



**Horsham
District
Council**

Statement of Accounts 2018/19

Audited – Audit Committee

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Narrative Statement

INTRODUCTION

Welcome to Horsham District Council's Statement of Accounts for 2018/19. The Council's finances are complex and the Council is required by law to include a large amount of detail and to present much of this in a prescribed format. Every effort has been made to make this report as understandable as possible. This Narrative Report to the Statement of Accounts presents an overview of the Council's accounts for the financial year 1 April 2018 to 31 March 2019 and aims to help readers understand the most significant issues reported in the accounts and how they relate to the Council's overall business. It includes comment on the financial performance and economy, efficiency and effectiveness in the use of resources over the financial year and in the context of the Medium Term Financial Strategy.

BASIS OF PREPARATION

The Accounts are presented on an International Financial Reporting Standards (IFRS) basis having been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

References to material and materiality relates to the significance of transactions, balances and errors. Financial information is material if its omission or misstatement could influence the users of the accounts.

ORGANISATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT

Horsham District is the second largest local authority district in West Sussex which covers a large area of open countryside, small towns and villages. There are 32 parishes each with its own parish council. The population is around 135,000 people with over 45,000 of these living in Horsham and the immediate area. Billingshurst, Southwater, Henfield, Pulborough, Storrington and Steyning are the other main centres of population with the remaining residents living in the surrounding parishes.

There is a strong administrative and service sector presence in the district alongside a retail sector with more than 4,000 commercial premise based businesses, plus a number of small businesses run from residential properties. However, the 2017 Rateable Value (RV) listing, which started at £114m on 1 April 2017, ended 31 March 2019 at £112.1m. There have been some additions to the list during the year, but significant office and retail space demolitions have affected the list contributing to the £0.78m fall in 2018/19, which follows the £1.16m reduction in 2017/18. Whilst some of these sites are being redeveloped for commercial purposes and will come back on the RV list, some are being converted into housing.

Central Government's revenue funding in the form of Revenue Support Grant (RSG) and Business Rates Spending baseline fell by £0.3m from 2017/18 levels, which was a 13 percent fall. In the light of continued financial pressure from government cuts and the impact of new legislation, the Council has been focusing on strengthening resilience in its operations and policies including financial and staffing resilience. The Council's excellent record of sound financial management puts the Council in a strong position to withstand the financial challenges it faces in the future.

GOVERNANCE

The District Council has adopted the Cabinet model of governance with a Leader, Deputy Leader and Cabinet Members each with responsibility for one aspect of the Corporate Plan. Much decision making is delegated to Cabinet Members or Committees but major items of policy remain the responsibility of the Cabinet or the whole Council. The whole Council approves the Council's expenditure plan and the budget, as part of the process of setting the Council Tax each year. The Council has 44 elected Councillors.

The Council has a three year Corporate Plan 2016-19 that sets out its aims under four headings:

- **Economy**– improve and support the local economy
- **Efficiency**– delivering great value services
- **Communities** –support our communities
- **Environment** – manage our natural and built environment

The Council also has a statutory requirement under Regulation 4 of the Accounts and Audit (England) Regulations 2011 to conduct a review at least once a year of the effectiveness of its system of internal control. An Annual Governance Statement is prepared to provide assurance that the statement of accounts gives a true and fair view of the Council's financial position at the year-end and its financial performance during the year. The Annual Governance Statement is signed and reported alongside the annual Statement of Accounts. There have not been any significant changes in, or issues around, governance arrangements in the year.

PERFORMANCE DURING 2018/19

The Council monitors financial and non-financial performance indicators on a monthly basis. It measures and publishes its performance using a set of 42 key performance indicators which cover many of the Council's key services. The final figures for the 2018/19 year are reported to Overview and Scrutiny Committee in July 2019). The Council also reviews delivery of the

Corporate Plan objectives at this meeting. There has been a high level of achievement in the Corporate Plan for the 2018/19 period.

These indicators show positive performance across most areas, with all the indicators at or close to target. The recycling rate has improved above the EU 50% target following the introduction of changes to collection routes and processes in the waste collection service. Whilst close to target, collection levels of business rates remains below the West-Sussex average and percentages of invoice paid on time have fallen slightly below the 95% target. Due to garden waste and parking disc renewal demands and in the lead up to elections, the percentage of customer calls being abandoned hit 7%, which was above than the 5% target. Temporary customer service staff were employed to cover peak times.

Employees

The number of permanent employees was 385.6 FTE at 31 March 2019 (397.8 at 31 March 2018). There were 6.5 sickness days per FTE employees (6.8 days at 31 March 2018) and remains below the 8 day target. No trends needing intervention were identified. The Council publishes equality and diversity data such as the gender pay gap, as well as other HR and Trade Union reporting data, made available on the website at:

<https://www.horsham.gov.uk/communitysupport/community-support/equality,-diversity,-human-rights>

Local taxpayers

During the year, the Council collected £103.81m in Council Tax on behalf of West Sussex County Council, the Sussex Police and Crime Commissioner and Horsham District Council and its towns and parishes. Around 91% of this was passed on to the other authorities. The collection rate for the year was 98.57% of the total amount due which was slightly less on 2017/18 (98.83%) and slightly over the unchanged target of 98.8%, with the aim of collecting the majority of the remainder in the first few months of 2019/20.

Provisions and write-offs

An allowance has been made for Council Taxpayers' Bad and Doubtful Debts using an analysis of the recovery position of the debts outstanding as at 31 March 2019. A total of £2.11m (£2.11m in 2017/18) has been allowed against debts of £3.40m (£3.38m in 2017/18) outstanding as at 31 March 2019. The Council's share of the allowance is £254k (£260k in 2017/18).

An allowance has also been made for Business Ratepayers' Bad and Doubtful Debts using an analysis of the recovery position of the debts outstanding as at 31 March 2019. A total of £1.29m (£0.99m in 2017/18) has been allowed against debts of £2.50m (£1.89m in 2017/18) outstanding as at 31 March 2019. The Council's share of the allowance is £517k (£438k in 2017/18).

In the 2018/19, there has been £0.751m of uncollectable amounts written off (£1.056m in 2017/18).

A provision for appeals made against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31 March 2019 has been made of £6.23m (£4.61m in 2017/18). The Council's share (40%) is £2.49m (£1.84m in 2017/18), as detailed in the Provisions note 18.

BUDGET 2018/19

In 2018/19, the total expenditure incurred by the Council was £75.8m; this is excluding non-cash costs charged to the services such as depreciation, impairment costs and pension adjustments. Of this, the Council pays around 50% in housing benefit to many residents in the district on low incomes. This money is repaid by the Government as a subsidy.

Revenue spending is generally on items that are consumed in the financial year and is financed from Council Tax, government grant, contributions from non-domestic rates and charges for services.

The Council approved a net General Fund Revenue budget for 2018/19 of £10.7m at the formal meeting on 21 February 2018.

	£000
Net expenditure	10,714
Funded by:	
Council Tax	9,144
Revenue Support Grant	0
Business Rates baseline funding	1,899
Additional Business rates	200
Collection fund surplus	82
Total funding	11,325
(Surplus) / Deficit	(611)

CORE STATEMENTS

Comprehensive Income and Expenditure Statement - This statement shows the accounting cost in the year of providing Services in accordance with the requirements of International Financial Reporting Standards (IFRS) as applied by the Code of Practice on Local Authority Accounting in 2018/19, rather than the amount to be funded from taxation.

Movement in Reserves Statement – This statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return the amounts chargeable to council tax for the year.

Balance Sheet – The Balance Sheet sets out the financial position of the Council as at 31 March 2019 and consolidates the individual balance sheets of the General Fund and Collection Fund. It shows the value as at the year-end 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 Council.

Cash flow statement – This statement shows the changes in cash and cash equivalents of the Council during the reporting period. It shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council.

REVENUE OUTTURN FOR 2018/19

The Council monitors its expenditure and income against budget on a monthly basis, regularly reporting to Cabinet and to Overview and Scrutiny Committee on a quarterly basis. The 2018/19 year-end revenue and capital outturn is reported to both Cabinet and O&S Committee in July.

The variance against original budget was reported as a surplus of £0.828m. There was £0.201m of revenue budgets, intended for projects in 2018/19, which were unspent and carried forward to 2019/20. After allowing for the budgeted transfers to reserves and other transfers to earmarked reserves, the outturn surplus has increased the in-year surplus on the General Fund to £2.571m as shown below.

	£000
Outturn variance reported	(828)
Budgets brought forward from 2017/18 (including repairs and renewals)	158
Budgets carried forward to 2019/20	(201)
Underspend of MRP against budget	2
Other adjustments	<u>(1,702)</u>
Surplus on General Fund (after transfers to earmarked reserves)	(2,571)

The General Fund shows a net surplus of £2.571m on expenditure and income transactions in the year. The Comprehensive Income and Expenditure Statement shows a surplus for the year of £2.883m, comprising a surplus on the provision of services of £7.003m and a deficit of £4.120m on the revaluation of non-current and financial assets and on the actuarial value of pension assets and liabilities.

The Comprehensive Income and Expenditure Statement takes a wider view of financial performance than that shown in the General Fund and shows the true accounting position for the year. The surplus for the year represents the total amount by which the Council's overall net worth has increased over the year as shown in the Balance Sheet.

In addition to the net General Fund surplus of £2.571m and the net revenue surplus on other earmarked reserves, it also includes the following major items:

- i) **A charge for the depreciation and revaluation/impairment of assets.** The depreciation charge of £2.399m is a charge for the use of assets that reflects the notional consumption of assets during the year and gains of £3.260m have been credited on the revaluation of assets.
- ii) **A charge for revenue expenditure funded from capital under statute (REFCUS).** A charge of £1.941m is made for expenditure which under proper accounting practice meets the definition of revenue expenditure, but which under statute can be funded from capital resources. It mainly relates to grants made for a capital purpose, such as grants for disabled facilities.
- iii) **A credit for capital grants and contributions.** Capital grants and contributions of £6.492m have been credited in accordance with proper accounting practice. However these grants are used to fund the Council's capital programme and do not fall into the General Fund.
- iv) **A charge for pensions** of £1.836m representing the difference between the accounting cost of pensions of £4.318m (as estimated by the Pension Fund actuary in accordance with IAS19) and the actual employer contributions of £2.482m paid to the West Sussex Pension Fund. Further details of the movement in the pension fund liability are shown in note 30.
- v) **A gain on the disposal of assets** of £1.213m. When an asset is disposed of, the difference between the sale proceeds and the carrying value of the asset must be charged or credited to the Comprehensive Income and Expenditure Statement.
- vi) **Other technical adjustments** relating to financing costs, council tax, business rates and officer remuneration.

Local authorities are required by statute to set aside each year some of their revenue to provide for repayment of debt in respect of capital expenditure financed by borrowing or credit arrangements, known as the Minimum Revenue Provision (MRP). In 2018/19 the amount set aside was £0.870m (2017/18 £0.924m). This is a charge to the General Fund which is not shown in the Comprehensive Income and Expenditure Statement.

While the Comprehensive Income and Expenditure Statement shows the true accounting position for the year, it is the General Fund position, which is the more important for residents of the district. Certain items that are charged under accounting rules, such as depreciation, impairment, capital grants and actuarially assessed pension charges, are eliminated from the General Fund, leaving the net costs, which after crediting revenue income and grants are those to be met by the Council Tax payers.

The table below summarises these accounting adjustments:-

	£000
Surplus on General Fund	(2,571)
Transfers (to) / from earmarked reserves	(5,405)
Accounting adjustments	
Charge for depreciation	2,399
Revaluation of non-current assets	3,260
Revenue expenditure charged to capital	1,941
Capital grant income	(6,264)
IAS19 pension costs	1,836
(Gain) / loss on disposal of assets	(1,213)
Minimum Revenue Provision	(870)
Share of in year surplus on the Collection Fund	387
Other technical adjustments	(503)
Surplus on provision of services per CIES	(7,003)

CAPITAL EXPENDITURE

Capital expenditure relates to the acquisition, creation or enhancement of assets that yield benefits for more than one year and is financed by grants, contributions, loans and capital receipts generated from the disposal of assets.

Against a final capital plan of £27.4m in 2018/19, the Council's capital spending for the year was £14.5m across a range of over 60 capital schemes. The majority was spent in the following six key areas:

- £5.8m completing the building of the Bridge, a £12.3m leisure centre in Broadbridge Health, which opened in November 2018.
- £3.6m on Piries Place car park; a £8m facility to replace the old car park with a fit for purpose structure, and creating additional capacity in Horsham town centre
- £1.4m on disabled facilities using Government grant funding to help disabled residents live in their homes.
- £1.1m on a building temporary accommodation in Horsham
- £0.5m Housing enabling grants to increase the number of affordable homes in the district
- £0.5m property investment to generate a revenue return

£10.5m unspent capital budget has been re-profiled into 2019/20 and later years including the following larger schemes:

- £4.4m of the Piries car-park budget, following some initial delays to the project before building work started.
- £1.3m of temporary accommodation in Billingshurst, following the initial re-design of the scope and decoupling from the temporary accommodation scheme in Horsham and subsequent re-programming.

Where not re-profiled, unspent budgets are removed from the capital programme, as the original schemes are either superceded or no longer needed. £2.5m of the annual £3m property investment budget was not spent in 2018/19 as suitable property was not identified. This budget has not been rolled into 2019/20 as £3m budget for annual property investment is already in place.

FINANCIAL POSITION AT 31 MARCH 2019

The net worth of the District Council is shown in the Balance Sheet. It has increased by £2.9m from 31 March 2018. This is a result of an increase in the Council's unusable reserves of £2m, which includes accounting adjustments related to non-current assets and pensions.

Property, Plant and Equipment value has increased by £3.9m to £109m. Investment Property value has also risen by £4.3m to £50.9m due to net gains from fair value adjustments as well as the £0.5m addition in year.

The net pension asset decreased by £7.65m from a net pension surplus of £10.31m at 31 March 2018 to a net pension surplus of £2.66m at 31 March 2019, reflecting changes in the financial assumptions used by the Actuary and fluctuations in the values of assets and liabilities. This largely reverses the £8.3m gains made during 2017/18. In 2018/19, corporate bonds yields are lower, which serves to increase the value placed on the obligations. The effect of this is partially offset by investment returns being greater than the 31 March 2018 discount rate. This position is a snapshot of the actuarial assessment at the Balance

Sheet date and does not mean that the pension fund will remain in surplus in the future. Asset values of the fund can decrease and the liabilities can also significantly increase in the future.

A full triennial valuation of the Fund was undertaken at 31 March 2016 and revised employer contribution rates have been agreed for the three years from 1 April 2017, which in 2018/19 was a contribution of 20.5%. The Council relies on and places assurance on the professional judgement of the Actuary and the assumptions used to calculate this actuarial valuation. Full details of the movement in the liability are shown in note 30.

The level of usable Reserves increased by £4.5m to £33.5m during 2018/19. The Council's level of General Reserves held at 31 March 2019 stands at £14.2m. Given our intention to become financially independent in the medium term, our reserves will enable us to invest in transformation. A policy was developed during 2017 for the New Homes Bonus reserve to strengthen the Council's ability to generate income from appropriate investments in order to receive income to support future service delivery and secure the delivery of infrastructure to serve the needs of the district's residents. Further details on reserves can be found in note 19.

The Council had a single £4m PWLB loan which was due to be paid back at 31 March 2019. However, as 31 March 2019 was a Sunday, this was not repaid until Monday 1 April 2019. It therefore shows in the balance sheet as short-term borrowing.

FINANCIAL OUTLOOK INCLUDING STRATEGY AND RESOURCE ALLOCATION

Despite ongoing financial uncertainty and the reduction in central government funding, the Council set a £1.4m budget surplus for 2019/20. It has done this through internal efficiencies, income generation and an inflationary increase in Council Tax. Government also unexpectedly eliminated negative Revenue Support Grant in the Settlement for 2019/20 that left the Council £0.7m better off than expected. Further ahead, the Medium Term Financial Strategy has already identified further areas of income generation and efficiencies that if delivered, should result in near balanced budgets between 2020/21 and 2022/23.

The transformation programme will deliver a stronger organisation which will be more productive and better equipped to serve customers. It will also help to protect front-line services whilst ensuring that the Council has a strong and responsive support services.

The programme of transformational efficiencies ranges from self-service, changing ICT technology, contract reviews and redesign of business processes. The Council has also identified around £1m of new income sources and additional income expected from a growth in the number of users. The Council is also mid-way through a five year, £15m property investment programme to generate revenue income returns.

Whilst there is a cost in implementing the transformation for which £0.5m each year is envisaged, the transformation will help protect the level of general fund reserves and keep them above the £6m minimum level of general reserves that Members agreed upon in 2012. The planned budget surplus in 2019/20 will help fund this investment and also provide additional reserve to help mitigate any impact during Britain's exit from the European Union.

The MTFs has been prepared with a high level of uncertainty around the future of business rates and the Fair Funding review. The Council has already started work on identifying ideas to ensure that it can continue its business transformation journey into the 2020s to meet the demands and expectations of its customers in the face of financial and demographic pressures. The Council will continue to review potential actions that it could take to help pay towards further transformation and / or income generating ideas.

The Director of Corporate Resources regularly reports to the Council on the basis of the latest information available, so that the risks and opportunities can be considered and evaluated.

The Council's cash flow remains healthy. At the current year-end, the Council has £5.3m of cash and cash equivalents. The level of general reserves is larger than the amount of income and savings needed to balance the budgets by 2022/23. The value of treasury investments including those classified as cash and cash equivalents ended the year at £36.3m.

Over the last 12 months, the Council has made some significant decisions that will affect the future use of the Council's resources and will impact on the financial position of its Balance Sheet. The following significant capital expenditure has either been completed in 2018/19 or planned to complete over the next twelve months:

- Broadbridge Heath Leisure Centre: The new £12.3m leisure centre facility opened in November 2018.
- Piries Place Car Park: The £8m replacement car park will open during 2019, creating 200 additional spaces in the town centre.
- Temporary accommodation: The Council is spending £3m on two sites in Billingshurst and Horsham that will be used as seventeen affordable short stay temporary accommodation units for homeless households. The decision supports the statutory duty the Council has to house the homeless and it reduces the need to place households in bed and breakfast accommodation. These will open in 2019.

RISKS AND OPPORTUNITIES

The medium term financial strategy takes a prudent but balanced view of the financial future, but continuing to take further action is also important to also help mitigate the risks that the Council faces over the medium term. These risks are set out in summary below and include:

- changes to organisation processes or ICT infrastructure that slow the achievement of strategic objectives
- late delivery of savings / income, or can't be delivered to the size / scale envisaged
- income may be affected by external factors such as recession
- significant economic uncertainty from world events, including Britain's exit from the European Union.
- further or steeper funding cuts / to help government meet their deficit reduction targets especially beyond the current settlement period (2020).
- Fair Funding Review outcomes, including any impact on locally generated sales, fees and charges
- legislation forcing local government to pick up additional responsibilities that we don't yet know about

The work under the transformational programme has identified several medium and longer term opportunities that could be developed to mitigate these risks. The Council will also continue to pursue opportunities that deliver savings and / or generate income whilst retaining a good quality of service delivery.

FURTHER INFORMATION

Interested members of the public have a statutory right to inspect the accounts from 31 May 2019 to 11 July 2019. The notice was placed on the Horsham District Council website, under the Finance and Performance Service - Statement of Accounts.

Further information on the contents of this publication can be obtained from the Director of Corporate Resources Jane Eaton (Jane.Eaton@Horsham.gov.uk) or the Head of Finance, Dominic Bradley (Dominic.Bradley@Horsham.gov.uk), at Horsham District Council, Parkside, Chart Way, Horsham, West Sussex RH12 1RL.

It is our intention to be open with the information that we hold and we encourage local stakeholder enquiries.

Statement of Responsibility for the Financial Statements

THE AUTHORITY'S RESPONSIBILITIES

The authority is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Corporate Resources;
- Manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets;
- Approve the statement of accounts.

THE DIRECTOR OF CORPORATE RESOURCES RESPONSIBILITIES

The Director of Corporate Resources 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 Director of Corporate Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- Complied with the Local Authority Code.

The Director of Corporate Resources has also:

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

CERTIFICATION OF THE ACCOUNTS

I hereby certify that the Statement of Accounts 2018/19 present a true and fair view of the financial position of the authority at the reporting date and its income and expenditure for the year ended 31 March 2019.

Jane Eaton C.P.F.A.
Director of Corporate Resources
xx July 2019

APPROVAL OF THE ACCOUNTS

I hereby certify that the Statement of Accounts 2018/19 have been approved by the Council's Audit Committee under delegated powers at a meeting held on...

Councillor Stuart Ritchie
Chairman of the Audit Committee
xx July 2019

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Movement in Reserves Statement

	General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Note
	£000	£000	£000	£000	£000	£000	
Balance at 1 April 2017	(19,994)	(5,282)	(5,281)	(30,557)	(115,629)	(146,186)	
Movement in reserves during 2017/18:							
(Surplus) or deficit on provision of services	676	0	0	676	0	676	7
Other Comprehensive Expenditure and Income	0	0	0	0	(14,503)	(14,503)	
Total Comprehensive Expenditure and Income	676	0	0	676	(14,503)	(13,827)	
Adjustments between accounting basis & funding basis under regulations (restated)	(1,604)	4,249	(1,170)	1,473	(1,473)	0	7,11
Increase/Decrease (movement) in Year	(928)	4,249	(1,170)	2,150	(15,978)	(13,827)	
Balance at 31 March 2018 carried forward	(20,922)	(1,033)	(6,451)	(28,406)	(131,607)	(160,013)	
Movement in reserves during 2018/19:							
Transition to IFRS 9	0	0	0	0	7	7	14
(Surplus) or deficit on provision of services	(7,003)	0	0	(7,003)	0	(7,003)	7
Other Comprehensive Expenditure and Income	0	0	0	0	4,120	4,120	
Total Comprehensive Expenditure and Income	(7,003)	0	0	(7,003)	4,127	(2876)	
Adjustments between accounting basis & funding basis under regulations	4,922	(294)	(2,694)	1,934	(1,934)	0	7,11
Increase/Decrease (movement) in Year	(2,081)	(294)	(2,694)	(5,069)	2,193	(2,876)	
Balance at 31 March 2019 carried forward	(23,003)	(1,327)	(9,145)	(33,475)	(129,414)	(162,889)	

Comprehensive Income and Expenditure Statement

2018/19			2017/18			Note
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	
£000	£000	£000	£000	£000	£000	
2,488	(63)	2,424	2,586	(638)	1,948	
13,639	(4,079)	9,560	8,619	(3,568)	5,051	
1,326	(17)	1,309	1,306	(18)	1,288	
416	(11)	405	390	(8)	382	
3,310	(1,141)	2,169	1,814	(796)	1,018	
1,935	(1)	1,934	2,189	(1)	2,188	
1,665	(167)	1,498	1,545	(126)	1,419	
3,690	(4,713)	(1,023)	2,726	(4,629)	(1,903)	
4,910	(3,259)	1,651	4,672	(2,621)	2,051	
1,766	(195)	1,571	1,613	(146)	1,467	
9,427	(4,856)	4,571	13,025	(4,562)	8,463	
31,201	(30,726)	475	33,362	(32,739)	623	
75,773	(49,229)	26,543	73,847	(49,852)	23,995	7
		2,011			1,659	8
		(8,625)			(2,829)	9
		<u>(26,932)</u>			<u>(22,149)</u>	10
		(7,003)			676	7
		(1,551)			(4,857)	12
		5,820			(10,046)	30
		<u>(149)</u>			<u>399</u>	
		4,120			(14,503)	
		(2,883)			(13,827)	

Balance Sheet

<u>31.03.2019</u>		<u>31.03.2018</u>	Note
£000	NON-CURRENT ASSETS	£000	
	Property, Plant and Equipment		
99,144	- Other Land and Buildings	94,808	12
3,775	- Vehicles, Plant, Furniture & Equipment	4,329	12
6,098	- Assets under construction/Awaiting Development	5,975	12
531	Heritage Assets	531	
50,909	Investment Property	46,600	13
30	Intangible Assets	8	
350	Assets Held for Sale	0	
2,657	Pension Asset	10,313	30
259	Long-term Debtors	296	
<u>16,747</u>	Long-term Investments	<u>17,632</u>	14
180,500	TOTAL LONG-TERM ASSETS	180,492	
13,381	Short - term Investments	14,197	14
139	Inventories	122	
5,939	Short -term Debtors	6,719	16
<u>5,297</u>	Cash and Cash Equivalents	<u>5,537</u>	15
24,756	CURRENT ASSETS	26,575	
(4,000)	Short-term borrowing	(4,000)	14
<u>(11,672)</u>	Short-term Creditors	<u>(14,344)</u>	17
(15,672)	CURRENT LIABILITIES	(18,344)	
(161)	Provisions	(226)	18
(2,493)	Provision for Business Rates Appeals	(1,844)	18
(236)	Council tax and NDR appropriations	0	
(8,737)	Long-term liabilities - S106 Contribution	(10,071)	18
(239)	CIL Contribution	0	
(792)	- Rent Deposits and Other Balances	(910)	
(14,037)	Capital Grants & Receipts in Advance	(15,659)	18
(26,695)	LONG-TERM LIABILITIES	(28,710)	
162,889	NET ASSETS	160,013	
	Usable Reserves		
(23,003)	- Reserves	(20,922)	19
(1,327)	- Capital Receipts Reserve	(1,033)	19
(9,145)	- Capital Grants & Contributions Unapplied	(6,452)	19
	Unusable Reserves		
(34,516)	- Revaluation Reserve	(33,517)	20
(2,657)	- Pensions Reserve	(10,313)	20,30
(93,380)	- Capital Adjustment Account	(88,645)	20
0	- Financial Instrument Available for Sale Reserve	295	
113	- Pooled Fund Adjustment Account	0	
33	- Financial Instrument Revaluation Reserve	0	
0	-Financial Instrument Adjustment Account	(26)	
832	-Collection Fund Adjustment Account	445	20
<u>161</u>	-Accumulating Absences Adjustment Account	<u>155</u>	
(162,889)	TOTAL RESERVES	(160,013)	

These financial statements replace the unaudited financial statements certified by the Director of Corporate Resources on 31 May 2019

Jane Eaton C.P.F.A. Director of Corporate Resources xx July 2019

Cash Flow Statement

<u>2018/19</u>		<u>2017/18</u>	<u>Note</u>
£000		£000	
	<u>Operating activities</u>		
(7,003)	(Surplus) or deficit on provision of services	676	7
(888)	Adjust net surplus or deficit on the provision of services for non- cash movements	(7,689)	21
7,669	Adjust for items in the net deficit on the provision of services that are investing or financing activities	4,178	21
(222)	Net cash flows from Operating activities	(2,835)	
	<u>Investing activities</u>		
12,695	Purchase of property, plant and equipment, investment property and intangible assets	27,139	
10,950	Purchase of short-term and long-term investments	156,430	
387	Other payments for investing activities	6	
(171)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(645)	
(12,781)	Proceeds from short-term and long-term investments	(169,864)	
(10,772)	Other receipts from investing activities	(12,468)	
308	Net cash flows from investing activities	598	
	<u>Financing Activities</u>		
154	Other receipts from financing activities	949	
0	Other payments for financing activities	0	
154	Net cash flows from financing activities	949	
240	Net (increase) or decrease in cash and cash equivalents	(1,288)	
5,537	Cash and cash equivalents at 1 April	4,249	15
5,297	Cash and cash equivalents at 31 March	5,537	15

Notes to the Core Statements

1 ACCOUNTING POLICIES

GENERAL PRINCIPLES

The accounts comply with the Code of Practice on Local Authority Accounting (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). Accounting policies and estimation techniques have been selected and used having regard to the accounting principles and concepts set out in International Financial Reporting Standards *Framework for the Preparation of Financial Statements*, specifically:

- The qualitative characteristics of financial information
- Relevance
- Reliability
- Comparability
- Understand ability
- Materiality
- Accruals
- Going concern

Where there is specific legislation this will have primacy over any other provision. The accounts have been prepared under the historical cost convention modified by the revaluation of certain categories of non-current assets.

ACCRUALS OF EXPENDITURE AND INCOME

The revenue accounts of the Council are maintained on an accruals basis in accordance with the Code. Any sums due to or payable by the Council at the end of each financial year that exceed £5,000 either individually, or as a class of expenditure are brought into account (irrespective of whether cash has been received or payment has been made). The exception to the £5,000 limit exists where the expenditure or part of it is to be recharged to a third party. Where a service is provided for a full year a full year's costs/income is reflected in the accounts. If any service is only provided for a proportion of the year a relevant proportion is included. If actual costs are not available accruals are made, in accordance with officer guidelines, on a best estimate basis.

At the end of each financial year, an estimate is made of doubtful debts - amounts due to the Council but unlikely to be received. The total value of these amounts is shown as a provision on the Balance Sheet.

Capital expenditure is also accounted for on an accrual basis in accordance with the capital accounting provisions of the Code.

Council tax income is accounted for on an accrual basis with the Horsham District Council share of income included within the debtors and creditors balances on the Balance Sheet, with the preceding authorities' accounting for their relevant share.

CASH AND CASH EQUIVALENTS

Cash equivalents are short-term, highly liquid investments that are repayable within one month of acquisition. They are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash equivalents include shares in constant net asset value money market funds.

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.

PRIOR PERIOD ADJUSTMENTS

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.

Changes in accounting policies are only made where 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. When 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 error discovered in prior periods figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

CHARGES TO REVENUE RELATED TO NON-CURRENT ASSETS

General Fund service revenue accounts have been charged with depreciation, amortisation and where required any relevant impairment loss. These charges are credited in the Movement in Reserves Statement so that they do not have an impact on the amounts required to be raised from local taxation.

Amounts required to be set aside from revenue for the reduction of its overall borrowing requirement to finance capital expenditure, or as transfers to other earmarked reserves, are disclosed separately in the Movement in Reserves Statement.

MINIMUM REVENUE PROVISION

The Council is not required to raise Council tax to fund depreciation, revaluation and impairment losses or amortisation of non-current assets. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis or as determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (MRP or loans fund principal), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

EMPLOYEE BENEFITS

Officers Emoluments and Senior Officer Remuneration

In line with the Accounts and Audit Regulations 2015, a note disclosing officers' emoluments is required which includes all amounts paid to or receivable by an employee, including sums due by way of expenses allowances and the estimated money value of any other benefits received by an employee other than in cash.

There is also a requirement that local authorities include remuneration information of senior employees in the note accompanying their statement of accounts with previous year comparatives. This information can be found in note 26.

Benefits payable during employment are those that are due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and sick leave 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 earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is charged to 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.

Exit Packages and Termination Costs

The Code requires disclosure of the details of exit packages agreed and the costs within bandings for the financial year with prior year comparatives. Information on termination costs together with prior year comparatives are provided in notes 26 and 27.

Post-Employment Benefits - Pensions

Horsham District Council employees have the right to membership of the Local Government Pension Scheme, administered by West Sussex County Council. This scheme is accounted for as a defined benefits scheme. Pension costs have been accounted for in accordance with IAS19 Retirement Benefits. The basic principle being that the Council accounts for retirement benefits when it is committed to give them, even if the actual payment is in the future. The estimated economic current costs are based on valuations provided by the Fund's actuaries.

Liabilities are measured on an actuarial basis discounted to present value, using the projected unit method. The discount rate to be used is determined in reference to market yields at balance sheet date of high quality corporate bonds

The assets of the scheme 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

Any change in the net pension liability is analysed into six components:

- Current service cost – the increase in liabilities as a result of years of service earned this year are allocated in the Comprehensive Income and Expenditure Account to the revenue accounts of services for which the employees worked.

- Past service cost – the increase or decrease in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. These are debited/credited to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Re-measurement of 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- recognised in Other Comprehensive Income and Expenditure.
- Contributions paid to the West Sussex County Council Pension Fund – cash paid as employer contributions to the pension fund.

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 in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations 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 any amounts payable to the fund but unpaid at the year-end.

Discretionary Benefits

The Council provides post-employment benefits which arise from additional service awarded on a discretionary basis. These benefits are unfunded with costs met directly from the Council's revenue account.

West Sussex County Council's Annual Report on the Pension Fund is available from County Hall, Chichester.

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 would be adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are 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.

FINANCIAL INSTRUMENTS

Financial Liabilities

Financial Liabilities 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. The amount presented in the Balance Sheet for borrowings is the outstanding principal repayable (plus accrued interest).

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan 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 General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost

- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest.

Financial Assets Measured at Amortised Cost

Financial assets are initially measured at fair value. They are subsequently measured at their amortised cost. Annual income appears in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

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

Expected Credit Loss Model

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

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

Financial Assets Measured at Fair Value through Profit of Loss

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

The fair value measurements of the financial assets are based on the following techniques:

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

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

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

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Statutory arrangements protect the General Fund Balance from this charge and this is therefore reversed out of the General Fund Balance to a reserve in the Movement in Reserves Statement.

Financial Assets Measured at Fair Value through other comprehensive income

The Council designates specific financial assets as measured at Fair Value through other comprehensive income. This designation is specific and irrevocable. These assets are initially measured and carried at fair value. Fair value gains and losses are recognised in the Financial Instrument Revaluation Reserve and in the 'Surplus or deficit from investments in equity instruments designated at fair value through other comprehensive income' line in the Comprehensive Income and Expenditure Statement.

On the de-recognition of an asset any gains and losses that arise are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Any accumulated gains or losses relating to the asset previously recognised in the Financial Instrument Revaluation Reserve are transferred to the General Fund in the Movement in Reserves Statement.

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.

Grants and contributions for capital purposes are recognised as income on receipt as long as there is no condition for their use that has not been satisfied. Where there is a condition the amount will be held as a receipt in advance until the condition is satisfied at which point the amount is recognised as income. Where capital grants are recognised as income they are reversed out of the General Fund in the Movement in Reserves Statement and held as unapplied reserve until used to finance capital expenditure.

COLLECTION FUND

The Collection Fund Statement is an agent's statement which reflects the statutory obligation in accordance with section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) for billing authorities to maintain a separate Collection Fund. The Collection Fund shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution to local authorities and the Government of council tax and non-domestic rates. There is no requirement for a separate Collection Fund Balance Sheet since the assets and liabilities arising from collecting non-domestic rates and council tax belong to the bodies (i.e. major preceptors, the billing authority and the Government).

COUNCIL TAX INCOME

Council tax income included in the Comprehensive Income and Expenditure Statement for the year shall be the accrued income for that year. Each major preceptor's share of the accrued council tax income is available from the information required to be produced in order to prepare the Collection Fund Statement.

Since the collection of council tax is in substance an agency arrangement, the cash collected by the billing authority from council tax debtors belongs proportionately to the billing authority and the major preceptors. There will therefore be a debtor/creditor position between the billing authority and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of cash collected from Council taxpayers. If the net cash paid to a major preceptor in the year is more than its proportionate share of net cash collected from council tax debtors/creditors in the year, there is a debit adjustment. If the cash paid to a major preceptor is less than its proportionate share of net cash collected in the year from council tax debtors/creditors, the billing authority shall recognise a credit adjustment for the amount underpaid to the major preceptor in the year.

The Cash Flow Statement of the billing authority shall include within operating activities only its own share of council tax net cash collected from council tax debtors in the year; and the amount included for precepts paid shall exclude amounts paid to major preceptors. The difference between the major preceptors' share of the net cash collected from council tax debtors and net cash paid to major preceptors as precepts and settlement of the previous year's surplus or deficit on the Collection Fund shall be included within financing activities in the Cash Flow Statement.

NATIONAL NON-DOMESTIC RATES (NNDR)

Following the introduction of business rate localisation in April 2013, local authorities are responsible for collecting and distributing income from the business rates they collect.

The Council is responsible for any refunds relating to backdated appeals although a significant element of refunds relate to 2014/15 or prior years and in accordance with CIPFA Guidance (LAAP Bulletin 96) such liabilities are formally recognised in the accounts.

Safety net arrangements are in place to protect the Council from the impact of any reductions below 7.5% of its baseline funding level.

HERITAGE ASSETS

A tangible heritage asset is a tangible asset intended to be preserved in trust for future generations with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Operational heritage assets (i.e. those that, in addition to being held for their heritage characteristics, are also used by the Council for other activities or to provide other services) shall be accounted for as operational assets rather than heritage assets, and shall be valued in the same way as other assets of that general type.

Heritage assets shall normally be measured at valuation in accordance with Financial Reporting Standard 102 but the Standard states that valuations may be made by any method that is appropriate and relevant. Where it is not practicable to obtain a valuation at a cost which is commensurate with the benefits to users of the financial statements, heritage assets can be measured at historical cost (less any accumulated depreciation, amortisation and impairment losses). The museum collections have not been valued as the cost of valuation is not seen as commensurate with benefits to users; historic cost information is not available for collection. The artworks are valued using historic costs where records are available while the war memorial, due to its special nature, is valued at its depreciated replacement cost.

Depreciation will be charged where the asset does not have an indefinite life. If there is evidence of impairment the carrying amount of the asset shall be reviewed. The holdings of the Council currently have indefinite lives and hence are not charged depreciation.

Where heritage assets are revalued the treatment would be the same as for normal properties using the Revaluation Reserve where appropriate and reporting impairments if necessary.

The Council does not recognise any intangible heritage assets.

INTANGIBLE ASSETS

Intangible assets such as software and licences give an economic benefit over more than one year. They are initially recognised at cost and then amortised over their useful lives. The gain or loss on disposal of intangible assets is recognised in the Comprehensive Income and Expenditure Account. To comply with statute the gain or loss is reversed out in the Movement in Reserves Statement (MiRS).

INVENTORIES & WORK IN PROGRESS

Stocks are valued at the lower of actual cost or net realisable value.

INVESTMENT PROPERTY

Investment properties are held to earn return rather than to provide services. The Council holds a number of commercial properties that it categorises as Investment Properties on the basis that the properties are rented to commercial entities using standard commercial terms of the rental rather than concessionary terms to specific classes of commercial tenants.

Investment properties are valued initially at cost and then at fair value which is defined as the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. The valuation is based on highest and best use of any asset and so should take into account the highest price in the most advantageous market for that asset.

Investment properties are not depreciated but valued annually. When a value is changed any gain or loss is recognised in the Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement but is reversed out of the General Fund in the Movement in Reserves Statement as required by statutory regulation. Gains and losses on disposal are treated similarly.

JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

Jointly controlled operations are activities undertaken by the Council in conjunction with other ventures that involve the use of the assets and resources of the joint ventures rather than the establishment of a separate entity. The Council recognises on its Balance Sheet only its share of the jointly controlled assets and related liabilities; whilst on its Comprehensive Income and Expenditure Statement it recognises those expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

LEASES

Leases are classified as finance or operating leases based on the extent that the risks and rewards associated with a leased asset lie with the lessor or lessee. If substantially all the risks and rewards of the lease transfer to the lessee it is a finance lease, otherwise an operating lease. For purpose of classification land and buildings are considered separately. The Council has no material investment in finance leases as lessee or lessor.

The Council as a Lessee

Operating Leases

Rentals paid are recognised in Comprehensive Income and Expenditure Statement as an expense. Charges should be made on a straight line basis over life of lease if actual pattern of payments are significantly different from a straight line basis.

The Council as a Lessor

Operating Leases

Rental income is recognised in Comprehensive Income and Expenditure Statement. Charges should be made on a straight line basis over life of lease if actual pattern of income diverges significantly from a straight line basis.

OVERHEADS AND SUPPORT SERVICES

Central support services are allocated to revenue and capital accounts. The Council has adopted the general principle of allocating the costs of central administrative departments based on operational data or where this is not present on the estimated time spent by officers on the various services. The cost of corporate management is charged to the Corporate and Democratic Core.

PROPERTY, PLANT AND EQUIPMENT

Expenditure on the acquisition, creation or enhancement of property, plant and equipment (PPE) is capitalised on an accrual basis in the accounts. Expenditure on PPE over the de minimis limit of £20,000 is capitalised, provided that the PPE yields benefits to the Council and the services it provides, for a period of more than one year. This

excludes expenditure on routine repairs and maintenance of PPE assets which is charged direct to service revenue accounts.

Property, plant and equipment are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). Assets are valued on the following basis:

- Initially at cost including any costs attributable to bringing the asset into use and subsequently at market value for the existing use except for assets which are rarely subject to an open market where depreciated replacement cost is used.
- Assets under construction and community assets are held at depreciated historic cost.
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective

Where the value of an asset is to be recovered by sale it is classified as an asset held for sale. It is held at its value before reclassification or the fair value less costs to sell, whichever is the lower. Any consequential loss is posted to the Comprehensive Income and Expenditure Statement. Gains in fair value would be recognised up to the amount of any previously recognised losses.

In order to account properly for valuation changes the Revaluation Reserve was set up with a zero balance at 1 April 2007. Any revaluation upward results in a credit to the reserve. A downward revaluation can be set against the Revaluation Reserve if there is a balance referring to the devalued asset. As the reserve was set at zero many downwards revaluation of assets could appear as an impairment in the Comprehensive Income and Expenditure Statement (CIES). Revaluation of property, plant and equipment is planned at five-yearly intervals, although material changes to asset valuations will be adjusted in the interim period, as an assessment is made at the end of each year for any indication that assets may be impaired in addition to cyclical revaluations. Any impairment would be written off against any revaluation gain for that asset in the Revaluation Reserve or otherwise recognised in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed the reversal is credited back in the CIES up to the amount of the original loss adjusted for the depreciation that would have been charged if the loss had not been recognised.

Income from the disposal of property, plant and equipment is accounted for on an accruals basis and is credited to the CIES as a part of the gains and losses on disposal. Such income that has not been used to finance capital expenditure is included in the balance sheet as usable capital receipts.

The carrying amount of an asset shall be derecognised on disposal or when no future economic benefits or service potential is expected and written off to CIES in the gains and losses on disposal.

Where a significant component part of an asset has a different useful life to other parts it will be depreciated separately. Where a component is replaced or restored the carrying amount of the old component shall be derecognised.

DEPRECIATION

Depreciation is provided for on all property, plant and equipment with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:

- No assets are depreciated in the year of acquisition, but they are depreciated in the year of disposal. Assets in the course of construction are not depreciated until the year following the one in which they are first brought into use. In the exceptional case of part year depreciation being material a charge may be made.
- Operational assets are depreciated using a straight line method over the useful life of the asset, taking into account any residual value.

The expected useful life of assets is not necessarily revised at each revaluation but is reviewed annually. In line with the value's judgment we reduce the useful life of most of our assets by one year; the remaining assets' lives are reviewed by the value for reasonableness. Investment properties are not depreciated.

PROVISIONS & RESERVES

The Council establishes provisions for specific expenses that are certain to be incurred but the amount of which cannot yet be determined accurately.

Provisions are charged to the appropriate service revenue account in the year that the council becomes aware of the obligation, based on the estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required or a lower settlement is made, the provision is reversed and credited back to the relevant service revenue account.

The Council maintains earmarked reserves to meet future spending programmes. Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed from the reserve is incurred, it is charged to the appropriate service revenue account in that year to go against the Cost of Services in the Comprehensive Income and Expenditure Statement (CIES). The reserve is then appropriated back to the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for property, plant and equipment and retirement benefits and do not represent usable resources for the council.

CONTINGENT LIABILITIES

IAS 37 *Provisions, Contingent Liabilities and Contingent assets* requires the Council to disclose contingent liabilities. These arise from past events and their existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control that may result in an obligation on the Council.

Material contingent liabilities are not recognised as an item of expenditure within the accounts but are disclosed within the notes to the accounts unless the possibility of a transfer of economic benefits in settlement is remote.

CONTINGENT ASSETS

IAS 37 *Provisions, Contingent Liabilities and Contingent assets* requires the Council to disclose contingent assets. These arise from past events and their existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control that may result in an asset to the Council.

Contingent assets are not accrued in the accounting statements, in conformity with the concept of prudence. Material contingent assets are disclosed within the notes to the accounts if the inflow of a receipt or economic benefit is probable.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of property, plant or equipment has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Movement in Reserves Statement so there is no impact on the level of Council Tax.

VALUE ADDED TAX

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from it.

2 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code of Practice on Local Council Accounting in the United Kingdom 2018/19 (the Code) requires the Council 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 Code for the relevant financial year. For the 2018/19 Statement of Accounts there are a number of accounting changes that need to be reported. These relate to:

- Annual Improvements to IFRS Standards 2014-16 cycle
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation
- Amendments to IAS40 Investment Property: Transfers of Investment Property

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

IFRS 16 Leases has been issued by IASB. This has been postponed until at least the 2020/21 CIPFA Accounting Code of Practice and will require Council's that are lessees to recognise the majority of leases on their balance sheets as right-of-use assets with corresponding lease liabilities

3 CRITICAL JUDGEMENTS AND ASSUMPTIONS

Critical Judgements

In applying the accounting policies the Council has made the following critical judgements that have a significant effect on the statements:

- Future levels of local authority funding are uncertain, however based on its medium term planning using prudent assumptions on funding and based on announcements made by central government the Council judges that its assets will not be impaired as a result of a need to close facilities, reduce service provision or ongoing maintenance.

- The Councils holds a significant portfolio of investment property and although general economic growth is still fragile, the Council judges that its portfolio in the context of the local economy is robust and healthy enough that its assets will not be impaired as a result of a decrease in economic activity.
- The Council judges that, on balance, the banking system will not be subject to major disruption to the extent that historic estimates of defaults are no longer tenable.
- The Council does not expect the tax gathering mechanisms for Council Tax and Business Rates to fundamentally alter the Council's financial stability. The risk within the rates retention scheme is assumed to be the safety net which has been set by the government at 7.5% of the Council spending baseline which equates to £148k.
- IFRS 12 requires that the accounts disclose the judgements made to assess the type of Joint Arrangement to determine the Council's correct accounting treatment. The Council was previously contracted into a shared arrangement for its ICT and Revenues and Benefits functions, called CenSus Shared Services Partnership during 2017/18.

The Partnerships met the definition of a Joint Operation as these functions were discharged to the Census Joint Committee, comprising of Members of each of the participating authorities, each with joint control.

As such we recognised our proportional share of assets, liabilities, revenues and expenses of the arrangement in our accounts. These are now in some comparator notes.

Assumptions

The Statement of Accounts contains estimated figures that are based on assumption 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 2019 for which there is a significant risk of material adjustments in the forthcoming financial year are as follows:

Pension Liability

Estimation of the 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. However the interaction of these assumptions is complex.

During 2018/19 the actuaries advised that the pension liability had been affected as follows:

<u>Change in assumptions year ended 31 March 2019</u>	Horsham	
	Approximate % increase to Employer	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	9%	16,596
1 year increase in member life expectancy	3% to 5%	6,972
0.5% increase in Salary Increase Rate	1%	2,001
0.5% increase in the Pension Increase Rate	8%	14,340

Provisions

The provision for doubtful debt is based on estimates of default. The estimated default rates used which range from 3% to 100% may be sensitive to economic circumstances. An increase of 10% in default rates would have the effect of increasing the required provision by £367k.

Property, plant and equipment

The depreciation of buildings is based on estimated useful life and residual value which is based on the present use and level of maintenance which in turn depends on the continued level of funding. For every year that the remaining lives of buildings were to decrease the extra depreciation would be £0.031m.

Business Rates

The Business Rates Retention Scheme became effective from 1 April 2013 and as a result local authorities are liable for any successful appeals against business rates by businesses in 2012/13 and earlier financial years in their proportional share. The Council has a total provision of £6.2m as an estimate of potential successful appeals up to 31 March 2019, the Council's proportion (40%) reflected in the Balance Sheet is £2.5m. This estimate is calculated using Valuation Office ratings list of appeals and an analysis of successful appeals to date.

4 PRIOR PERIOD ADJUSTMENTS -

There have been no prior period adjustments.

5 MATERIAL ITEMS OF INCOME AND EXPENSE

Material items in terms of the Council's overall net expenditure, which are derived from events or transactions that are not expected regularly, that fall within the ordinary activities of the Council. They are required to be disclosed separately by virtue of their size or incidence to give a fair presentation of the accounts. There were no material items of income or expenditure in 2017/18 or 2018/19 other than disclosed on the face of the Comprehensive Income and Expenditure Statement.

6 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts were authorised for issue by the Director of Corporate Resources for Horsham District Council on 11 July 2019. 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 2019, the figures in the financial statements and note have been adjusted in all material respects to reflect the impact of this information.

7 EXPENDITURE AND FUNDING ANALYSIS

This note details how the annual expenditure is used and funded from resources in comparison with resources consumed or earned by the local authority in accordance with generally accepted accounting practices. It also shows how the expenditure is allocated for decision making purposes between the councils departments.

Net Expenditure Chargeable to the General Fund Balance	2018/19			2017/18		Net Expenditure in the Comprehensive Income and Expenditure Statement
	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund Balance	Adjustments between Funding and Accounting Basis	
	(Note 7a)			(Note 7a)		
1,509	915	2,424	Audit, Finance, HR & Commissioning	1,511	438	1,949
2,409	7,151	9,560	Community & Culture	2,362	2,689	5,050
1,167	142	1,309	Corporate Management	1,105	184	1,289
365	40	405	Customer Services	344	37	382
392	1,777	2,169	Housing Services	422	595	1,017
1,549	384	1,934	ICT	1,757	430	2,188
1,488	10	1,498	Legal and Democratic Services & Elections	1,369	51	1,419
(2,660)	1,638	(1,023)	Parking	(2,651)	748	(1,903)
1,330	321	1,651	Planning & Economic Development	1,743	308	2,051
(2,489)	4,060	1,571	Property & Facilities	(1,721)	3,187	1,466
3,131	1,439	4,571	Refuse, Cleansing & Environmental Services	3,604	4,859	8,463
973	(498)	475	Revenues & Benefits	577	46	623
9,164	17,379	26,543	Net cost of services	10,423	13,571	23,994
(11,245)	(22,301)	(33,546)	Other income and expenditure	(11,903)	(11,417)	(23,319)
(2,081)	(4,922)	(7,003)	Surplus or deficit	(1,480)	2,155	676
(20,922)			Opening General Fund Balance 31 March 2018	(19,993)		
(2,081)			Less Deficit on General Fund in Year	(1,480)		
(23,003)			Closing General Fund Balance	(21,473)		

7a ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS

2018/19

Adjustments from General fund to arrive at Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Interest	Other Differences	Total Adjustments
Audit, Finance, HR & Commissioning	0	129	747	39	915
Community & Culture	6,757	321	0	73	7,151
Corporate Management	0	141	0	1	142
Customer Services	0	40	0	0	40
Housing Services	1,784	71	0	(78)	1,777
ICT	263	96	0	25	384
Legal and Democratic Services & Elections	0	90	0	(80)	10
Parking	1,571	87	0	(20)	1,638
Planning & Economic Development	5	435	0	(119)	321
Property & Facilities	(3,600)	61	0	7,599	4,060
Refuse, Cleansing & Environmental Services	819	615	0	5	1,439
Revenues & Benefits	0	0	0	(498)	(498)
Other income and expenditure from the Funding Analysis	(8,358)	(250)		(13,693)	(22,301)
Difference between General Fund (Surplus) or deficit and Comprehensive Income and Expenditure (surplus) or deficit on the provision of services	(759)	1,836	747	(6,746)	(4,922)

2017/18

Adjustments from General fund to arrive at Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Interest	Other Differences	Total Adjustments
Audit, Finance, HR & Commissioning	0	(39)	821	(345)	438
Community & Culture	2,305	280		103	2,689
Corporate Management	0	123		61	184
Customer Services	0	35		3	37
Housing Services	543	54		(2)	595
ICT	237	124		70	430
Legal and Democratic Services & Elections	0	93		(42)	51
Parking	705	75		(32)	748
Planning & Economic Development	12	405		(108)	308
Property & Facilities	627	45		2,515	3,187
Refuse, Cleansing & Environmental Services	4,085	526		248	4,859
Revenues & Benefits	0	88		(42)	46
Other income and expenditure from the Funding Analysis	(1,241)	(13)		(10,163)	(11,417)
Difference between General Fund (Surplus) or deficit and Comprehensive Income and Expenditure (surplus) or deficit on the provision of services	7,273	1,795	821	(7,734)	(2,155)

8 OTHER OPERATING EXPENDITURE

	2018/19	2017/18
	£000	£000
Parish council precepts	3,224	2,891
Parish grants	0	9
(Gains)/losses on the disposal of non-current assets	(1,213)	(1,241)
Total	2,011	1,659

9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2018/19	2017/18
	£000	£000
Interest payable and similar charges	135	140
Net interest cost on LGPS Pension	(250)	(13)
Interest receivable and similar income	(882)	(961)
Income and expenditure in relation to investment properties and changes in their fair value (as detailed in note 13)	(7,628)	(1,995)
Total	(8,625)	(2,829)

10 TAXATION AND GRANT INCOME

	2018/19	2017/18
	£000	£000
Benefits Grants	(29,026)	(30,680)
Other Government Grants	(1,077)	(816)
Other Grants	(421)	(347)
Grants credited to Services	(30,524)	(31,843)
Council Tax	(12,470)	(11,720)
Non Domestic Rates income & expenditure	(1,153)	(807)
Revenue Support Grant	0	(149)
New Homes Bonus	(4,827)	(4,820)
Section 31 Grant – Business Rates Reliefs	(2,113)	(1,605)
Other Government Grants	(106)	(291)
Capital grants and contributions	(6,264)	(2,757)
Credited to Taxation and Non Specific Grant Income	(26,932)	(22,149)

11 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.

2018/19	Usable Reserves		
	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation of non-current assets	(2,399)		2,399
Impairment on Property, Plant and Equipment	(7,022)		7,022
Other gains transferred from Revaluation Reserve			
Movements in the market value of Investment Properties	3,762		(3,762)
Amortisation of intangible assets			
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			

Revenue expenditure funded from capital under statute	(1,941)		1,941
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Statutory provision for the financing of capital investment	870		(870)
Capital expenditure financed from revenue balances	6,418		(6,418)
Adjustments primarily involving the Capital Grants Unapplied Account:			
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	6,264	(2,802)	(3,462)
Application of grants to capital financing transferred to the Capital Adjustment Account		108	(108)
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	1,225	(1,278)	53
Use of the Capital Receipts Reserve to finance new capital expenditure		984	(984)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals			
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	(26)		26
Adjustments primarily involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,361)		4,361
Employers pension contributions and direct payments to pensioners payable in the year	2,525		(2,525)
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	(387)		387
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
Total Adjustments	4,922	(294)	(2,694)
			(1,934)

2017/18

	General Fund Balance £000	Usable Reserves Capital Receipts 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 of non-current assets	(2,004)			2,004
Impairment on Property, Plant and Equipment	(4,939)			4,931
Other gains transferred from Revaluation Reserve	0			0
Movements in the market value of Investment Properties	(1,080)			1,080
Amortisation of intangible assets	(3)			3
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	(484)			484
Revenue expenditure funded from capital under statute	(1,098)			1,098
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	924			(924)
Capital expenditure financed from revenue balances	5,194			(5,194)

Adjustments primarily involving the Capital Grants Unapplied Account:

Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	2,757	(2,757)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	97	1,591	(1,688)

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	1,726	(1,726)	0
Use of the Capital Receipts Reserve to finance new capital expenditure		5,968	(5,968)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals			

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	(24)		24
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Adjustments primarily involving the Pensions Reserve:

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,484)		4,484
Employers pension contributions and direct payments to pensioners payable in the year	2,690		(2,690)

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	(868)		868
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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	(7)		97
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Total Adjustments	(1,603)	4,242	(1,166)	(1,473)
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12 PROPERTY, PLANT & EQUIPMENT

Movements in 2018/19

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total Property, Plant & Equipment
Cost or Valuation	£000	£000	£000	£000
At 1 April 2018	95,392	11,928	5,974	113,295
Additions	6,459	537	5,134	12,130
Reclassifications	4,595		(4,965)	(370)
Revaluation increase/(decreases) recognised in the Revaluation Reserve	1,551			1,551
Revaluation increase/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(7,020)		(6)	(7,026)
De-recognition – disposal		(4,529)		(4,529)
Other movements in cost or valuation	(1,456)			(1,456)
At 31 March 2019	99,521	7,936	6,137	113,594
Accumulated Depreciation and Impairment				
At 1 April 2018	(584)	(7,599)	0	(8,183)
Depreciation charge	(1,288)	(1,091)		(2,379)
Written out to the Revaluation Reserve	1,038			1,038
Written out to the Surplus/Deficit on the Provision of Services	418			418
Other movements		4,529		4,529
At 31 March 2019	(416)	(4,161)	0	(4,577)
Net Book Value				
At 31 March 2019	99,144	3,775	6,098	109,017
At 31 March 2018	94,808	4,329	5,975	105,112

Movements in 2017/18

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total Property, Plant & Equipment
Cost or Valuation	£000	£000	£000	£000
At 1 April 2017	85,437	8,465	5,796	99,698
Additions	6,138	3,463	5,237	14,838
Reclassifications	5,059		(5,059)	0
Revaluation increase/(decreases) recognised in the Revaluation Reserve	4,856			4,856
Revaluation increase/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,939)			(4,939)
De-recognition – disposal	0			0
Other movements in cost or valuation	(1,159)			(1,159)
At 31 March 2018	95,392	11,928	5,974	113,295
Accumulated Depreciation and Impairment				
At 1 April 2017	(404)	(6,934)	0	(7,338)
Depreciation charge	(1,339)	(665)		(2,004)
Depreciation written out to the Revaluation Reserve	799			799
Depreciation written out to the Surplus/Deficit on the Provision of Services	360			360
De-recognition	0			0
At 31 March 2018	(584)	(7,599)	0	(8,183)
Net Book Value				
At 31 March 2018	94,808	4,329	5,975	105,112
At 31 March 2017	85,033	1,531	5,796	92,360

The lives of operational properties are individually assessed by the valuing officer. Vehicles have a 5-7 year life, ICT equipment have a life of 3-5 years.

Assets Held for Sale

Three assets valued at £0.367m were transferred from Other Land and Buildings during the year.

Capital Commitments

At 31 March 2019, the Council was committed to the following significant capital works contracts (£5.9m in 2018):

Capital scheme	£000
Pirie's Place Car Park	3,272
Temporary accommodation - Rowan Drive and Peary Close	1,545
Total	4,817

Effects of Changes in Estimates

Revaluations

The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years. Valuations are carried out externally. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Total
	£000	£000	£000
Carried at historical cost		3,774	3,774
Valued at fair value as at			
31 March 2019	80,906		80,906
31 March 2018	10,999		10,999
31 March 2017	3,752		3,752
31 March 2016	3,466		3,466
31 March 2015	22		22
	99,145	3,774	102,919

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:

	2018/19	2017/18
	£000	£000
Income from investment property	(4,402)	(3,374)
Direct operating expenses arising from investment property	536	299
Net (gains)/losses from fair value adjustments	(3,762)	1,080
Net (gain)/loss	(7,628)	(1,995)

There are no restrictions to 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 the disposal. In estimating the fair value of the Council's investment properties, the highest and best use of the properties is deemed to be their current use. All the Council's investment property portfolio has been assessed as Level 2 for valuation purposes (see note 1 for explanation of fair value levels).

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

	2018/19	2017/18
	£000	£000
Balance at start of year	46,600	35,461
Additions	541	12,300
Net gains/(losses) from fair value adjustments	3,766	(1,161)
Transfers	2	0
Balance at end of the year	50,909	46,600

14 FINANCIAL INSTRUMENTS

Financial Instruments - Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The Council's financial liabilities held during the year are measured at amortised cost and comprised loan from Public Works Loan Board repayable at the end of 2018/19 and trade payables for goods and services received.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following three classifications:

- **Amortised cost** (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:
 - cash in hand,
 - bank current and deposit accounts with NatWest bank,
 - fixed term deposits with banks and building societies,
 - loans to other local authorities,
 - loans to local leisure facility provider made for service purposes,
 - receivables for rent and services provided.
- **Fair value through other comprehensive income** (equity investments that the Council has elected into this category) comprising pooled bond, equity and property funds managed by CCLA, Investec, M&G, UBS, and Threadneedle fund managers held as strategic investments.
- **Fair value through profit and loss** (all other financial assets) comprising money market funds managed by Royal London, Payden Rygel, CCLA, Aberdeen Standard, BNP Paribas and Goldman Sachs fund managers.

Financial assets held at amortised cost are shown net of a loss allowance (where material) reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

Financial Instruments - Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Financial Liabilities	Long Term		Short Term	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	£000	£000	£000	£000
Loans at amortised cost:				
- PWLB borrowing*			(4,067)	(4,000)
Total Borrowing	0	0	(4,067)	(4,000)
Liabilities at amortised cost:				
- Trade payables			(12,426)	(14,272)
Included in Creditors **	0	0	(12,426)	(14,272)
Total Financial Liabilities	0	0	(16,493)	(18,272)

* Includes accrued Interest on £4m loan

** The various liabilities lines on the Balance Sheet include £8.9m (2018: £11.0m) short-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions.

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

Financial Assets	Long Term		Short Term	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	£000	£000	£000	£000
<i>At amortised cost:</i>				
- Principal incl accruals		2,000	4,014	4,814
<i>At fair value through other comprehensive income:</i>				
- Equity investments elected FVOCI	16,747	15,632		
<i>At fair value through profit & loss:</i>				
- Fair value			9,367	9,382
Total Investments *	16,747	17,632	13,381	14,196
<i>At amortised cost:</i>				
- Principal incl accruals			1,294	537
<i>At fair value through profit & loss:</i>				
- Fair value			4,003	5,000
Total Cash and Cash Equivalents	0	0	5,297	5,537
<i>At amortised cost:</i>				
- Receivables			3,372	3,889
- Loans made for service purposes	248	282		
- Loss allowance	(7)	(7)	(233)	(230)
Included in Debtors **	241	275	3,139	3,659
Total Financial Assets	16,988	17,907	21,810	23,385

* The total short-term investments includes £0.006m (2018: £0.075m representing accrued interest

** The debtors lines on the Balance Sheet include £2.8m (2018: £3m) short-term debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions.

Equity instruments elected to fair value through other comprehensive income

The Council has elected to account for the following investments in equity instruments at fair value through other comprehensive income because they are long-term strategic holdings and changes in their fair value are not considered to be part of the Council's annual financial performance.

	Fair Value		Dividends	
	31.03.19	31.03.18	2018/19	2017/18
	£000	£000	£000	£000
CCLA Local Authorities Property Fund	4,962	4,014	54	43
Investec Diversified Income Fund	1,631	1,645	11	11
UBS Multi Asset Income Fund	1,625	1,646	20	15
M&G Global Dividend Fund	1,826	1,683	28	19
M&G Optimal Income Fund	1,662	1,708	4	21
Threadneedle Strategic Bond Fund	1,688	1,620		
Threadneedle Global Equity Income Fund	1,658	1,673	19	4
CCLA - Diversified Income Fund	1,695	1,643	13	13
Total	16,747	15,632	150	127

Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

	Financial Liabilities		Financial Assets		2018/19 Total	2017/18 Total
	Amortised Cost	Amortised Cost	Elected to Fair Value through OCI	Fair Value through Profit & Loss		
	£'000	£'000	£'000	£'000		
Interest expense	135				135	140
Impairment Loss		4			4	7
Interest payable and similar charges	135	4	0	0	139	147
Interest income		(96)			(96)	(327)
Dividend income			(619)	(172)	(791)	(512)
Gains on de-recognition						(72)
Gains from changes in fair value				16	16	50
Impairment loss reversals		(1)			(1)	
Interest and investment income	0	(97)	(619)	(156)	(872)	(861)
Net impact on surplus/deficit on provision of services	135	(93)	(619)	(156)	(733)	(714)
Gains on revaluation			(263)		(263)	(90)
Losses on revaluation			98		98	362
Impact on other comprehensive income	0	0	(165)	0	(165)	(272)
Net (Gain)/Loss for the Year	135	(93)	(784)	(156)	(898)	(442)

Financial Instruments - Fair Values

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including shares in money market funds and other pooled funds, the fair value is taken from the market price

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2019, using the following methods and assumptions:

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

Fair values are shown below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

Financial Liabilities

The fair value of short-term financial liabilities held at amortised cost, including short term borrowing and trade payables, is assumed to approximate to the carrying amount. The valuations are deemed as level 2 in the fair value hierarchy.

Financial assets

For financial assets the balance sheet figure is equivalent to the fair value. In the fair value hierarchy the levels for the instruments which are subject to a valuation technique (this excludes short term trade payables and receivables) are

shown below. The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

Category	IFRS9	Fair value level	31.03.2019 £000	31.03.2018 £000
Pooled funds	Elected FVOCI	1	16,747	15,632
Money market funds	FVPL	1	13,374	14,189

(E) Financial Instruments - Risks

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- **Credit Risk:** The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- **Liquidity Risk:** The possibility that the Council might not have the cash available to make contracted payments on time.
- **Market Risk:** The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Credit Risk: Treasury Investments

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of £5m is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a smaller limit of £2.5m. The Council also sets limits on investments in certain sectors. No more than £12m in total can be invested for a period longer than one year.

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity

Credit Rating	31.03.2019		31.03.2018	
	Long-term £000	Short-term £000	Long-term £000	Short-term £000
AAA				1,780
A-		1,978		
BBB+				747
Unrated local authorities		4,000	2,000	3,011
Total	0	5,978	2,000	5,538

Loss allowances on treasury investments would be calculated by reference to historic default data published by credit rating agencies, adjusted for any extraordinary economic conditions. There is no material loss allowance applicable to treasury investments.

Credit Risk: Trade and Lease Receivables

The Council has both trade and lease receivables. The Council's credit risk on lease receivables is to some extent mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

The following analysis summarises the Council's trade and lease receivables, by due date. Only those receivables meeting the definition of a financial asset are included.

£ 000	31.03.2019 Trade Receivables	31.03.2018 Trade Receivables
-------	------------------------------------	------------------------------------

Neither past due nor impaired	1,276	742
Past due < 3 months	549	797
Past due 3-6 months	117	33
Past due 6-12 months	145	93
Past due 12+ months	253	235
TOTAL RECEIVABLES	2,340	1,900

Loss allowances on trade receivables, which includes property lease income, have been calculated by reference to the Council's historic experience of default with reference to debtor type and past due status.

Receivables are written off to the Surplus or Deficit on the Provision of Services when they are deemed effectively irrecoverable, but steps are still taken to collect sums owing when the Council has reasonable evidence that the affected counterparty's financial position has changed.

Credit Risk: Loans, Financial Guarantees and Loan Commitments

In furtherance of the Council's service objectives, it has lent money to Henfield Leisure centre.

The amounts recognised on the balance sheet, and the Council's total exposure to credit risk from these instruments are:

Borrower	Exposure type	Balance Sheet	Risk exposure	Balance Sheet	Risk exposure
		31.03.2019 £'000s	31.03.2019 £'000s	31.03.2018 £'000s	31.03.2018 £'000s
Henfield leisure centre	Loans at market rates	241	241	275	275

The Council manages the credit risk inherent in its loans for service purposes, in line with its published Investment Strategy.

Loss allowances on loans for service purposes have been assessed with reference to expected failures of comparable organisations. They are determined to have suffered a significant increase in credit risk where there is significant increased risk that the business model of the organisation may not be able to sustain interest payments and they are determined to be credit-impaired where there it is deemed probable the organisation's business model is not sustainable. Loans are written off to the Surplus or Deficit on the Provision of Services when they are deemed irrecoverable, but steps are still taken to collect sums owing when it is judged that the borrower still has the potential to repay.

Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments

Market Risks: Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income will rise
- investments at fixed rates – the fair value of the assets will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. To gauge the sensitivity of the Council to interest rate changes if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	31.03.2019 £000	31.03.2018 £000
Increase in interest receivable on variable rate investments	(99)	(178)
Decrease in fair value of investments held at FVPL	67	89
Impact on Surplus or Deficit on the Provision of Services	(32)	(89)
Decrease in fair value of investments held at FVOCI	162	163
Impact on Comprehensive Income and Expenditure	130	74

Decrease in fair value of loans and investments at amortised cost *	12	31
Decrease in fair value of fixed rate borrowing *	0	(40)

*No impact on Comprehensive Income and Expenditure.

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Market Risks: Price Risk

The market prices of the Council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk.

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £5m. A 5% fall in commercial property prices at 31 March 2019 would result in a £0.26m (2018: £0.20m) charge to Other Comprehensive Income and Expenditure.

The Council's investment in a pooled equity funds is subject to the risk of falling share prices. This risk is limited by the Council's maximum exposure to pooled funds that include equity investments of £12m. A 5% fall in share prices at 31 March 2019 would result in a £0.25m (2018: £0.25m) charge to Other Comprehensive Income and Expenditure.

Transition to IFRS 9 Financial Instruments

The Council adopted the IFRS 9 Financial Instruments accounting standard with effect from 1st April 2018. The main changes include the reclassification of financial assets and the earlier recognition of the impairment of financial assets

The Council has made use of the transitional provisions in IFRS 9 to not restate the prior year's financial statements, and the effect of the transition is instead shown as an additional line in the Movement in Reserves Statement. The changes made on transition to the balance sheet are summarised below:

	IAS 39 31.03.18	Reclassification	Impairment	IFRS 9 01.04.18
FINANCIAL ASSETS				
Investments				
L&R /Amortised cost	6,814			6,814
Available for sale / FVOCI	25,015	(9,382)		15,632
FVPL	0	9,382		9,382
Total investments	31,829			31,829
Debtors				
L&R /Amortised cost	4,071		(7)	4,064
Total debtors	4,071		(7)	4,064
Cash & cash equivalents				
L&R /Amortised cost	5,537	(5,000)		537
Available for sale / FVOCI		5,000		5,000
Total cash & equivalents	5,537			5,537
TOTAL FINANCIAL ASSETS	41,437		(7)	41,430
FINANCIAL LIABILITIES				
Borrowing				
Amortised cost	(4,000)			(4,000)
Creditors				
Amortised cost	(14,272)			(14,272)
TOTAL FINANCIAL LIABILITIES	(18,272)			(18,272)
NET FINANCIAL ASSETS	23,165	0	(7)	23,158
	IAS 39			IFRS 9
	31.03.18	Reclassification	Impairment	01.04.18
RESERVES				
Unusable Reserves				
Available for sale reserve	295	(295)		(0)
Capital adjustment account	(88,646)		7	(88,639)
FI revaluation reserve		278		278
Pooled fund adj account		18		18
Total unusable reserves	(88,351)		7	(88,344)
TOTAL RESERVES	(88,351)	0	7	(88,344)

15 CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements:

	31.03.2019	31.03.2018
	£000	£000
Cash held by Council	7	6
Money market Funds	4,003	5,000
Short-term deposits	1,978	747
Cash in transit	(691)	(216)
Total Cash and Cash Equivalents	<u>5,297</u>	<u>5,537</u>

16 SHORT-TERM DEBTORS

	31.03.2019	31.03.2018
	£000	£000
Sundry Debtors	3,333	4,097
Central government bodies	949	966
Payments in advance	451	382
Council Tax debtors	403	438
NNDR Debtors	1,028	776
Housing benefit overpayments	2,740	2,981
Other local authorities	0	24
	<u>8,904</u>	<u>9,664</u>
Allowance for doubtful debts	(2,965)	(2,945)
	<u>5,939</u>	<u>6,719</u>

17 SHORT-TERM CREDITORS

	31.03.2019	31.03.2018
	£000	£000
Sundry Creditors	(4,581)	(5,747)
Prepayment of NNDR	(902)	(1,000)
Prepayment of Council Tax	(275)	(269)
WSCC Council Tax creditors	(2,494)	(3,158)
SPA Council Tax creditors	(314)	(387)
Central Government – Grants, Reliefs and Levy	(402)	(1,464)
Central Government - NNDR creditors	(2,253)	(1,903)
WSCC NNDR Creditors	(451)	(416)
Total	<u>(11,672)</u>	<u>(14,344)</u>

18 PROVISIONS AND OTHER LONG TERM LIABILITIES

	Provision for NNDR appeals	Provision for corporate restructure	Provision for Accumulated Absences	Total
	£000	£000	£000	£000
Balance at 1 April 2017	(2,128)	(233)	(148)	(2,509)
Additional provisions made in 2017/18	(598)	(71)	(7)	(676)
Amounts used in 2017/18	882	233		1,115
Unused amounts reversed in 2017/18	0	0	0	0
Balance at 31 March 2018	<u>(1,844)</u>	<u>(71)</u>	<u>(155)</u>	<u>(2,070)</u>
Additional provisions made in 2018/19	(825)	0	(6)	(831)
Amounts used in 2018/19	177	71	0	248
Unused amounts reversed in 2018/19	0	0	0	0
Balance at 31 March 2019	<u>(2,493)</u>	<u>0</u>	<u>(161)</u>	<u>(2,653)</u>

Provision for NNDR Appeals

Estimate of rates potentially overcharged to businesses repayable on appeal.

Provision for Accumulated Absences

Established in 2009/10 to cover employees' leave that was not taken at the end of each year.

Other long term liabilities:

S106 Contributions are developer contributions that are expected to be paid to other agencies.

Capital Grants & Receipts in Advance are developer contributions that are expected to be used by the Council but still have conditions that mean they are potentially refundable.

The movements in both are show below

	S106 Contributions		Capital Grants Rec'd in Advance	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	£000	£000	£000	£000
Opening balance	(10,071)	(7,308)	(15,659)	(11,560)
Grants/Contributions in	(3,744)	(2,804)	(815)	(5,010)
Grants/Contributions out	5,078	41	2,437	911
Closing balance	(8,737)	(10,071)	(14,037)	(15,659)

19 USABLE 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 2018/19

Useable Revenue Reserves	Balance at 31.03.17	Income / Expenditure 2017/18	Transfer to / from other reserves 2017/18	Balance at 31.03.18	Income / Expenditure 2018/19	Transfer to / from other reserves 2018/19	Balance at 31.03.19
	£000	£000	£000	£000	£000	£000	£000
General Fund Balance	(9,480)	(6,278)	4,100	(11,658)	(7,976)	5,405	(14,229)
New Homes Reserve	(4,933)	0	885	(4,048)	0	30	(4,018)
NHB - BBH Leisure Centre	(1,383)	5,001	(5,000)	(1,382)	5,894	(4,827)	(314)
Health and Wellbeing	(177)	0	(20)	(197)	0	(13)	(210)
Council tax localism	(293)	0	0	(293)	0	0	(293)
Neighbourhood Planning Grant	(278)	0	0	(278)	0	0	(278)
s106 Reserves	(1,184)	432	0	(752)	0	166	(586)
NNDR Provision	(1,435)	0	0	(1,435)	0	0	(1,435)
Homelessness Prevention	0	0	0	0	0	(82)	(82)
Revenues & Benefits	0	0	0	0	0	(318)	(318)
Transformation fund	(113)	0	19	(94)	0	(261)	(355)
Other	(718)	(84)	16	(786)	0	(100)	(885)
Other Earmarked Reserves	(10,514)	5,350	(4,100)	(9,264)	5,894	(5,405)	(8,774)
Sub-total	(19,994)			(20,923)			(23,003)
Useable Capital Reserves							
Capital Receipts Reserve	(5,282)	4,249		(1,033)	(294)		(1,327)
Capital Grants unapplied	(5,281)	(1,171)		(6,452)	(2,694)		(9,145)
Total Useable Revenue Reserves	(30,557)			(28,408)			(33,475)

20 UNUSABLE RESERVES

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,
- disposed of and 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 Capital Adjustment Account.

	31.03.2019	31.03.2018
	£000	£000
Balance at 1 April	(33,517)	(29,298)
(Upward)/downward revaluation of assets	(5,329)	(6,767)
Downward revaluation of assets and impairment losses not charged to the Surplus/deficit on the Provision of Services	3,778	1,911
Difference between fair value depreciation and historical cost depreciation	551	520
Amount written off to the Capital Adjustment Account	0	117
Balance at 31 March	<u>(34,517)</u>	<u>(33,517)</u>

Pension 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 costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The credit on the Pensions Reserve therefore shows a substantial surplus 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.

	2018/19	2017/18
	£000	£000
Balance at 1 April	(10,314)	(2,045)
Actuarial gains or losses on pensions assets and liabilities	5,821	(10,046)
Reversal of items relating to retirement benefits debited or credited to the surplus of Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	4,318	4,467
Employers pensions contributions and direct payments to pensioners payable in the year	<u>(2,482)</u>	<u>(2,690)</u>
Balance at 31 March	<u>(2,657)</u>	<u>(10,314)</u>

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 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 in investment properties and revaluation gains and losses accumulated on property, plant and equipment before 1 April 2007, the date the Revaluation Reserve was created.

	2018/19 £000	2017/18 £000
Balance at 1 April	(88,638)	(83,858)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
- Charges for depreciation and impairment of non-current assets	2,396	2,003
- Revaluation gains / losses on Property, Plant and Equipment	7,026	4,939
- Depreciation of intangible assets	3	3
- Revenue expenditure funded from capital under statute	1,941	1,098
- 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	0	484
Movements in the market value of Investment Property	(3,766)	1,081
Adjusting amounts written out of the Revaluation Reserve	(551)	(637)
write out prior year unfinanced capital expenditure derecognised		15
Service loan principal reversing previous year's financing	53	
Service loan movement in expected credit losses	(1)	
Capital financing applied in the year:		
- Use of the Capital Receipts Reserve to finance new capital expenditure	(984)	(5,968)
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(3,462)	(1,518)
- Application of grants to capital financing from the Capital Grants Unapplied Account	(108)	(170)
Statutory provision for the financing of capital investment charged against the General Fund	(870)	(924)
Use of general revenue reserves for the financing of capital investment	(6,418)	(5,193)
Balance at 31 March	(93,379)	(88,645)

Collection Fund Adjustment Account

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

	2018/19 £000	2017/18 £000
Balance at 1 April - Council Tax	(369)	(385)
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	108	16
Balance at 31 March	(261)	(369)
Balance at 1 April – NNDR	815	(36)
Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements	279	851
Balance at 31 March	1,094	815
Total	833	446

21 CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

a) Adjust net surplus or deficit on the provision of services for non-cash movements

	2018/19 £000	2017/18 £000
Depreciation and Impairments	(2,399)	(2,006)
Impairments	(3,260)	(6,019)
Pensions Liability	(1,836)	(1,777)
(Increase)/decrease in debtors	(878)	561

(Increase)/decrease in creditors	8,017	1,866
Movement in provisions	(399)	(893)
Movement in Reserves	0	97
(Increase)/decrease in inventories	16	33
Other non-cash adjustments	(149)	449
Total	(888)	(7,689)

b) Adjust for Items included in the net surplus or deficit on the provision of services that are investing or financing activities

	2018/19	2017/18
	£000	£000
Capital grants credited to the surplus or deficit on the provision of services	6,264	2,757
Proceeds from the sale of non-current assets	1,225	1,241
Council Tax and NDR adjustment	180	180
Total	7,669	4,178

c) Interest received, interest paid and dividends received

	2018/19	2017/18
	£000	£000
Interest received	(882)	(960)
Interest paid	135	139
Total	(747)	(821)

22 EXTERNAL AUDIT COSTS

	2018/19	2017/18
	£000	£000
Fees payable with regard to external audit services carried out by the appointed auditors for the year	39	50
Fees payable for the certification of grant claims and returns for the year	11	12
Fees payable in respect of other services relating to previous year	8	0
Total	58	62

The costs for the 2018/19 audit above are based on the indicative scale fees. It does not include any fee variation for additional audit work that may be required to complete the audit.

Fees payable in respect of other services relate to additional work on the 2017/18 main audit and Pension Fund, only recently agreed by Public Sector Audit Appointments.

23 MEMBERS ALLOWANCES

The Council paid the following amounts to the 44 Members of the Council during the year:

	2018/19	2017/18
	£000	£000
Attendance Allowances	321	326
Expenses	24	18
Total	345	344

24 LEASES

Operating Leases

Council as a Lessee

The Council leases its main office and a small number of vehicles with charge of £0.24m

Council as Lessor

The Council leases out a range of properties under operating leases for community services and commercial rents.

Future minimum lease payments

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

	Receivable as Lessor		Payable as Lessee	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	£000	£000	£000	£000
Not later than one year	2,765	2,911	242	230
Later than one year and not later than five years	7,813	7,848	956	920
Later than five years	8,656	9,440	268	498
	19,234	20,199	1,466	1,648

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as rent reviews. The Council received contingent rent of £0.22m in 2018/19 (£0.28m in 2017/18).

Finance Leases - The Council has no material investment in finance leases as lessee or lessor.

25 SENIOR OFFICER'S REMUNERATION

Corporate Post Holder Title	Total Remuneration excluding pension contributions	Employer Pension Contributions	Total Remuneration including pension contributions	Note
2018/19	£	£	£	
Chief Executive	112,967	23,516	136,483	a
Director of Community Services	92,563	18,820	111,383	b
Director of Corporate Resources (Section 151 Officer)	95,959	19,516	115,475	a
Director of Place	76,055	15,493	91,548	c
Head of Legal and Democratic Services (Monitoring Officer)	67,214	13,779	80,993	d
2017/18	£	£	£	
Chief Executive	125,460	23,217	148,677	a
Director of Community Services	73,340	14,954	88,294	b
Director of Corporate Resources (Section 151 Officer)	96,306	19,133	115,439	a
Director of Place	92,694	19,133	111,827	
Head of Legal and Democratic Services (Monitoring Officer)	17,386	3,776	21,162	d

The Strategic Leadership Team is made up of the Chief Executive and the three strategic Directors. The remuneration details of these officers and the Monitoring Officer are included in the table above.

Note:

- Senior officers are remunerated for returning officer duties during elections. The amount of remuneration varies according to the type and number of elections. In 2017/18 the amount payable for returning officer duties was greater than the 2018/19 amount paid, as there was a general election in June 2017. Following the retirement of the previous Chief Executive, the new Chief Executive started on 10 April 2018.
- In 2017/18, the previous Director of Community Services left post in June 2017 and the current Director did not start until September 2017, so 2017/18 comparator does not include a full year of costs.
- In 2018/19, the previous Director of Place left post in June 2018 and the current Director of Place started in post on 28 August 2018, so 2018/19 does not include a full year of costs.
- In 2017/18, the previous Head of Legal and Democratic Services (Monitoring officer) left post at the end of June 2017 so 2017/18 does not include a full year of costs. The current Head of Legal and Democratic Services post did not start until 9 April 2018. In the interim period, the monitoring officer role was undertaken by the monitoring officer at Crawley Borough Council. The spend on this interim role is not included in the salary expenditure totals as this was paid through creditors as the monitoring officer was not an employee of the Council.

The number of employees, including senior officers, whose remuneration excluding pension contributions was £50,000 or more in bands of £5,000 were;

Remuneration Band	Number of Employees 2018/19	Number of Employees 2017/18
£50,000 - £54,999	4	6
£55,000 - £59,999	7	9
£60,000 - £64,999	2	1
£65,000 - £69,999	3	1
£70,000 - £74,999	0	1
£75,000 - £79,999	1	1
£80,000 - £84,999	0	0
£85,000 - £89,999	0	0

£90,000 - £94,999	1	1
£95,000 - £99,999	1	1
£100,000 - £104,999	0	0
£105,000 - £109,999	0	0
£110,000 - £114,999	1	0
£115,000 - £119,999	0	0
£120,000 - £124,999	0	0
£125,000 - £129,999	0	1
Total number	20	22

26 EXIT PACKAGES

The number of exit packages with total cost per band and total cost of the redundancies are as follows:

Exit package cost band	Number of Compulsory redundancies		Number of other agreed departures		Total number of exit packages by exit band		Total cost of exit packages in each band	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19 £000	2017/18 £000
£0 - £20,000	3	3	6	2	9	5	51	36
£20,001 - £40,000	2	4	0	0	2	4	62	124
£40,001 - £60,000	0	1	0	0	0	1	0	59
£60,001 - £80,000	0	2	0	0	0	2	0	149
£80,001 - £100,000	0	1	0	0	0	1	0	81
£100,001 - £150,000	1	0	0	0	1	0	105	0
Total	6	11	6	2	12	13	218	449
Provision	0	2	0	0	0	2	0	71
Total	6	13	6	2	12	15	218	520

27 TERMINATION BENEFITS

During 2018/19 the Council terminated 12 posts at a total cost of £218k which was made up of redundancy payments of £118k and other termination costs of £100k.

The Council's share of redundancy for two officers from Census Revenues and Benefits (hosted by Mid Sussex) are included in the figures in 2018/19. This share is set at 50% of the redundancy costs and totals £62k for two officers.

The Council employed the Director of the Rural West Sussex Partnership who was made redundant during 2018/19. The table includes the gross cost of £10k but Horsham District Council received contributions from the other Rural West Sussex partners of £9k, resulting in a net cost of £1k.

In 2017/18, the statement included a provision of £71k, relating to two Council officers. The actual costs for these two officers are not included again in the 2018/19 bands.

28 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 - 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). Grant receipts outstanding at 31 March 2019 are shown in note 10 (Grant income).

Local Government - West Sussex County Council, Sussex Police Authority and Parish Councils within Horsham District for precepts (details contained within the Collection Fund Account);

West Sussex County Pension Fund for pension from and on behalf of Horsham District Council employees (details contained within the Income and Expenditure Account)

Council Members - Councillors have direct control over the council's financial and operating policies. The total of members allowances paid in 2018/19 is shown in note 23.

Senior Officers - are defined as the Chief Executive together with the Directors which together make up the Senior Leadership Team. These Officers have the responsibility of managing the Council and have power to direct or control the major activities of the Council, in particular those involving the expenditure of money. Details of senior officer remuneration are shown in note 25. There were no related party disclosures by senior officers in 2018/19.

Building Control

Horsham District Council provides the Building Control service for Crawley Borough Council. Crawley discharged this function under an agreement pursuant to sections 101 and 111 of the Local Government Act 1972, section 3 of the Local Government Act 1999 and the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2000/2851. The total contribution paid by Crawley for 2018/19 amounted to £329k (£309k in 2017/18) and £66k (£52k in 2017/18) was outstanding as at 31 March 2019.

29 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2018/19	2017/18
	£000	£000
Opening Capital Financing Requirement	30,388	15,992
Capital Investment		
Property, Plant & Equipment	12,130	14,839
Investment Properties	541	12,300
Intangible Assets	24	0
Revenue Expenditure Funded from Capital Under Statute	1,941	1,098
Sources of finance		
Capital receipts	(984)	(5,968)
Government grants and other contributions	(3,571)	(1,688)
Direct revenue contributions	(6,418)	(5,194)
Minimum Revenue Provision	(870)	(924)
write out prior year unfinanced capital expenditure derecognised	0	(67)
Closing Capital Financing Requirement	33,181	30,388
Explanation of movements in year		
Increase in underlying need to borrowing	3,663	15,387
Minimum Revenue Provision	(870)	(924)
write out prior year unfinanced capital expenditure derecognised		(81)
write back revenue provision on unfinanced capital expenditure derecognised		15
Increase/ (decrease) in Capital Financing Requirement	2,793	14,397

30 DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits will not actually be paid until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time the employees earn their future entitlement.

The Council contributes to the Local Government Pension Scheme which is administered by West Sussex County Council. It is a funded defined benefit career average scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

In addition, the Council is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases and early access pension costs. In 2018/19 these amounted to £98k (£101k in 2017/18) representing 1% of pensionable pay (1% in 2017/18).

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge we are 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 via the Movements in Reserves Statement.

At the start of 2017/18, the Council had a shared service arrangement with Mid Sussex and Adur District Councils for the Revenues and Benefits service and with the same authorities and Worthing Borough Council for Census information technology service.

At 31 March 2018, all employees from Census Revenues and Benefits transferred to Mid Sussex District Council as the partnership finished on 31 March 2018 and the Joint Committee ceased.

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.

<u>Comprehensive Income and Expenditure Statement</u>	2018/19	2017/18
	£000	£000
<u>Cost of Services</u>		
- current service cost	(4,568)	(4,688)
- past service costs	0	(342)
- effect of settlements	0	(1,534)
Total Service Cost	(4,568)	(6,564)
<u>Financing and Investment Income and Expenditure</u>		
Interest income on planned assets	4,543	4,225
Interest cost on defined benefit obligation	(4,293)	(4,212)
Total Net Interest	250	13
Effect of Business Combinations – cessation surplus	0	2,084
Total Post Employment Benefit Charged to the Surplus or deficit on the provision of services	(4,318)	(4,467)
<u>Re-measurements of the Net Defined Liability</u>		
Actuarial gains arising from changes in demographic assumptions	0	0
Actuarial gains / (losses) arising from changes in financial assumptions	(12,094)	2,734
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	43	94
Return on assets excluding amounts included in net interest	6,231	7,217
Total re-measurements recognised in other comprehensive income	(5,820)	10,045
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(10,138)	5,578
<u>Movement in Reserves Statement</u>		
Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the Code	(4,318)	(4,467)
Actual amounts charged to the General fund balance for pensions in the year		
Employers contributions payable to the scheme	(2,482)	(2,690)

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	2018/19	2017/18
	£000	£000
Present value of liabilities - Funded	(174,288)	(157,145)

Present value of liabilities - Un funded	(1,520)	(1,600)
Fair value of plan assets	178,465	169,058
Net asset (liability) arising from defined benefit obligation	2,657	10,313

The surplus on the balance sheet reduced in 2018/19. This is a result of Corporate bonds yields being lower, which serves to increase the value placed on the obligations. The effect of this is partially offset by investment returns being greater than the 31 March 2018 discount rate. The balance sheet position for a 'typical' LGPS employer is likely to have worsened as a result.

Funded Liabilities - LGPS	2018/19	2017/18	2017/18	2017/18
		Census new	Census old	HDC
	£000	£000	£000	£000
Reconciliation of present value of the scheme liabilities:				
Balance at 1 April	(158,745)	0	(7,747)	(155,199)
Adjustment to Census partnership	0	204	(118)	0
Current service cost	(4,568)	(127)	(114)	(4,447)
Interest cost	(4,293)	(56)	(84)	(4,072)
Contributions by scheme participants	(794)	(21)	(22)	(751)
Actuarial gains and losses	(12,051)	0	38	2,791
Benefits paid	4,643	(0)	39	4,461
Past service costs	0		(64)	(278)
Liabilities distributed on settlements	0	0	8,072	0
Liabilities assumed in a business combination	0	0	0	(1,250)
Balance at 31 March	(175,808)	0	0	(158,745)
Reconciliation of fair value of the scheme assets:				
Balance at 1 April	169,058	0	8,153	156,838
Adjustment to Census partnership	0	(205)	101	0
Interest income on planned assets	4,543	47	91	4,087
Return on planned assets (excluding amounts in net interest)	6,231	(24)	226	7,015
Employer contributions	2,482	64	93	2,533
Contributions by scheme participants	794	21	22	751
Benefits paid	(4,643)	0	(39)	(4,461)
Assets distributed on settlements	0	96	(8,646)	(1,039)
Assets acquired in a business combination	0	0	0	3,334
Balance at 31 March	178,465	0	0	169,058

LGPS Assets comprised:

	2019		2018	
	£000	% of assets	£000	% of assets
Equity Securities:				
Consumer	17,384.3	9.7%	24,050.60	14.2%
Manufacturing	10,256.6	5.7%	15,452.00	9.1%
Energy & Utilities	5,433.1	3.0%	8,164.40	4.8%
Financial Institutions	21,411.6	12.0%	27,535.60	16.3%
Health & Care	8,589.2	4.8%	11,713.70	6.9%
Information Technology	11,556.4	6.5%	23,102.20	13.7%
Other	10,197.3	5.7%	7,789.00	4.6%
Debt Securities:				
UK Government	5,064.0	2.8%	3,134.80	1.9%
Private Equity:				
All	4,958.1	2.8%	7,267.60	4.3%

Real Estate:

UK Property	16,615.2	9.3%	13,332.10	7.9%
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Investment Funds & Unit**Trusts:**

Bonds	60,175.6	33.7%	21,183.50	12.5%
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Other	1,904.5	1.1%	1,981.60	1.2%
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Cash & cash Equivalents: All	4,919.1	2.8%	4,350.90	2.6%
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	178,465	100%	169,058	100%
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All scheme assets except private equity are quoted prices in active markets.

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The current position is a surplus of £2.7m (£10.3m surplus at 31 March 2018) which has an impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of £162.9m.

Statutory arrangements for funding mean that the financial position remains healthy as contributions continue to be made over the working life of current employees. The total contributions expected by Hymans Robertson LLP the scheme's actuaries that are to be made to the Local Government Pension scheme by the Council in the year to 31 March 2019 is £2.34m (£2.2m at 31 March 2018).

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 dependant on assumptions about mortality rates, salary levels, etc. The pension scheme is assessed by Hymans Robertson for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2016.

The principal assumptions used by the actuary have been:

		<u>2018/19</u>	<u>2017/18</u>
Long term expected rate of return on assets in the scheme:			
Mortality assumptions:			
Longevity at 65 for current pensioners:	Men	23.6	23.6
	Women	25.0	25.0
Longevity at 65 for future pensioners:	Men	26.0	26.0
	Women	27.8	27.8
Rate of inflation / pension		2.5%	2.4%
Rate of increase in salaries		3.2%	3.1%
Rate of discounting scheme liabilities		2.4%	2.7%

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

The estimate of the defined benefits obligation is sensitive to the actuarial assumptions. The sensitivity analyses in Note 3 have been determined based on 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 other assumptions remain constant. The estimations in the sensitivity analyses have followed the accounting policies for the scheme.

31 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

International Accounting Standard 37 requires the Council to disclose contingent liabilities and assets. These arise from past events that might result in an obligation or benefit to the Council.

A legal ruling has been made regarding age discrimination arising from pension scheme transitions arrangements. Court of appeal judgements were made in cases affecting judges pensions (McCloud) and firefighter pensions (Sergeant) which had previously been considered by employment tribunals. The ruling may have implications for other pension schemes, including the LGPS, which have implemented transitional arrangements for benefits changes. The LGPS scheme advisory board have commissioned the Government Actuary's Department to prepare an assessment of the potential impact. This assessment will set out the potential impact on scheme liabilities (expressed as a percentage of active liabilities) and service cost (expressed as a percentage of pensionable pay). The potential impact on the West Sussex LGPS is currently unknown.

In 2017/18 the Census Revenues and Benefits Partnership, hosted by Mid Sussex ended. The break up incurred costs, including cost of redundancies. Mid Sussex has yet to provide information that supports all the redundancies relating to staff that were categorised by MSDC as Horsham District Council 'based'. The Council has therefore reserved its position on these costs.

COLLECTION FUND

2018-19			2017-18		
Business Rates	Council Tax	Total	Business Rates	Council Tax	Total
£000	£000	£000	£000	£000	£000
			INCOME		
0	(103,806)	(103,806)	0	(97,167)	(97,167)
(43,359)	0	(43,359)	(39,527)	0	(39,527)
			Transfers from General Fund		
0	(1)	(1)	0	(1)	(1)
(839)	0	(839)	(668)	0	(668)
<u>(44,198)</u>	<u>(103,807)</u>	<u>(148,006)</u>	<u>(40,195)</u>	<u>(97,168)</u>	<u>(137,363)</u>
			Total Income		
			EXPENDITURE		
			Apportionment of Previous Year Surplus / (Deficit)		
(129)	212	82	280	182	462
(32)	1,370	1,338	70	1,173	1,243
0	168	168		145	145
(162)	0	(162)	350		350
<u>(323)</u>	<u>1,750</u>	<u>1,427</u>	<u>700</u>	<u>1,500</u>	<u>2,200</u>
			Precepts, Demands and Shares		
17,070	12,368	29,438	16,817	11,555	28,372
4,268	80,182	84,450	4,204	74,871	79,075
0	10,095	10,095		9,178	9,178
21,338	0	21,338	21,021	0	21,021
<u>42,675</u>	<u>102,645</u>	<u>145,321</u>	<u>42,043</u>	<u>95,604</u>	<u>137,646</u>
			Charges to Collection Fund		
441	310	751	667	389	1,056
303	(1)	302	(555)	(201)	(756)
1,621	0	1,621	(708)	0	(708)
180	0	180	180	0	180
<u>2,544</u>	<u>309</u>	<u>2,853</u>	<u>(417)</u>	<u>188</u>	<u>(229)</u>
44,896	104,704	149,601	42,326	97,291	139,617
698	897	1,595	2,131	123	2,254
<u>2,041</u>	<u>(3,042)</u>	<u>(1,001)</u>	<u>(90)</u>	<u>(3,166)</u>	<u>(3,256)</u>
			(Surplus) / Deficit arising during the Year		
			(Surplus) / Deficit brought forward 1 April		
2,739	(2,145)	594	2,041	(3,042)	(1,001)
			(Surplus) / Deficit carried forward 31 March		

NOTES TO THE COLLECTION FUND

The Collection Fund is an agent's statement which represents the statutory requirement for each billing authority to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to Non-Domestic Rates and Council Tax and illustrates the way in which these have been distributed to preceptors and the General Fund. Collection Fund surpluses or deficits declared by the billing authority are apportioned to the relevant precepting bodies in the subsequent financial year.

The accounts have been prepared on an accruals basis.

1 COUNCIL TAX

The Council Tax is based upon property values as at 1 April 1991. Property values are grouped within a range of value bands, as shown below. In order to calculate the Council Tax base, the number of properties within each band is shown as a "Band D equivalent" by expressing each band as a proportion of Band D as indicated in the table below.

BAND	VALUE RANGE	PROPORTION OF BAND "D"	BAND "D" EQUIVALENT NO.OF PROPERTIES
	£		
Reduced A	up to 40,000	5/9	2
A	up to 40,000	6/9	935
B	40,001-52,000	7/9	3,143
C	52,001-68,000	8/9	9,370
D	68,001-88,000	1	11,769
E	88,001-120,000	11/9	12,153
F	120,001-160,000	13/9	10,862
G	160,001-320,000	15/9	11,888
H	over 320,000	2	1,487
	COUNCIL TAX BASE		61,608

The reduced Band a charge is applied to those residents entitled to a disabled relief reduction.

2 INCOME FROM BUSINESS RATES

Under the revised arrangements for uniform business rates, the Council collects Non-Domestic Rates for its area which are based on local rateable values multiplied by a uniform rate. The total Non-Domestic Rateable Value at 31 March 2019 was £112.064m and the standard National Non-Domestic Rate multiplier for the year was £0.493

3 COUNCIL TAX AND BUSINESS RATES PRECEPTS AND DEMANDS

In accordance with the accounting code of practice surpluses and deficits arising from the Collection of Council Tax are to be apportioned between respective authorities on the basis of their precepts or demands on the Collection Fund.

31 March 2019			
£000			
Accumulated (Surplus) / deficit at 31 March 2019		594	
Apportionment based on 2018/19 precepts and demands:			
Deficit / (surplus)			
	<u>Business Rates</u>	<u>Council Tax</u>	Total
	£000	£000	£000
Horsham District Council	1,096	(258)	837
West Sussex County Council	274	(1,676)	(1,402)
Sussex Police Authority	-	(211)	(211)
Central Government	1,370	-	1,370
	2,740	(2,146)	594

BALANCES	The amounts remaining at the year-end on the various funds of the Council.
CAPITAL EXPENDITURE	Expenditure on the acquisition of assets either directly by the Local Authority or indirectly in the form of grants to other persons or bodies that will give benefit for a number of years.
CAPITAL RECEIPTS	Receipts from the sale of property, plant and equipment e.g. land, building etc.
CENTRAL SUPPORT SERVICES	The expenditure on the central administration of the Council, including the cost of accommodation.
COLLECTION FUND	A statutory fund maintained by a billing authority that is used to record local taxes and non-domestic rates collected by the Council, payments to precepting authorities, central government and its own general fund.
CIL (COMMUNITY INFRASTRUCTURE LEVY)	Contribution paid by developers to Local Planning Authorities to help deliver infrastructure to support the development of the area.
COUNCIL TAX	A locally determined charge based on property values and levied by a local authority to enable it to provide its services.
CREDITORS	Individuals and organisations to which the Council owes money.
DEBTORS	Individuals and organisations who owe money to the Council.
DEPRECIATION	A charge to a revenue account to reflect the reduction in the useful economic life of a fixed asset.
EARMARKED RESERVES	Amounts set aside for specific purposes falling outside the definition of provisions.
FAIR VALUE	Amount for which an asset could be sold or liability transferred in an orderly transaction between market participants at the measurement date. In most cases this is the actual price paid.
FINANCIAL ASSET	A contractual right to receive economic benefits such as cash or right to receive cash or right to favourably exchange a financial asset/liability.
FINANCIAL INSTRUMENT	A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments
FINANCIAL LIABILITY	A contractual obligation to transfer economic benefits such as an obligation to pay over cash or unfavourably exchange a financial asset/liability.
FINANCIAL REPORTING STANDARDS	Accounting practice recommended for adoption by the accountancy profession e.g. in relation to public reporting, accounting policies etc.
NON-CURRENT ASSET	A tangible asset that yields benefit to a council and the services it provides for a period of more than one year.
GENERAL FUND	The main revenue fund of a billing authority from which day to day spending on services (other than the provision of Council housing services) is met.
IAS	International Accounting Standard.
MINIMUM REVENUE PROVISION (MRP)	The minimum amount that must be charged to a council's revenue account to be set aside to pay back debt.
NATIONAL NON-DOMESTIC RATES (NNDR)	This is the charge payable on all business premises and is calculated by multiplying the rateable value of the property by a nationally set rate multiplier.
PRECEPT	An amount charged to the Collection Fund to finance services provided by another authority e.g. County and parish councils.
PRECEPTING AUTHORITIES	Those authorities which are able to raise a precept.
PROVISION	A fund to provide for liabilities or losses that are likely to be incurred but the dates and amounts are uncertain.
PUBLIC WORKS LOAN BOARD (PWLb)	A statutory body operating within Central Government responsible for lending money to local authorities and other bodies.
SECTION 106 (S106)	Contribution paid by developers to Local Planning Authorities in order to offset the costs of the external effects of development under section 106 of Town and Country Planning Act 1990.