contribution	**Total**
		£	£		£	£
Chief Executive	2013/14	102,968	698	-	18,431	**122,097**
	2012/13	97,500	646	-	17,005	**115,151**
Resources Director & Deputy Chief Executive	2013/14	93,342	(2,815)		16,708	**107,235**
	2012/13	81,412	3,776	-	14,573	**99,761**
Head of Finance & Property & s151 Officer	2013/14	65,276	1,244	-	11,684	**78,204**
	2012/13	64,125	1,242	-	11,478	**76,845**
Head of Housing	2013/14	63,740	1,655	-	11,410	**76,805**
	2012/13	64,630	1,654	-	11,569	**77,853**
Head of Human Resources & Customer Services	2013/14	58,628	1,246	-	10,640	**70,514**
	2012/13	56,564	1,239	-	10,264	**68,067**
Head of Legal & Administration	2013/14	59,442	1,252	-	10,640	**71,334**
	2012/13	57,338	1,254	-	10,264	**68,856**
Assistant Director Planning & Economic Regeneration	2013/14	69,356	1,279	-	12,415	**83,050**
	2012/13	68,669	1,239	-	12,292	**82,200**
Head of Contracts & Environment	2013/14	63,236	4,104	71,030	11,319	**149,689**
	2012/13	62,610	4,104	-	11,207	**77,921**
Head of Neighbourhoods	2013/14	60,707	1,832	-	10,867	**73,406**
	2012/13	58,682	1,817	-	10,504	**71,003**
Assistant Director Customer Services	2013/14	66,582	52	-	11,918	**78,552**
	2012/13	62,186	-	-	11,131	**73,317**
Assistant Director Environmental Services	2013/14	66,805	1,699	-	11,958	**80,462**
	2012/13	65,791	1,715	-	11,777	**79,283**

One senior officer was in receipt of compensation for loss of office for 2013/14

The remuneration analysis for the Resources Director & Deputy Chief Executive has changed due to a backdated variation in employment contract necessitating adjustments.

No senior officer was in receipt of bonus payments or benefits in kind for 2013/14

Notes to the Accounts

30. Officers' Remuneration (continued)

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

Remuneration Band	Number of employees 2012/13		2013/14	
£50,000 - £54,999	3		5	***
£55,000 - £59,999	5	**	2	
£60,000 - £64,999	3	*	2	
£65,000 - £69,999	5		4	
£70,000 - £74,999	-		1	
£75,000 - £79,999	1	*	-	
£80,000 - £84,999	-		-	
£85,000 - £89,999	1		-	
£90,000 - £94,999	-		1	
£95,000 - £99,999	1		-	
£100,000 - £104,999	1	*	1	
£105,000 - £109,999	-		-	
£110,000 - £114,999	-		-	
£115,000 - £119,999	1	*	-	
£120,000 - £124,999	-		-	
£125,000 - £129,999	-		-	
£130,000 - £134,999	-		-	
£135,000 - £139,999	-		1	*
£140,000 - £144,999	1	*	-	

* One employee included by virtue of redundancy pay
** Two employees included by virtue of redundancy pay
*** One employee included by virtue of annualised salary

The numbers 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 packages cost band (including special payments)	No. of compulsory redundancies 2012/13	No. of compulsory redundancies 2013/14	No. of other departures agreed 2012/13	No. of other departures agreed 2013/14	Total no. of exit packages by cost band 2012/13	Total no. of exit packages by cost band 2013/14	Total cost of exit packages in each band 2012/13	Total cost of exit packages in each band 2013/14
£0 - £20,000	2	2	-	-	2	2	£26,243	£6,506
£20,001 - £40,000	6	-	-	-	6	-	£195,720	-
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	1	-	-	-	1	-	£71,030
£80,001 - £100,000	4	-	-	-	4	-	£345,215	-
Total cost included in bandings							£567,178	£77,536

Notes to the Accounts

31. External Audit Costs

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

	2012/13 £,000	*2013/14 £,000*
Fees payable to Ernst & Young LLP:		
external audit services carried out by the appointed auditor	75	75
statutory inspections	-	-
certification of grant claims and returns	16	12
other services	-	-
Total	**91**	**87**

32. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement. *This analysis reveals the effect of reclassification of grants to reflect changing government funding methodology and priorities.*

	2012/13 £,000	*2013/14 £,000*
Credited to Taxation and Non-Specific Grant Income		
Benefits Administration Grant	1,102	1,042
Business Rate collection allowance	174	173
Business Rate income	6,815	-
Council Tax freeze	247	102
Disabled Facilities Grants	789	603
New Homes Bonus Grant	978	2,065
Revenue Support grant	132	4,817
Small business rate relief	-	596
Other non-ringfenced grants	249	286
Capital grants and contributions	665	558
Total	**11,151**	**10,242**
Credited to Services		
Community wellbeing	10	436
Council Tax Benefit Subsidy	12,241	-
Crime Reduction	69	187
Economic regeneration	27	513
Family Intervention project	56	204
Fuel poverty	37	431
Housing Benefit Subsidy	51,041	53,728
Other	471	835
Total	**63,952**	**56,334**
Total Grants, Contributions & Donations	**75,103**	**66,576**

Notes to the Accounts

33. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with 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 27 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2014 are shown in Note 17 (Central government bodies).

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2013/14 is shown in Note 29. No members declared any transactions for 2013/14 that fall within the related party definition.

Officers

The Council's Chief Executive has £7,000 outstanding in respect of a loan for car purchase. Repayments amounting to £4,000 were made during 2013/14. No other transactions with senior officers fall within the related party definition.

Other public bodies

Precepts and levies totalling £3.994 million were paid as disclosed in Note 9.

Entities Controlled or Significantly Influenced by the Council

There are no entities meeting the definition of related parties.

Notes to the Accounts

34. Capital Expenditure and 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. The table also shows the amounts set aside for loan repayment, resulting in a reduction in the Capital Financing Requirement during 2012/13 and 2013/14.

	2012/13	*2013/14*
	£,000	*£,000*
Opening Capital Financing Requirement	68,268	64,723
Capital investment		
Property, Plant and Equipment	2,534	3,918
Intangible Assets	98	-
Revenue Expenditure Funded from Capital under Statute	1,383	766
Sources of finance		
Capital receipts	(13)	(435)
Government grants and other contributions	(1,446)	(1,167)
Direct revenue contributions - general	(246)	(404)
Direct revenue contributions - housing	(90)	(641)
Housing Major Repairs Reserve	(2,220)	(2,037)
Amount set aside for loan repayment	(3,545)	(3,545)
Closing Capital Financing Requirement	64,723	61,178
Explanation of movements in the year:		
Increase in underlying need to borrow	-	-
Amount set aside for loan repayment	(3,545)	(3,545)
Other	-	-
Increase / (decrease) in Capital Financing Requirement	(3,545)	(3,545)

Notes to the Accounts

35. Leases

Council as Lessee

Finance Leases
The Council has no currently determined finance leases as lessee

Operating Leases
The Council has operating leases for: The Tamarisk Centre; open spaces; photocopiers; and general light vehicles.

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

	31 Mar 2013 £,000	31 Mar 2014 £,000
Not later than one year	154	150
Later than one year and not later than five years	263	116
Later than five years	17	34
	434	**300**

The expenditure charged to the Comprehensive Income and Expenditure Statement in relation to these leases in 2013/14 was £153,000 (2012/13 £169,000) representing the value of the minimum lease payments.

Council as Lessor

Finance Leases
The Council has no currently determined finance leases as lessor

Operating Leases
The Council leases out various surplus property assets under operating leases either for investment or as a temporary means of generating rental income pending future development.

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

	31 Mar 2013 £,000	31 Mar 2014 £,000
Not later than one year	401	408
Later than one year and not later than five years	1,509	1,338
Later than five years	9,158	9,049
	11,068	**10,795**

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

Notes to the Accounts

36. Impairment Losses

There were no material impairment losses during 2013/14. However,in 2012/13, the Council recognised an impairment loss of £114,999 in relation to an Investment Property now let on a 125 year lease. This was effectively a disposal and was revalued as having a carrying value of £1. That impairment loss was charged to the Financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

37. Termination Benefits

The Authority terminated the contracts of a number of employees in 2013/14 as part of the process of achieving required budget savings, incurring liabilities of £78,000. There were no provisions made in prior years. See Note 30 for the number of exit packages and the total cost per band.

38. Defined Benefit Pension Scheme

Participation in Pension Schemes

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

The Council participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by West Sussex County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.
- The West Sussex County Council pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the the scheme is the responsibility of the Pensions Panel of West Sussex County Council. Policy is determined in accordance with the Pensions Fund Regulations. The Pensions Panel is responsible to the Governance Committee for the appointment of professional and specialist investment advisers and managers on a consultancy basis.
- The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Transactions Relating to Post-employment Benefits

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

38. Defined Benefit Pension Scheme *(continued)*

Transactions Relating to Post-employment Benefits

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

	Local Government Pension Scheme		*Discretionary Benefits arrangements*	
	2012/13	*2013/14*	*2012/13*	*2013/14*
	£,000	*£,000*	*£,000*	*£,000*
Comprehensive Income and Expenditure Statement -				
Cost of services:				
Service cost comprising:				
◆ current service cost	1,960	2,487	-	-
◆ past service costs (including curtailments)	270	-	-	-
◆ effect of settlements	-	-	-	-
Financing and Investment Income and Expenditure:				
◆ Net interest expense	1,378	1,504		
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	**3,608**	**3,991**	**-**	
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
◆ Return on plan assets (excluding the amount included in the net interest expense)	(8,388)	(4,515)	-	-
◆ Actuarial gains and losses arising on changes in demographic assumptions	-	6,586	-	-
◆ Actuarial gains and losses arising on changes in financial assumptions	12,740	(106)	-	-
◆ Other experience	(523)	(2,837)	328	376
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	**7,437**	**3,119**	**328**	**376**
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	3,608	3,991		
Actual amount charged against the General Fund Balance for pensions in the year:				
◆ employer's contributions payable to scheme	2,767	3,039		
◆ retirement benefits payable to pensioners			268	264

Notes to the Accounts

38. Defined Benefit Pension Scheme *(continued)*

Pensions Assets and liabilities recognised in the Balance Sheet

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

	Local Government Pension Scheme		*Discretionary Benefits*	
	2012/13 £,000	*2013/14 £,000*	*2012/13 £,000*	*2013/14 £,000*
Present value of the defined benefit obligation	(125,100)	(132,936)	(4,430)	(4,806)
Fair value of plan assets	95,680	103,700	-	-
Net liability arising from defined benefit obligation	**(29,420)**	**(29,236)**	**(4,430)**	**(4,806)**

Reconciliation of the movements in the fair value of scheme assets

	Local Government Pension Scheme		*Discretionary Benefits*	
	2012/13 £,000	*2013/14 £,000*	*2012/13 £,000*	*2013/14 £,000*
Opening fair value of scheme assets	84,240	95,680	-	-
Interest income	4,022	4,285		
Remeasurement gain/(loss):				
Return on plan assets excluding the amount included in the net interest expense	8,388	4,515		
Other	(7)	(17)		
Contributions from employer	2,767	3,039	268	264
Contributions from employees into the scheme	660	670		
Benefits paid	(4,390)	(4,472)	(268)	(264)
Closing fair value of scheme assets	**95,680**	**103,700**	**-**	**-**

Reconciliation of present value of the scheme liabilities (Defined Benefit Obligation)

	Funded liabilities Local Government Pension Scheme		*Unfunded liabilities Discretionary Benefits*	
	2012/13 £,000	*2013/14 £,000*	*2012/13*	*2013/14*
Opening balance at 1 April	109,100	125,100	4,370	4,430
Current service cost	1,960	2,487		
Interest cost	5,400	5,789		
Contributions by scheme participants	660	670		
Remeasurement (gains) and losses:				
Actuarial gains/losses arising from changes in demograph assumptions	-	6,586		
Actuarial gains/losses arising from changes in financial assumptions	12,740	(106)		
Other	(530)	(3,118)	328	640
Past service cost	160			
Benefits paid	(4,390)	(4,472)	(268)	(264)
Closing balance at 31 March	**125,100**	**132,936**	**4,430**	**4,806**

Notes to the Accounts

38. Defined Benefit Pension Scheme *(continued)*

Local Government Pension Scheme assets comprised:

	2012/13 £,000	2013/14 £,000
Cash and cash equivalents	1,454	2,227
Equity securities by industry type:		
Consumer	14,068	17,459
Manufacturing	7,581	9,284
Energy and utilities	5,146	5,345
Financial institutions	9,470	16,144
Health and care	5,334	7,177
Information technology	8,022	12,140
Other	1,718	2,813
Debt securities:		
UK Government	3,553	2,613
Private Equity - All categories	6,410	6,315
Real estate:		
UK property	7,246	8,082
Overseas property	230	232
Investment funds and unit trusts:		
Equities	13,584	-
Bonds	10,038	9,321
Other	1,826	4,548
Totals	**95,680**	**103,700**

All scheme assets have quoted prices in active markets except private equity

Notes to the Accounts

38. Defined Benefit Pension Scheme *(continued)*

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The West Sussex County Council Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 1 April 2013. The principal assumptions used in their calculations have been:

	Local Government Pension Scheme		*Discretionary Benefits*	
	2012/13	*2013/14*	*2012/13*	*2013/14*
Long-term expected rate of return on assets in the scheme:				
Equity investments	4.5%	4.3%	-	-
Bonds	4.5%	4.3%	-	-
Property	4.5%	4.3%	-	-
Cash	4.5%	4.3%	-	-
Mortality assumptions:				
Longevity at 65 for current pensioners:				
◆ Men	22.7 years	24.4 years	22.7 years	24.4 years
◆ Women	24.2 years	25.8 years	24.2 years	25.8 years
Longevity at 65 for future pensioners:				
◆ Men	24.3 years	26.9 years	24.3 years	26.9 years
◆ Women	26.4 years	28.5 years	26.4 years	28.5 years
Rate of inflation	3.2%	2.8%	3.2%	2.8%
Rate of increase in salaries	5.1%	4.1%	5.1%	4.1%
Rate of increase in pensions (CPI)	2.8%	2.8%	2.8%	2.8%
Rate for discounting scheme liabilities	4.5%	4.3%	4.5%	4.3%

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 both men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Change in assumptions at 31 March 2014	*Approx. % increase to employer liability*	*Approx. monetary amount (£,000)*
0.5% decrease in Real Discount Rate	9.0%	11,898
1 year increase in member life expectancy	3.0%	4,132
0.5% increase in the Salary Increase Rate	2.0%	3,196
0.5% increase in the Pension Increase Rate	6.0%	8,580

Notes to the Accounts

38. Defined Benefit Pension Scheme *(continued)*

Impact on the Council's cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.
The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council expects to pay £3,004,000 for employer contributions to the scheme in 2014/15.

The weighted average duration of the defined benefit obligation for scheme members is 17.7 years for 2013/14.

39. Contingent Liabilities

The Council has given a guarantee in respect of Culture, Art and Sport (Arun) Ltd. (trading as Inspire Leisure), the Council's contractor for the management of its leisure services. In the event that Inspire Leisure ceases trading before the end of its contract period the Council would be responsible for meeting the cost of any West Sussex County Council Pension Fund liabilities in respect of Inspire Leisure staff. The Council has an additional commitment, under the Local Government Pension Regulations, in respect of any pension fund deficit relating to Inspire Leisure staff at the end of the contract period. The value of these commitments is dependent on a number of factors including actuarial assessments of the pension fund and the Council's future plans for the delivery of leisure services.

In common with other local authorities this Council has been, and continues to be, subject to litigation arising from changes in the regulations governing charges made for personal searches of the local land charges register. Funds have been set aside in an earmarked reserve to cover any successful claims. Although one claim has been settled it is still not possible to fully quantify the overall financial effect.

HRA Income and Expenditure Statement

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 rents 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.

2012/13 £,000		*2013/14 £,000*
	Expenditure	
3,391	Repairs and maintenance	3,489
3,710	Supervision and management	4,123
129	Rents, rates, taxes and other charges	150
760	Depreciation, amortisation and impairment of non-current assets	(6,266)
65	Movement in the allowance for bad debts	81
8,055	**Total Expenditure**	**1,577**
	Income	
(14,605)	Dwelling rents	(15,457)
(364)	Non-dwelling rents	(385)
(544)	Charges for services and facilities	(708)
(109)	Contributions towards expenditure	(72)
(15,622)	**Total Income**	**(16,622)**
(7,567)	**Net expenditure or income on HRA Services as included in the whole authority Income and Expenditure Statement**	**(15,045)**
136	HRA services share of Corporate and Democratic Core	135
(7,431)	**Net expenditure on HRA Services**	**(14,910)**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:	
(335)	Gain or loss on sale of HRA non-current assets	(343)
(63)	Other income - unattached capital receipts	(72)
1,792	Interest payable and similar charges	1,807
(71)	Interest and investment income	(104)
(6,108)	**Surplus or deficit for the year on HRA services**	**(13,622)**

Movement on the HRA Statement

2012/13 £,000		*2013/14 £,000*
(3,953)	**Balance on the HRA at the end of the previous year**	(2,987)
(6,108)	Surplus or deficit for the year on the HRA Income and Expenditure Statement	(13,622)
7,074	Adjustments between accounting basis and funding basis under statute	13,585
966	Net increase or decrease before transfers to or from reserves	(37)
-	Transfers to or from reserves	-
966	Increase or decrease in year on the HRA	(37)
(2,987)	**Balance on the HRA at the end of the current year**	**(3,024)**

Notes to the HRA Statement

1. Adjustments between accounting basis and funding basis under regulations

2012/13 £,000		2013/14 £,000
96	Difference between amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute	68
398	Gain or loss on sale of HRA non-current assets	415
144	HRA share of contributions to or from the Pensions Reserve	100
90	Capital expenditure funded by the HRA	640
7,100	Transfer to/from the Major repairs Reserve	6,096
6	Transfer to/from Accumulated Absences Account	-
(760)	Transfer to/from the Capital Adjustment Account	6,266
7,074	**Total adjustments**	**13,585**

2. Housing Stock Analysis

	31 Mar 2013	31 Mar 2014
Dwelling type	No.	No.
Bedsits	179	179
Flats	1,579	1,577
Houses / bungalows	1,674	1,662
Hostels	1	1
Total	**3,433**	**3,419**
Balance sheet value of assets	£,000	£,000
Dwellings	148,121	156,301
Garages	2,575	2,687
Other land and buildings	808	829
Held for sale	-	-
Plant & equipment	206	181
Computer software	45	21
Total	**151,755**	**160,019**

3. Vacant Possession value of HRA Dwellings

The vacant possession value of dwellings within the Council's Housing Revenue Account as at 1 April 2013 was £465 million. Comparing the vacant possession value and the balance sheet value shows the economic cost to Government of providing council housing at less than open market rents.

4. Major Repairs Reserve

	2012/13 £,000	2013/14 £,000
Balance at 1 April	**1,053**	2,388
Transfers from Housing Revenue Account	7,100	6,096
Transfer to Capital Adjustment Account re financing of HRA capital expenditure	(2,220)	(2,037)
Provision for loan repayment	(3,545)	(3,545)
Balance at 31 March	**2,388**	**2,902**

Notes to the HRA Statement

5. Capital Expenditure on Land and Property within the HRA

	2012/13 £,000	2013/14 £,000
Expenditure		
Housing improvements and repairs	1,843	1,685
Development programme	40	863
Disabled facilities Grants	427	400
Total expenditure	**2,310**	**2,948**
Financed by:		
Revenue contributions	90	640
Major Repairs Reserve	2,220	2,037
Usable Capital Receipts	-	271
Total financing	**2,310**	**2,948**

6. Depreciation charged to the Housing Revenue Account

	2012/13 £,000	2013/14 £,000
Operational Assets		
Council dwellings	2,076	2,096
Garages separate from curtilage of dwellings	37	39
Other tangible fixed assets	13	38
Intangible fixed assets	28	25
Total	**2,154**	**2,198**

7. Rent Arrears

Tenants' arrears at 31 March 2014 were £280,000 (previous year £250,000). The provision for doubtful debts amounted to £60,000 (previous year £60,000).

8. HRA Contributions to Pensions Reserve

IAS 19 requires that the current service cost of retirement benefits is included in the Net Cost of Services in the Income and Expenditure Account, and the Housing Revenue Account fulfils this requirement with a charge of £378,000 having been made for the year. However, legislation requires that this charge be reversed out in the Statement of Movement on the HRA Balance, and replaced by contributions payable to the WSCC Pension Fund. These were calculated to be £478,000 for the year. The Head of Finance and Property does not consider that the Housing Revenue Account has separately identified employees, and there is therefore no attribution of a share of other IAS 19 entries identified in the Comprehensive Income and Expenditure Statement.

Collection Fund Statement

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

2012/13 £,000		2013/14 £,000
	Income	
	Local Taxes:	
82,902	Net Council Tax	84,282
	Transfers from General Fund:	
12,092	Benefits	-
76	Discretionary business rate relief	-
29,558	Net business rates	33,738
124,628	**Total income**	**118,020**
	Expenditure	
	Demands and Precepts:	
71,264	West Sussex County Council	64,065
8,489	Sussex Police and Crime Commissioner	7,632
13,587	Arun District Council	12,217
29,456	Contribution to NDR Pool	-
4	*Interest*	-
	Share of business rate income	
-	West Sussex County Council	3,218
-	Central Government	16,090
-	Arun District Council	12,872
-	*Payments to Central Government re transitional protection*	194
174	*Transfer to General Fund re cost of Business Rate collection*	173
	Shares of Fund surplus or (deficit) - Council Tax:	
808	West Sussex County Council	1,699
96	Sussex Police and Crime Commissioner	202
153	Arun District Council	324
	Shares of Fund surplus or (deficit) - Business rates:	
-	West Sussex County Council	-
-	Central Government	-
-	Arun District Council	-
	Bad and doubtful debts - Council Tax:	
179	Written off	165
55	Provision adjustments	(63)
	Bad and doubtful debts - Business rates:	
-	Written off	381
-	Provision adjustments	11
	Appeals - Business rates:	
-	Provision adjustments	2,543
124,265	**Total Expenditure**	**121,723**
(363)	(Surplus) / deficit for year	3,703
(1,863)	Balance at 1 April brought forward	(2,226)
(2,226)	**Balance at 31 March carried forward**	**1,477**

The balance on this account represents the difference between total Council Tax and Business Rates receivable on an accruals basis and the payments made to this Council, major preceptors and the Government on a cash basis. The shares attributable to the these bodies are shown below. This Council's share is shown on the Balance Sheet as "Collection Fund Adjustment Account".

-	Government	872
(1,700)	West Sussex County Council	(28)
(202)	Sussex Police and Crime Commisioner	(25)
(324)	Arun District Council	658
(2,226)	**Total**	**1,477**

Analysis of movement on Collection Fund balance

	2012/13 £,000	2013/14 £,000
(Surplus) / deficit for year:		
Council Tax	(363)	1,959
Business rates	-	1,744
Total	**(363)**	**3,703**
Balance at 1 April brought forward		
Council Tax	(1,863)	(2,226)
Business rates	-	-
Total	**(1,863)**	**(2,226)**
Balance at 31 March carried forward		
Council Tax	(2,226)	(267)
Business rates	-	1,744
Total	**(2,226)**	**1,477**

Notes to the Collection Fund Statement

1. Council Tax Base

	2012/13	2013/14
Equivalent Valuation Band D properties in:		
Valuation Band A	3,891	2,267
Valuation Band B	7,837	5,858
Valuation Band C	14,657	12,687
Valuation Band D	12,727	12,142
Valuation Band E	10,834	10,713
Valuation Band F	7,268	7,285
Valuation Band G	4,055	4,069
Valuation Band H	430	446
Total Band D Equivalents	**61,699**	**55,467**
Allowance for non-collection 0.6%	-370	-333
Tax Base for year	**61,329**	**55,134**

2. Council Tax (total including parish average)

	2012/13	2013/14
Valuation Band A	£1,014.64	£1,014.67
Valuation Band B	£1,183.75	£1,183.79
Valuation Band C	£1,352.85	£1,352.90
Valuation Band D	£1,521.96	£1,522.01
Valuation Band E	£1,860.17	£1,860.23
Valuation Band F	£2,198.39	£2,198.46
Valuation Band G	£2,536.60	£2,536.68
Valuation Band H	£3,043.92	£3,044.02

3. General Statistics

	2012/13	2013/14
Rateable value of non-domestic properties at 31st March	£84.1m	£87.2m
Number of non-domestic properties at 31st March	4,272	4,330
Non-domestic rating multiplier: small businesses	0.450	0.462
Non-domestic rating multiplier: other	0.458	0.471
Average Council Tax for a Band D property	£1,522	£1,522

Glossary of Terms

Accounting Policies - the specific principles, bases, conventions, rules and practices applied by the Council in preparing and presenting financial statements.

Accrual - a sum included in the financial statements to cover income or expenditure attributable to an accounting period for goods received or work done, but for which payment has not been received/made by the end date of the period for which the accounts are prepared.

Accrued Interest - interest accumulated but not yet received or paid.

Actuarial - relating to the appraisal of economic and demographic factors in order to estimate future pension liabilities.

Agency Services - services which are performed by or for other authorities or bodies, where the authority/body responsible for the service reimburses the authority carrying out the work for the costs incurred.

Amortisation - the apportionment (charging or writing off) of the cost of an intangible asset as an operational cost over the asset's estimated useful life.

Amortised Cost - the amount at which a *financial asset* or *financial liability* is measured at initial recognition, less principal repayments and plus or minus any unamortised original premium or discount.

Asset - an item of worth which has a measureable monetary value. Assets can be defined as Fixed or Current.

Budget - the spending plans of the Council over a specific period of time, generally the financial year.

Capital Charge - the charge to the services for the use of fixed asset. As a minimum, the capital charge must cover the annual provision for *depreciation*.

Capital Expenditure - expenditure on the acquisition or creation of a tangible fixed asset which will have long term value to the Council or expenditure which adds to and not merely maintains the value of an existing tangible fixed asset. Expenditure must meet the Council's de minimis limit in order to be capitalised. De minimis is the minimum limit set by the Council below which expenditure will not usually be classified as capital even if it otherwise meets the definition of capital.

Capital Financing Requirement - the authority's underlying need to borrow for capital purposes.

Capital Grants - grants received towards capital expenditure.

Capital Receipts - proceeds on disposal of any non-current asset where the proceeds total over £10,000.

Carrying Value - see *Net Book Value*.

Cash & Cash Equivalents - comprises of cash in hand and demand deposits, together with short-term, highly liquid investments that are readily convertible to a known amount of cash, and that are subject to an insignificant risk of changes in value.

Collection Fund Statement - a statement that shows the transactions of the billing authority (Arun) in relation to *Non-Domestic Rates* and *Council Tax*, and illustrates the way these have been distributed to preceptors (*see Precepting Authorities)*, the national non-domestic rates pool and the *General Fund*.

Community Assets - assets that the Council intends to hold in perpetuity, or that have no determinable useful life, and that may have restrictions on their disposal. An example would be parks and green spaces.

Componentisation - component parts of a major asset may not have the same useful lives (i.e. they wear out or depreciate at different rates), therefore those components with a value that is significant in relation to the total value of the asset shall be depreciated separately. The purpose is to ensure that the depreciation charged in the Income & Expenditure Statement properly reflects the consumption of economic benefit.

Glossary of Terms (continued)

Contingent Assets - assets where the possibility of an economic benefit depends solely upon future events that are not wholly with the control of the Council.

Contingent Liabilities - a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council. Contingent Liabilities also arise 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.

Corporate & Democratic Core - expenditure relating to the need to co-ordinate and account for the many services provided to the public, including the cost of member representation and authorities associated with public accountability.

Council Tax - a local tax on domestic property set by local authorities in order to meet their budget requirement.

Council Tax base - the total number of properties within the local authority area expressed in terms of band D equivalents, incorporating discounts, deductions and exemptions.

CIPFA - the Chartered Institute of Public Finance and Accounting, the leading accounting body for local government.

CIPFA Treasury Management Code of Practice - provides a basis for all public service organisations to create clear *treasury management* objectives and to structure and maintain sound treasury management policies and practices.

Creditors - a person, company or other organisation to whom the Council owes money for works done, goods received or services rendered before the end of the accounting period but for which payment has not been made by the end of that period, shown as a liability on the Balance Sheet. Also know as Payables.

Current Assets - an asset that can be readily converted into cash within less than one year.

Current Liabilities - a liability that is due to be settled within one year.

DCLG - Department for Communities and Local Government, the main Government department dealing with local government and community issues.

Debtors - a person, company or other organisation that owes money to the Council for works done, goods received or services rendered before the end of the accounting period but for which payment has not yet been made by the end of that period, shown as an asset on the Balance Sheet. Also know as Receivables.

Defined Benefit Pension Scheme - a scheme in which the benefits are defined in the scheme rules and accrue independently of the contributions payable and investment returns.

Depreciated Replacement Cost - this method of asset valuation is used when it is not practical to estimate the open *market value* for the existing use of a specialised property. It is based on current replacement cost adjusted for depreciation.

Depreciation - the measure of the wearing out, consumption, or other reduction in the useful economic life of a tangible fixed asset, whether arising from use, passing of time or obsolescence through technological or other changes.

Direct Revenue Funding - capital expenditure funded from revenue budgets. Also know as Revenue Contributions to Capital Outlay (RCCO).

Doubtful Debt - a debt that the Council may not be able to recover. A provision is made in the accounts for doubtful debts each year based on the value and age of debts outstanding.

Glossary of Terms (continued)

Earmarked Reserves - reserves which are held by an authority for specified purposes.

Exceptional Items - material (see *materiality*) items that derive from events or transactions that fall within the ordinary activities of the Council but which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Fair Value - the price at which an asset or liability could be exchanged between knowledgeable and willing parties in an arm's length transaction.

Fair Value in Use/Existing Use Value (EUV) - the amount that would be paid for an asset in its existing use, it is used for most PPE assets with variations required for low-value short-life assets, council dwellings and surplus assets.

Finance Lease - a *lease* that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee.

Financial Asset - any asset that is cash, a contractual right to receive cash or another financial asset from another party, or an equity instrument issued by another party, examples include bank deposits, bonds and stocks.

Financial Instrument - a *financial asset* that is tradable, for example, bank deposits and investments.

Financial Liability - an obligation to deliver cash or another *financial asset*.

General Fund - the main revenue fund from which the Cost of Services is met.

Going Concern - the concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

Government Grant - financial assistance form Central Government (including government agencies and similar bodies) in the form of a cash grant. In return the Council will comply with any conditions attached to the issuing of the grant.

Held for Sale - asset held for sale are those assets where it is probable that the carrying value will be recovered principally through a sale transaction rather than through continuing use.

Heritage Assets - tangible or intangible assets which are intended to be preserved for future generations because of their historical, artistic, scientific, technological, geophysical or environmental qualities and are held and maintained principally for their contribution to knowledge and culture.

Historic Cost - the amount originally paid for a fixed asset.

Housing Capital Receipts Pool - a proportion of receipts relating to housing disposal is payable to the Government in accordance with statutory requirements. This is known as housing capital receipts pooling.

Housing Revenue Account - reflects a statutory obligation to account separately for local authority housing provision. It shows the major elements of housing revenue expenditure and how this is met by rents, subsidy and other income.

IFRS - International Financial Reporting Standards (IFRS) a global language for business affairs so that accounts are understandable and comparable across international boundaries.

Impairment - a reduction in the value of a fixed asset due to consumption of economic benefits or a general fall in market value.

Glossary of Terms (continued)

Infrastructure Assets - fixed assets that cannot be taken away or transferred, and whose benefits can only be obtained by continued use of the asset created. For example, a major coast protection project.

Intangible Fixed Assets - assets that have no physical substance but are identifiable and controlled by the Council through custody or legal rights. An example would be a software licence.

Inventory - inventory items include consumable stores and goods purchase for resale.

Investment Property - interests in land and/or buildings which are held solely to earn rentals or for capital appreciation or both. Investment Properties are valued at *market value* and must be revalued every year.

Lease - a lease is a contract for the hire of a specific asset. The lessor owns the asset but conveys the right to use the asset to the lessee for an agreed period of time in return for the payment of specified rentals. Leases may be either *operating leases* or *finance leases*.

Liability - an amount owed by the Council that will be paid at some time in the future.

Major Repairs Reserve - all local housing authorities are required to operate this reserve which is used to fund either capital expenditure relating to HRA dwellings or the repayment of housing debt.

Market Value - the amount at which a property would be exchanged between knowledgeable and willing parties in an arm's-length transaction.

Materiality - omissions or misstatements of items are material if they could, by their size or nature, individually or collectively, influence the economic decisions of users taken on the basis of the financial statements.

Minimum Revenue Provision (MRP) - the minimum amount which must be charged to the revenue account each year and set aside as provision for repaying external loans and meeting other credit liabilities.

Net Book Value - the amount at which fixed assets are included in the balance sheet, that is their original/*historical cost* less the cumulative amounts provided for *depreciation, amortisation and impairment.* Also known as carrying value.

Non-Current Asset - tangible or intangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

Non-Distributable Costs - central costs that are not apportioned to the service user.

Non-Domestic Rates - rates payable by local businesses.

Non-Operational Assets - tangible fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. e.g. *investment properties*.

Operating Lease - A *lease* other than a *finance lease*.

Operational Assets - fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Payables - see *Creditors*.

Precept - demand on the Council's *Collection Fund* made by a *Precepting Authority*.

Precepting Authority - an authority that sets a *precept* to be collected by a billing authority (Arun) through the *Council Tax* bill. West Sussex County Council and Sussex Police & Crime Commissioner are known as major precepting authorities. Parish/Town Councils are known as local precepting authorities.

Glossary of Terms (continued)

Prior Period - usually relates to the previous accounting year and is generally used in association with adjustments made in the current accounting year to reflect either a new accounting policy or correction of errors.

Property, Plant & Equipment - tangible assets that are held for use by the Council for the supply of services, for rental to others or for administrative purposes that are expected to be used for at least part of the succeeding financial year. These may be *operational* or *non-operational*.

Provisions - sums set outside to meet liabilities or losses which it is anticipated will be incurred but where the amount and/or the timing is uncertain.

Public Works Loan Board (PWLB) - a Central Government agency, which lends money to Local Authorities at lower interest rates than those generally available from the private sector. Local Authorities are able to borrow a proportion of their requirements to finance capital spending from this source.

Receivables - see *Debtors*.

Related Parties - a person or entity that is related to the Council.

Related Parties Transaction - the transfer of assets or liabilities or the performance of services by, to, or for, a related party irrespective of whether a charge is made.

Reserve - surpluses and deficits that have been accumulated over past years. Reserves of a revenue nature can be spent or earmarked at the discretion of the Council. Some capital reserves such as the revaluation reserve cannot be used to meet current expenditure.

Revaluation - the process of establishing or reviewing the fair value of a non-current asset.

Revenue Expenditure - the operating costs incurred by the Council during the financial year in providing its day to day services.

Revenue Expenditure Financed from Capital Under Statute (REFCUS) - expenditure which would be classed as revenue expenditure but which statutory regulations require the Council to treat as capital for financing purposes, typically this involves expenditure on or contributions towards another organisation's asset.

Self Financing - relates to the new Housing Revenue Account funding regime under which, from April 2012 Councils retain their rental income and use it to fund their housing stock.

Slippage - a delay in the progress of a capital scheme caused by departures from the start date and flow of payments originally allowed for in the capital programme.

Supplementary Estimate - where it is proposed to incur expenditure which is not provided for in the budget, and which cannot be met from specifically identified savings, a supplementary estimate is required. Supplementary estimates, which may be for General Fund or the Housing Revenue Account purposes, require Full Council approval.

Support Service Costs/Charges - expenditure on administrative and professional services and office accommodation, which is recharged to service users on a specified basis.

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

Treasury Management - defined by *CIPFA* as 'the management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks'.

Glossary of Terms (continued)

Unusable Reserve - those reserves that the Council may not use to fund the services it provides. This includes the Revaluation Reserve that holds the unrealised gains and losses on Property Plant and Equipment.

Usable Reserve - those reserves that the Council may use to fund the services it provides, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use e.g. the *Capital Receipts* Reserve may only be used to fund capital expenditure or repay debt.

APPENDIX

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARUN DISTRICT COUNCIL

Opinion on the Authority's financial statements

We have audited the financial statements of Arun District Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 39; the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the related notes 1 to 8; and the Collection Fund and the related notes 1 to 3. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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

Respective responsibilities of the Head of Finance and Property and auditor

As explained more fully in the Statement of the Responsibilities of the Head of Finance and Property set out on page 8, the Head of Finance and Property 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 2013/14, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance and Property; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2013/14 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Arun District Council as at 31 March 2014 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 2013/14.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2013/14 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Arun District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

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

Paul King
for and on behalf of Ernst & Young LLP, Appointed Auditor
Southampton
26 September 2014