



**Horsham  
District  
Council**

# **Statement of Accounts 2019/20**

**Audited**

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# Narrative Statement

## INTRODUCTION

Welcome to Horsham District Council's Statement of Accounts for 2019/20. 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 2019 to 31 March 2020 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 Covid-19 and 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 2019/20.

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.

In addition to 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 good position to withstand the financial challenges it faces in the future, including the more immediate impact of Covid-19.

## 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 48 elected Councillors.

The 2019-2023 Corporate Plan identifies key priorities that have been grouped and presented under five broad headings which cover the economic, environmental, social and organisational responsibilities.

<https://www.horsham.gov.uk/council-democracy-and-elections/finance-and-council-performance/corporate-plan>

- A great place to live - creating well balanced communities that meet residents' needs
- A thriving economy - increasing economic growth and create new local jobs
- A strong, safe and healthy community - ensuring Horsham District remains one of the best places in Sussex to live
- A cared-for environment - prioritising the protection of our environment as we move to a low-carbon future
- A modern and flexible Council – making it easy for our residents to access the services that they need

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 2019/20

The Council monitors financial and non-financial performance indicators on a monthly basis. It measures and publishes its performance using a set of 30 key performance indicators which cover many of the Council's key services. The final

performance figures for the 2019/20 year are reported to Overview and Scrutiny Committee in July. The Council also reviews delivery of the Corporate Plan objectives at this meeting. The new corporate plan was introduced in January 2020 and a review of KPIs is taking place to ensure we are supporting the new corporate plan. There has been a high level of achievement in the Corporate Plan for the 2019/20 period.

These indicators show positive performance across most areas, with all the indicators at or close to target. A greater number of residents are using self-service methods and making payments online. An improvement in the deployment of customer services staff at key times has lowered the number of abandoned customer contact centre calls during the year towards the target. Falling visitor numbers at the Capitol, the Museum and Leisure centres reflect the impact of Covid-19 in March 2020, although the impact is likely to be much greater in 2020/21.

### Employees

The number of permanent employees was 387.7 FTE at 31 March 2020 (385.6 at 31 March 2019). There were 6.45 sickness days per FTE employees (6.5 days at 31 March 2019) and remains below the 7 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 £111.93m 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 98.53% of the total amount due which was almost the same as 2018/19 (98.57%) and remains slightly under the unchanged target of 98.8%, with the aim of collecting the majority of the remainder in the first few months of 2020/21.

### 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 2020. A total of £2.12m (£2.11m in 2018/19) has been allowed against debts of £3.48m (£3.4m in 2018/19) outstanding as at 31 March 2020. The Council's share of the allowance is £252k (£254k in 2018/19).

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 2020. A total of £1.01m (£1.29m in 2018/19) has been allowed against debts of £2.940m (£2.51m in 2018/19) outstanding as at 31 March 2020. The Council's share of the allowance is £202k (£517k in 2018/19).

In 2019/20 there has been £0.819m of uncollectable amounts written off (£0.751m in 2018/19).

A provision for appeals made against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31 March 2020 has been made of £5.51m (£6.23m in 2018/19). The Council's share (20%) is £1.12m (£2.49m at 40% in 2018/19), as detailed in the Provisions note 18.

### BUDGET 2019/20

In 2019/20, the total expenditure incurred by the Council was £69.9m; 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 2019/20 of £11.2m at the formal meeting on 13 February 2019.

	<b>£000</b>
Net expenditure	<b>10,435</b>
Funded by:	
Council Tax	(9,598)
Revenue Support Grant	0
Business Rates baseline funding	(2,029)
Collection fund surplus	(227)
Total funding	<u>(11,854)</u>
Surplus	<b>(1,419)</b>

## 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 2019/20, 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 2020 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 2019/20

The Council monitors its expenditure and income against budget on a monthly basis, regularly reporting to Cabinet and to Overview and Scrutiny (O&S) Committee on a quarterly basis. The 2019/20 year-end revenue and capital outturn is reported to O&S Committee in June.

The variance against original budget was reported as a surplus of £0.246m. Revenue budgets of £0.165m, intended for projects in 2019/20, were unspent and carried forward to 2020/21. 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 £1.433m as shown below.

	£000
<b>Outturn variance reported</b>	<b>(246)</b>
Budgets brought forward from 2018/19 (including repairs and renewals)	201
Budgets carried forward to 2020/21	(165)
Underspend of MRP against budget	6
Other adjustments	(1,229)
<b>Surplus on General Fund (after transfers to earmarked reserves)</b>	<b>(1,433)</b>

The General Fund shows a net surplus of £1.433m on expenditure and income transactions in the year. The Comprehensive Income and Expenditure Statement shows a surplus for the year of £31.413m, comprising a surplus on the provision of services of £3.943m and a surplus of £27.47m 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 £1.433m 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 £2.339m is a charge for the use of assets that reflects the notional consumption of assets during the year and gains of £0.685m have been credited on the revaluation of assets.
- ii) **A charge for revenue expenditure funded from capital under statute (REFCUS).** A charge of £1.752m 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 £4.649m 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 £2.965m representing the difference between the accounting cost of pensions of £5.528m (as estimated by the Pension Fund actuary in accordance with IAS19) and the actual employer contributions of £2.563m 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 £1.294m. 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 2019/20 the amount set aside was £0.844m (2018/19 £0.870m). 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:-

	<b>£000</b>
<b>Surplus on General Fund</b>	<b>(1,433)</b>
Transfers (to) / from earmarked reserves	(5,130)
<b>Accounting adjustments</b>	
Charge for depreciation	2,339
Revaluation of non-current assets	685
Revenue expenditure charged to capital	1,752
Capital grant income	(4,649)
IAS19 pension costs	2,965
(Gain) / loss on disposal of assets	(1,294)
Minimum Revenue Provision	(844)
Share of in year surplus on the Collection Fund	(45)
Other technical adjustments	1,711
<b>Surplus on provision of services per CIES</b>	<b>(3,943)</b>

## **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 £21.7m in 2019/20, the Council's capital spending for the year was £9.8m across a range of 60 capital schemes. The majority was spent in the following four key areas:

- £4.4m 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
- £1.5m on disabled facilities using Government grant funding to help disabled residents live in their homes.
- £1.5m on building temporary accommodation
- £0.6m property investment to generate a revenue return

Four large schemes did not move forward at the expected rate during the year, accounting for £6.7m of the underspend. This included £2.3m on commercial investment property as suitable property was not identified, £2m on a running track, £1.2m on the Highwood community centre and £1.2m in housing enabling grants to Registered Providers. Where projects are continuing, the unspent capital budget has been re-profiled into 2020/21 and later years.

Where not re-profiled, unspent budgets are removed from the capital programme, as the original schemes are either superseded or no longer needed. The £2m budget for the running track has been removed from the capital programme.

## **FINANCIAL POSITION AT 31 MARCH 2020**

The net worth of the District Council is shown in the Balance Sheet. It has increased by £31.4m from 31 March 2019.

Property, Plant and Equipment value has increased by £3.1m to £112.1m. Investment Property value has also risen by £3.6m to £54.5m due to £1.5m in net gains from fair value adjustments as well as £2.1m additions in year.

The net pension asset increased by £22.38m from a net pension surplus of £2.96m at 31 March 2019 to a net pension surplus of £25.34m at 31 March 2019, reflecting changes in the financial assumptions used by the Actuary and fluctuations in the values of assets and liabilities and the 're-calibration' from the full formal valuations in 2016 and 2019.

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 2019 and revised employer contribution rates have been agreed for the three years from 1 April 2020. The contribution rate was 20.5% in 2019/20, but a gradual reduction is planned that would result in a contribution rate of 18% in 2022/23, assuming the fund remains in surplus. 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 capital and revenue Reserves increased by £4.45m to £37.9m during 2019/20. The Council's level of General Reserves held at 31 March 2020 stands at £15.7m. Given our intention to become financially independent in the medium term, our reserves will enable us to invest in transformation as well as mitigate against the financial uncertainty following the outbreak of Covid-19 in March 2020. 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 repaid the £4m PWLB loan on Monday 1 April 2019. The Council does not have any borrowing.

## **FINANCIAL OUTLOOK INCLUDING STRATEGY AND RESOURCE ALLOCATION INCLUDING IMPACT OF COVID-19**

The World Health Organisation declared a global pandemic of the COVID-19 virus on 11 March 2020. The subsequent lockdown and associated recession is having a severe impact on the lives of our residents and businesses. The Council has taken emergency action at considerable speed. Whilst the effect on income and expenditure in 2019/20 is limited to the last month in the financial year, the longer term effects will be seen in 2020/21 and beyond.

The Council, in partnership with existing and new organisations, volunteer and social media groups, established 27 Community Volunteer Hubs across the District to help co-ordinate the community response to Covid-19. Employees from areas that had to close such as the museum, parks and the Capitol have been redeployed to help these front-line efforts.

The Council's technology strategy of cloud based solutions meant that it was quickly able to adapt to stay at home working. The property team are exploring how the existing office space can be adapted to accommodate the post lockdown period, and then transition to a new permanent way of working in the future. The move to stay at home working mitigated the risk of whole teams falling ill and so far, sickness levels have not changed and have not had an impact on services. The Council is also working with suppliers and supply chains, especially in areas where essential suppliers might be more prone to failure.

Operationally, the impact has fallen heavily on Revenues and Benefits, from increased benefit claims and the application of the measures announced by The Chancellor to support businesses through small business grant funding, retail discounts, pub and nursery rate reliefs.

Income has fallen across many services. Free parking was put in place to alleviate congestion and help key workers. Deferral of rents, reduced demand in building control, planning, business waste and all leisure services has caused income in these areas to plummet, whilst additional expenditure, supporting the homeless and vulnerable for example, has increased. Income may never return to the previous levels. The Government grant of £1.5m received to the end of May 2020 has so far largely negated the early impact but is not enough to cover the Council's losses in the year 2020/21.

At 31 March 2020, the Council has £15.7m of general fund reserves and £9.5m of earmarked reserves including £4.7m in New Homes Bonus. It is expected the 2019/20 outturn surplus of £0.246m will be used to top up the transformation fund back up to £0.5m providing funds to drive transformational changes in the future. The Council is also due to receive £4.8m in New Homes Bonus during 2020/21 which is not ring-fenced, nor presently taken into the revenue budget.

Initial analysis of projected income loss and increased expenditure indicates that, should the situation remain critical throughout 2020, the impact could be up to £8m overspend on the 2020/21 budget before Government grants. This could be funded by reserves in the short term during 2020/21, but any continued impact beyond this would clearly not be sustainable.

To mitigate against this, Council is reviewing whether it can deliver the services as set out in the current budget and the impact on planned efficiency savings and transformation. The Council will continue to harness the digital opportunities to better meet customer expectations and needs and also reduce the re-keying of data. Transformation will help protect the level of general fund reserves with an aim to keep them above the £6m minimum level of general reserves that Members agreed upon in 2012.

Measuring the impairments attributable to Covid-19 will be complex and difficult. The values at 31 March 2020 are just a snapshot in time and the value of the asset base, investment assets and pension fund assets continue to fluctuate. The only

certainty is the new uncertainty and planning for this, both in the short term and the medium term. The planned capital programme in 2020/21 is also being revisited to identify any likely slippage and re-prioritisation.

The significant risk is that the Council will not be able to return to previous levels of income if consumer habits are permanently changed. Greater detailed budget monitoring and forecasting will be key to understanding 2020/21 in more detail as it happens, especially as events outside the Council's control play out. Early identification of issues will help the Council take action to further mitigate overspends and reduce the impact on cash flows. At the same time it is possible that the impact Covid-19 will see changes to the future provision of services if social distancing becomes semi-permanent.

However, as the resilience of the community has already shown, combined with the Council's desire to support the local community in its recovery, and as long as we hold true to the key principles of public finance, the Council will rise to these challenges as it always has done in the past and provide a public service offering that is progressive and modern.

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. An updated Medium Term Financial Strategy is planned for the 23 July 2020 Cabinet meeting, updating assumptions for the impact of Covid-19 and other changes.

The Council's cash flow remains healthy. At the current year-end, the Council has £6.3m of cash and cash equivalents. The value of treasury investments including those classified as cash and cash equivalents ended the year at £39.2m.

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 2019/20 or planned to complete over the next twelve months:

- Piries Place Car Park: the £8m replacement car park opened during September 2019, creating 200 additional spaces in the town centre.
- Temporary accommodation: the Council has spent nearly £3m on two sites in Billingshurst and Horsham that are providing 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. The second of these facilities will open in 2020.
- Oakhurst phase IV: a £2.2m development of Oakhurst business park using the commercial property investment fund.
- Highwood community centre: work on the £2m facility is due to commence in 2020.

## **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:

- significant economic uncertainty from world events, including Covid-19, or Britain's exit from the European Union.
- income may be significantly affected by external factors such as recession.
- 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.
- further or steeper funding cuts / to help government meet their financial targets especially beyond the current settlement period (2021).
- 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 4 June 2020 to 15 July 2020. 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](mailto:Jane.Eaton@horsham.gov.uk)) or the Head of Finance, Dominic Bradley ([Dominic.Bradley@horsham.gov.uk](mailto: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 2019/20 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 2020.

**Jane Eaton C.P.F.A.**  
**Director of Corporate Resources**  
xx October 2020

### APPROVAL OF THE ACCOUNTS

I hereby certify that the Statement of Accounts 2019/20 have been approved by the Council's Audit Committee under delegated powers at a meeting held on 15 July 2020

**Councillor Stuart Ritchie**  
**Chairman of the Audit Committee**  
xx October 2020

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HORSHAM DISTRICT COUNCIL

### Opinion

We have audited the financial statements of Horsham District Council for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- Collection Fund,
- and the related notes 1 to 32.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of Horsham District Council as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below.

We that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### Emphasis of matter – Material uncertainty regarding the valuation of Property Plant and Equipment & Investment Property

We draw attention to Note 3: Critical Judgements and Assumptions, of the financial statements, which describes the valuation uncertainty the Council is facing as a result of COVID-19 in relation to property valuations. Our opinion is not modified in respect of this matter.

### Conclusions relating to going concern

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

- the Director of Corporate Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Corporate Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised are independent of the authority in accordance with the ethical requirements for issue.

### Other information

The other information comprises the information included in the narrative statement set out on pages 2 to 7, other than the financial statements and our auditor's report thereon. The Director of Corporate Resources is responsible for the other information.

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

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

We have nothing to report in this regard.

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

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are satisfied that, in all significant respects, Horsham District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;

- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;  
we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

#### **Responsibility of the Director of Corporate Resources**

As explained more fully in the Statement of the Director of Corporate Resources' Responsibilities set out on page 8, the Director of Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

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

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the C&AG in November 2017, as to whether the Horsham District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Horsham District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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

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

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

#### **Certificate**

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

#### **Use of our report**

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

Andrew Brittain (Associate Partner) Ernst & Young LLP (Local Auditor)

Reading

xx October 2020

## 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	
<b>Balance at 1 April 2018</b>	(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	
(Surplus) or deficit on provision of services	(6,323)	0	0	(6,323)	0	(6,323)	7
Other Comprehensive Expenditure and Income	0	0	0	0	3,136	3,136	
Total Comprehensive Expenditure and Income	(6,323)	0	0	(6,323)	3,143	(3,180)	
Adjustments between accounting basis & funding basis under regulations (restated)	4,241	(294)	(2,694)	1,254	(1,254)	0	7,11
Increase/Decrease (movement) in Year	(2,081)	(294)	(2,694)	(5,069)	1,889	(3,180)	
<b>Balance at 31 March 2018 carried forward</b>	<b>(23,003)</b>	<b>(1,327)</b>	<b>(9,145)</b>	<b>(33,475)</b>	<b>(129,718)</b>	<b>(163,193)</b>	
Movement in reserves during 2019/20:							
(Surplus) or deficit on provision of services	(3,943)	0	0	(3,943)	0	(3,943)	7
Other Comprehensive Expenditure and Income	0	0	0	0	(27,470)	(27,470)	
Total Comprehensive Expenditure and Income	(3,943)	0	0	(3,943)	(27,470)	(31,413)	
Adjustments between accounting basis & funding basis under regulations	1,755	(761)	(1,501)	(507)	507	0	7,11
Increase/Decrease (movement) in Year	(2,188)	(761)	(1,501)	(4,450)	(26,963)	(31,413)	
<b>Balance at 31 March 2020 carried forward</b>	<b>(25,191)</b>	<b>(2,088)</b>	<b>(10,646)</b>	<b>(37,925)</b>	<b>(156,681)</b>	<b>(194,605)</b>	

## Comprehensive Income and Expenditure Statement

Restated 2018/19			2019/20			Note
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	
£000	£000	£000	£000	£000	£000	
3,306	(63)	3,243	2,526	(137)	2,389	
12,315	(3,519)	8,795	6,689	(4,118)	2,571	
1,326	(17)	1,309	1,407	(18)	1,389	
416	(11)	405	531	(12)	519	
3,227	(1,702)	1,525	4,644	(2,095)	2,549	
1,935	(1)	1,934	1,886	(10)	1,876	
1,665	(167)	1,498	2,141	(114)	2,027	
3,690	(4,713)	(1,023)	4,421	(4,980)	(559)	
4,910	(3,259)	1,651	5,938	(3,479)	2,458	
1,766	(195)	1,571	1,851	(233)	1,618	
10,834	(4,856)	5,978	10,989	(5,146)	5,843	
31,201	(30,726)	475	27,926	(27,593)	333	
<b>76,591</b>	<b>(49,229)</b>	<b>27,362</b>	<b>70,948</b>	<b>(47,935)</b>	<b>23,013</b>	7
		2,011			2,305	8
		(8,763)			(4,358)	9
		(26,932)			(24,903)	10
		<b>(6,323)</b>			<b>(3,943)</b>	7
		(1,551)			(2,171)	
		4,687			(25,339)	30
		0			40	
		<b>3,136</b>			<b>(27,470)</b>	
		<b>(3,187)</b>			<b>(31,413)</b>	

The figures above the line for 'Net Cost of Services' have been restated for the 2018-19 comparator year to reflect the Council's revised portfolio structure between Leisure & Culture and Housing & Community Services (previously Community & Culture and Housing Services) Notes 7 and 7a also reflect this revised portfolio structure

## Balance Sheet

<u>31.03.2019</u>		<u>31.03.2020</u>	<u>Note</u>
£000	<b>NON-CURRENT ASSETS</b>	£000	
	Property, Plant and Equipment		
99,144	- Other Land and Buildings	108,815	12
3,775	- Vehicles, Plant, Furniture & Equipment	3,369	12
6,098	- Assets under construction/Awaiting Development	5	12
531	Heritage Assets	531	
50,909	Investment Property	54,466	13
30	Intangible Assets	19	
350	Assets Held for Sale	636	
2,961	Pension Asset	25,335	30
259	Long-term Debtors	221	
<u>16,747</u>	Long-term Investments	<u>19,621</u>	14
<b>180,804</b>	<b>TOTAL LONG-TERM ASSETS</b>	<b>213,018</b>	
13,381	Short - term Investments	13,247	14
139	Inventories	87	
5,939	Short -term Debtors	4,392	16
<u>5,297</u>	Cash and Cash Equivalents	<u>6,288</u>	15
<b>24,756</b>	<b>CURRENT ASSETS</b>	<b>24,014</b>	
(4,000)	Short-term borrowing	0	14
<u>(11,672)</u>	Short-term Creditors	<u>(14,520)</u>	17
<b>(15,672)</b>	<b>CURRENT LIABILITIES</b>	<b>(14,520)</b>	
(161)	Provisions	(158)	18
(2,493)	Provision for Business Rates Appeals	(1,121)	18
(236)	Council tax and NDR appropriations	(300)	
(8,737)	Long-term liabilities - S106 Contribution	(12,106)	18
(239)	CIL Contribution	(506)	
(792)	Rent Deposits and Other Balances	(930)	
(14,037)	Capital Grants & Receipts in Advance	(12,785)	18
<u>(26,695)</u>	<b>LONG-TERM LIABILITIES</b>	<u>(27,906)</u>	
<b>163,193</b>	<b>NET ASSETS</b>	<b>194,605</b>	
	Usable Reserves		
(23,003)	- Reserves	(25,191)	19
(1,327)	- Capital Receipts Reserve	(2,088)	19
(9,145)	- Capital Grants & Contributions Unapplied	(10,646)	19
	Unusable Reserves		
(34,516)	- Revaluation Reserve	(35,833)	20
(2,961)	- Pensions Reserve	(25,335)	20,30
(93,380)	- Capital Adjustment Account	(98,354)	20
146	- Pooled Fund Adjustment Account	1,855	
0	- Financial Instrument Revaluation Reserve	40	
832	- Collection Fund Adjustment Account	788	20
<u>161</u>	- Accumulating Absences Adjustment Account	<u>158</u>	
<b>(163,193)</b>	<b>TOTAL RESERVES</b>	<b>(194,605)</b>	

These financial statements replace the unaudited financial statements certified by the Director of Corporate Resources on 29 May 2020

Jane Eaton C.P.F.A Director of Corporate Resources

xx October 2020

## Cash Flow Statement

<u>2018/19</u>		<u>2019/20</u>	<u>Note</u>
£000		£000	
	<b><u>Operating activities</u></b>		
(6,323)	(Surplus) or deficit on provision of services	(3,943)	7
(1,568)	Adjust net surplus or deficit on the provision of services for non- cash movements	(5,802)	21
7,669	Adjust for items in the net deficit on the provision of services that are investing or financing activities	6,129	21
<b>(222)</b>	<b>Net cash flows from Operating activities</b>	<b>(3,616)</b>	
	<b><u>Investing activities</u></b>		
12,695	Purchase of property, plant and equipment, investment property and intangible assets	8,230	
10,950	Purchase of short-term and long-term investments	67,000	
387	Other payments for investing activities	396	
(171)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,212)	
(12,781)	Proceeds from short-term and long-term investments	(64,220)	
(10,772)	Other receipts from investing activities	(10,709)	
<b>308</b>	<b>Net cash flows from investing activities</b>	<b>(516)</b>	
	<b><u>Financing Activities</u></b>		
154	Other receipts from financing activities	(860)	
0	Other payments for financing activities	4,000	
<b>154</b>	<b>Net cash flows from financing activities</b>	<b>3,140</b>	
240	Net (increase) or decrease in cash and cash equivalents	(991)	
<b>5,537</b>	<b>Cash and cash equivalents at 1 April</b>	<b>5,297</b>	15
<b>5,297</b>	<b>Cash and cash equivalents at 31 March</b>	<b>6,288</b>	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 is found in note 25.

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 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**

These assets are treated as Financial Assets Measured at Fair Value through Profit of Loss in terms of valuations but any gains and losses are taken to the Financial Instrument Revaluation Reserve rather than the Surplus or Deficit on the Provision of Services. Any gains and losses that arise on the de-recognition of the asset are credited or debited to the General Fund through the Movement in reserves Statement. The only relevant asset is the Fundamentum REIT which is an equity instrument which the Council has elected to treat in this category.

## **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 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 2019/20 (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 2019/20 Statement of Accounts there are a number of accounting changes that need to be reported. These relate to:

- Annual Improvements to IFRS Standards 2015-17 cycle
- Amendments to IAS19 Employee Benefits: Plan Amendment, Curtailment or Settlement

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. Adoption has been postponed until at least the 2021/22 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 and income are uncertain. However based on the current level of reserves and 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 in the short term.
- The Council holds a significant portfolio of investment property and although general economic activity is 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 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 5% of the Council spending baseline which equates to £101k.

#### Assumptions

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2020 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.

Furthermore, the actuary has also estimated an impact for the implications of the 2014 transitional arrangement protection which the Court of appeal ruled as unlawful in June 2019. Wider explanation of this issue, more commonly known as 'McCloud', is detailed in Note 30.

During 2019/20 the actuaries advised that the pension liability had been affected as follows:

<u>Change in assumptions year ended 31 March 2020</u>	Approximate % increase to Employer	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	9%	12,837
1 year increase in member life expectancy	3% to 5%	5,792
0.5% increase in Salary Increase Rate	1%	983
0.5% increase in the Pension Increase Rate	8%	11,767

#### 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 £303k.

#### 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 £0.033m.

Due to the effects of Covid-19 on the property market the Council's valuer Wilks, Head and Eve have provided valuations reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, they advise that less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.



### 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 £5.6m as an estimate of potential successful appeals up to 31 March 2020, the Council's proportion (20%) reflected in the Balance Sheet is £1.12m. This estimate is calculated using Valuation Office ratings list of appeals an analysis of successful appeals to date for 2010 list and the percentage built into the multiplier by MHCLG for the 2017 list

## 4 PRIOR PERIOD ADJUSTMENTS

During the year the Council revised its portfolio structure between Leisure & Culture and Housing & Community Services (previously Community & Culture and Housing Services). The Comprehensive Income and Expenditure Statement and Notes 7 and 7a also reflect this revised portfolio structure

## 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 2018/19 or 2019/20 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 **xx October 2020**. 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 2020, 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	Restated 2018/19			2019/20		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	1,734	3,243	Audit, Finance, HR & Commissioning	1,211	1,177	2,389
1,479	7,317	8,795	Leisure & Culture	1,768	804	2,572
1,167	142	1,309	Corporate Management	1,591	(202)	1,389
365	40	405	Customer Services	455	64	519
1,322	204	1,526	Housing & Community Services	962	1,588	2,549
1,549	384	1,934	ICT	1,711	165	1,878
1,488	10	1,498	Legal and Democratic Services & Elections	1,334	691	2,026
(2,660)	1,638	(1,023)	Parking	(2,576)	2,017	(559)
1,330	321	1,651	Planning & Economic Development	1,823	635	2,458
(2,489)	4,060	1,571	Property & Facilities	(2,316)	3,934	1,618
3,131	2,846	5,978	Refuse, Cleansing & Environmental Services	2,908	2,933	5,841

973	(498)	475	Revenues & Benefits	612	(279)	332
<b>9,164</b>	<b>18,198</b>	<b>27,362</b>	<b>Net cost of services</b>	<b>9,484</b>	<b>13,529</b>	<b>23,013</b>
(11,245)	(22,440)	(33,685)	Other income and expenditure	(11,673)	(15,283)	(26,956)
<b>(2,081)</b>	<b>(4,242)</b>	<b>(6,323)</b>	<b>Surplus or deficit</b>	<b>(2,187)</b>	<b>(1,754)</b>	<b>(3,943)</b>
<b>(20,922)</b>			Opening General Fund Balance 31 March 2019	<b>(23,003)</b>		
<b>(2,081)</b>			Less Surplus on General Fund in Year	<b>(2,187)</b>		
<b>(23,003)</b>			<b>Closing General Fund Balance</b>	<b>(25,189)</b>		

## 7a ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS

### 2019/20

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	159	889	129	1,177
Leisure & Culture	606	315	0	(116)	804
Corporate Management	0	199	0	(401)	(202)
Customer Services	0	63	0	1	64
Housing Services	1,169	311	0	108	1,588
ICT	23	142	0	0	165
Legal and Democratic Services & Elections	0	143	0	548	691
Parking	2,031	113	0	(127)	2,017
Planning & Economic Development	73	618	0	(55)	635
Property & Facilities	(1,311)	86	0	5,159	3,934
Refuse, Cleansing & Environmental Services	2,186	852	0	(105)	2,933
Revenues & Benefits	0	0	0	(279)	(279)
Other income and expenditure from the Funding Analysis	(6,787)	(35)	(889)	(7,572)	(15,283)
<b>Difference between General Fund (Surplus) or deficit and Comprehensive Income and Expenditure (surplus) or deficit on the provision of services</b>	<b>(2,010)</b>	<b>2,965</b>	<b>0</b>	<b>(2,710)</b>	<b>(1,756)</b>

### Restated 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	948	747	39	1,734
Leisure & Culture	6,743	189	0	385	7,317
Corporate Management	0	141	0	1	142
Customer Services	0	40	0	0	40

Housing Services	391	203	0	(390)	204
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	2,226	615	0	5	2,846
Revenues & Benefits	0	0	0	(498)	(498)
Other income and expenditure from the Funding Analysis	(8,358)	(239)		(13,842)	(22,440)
<b>Difference between General Fund (Surplus) or deficit and Comprehensive Income and Expenditure (surplus) or deficit on the provision of services</b>	<b>(759)</b>	<b>2,665</b>	<b>747</b>	<b>(6,895)</b>	<b>(4,242)</b>

## 8 OTHER OPERATING EXPENDITURE

	2018/19	2019/20
	£000	£000
Parish council precepts	3,224	3,600
(Gains)/losses on the disposal of non-current assets	<u>(1,213)</u>	<u>(1,295)</u>
<b>Total</b>	<b><u>2,011</u></b>	<b><u>2,305</u></b>

## 9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2018/19	2019/20
	£000	£000
Interest payable and similar charges	135	1
Net interest cost on LGPS Pension	(239)	(35)
Interest receivable and similar income	(1,031)	(889)
Income and expenditure in relation to investment properties and changes in their fair value (as detailed in note 13)	(7,628)	(5,149)
Changes in fair value of investments	<u>0</u>	<u>1,714</u>
<b>Total</b>	<b><u>(8,763)</u></b>	<b><u>(4,358)</u></b>

## 10 TAXATION AND GRANT INCOME

	2018/19	2019/20
	£000	£000
Benefits Grants	(29,026)	(26,021)
Other Government Grants	(1,077)	(1,150)
Other Grants	<u>(421)</u>	<u>(939)</u>
<b>Grants credited to Services</b>	<b><u>(30,524)</u></b>	<b><u>(28,110)</u></b>
Council Tax	(12,470)	(13,264)
Non Domestic Rates income & expenditure	(1,153)	(1,073)
New Homes Bonus	(4,827)	(4,807)
Section 31 Grant – Business Rates Reliefs	(2,113)	(1,110)
Other Government Grants	(106)	0
Capital grants and contributions	<u>(6,264)</u>	<u>(4,649)</u>
<b>Credited to Taxation and Non Specific Grant Income</b>	<b><u>(26,932)</u></b>	<b><u>(24,903)</u></b>

## 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.

2019/20	General Fund Balance £000	Usable Reserves Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation of non-current assets	(2,339)			2,339
Impairment on Property, Plant and Equipment	(2,139)			2,139
Movements in the market value of Investment Properties	1,453			(1,453)
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	(373)			373
Revenue expenditure funded from capital under statute	(1,752)			1,752
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	844			(844)
Capital expenditure financed from revenue balances	4,376			(4,376)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	4,649		(1,501)	(3,148)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,667	(1,695)		27
Use of the Capital Receipts Reserve to finance new capital expenditure		934		(934)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>				
Gain/loss on revaluation of Financial Instruments Adjustment Account	(1,714)			1,714
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,528)			5,528
Employers pension contributions and direct payments to pensioners payable in the year	2,563			(2,563)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
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	45			(45)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
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	3			(3)
<b>Total Adjustments</b>	<b>1,755</b>	<b>(761)</b>	<b>(1,501)</b>	<b>507</b>

2018/19

	General Fund Balance £000	Usable Reserves Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account: Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
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
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	870			(870)
Capital expenditure financed from revenue balances	6,418			(6,418)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
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)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
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				
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>				
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
Gain/loss on revaluation of Financial Instruments Adjustment Account	148			(148)
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,147)			5,147
Employers pension contributions and direct payments to pensioners payable in the year	2,482			(2,482)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
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
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
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
<b>Total Adjustments</b>	<b>4,241</b>	<b>(294)</b>	<b>(2,694)</b>	<b>(1,253)</b>

## 12 PROPERTY, PLANT & EQUIPMENT

Movements in 2019/20	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total Property, Plant & Equipment
Cost or Valuation	£000	£000	£000	£000
<b>At 1 April 2019</b>	99,521	7,936	6,137	113,594
Additions	5,558	570	6	6,134
Reclassifications	5,802		(6,134)	(332)
Revaluation increase/(decreases) recognised in the Revaluation Reserve	1,890			1,890
Revaluation increase/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,144)		(4)	(2,148)
De-recognition – disposal	(50)			(50)
Other movements in cost or valuation	(942)			(942)
<b>At 31 March 2020</b>	109,635	8,506	5	118,251
<b>Accumulated Depreciation and Impairment</b>				
<b>At 1 April 2019</b>	(416)	(4,161)	0	(4,577)
Depreciation charge	(1,347)	(976)		(2,323)
Written out to the Revaluation Reserve	620			620
Written out to the Surplus/Deficit on the Provision of Services	322			322
Other movements	—			
<b>At 31 March 2020</b>	(821)	(5,137)	0	(5,958)
<b>Net Book Value</b>				
<b>At 31 March 2020</b>	<b>108,814</b>	<b>3,369</b>	<b>5</b>	<b>112,293</b>
<b>At 31 March 2019</b>	<b>99,105</b>	<b>3,775</b>	<b>6,137</b>	<b>109,017</b>
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
<b>At 1 April 2018</b>	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)
<b>At 31 March 2019</b>	99,521	7,936	6,137	113,594
<b>Accumulated Depreciation and Impairment</b>				
<b>At 1 April 2018</b>	(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
<b>At 31 March 2019</b>	(416)	(4,161)	0	(4,577)
<b>Net Book Value</b>				
<b>At 31 March 2019</b>	<b>99,105</b>	<b>3,775</b>	<b>6,137</b>	<b>109,017</b>
<b>At 31 March 2018</b>	<b>94,808</b>	<b>4,329</b>	<b>5,975</b>	<b>105,112</b>

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

Two assets held valued at £0.636m (31 March 2019 three assets £0.350m).

#### Capital Commitments

At 31 March 2020, the Council was committed to the following significant capital works contracts (£4.8m in 2019):

Capital scheme	£000
Warnham Discovery Hub	238
Land at Oakhurst Business Park - Phase 4	1,583
Park House Improvements	106
Capitol - Projector	95
<b>Total</b>	<b>2,022</b>

#### 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 £000	Vehicles, Plant, Furniture & Equipment £000	Total £000
Carried at historical cost		3,369	3,369
Valued at fair value as at			
31 March 2020	73,783		73,783
31 March 2019	17,128		17,128
31 March 2018	10,839		10,839
31 March 2017	3,694		3,694
31 March 2016	3,371		3,371
	<b>108,815</b>	<b>3,369</b>	<b>112,184</b>

### 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 £000	2019/20 £000
Income from investment property	(4,402)	(4,150)
Direct operating expenses arising from investment property	536	454
Net (gains)/losses from fair value adjustments	(3,762)	(1,453)
<b>Net (gain)/loss</b>	<b>(7,628)</b>	<b>(5,149)</b>

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 £000	2019/20 £000
<b>Balance at start of year</b>	46,600	50,909
Additions	541	2,100
Net gains/(losses) from fair value adjustments	3,766	1,457
Transfers	2	0
<b>Balance at end of the year</b>	<b>50,909</b>	<b>54,466</b>

## 14 FINANCIAL INSTRUMENTS

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 instruments are recognised in the Balance Sheet when the authority becomes a party to the contractual provisions of the instrument.

### Financial assets

Financial assets are classified into one of three categories dependent on both:

- the reason the authority is holding the asset (e.g. to collect the contractual cash flows until maturity and / or to sell before maturity); and
- the nature of the asset's contractual cash flows (e.g. just principal and interest or something more complicated).

Reason for holding the asset	Nature of the contractual cash flows	Classification category
Holding assets in order to collect contractual cashflows	Solely payments of principal and interest	Amortised Cost
Holding assets in order to collect contractual cashflows as well as selling the assets	Solely payments of principal and interest	Fair value through other comprehensive income
Holding assets that do not fall into either of the above categories	Not solely payments of principal and interest	Fair value through profit and loss

Amortised cost category covers bank accounts, fixed term deposits, loans to local authorities, loans for service purposes, lease receivable and trade receivables.

Fair value through other comprehensive income covers one equity investment of £2m in the listed Fundamentum REIT made in 2019/20. It was valued at £1.96m at year end with no dividends yet recognised

Fair value through profit and loss comprises money market funds, mostly held for cash flow reasons and pooled bond, equity and property funds held for the longer term.

As an exception to the above, at initial recognition an authority may make an irrevocable election to present changes in the fair value of investments in equity instruments through other comprehensive income rather than through profit and loss. This is dependent on these investments being held for strategic rather than trading purposes. Such investments are then classified as Fair value through other comprehensive income. This is the case with the Fundamentum REIT.

All financial assets are initially measured at fair value and recognised on the balance sheet. How the financial assets are subsequently measured, and how unrealised gains or losses are shown in the accounts is dependent on what category the asset has been classified as.

Classification category	Subsequent measurement basis	Presentation of unrealised gains and losses
Amortised cost	Amortised cost	A disclosure note
Fair Value through Other Comprehensive Income (FVOCI)	Fair Value	The 'Other comprehensive income' section of the Comprehensive Income & Expenditure Statement (CIES)
Fair Value through Profit & Loss (FVPL)	Fair Value	The 'Financing and investment income & expenditure' section of the CIES.

A financial asset is derecognised from the Balance Sheet when the contractual rights to the cash flows expire, or the financial asset is transferred.

Interest or dividends are credited to the Financing and Investment Income and Expenditure line in the CIES. Dividends are credited when they become receivable by the authority. Interest income is credited based on the amortised cost of the asset multiplied by its effective interest rate.

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 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 comprise trade payables for goods and services received.

### 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	31.03.2020	31.03.2019	31.03.2020
	£000	£000	£000	£000
Loans at amortised cost:				
- PWLB borrowing	0	0	(4,067)	0
<b>Total Borrowing</b>	<b>0</b>	<b>0</b>	<b>(4,067)</b>	<b>0</b>
Liabilities at amortised cost:				
- Trade payables	0	0	(12,426)	(18,898)
<b>Included in Creditors *</b>	<b>0</b>	<b>0</b>	<b>(12,426)</b>	<b>(18,898)</b>
<b>Total Financial Liabilities</b>	<b>0</b>	<b>0</b>	<b>(16,493)</b>	<b>(18,898)</b>

\* The various liabilities lines on the Balance Sheet include **£8.6m** (2019: £8.9m) 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	31.03.2020	31.03.2019	31.03.2020
	£000	£000	£000	£000
<i>At amortised cost:</i>				
- Principal incl accruals	0	0	4,014	4,003
<i>At fair value through profit &amp; loss:</i>				
- Fair value	16,747	17,661	9,367	9,244
<i>Fair value through other comprehensive income</i>				
- Fair value		1,960		
<b>Total Investments *</b>	<b>16,747</b>	<b>19,621</b>	<b>13,381</b>	<b>13,247</b>
<i>At amortised cost:</i>				
- Principal incl accruals	0	0	1,294	789
<i>At fair value through profit &amp; loss:</i>				
- Fair value	0	0	4,003	5,499
<b>Total Cash and Cash Equivalents</b>	<b>0</b>	<b>0</b>	<b>5,297</b>	<b>6,288</b>
<i>At amortised cost:</i>				
- Receivables			3,372	3,220
- Loans made for service purposes	248	214		
- Loss allowance	(7)	(6)	(233)	(417)
<b>Included in Debtors **</b>	<b>241</b>	<b>208</b>	<b>3,139</b>	<b>2,803</b>
<b>Total Financial Assets</b>	<b>16,988</b>	<b>19,829</b>	<b>21,817</b>	<b>22,338</b>

\* The total short-term investments includes £0.002m (2019: £0.006m) representing accrued interest

\*\* The debtors lines on the Balance Sheet include £1.9m (2019: £2.8m) short-term debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions.

### 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
-----------------------	------------------

	Amortised Cost £000	Amortised Cost £000	Fair Value through OCI £000	Fair Value through Profit & Loss £000	2019/20 Total £000	2018/19 Total £000
Interest expense					0	135
Impairment Loss		189			189	4
Changes in fair value				1,709	1,709	0
<b>Interest payable and similar charges</b>	<b>0</b>	<b>189</b>	<b>0</b>	<b>1,709</b>	<b>1,898</b>	<b>139</b>
Interest income		(39)			(39)	(96)
Dividend income				(839)	(839)	(790)
Gains from changes in fair value					0	(149)
Impairment loss reversals						(1)
<b>Interest and investment income</b>	<b>0</b>	<b>(39)</b>	<b>0</b>	<b>(839)</b>	<b>(879)</b>	<b>(1,036)</b>
<b>Net impact on surplus/deficit on provision of services</b>	<b>0</b>	<b>149</b>	<b>0</b>	<b>869</b>	<b>1,019</b>	<b>(897)</b>
Losses on revaluation			40		40	0
<b>Impact on other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>40</b>	<b>0</b>	<b>40</b>	<b>0</b>
<b>Net (Gain)/Loss for the Year</b>	<b>0</b>	<b>149</b>	<b>40</b>	<b>869</b>	<b>1,059</b>	<b>(897)</b>

#### 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 2020, 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	31.03.2020 £000
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Bond & Equity funds	FVPL	1	11,785	12,876
Property Fund 18/19	FVPL	1	4,962	
Property Fund 19/20	FVPL	2		4,784
REIT	FVOCI	2		1,960
Money market funds	FVPL	1	13,374	17,744

The Council's sole property fund investment totalling £4.8m has been moved from level 1 to level 2 of the hierarchy for 2019/20 reflecting that there is no longer an active market in these instruments. Fund managers have suspended redemptions reflecting market conditions for underlying properties caused by the economic consequences of the coronavirus pandemic.

### (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		31.03.2020	
	Long-term	Short-term	Long-term	Short-term
	£000	£000	£000	£000
A+				526
A-		1,978		
BBB+				
Unrated local authorities		4,000		4,000
<b>Total</b>	<b>0</b>	<b>5,978</b>	<b>0</b>	<b>4,526</b>

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.

	<b>31.03.2019</b>	<b>31.03.2020</b>
	<b>Trade</b>	<b>Trade</b>
	<b>Receivables</b>	<b>Receivables</b>
	<b>£000</b>	<b>£000</b>
Neither past due nor impaired	1,276	2,389
Past due < 3 months	549	555
Past due 3-6 months	117	314
Past due 6-12 months	145	14
Past due 12+ months	253	275
<b>TOTAL RECEIVABLES</b>	<b>2,340</b>	<b>3,547</b>

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:

<b>Borrower</b>	<b>Exposure type</b>	<b>Balance Sheet</b>	<b>Risk exposure</b>	<b>Balance Sheet</b>	<b>Risk exposure</b>
		<b>31.03.2019</b>	<b>31.03.2019</b>	<b>31.03.2020</b>	<b>31.03.2020</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Henfield leisure centre	Loans at market rates	241	241	208	208

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	31.03.2020
	£000	£000
Increase in interest receivable on variable rate investments	(99)	(164)
Decrease in fair value of investments held at FVPL	229	274
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>130</b>	<b>110</b>
Decrease in fair value of investments held at FVOCI	0	0
<b>Impact on Comprehensive Income and Expenditure</b>	<b>130</b>	<b>130</b>
Decrease in fair value of loans and investments at amortised cost *	12	1
Decrease in fair value of fixed rate borrowing *	0	0

\*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 pooled funds including property is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property fund pooled fund investments and REITs of £7m and £2m respectively. A 5% fall in commercial property prices at 31 March 2020 would result in a £0.24m (2019: £0.26m) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account and a £0.06m charge to Other Comprehensive Income and Expenditure.

The Council's investment in 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 £15m. A 5% fall in share prices at 31 March 2020 would result in a £0.23m (2019: £0.25m) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

## 15 CASH AND CASH EQUIVALENTS

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

	31.03.2019	31.03.2020
	£000	£000
Cash held by Council	7	8
Money market Funds	4,003	5,499
Short-term deposits	1,978	526
Cash in transit	(691)	255
<b>Total Cash and Cash Equivalents</b>	<b><u>5,297</u></b>	<b><u>6,288</u></b>

## 16 SHORT-TERM DEBTORS

	31.03.2019	31.03.2020
	£000	£000
Sundry Debtors	3,333	3,224
Central government bodies	949	405
Payments in advance	451	415
Council Tax debtors	403	407
NNDR Debtors	1,028	341
Housing benefit overpayments	<u>2,740</u>	<u>2,515</u>
Sub-total	8,904	7,307
Allowance for doubtful debts	<u>(2,965)</u>	<u>(2,915)</u>
<b>Total debtors after allowance for doubtful debts</b>	<b><u>5,939</u></b>	<b><u>4,392</u></b>

## 17 SHORT-TERM CREDITORS

	31.03.2019	31.03.2020
	£000	£000
Sundry Creditors	(4,581)	(7,132)
Prepayment of NNDR	(902)	(169)
Prepayment of Council Tax	(275)	(299)
WSCC Council Tax creditors	(2,494)	(1,475)
SPA Council Tax creditors	(314)	(203)
Central Government – Grants, Reliefs and Levy	(402)	(50)
Central Government - NNDR creditors	(2,253)	(365)
WSCC NNDR Creditors	<u>(451)</u>	<u>(4,827)</u>
Total	<u><b>(11,672)</b></u>	<u><b>(14,520)</b></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
<b>Balance at 1 April 2018</b>	<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
<b>Balance at 31 March 2019</b>	<u>(2,493)</u>	<u>0</u>	<u>(161)</u>	<u>(2,653)</u>
Provisions used in 2019/20	125	0	3	128
Amounts used in 2019/20	0	0	0	0
Change in collection fund share	1,247	0	0	1,247
Unused amounts reversed in 2019/20	0	0	0	0
<b>Balance at 31 March 2020</b>	<u><b>(1,121)</b></u>	<u><b>0</b></u>	<u><b>(158)</b></u>	<u><b>(1,278)</b></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	31.03.2020	31.03.2019	31.03.2020
	£000	£000	£000	£000
<b>Opening balance</b>	<b>(10,071)</b>	<b>(8,737)</b>	<b>(15,659)</b>	<b>(14,037)</b>
Grants/Contributions in	(3,744)	(3,685)	(815)	(411)
Grants/Contributions out	5,078	316	2,437	1,663
<b>Closing balance</b>	<u><b>(8,737)</b></u>	<u><b>(12,106)</b></u>	<u><b>(14,037)</b></u>	<u><b>(12,785)</b></u>

## 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 2019/20

Useable Revenue Reserves	Balance at 31.03.18 £000	Income / Expenditure 2018/19 £000	Transfer to / from other reserves 2018/19 £000	Balance at 31.03.19 £000	Income / Expenditure 2019/20 £000	Transfer to / from other reserves 2019/20 £000	Balance at 31.03.20 £000
<b>General Fund Balance</b>	<b>(11,658)</b>	<b>(7,976)</b>	<b>5,405</b>	<b>(14,229)</b>	<b>(6,562)</b>	<b>5,130</b>	<b>(15,662)</b>
New Homes Reserve	(4,048)	0	30	(4,018)	4,062	(4,715)	(4,671)
NHB - BBH Leisure Centre	(1,382)	5,894	(4,827)	(314)	314	0	0
Health and Wellbeing	(197)	0	(13)	(210)	0	(97)	(308)
Council tax localism	(293)	0	0	(293)	0	0	(293)
Neighbourhood Planning Grant	(278)	0	0	(278)	0	0	(278)
s106 Reserves	(752)	0	166	(586)	0	(216)	(802)
NNDR Provision	(1,435)	0	0	(1,435)	0	0	(1,435)
Homelessness Prevention	0	0	(82)	(82)	0	5	(77)
Revenues & Benefits	0	0	(318)	(318)	0	0	(318)
Transformation fund	(94)	0	(261)	(355)	0	(23)	(377)
Other	(786)	0	(100)	(885)	0	(83)	(968)
<b>Other Earmarked Reserves</b>	<b>(9,264)</b>	<b>5,894</b>	<b>(5,405)</b>	<b>(8,774)</b>	<b>4,376</b>	<b>(5,130)</b>	<b>(9,528)</b>
<b>Sub-total</b>	<b>(20,923)</b>			<b>(23,003)</b>			<b>(25,190)</b>
<b>Useable Capital Reserves</b>							
<b>Capital Receipts Reserve</b>	<b>(1,033)</b>	<b>(294)</b>		<b>(1,327)</b>	<b>(761)</b>		<b>(2,088)</b>
<b>Capital Grants unapplied</b>	<b>(6,452)</b>	<b>(2,694)</b>		<b>(9,145)</b>	<b>(1,501)</b>		<b>(10,646)</b>
<b>Total Useable Revenue Reserves</b>	<b>(28,408)</b>			<b>(33,475)</b>			<b>(37,924)</b>

## 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 £000	31.03.2020 £000
Balance at 1 April	(33,517)	(34,517)
(Upward)/downward revaluation of assets	(5,329)	(3,085)
Downward revaluation of assets and impairment losses not charged to the Surplus/deficit on the Provision of Services	3,778	915
Difference between fair value depreciation and historical cost depreciation	551	525
Amount written off to the Capital Adjustment Account	0	330
<b>Balance at 31 March</b>	<b>(34,517)</b>	<b>(35,832)</b>

### 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 £000	2019/20 £000
<b>Balance at 1 April</b>	(10,314)	(2,961)
Actuarial gains or losses on pensions assets and liabilities	4,688	(25,339)
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	5,147	5,528
Employers pensions contributions and direct payments to pensioners payable in the year	<u>(2,482)</u>	<u>(2,563)</u>
<b>Balance at 31 March</b>	<b><u>(2,961)</u></b>	<b><u>(25,335)</u></b>

### 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	2019/20 £000
<b>Balance at 1 April</b>	<b>(88,638)</b>	<b>(93,379)</b>
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	1,803
- Revaluation gains / losses on Property, Plant and Equipment	7,026	2,142
- Depreciation of intangible assets	3	11
- Revenue expenditure funded from capital under statute	1,941	1,752
- 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	43
Movements in the market value of Investment Property	(3,766)	(1,457)
Adjusting amounts written out of the Revaluation Reserve	(551)	
Service loan principal reversing previous year's financing	53	28
Service loan movement in expected credit losses	(1)	5
Capital financing applied in the year:		
- Use of the Capital Receipts Reserve to finance new capital expenditure	(984)	(934)
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(3,462)	(2,033)
- Application of grants to capital financing from the Capital Grants Unapplied Account	(108)	(1,115)
Statutory provision for the financing of capital investment charged against the General Fund	(870)	(844)
Use of general revenue reserves for the financing of capital investment	(6,418)	(4,376)
<b>Balance at 31 March</b>	<b>(93,379)</b>	<b>(98,354)</b>



## 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	2019/20
	£000	£000
<b>Balance at 1 April - Council Tax</b>	<b>(369)</b>	<b>(261)</b>
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	<u>108</u>	<u>178</u>
<b>Balance at 31 March</b>	<b><u>(261)</u></b>	<b><u>(85)</u></b>
<b>Balance at 1 April – NNDR</b>	<b>815</b>	<b>1,094</b>
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	<u>279</u>	<u>(221)</u>
<b>Balance at 31 March</b>	<b><u>1,094</u></b>	<b><u>873</u></b>
<b>Total</b>	<b><u>833</u></b>	<b><u>788</u></b>

## 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	2019/20
	£000	£000
Depreciation and Impairments	(2,399)	(2,339)
Impairments	(3,260)	(685)
Pensions Liability	(2,665)	(2,965)
(Increase)/decrease in debtors	(878)	(2,120)
(Increase)/decrease in creditors	8,017	869
Movement in provisions	(399)	(224)
(Increase)/decrease in inventories	16	(51)
Other non-cash adjustments	<u>0</u>	<u>1713</u>
<b>Total</b>	<b><u>(1,568)</u></b>	<b><u>(5,802)</u></b>

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

	2018/19	2019/20
	£000	£000
Capital grants credited to the surplus or deficit on the provision of services	6,264	4,649
Proceeds from the sale of non-current assets	1,225	1,294
Council Tax and NDR adjustment	<u>180</u>	<u>185</u>
<b>Total</b>	<b><u>7,669</u></b>	<b><u>6,128</u></b>

### c) Interest received, interest paid and dividends received

	2018/19	2019/20
	£000	£000
Interest received	(882)	(889)
Interest paid	<u>135</u>	<u>1</u>
<b>Total</b>	<b><u>(747)</u></b>	<b><u>(888)</u></b>

## 22 EXTERNAL AUDIT COSTS

	2018/19 £000	2019/20 £000
Fees payable with regard to external audit services carried out by the appointed auditors for the year	39	39
Fees payable for the certification of grant claims and returns for the previous year	11	13
Fees payable in respect of other services relating to previous year	8	0
Refunds and credit notes		(5)
<b>Total</b>	<b>58</b>	<b>47</b>

The cost for the 2019/20 main audit is based on the indicative scale fee. 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 2018/19 housing benefit audit as well as a refund from Public Sector Audit Appointments.

## 23 MEMBERS ALLOWANCES

The Council paid the following amounts to the 48 Members of the Council during the year:

	2018/19 £000	2019/20 £000
Allowances	321	340
Expenses	<u>24</u>	<u>21</u>
<b>Total</b>	<b><u>345</u></b>	<b><u>362</u></b>

## 24 LEASES

### Operating Leases

#### Council as a Lessee

The Council leases its main office and a small number of vehicles with charge of £0.25m

#### 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 £000	31.03.2020 £000	31.03.2019 £000	31.03.2020 £000
Not later than one year	2,765	3,117	242	248
Later than one year and not later than five years	7,813	8,013	956	920
Later than five years	<u>8,656</u>	<u>7,581</u>	<u>268</u>	<u>38</u>
	<b>19,234</b>	<b>18,711</b>	<b>1,466</b>	<b>1206</b>

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 2019/20 (£0.22m in 2018/19).

**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
<b>2019/20</b>	<b>£</b>	<b>£</b>	<b>£</b>	
Chief Executive	126,801	25,812	152,612	a
Director of Community Services	98,892	19,906	118,798	a
Director of Corporate Resources (Section 151 Officer)	104,187	19,906	124,093	a
Director of Place	95,531	19,196	114,727	b
Head of Legal and Democratic Services (Monitoring Officer)	80,594	15,092	95,687	a
<b>2018/19</b>	<b>£</b>	<b>£</b>	<b>£</b>	
Chief Executive	112,967	23,516	136,483	a
Director of Community Services	92,563	18,820	111,383	
Director of Corporate Resources (Section 151 Officer)	95,959	19,516	115,475	a
Director of Place	76,055	15,493	91,548	b
Head of Legal and Democratic Services (Monitoring Officer)	67,214	13,779	80,993	

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:

a. Senior officers are remunerated for returning officer duties during elections. The amount of remuneration varies according to the type and number of elections. In 2019/20 the amount payable for returning officer duties was greater than the 2018/19 amount paid, as there were more elections in 2019/20.

b. 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.

**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 2019/20
£50,000 - £54,999	4	6
£55,000 - £59,999	7	5
£60,000 - £64,999	2	4
£65,000 - £69,999	3	1
£70,000 - £74,999	0	0
£75,000 - £79,999	1	0
£80,000 - £84,999	0	1
£85,000 - £89,999	0	0
£90,000 - £94,999	1	0
£95,000 - £99,999	1	2
£100,000 - £104,999	0	1
£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	21
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## 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	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19 £000	2019/20 £000
£0 - £20,000	3	2	6	7	9	9	51	29
£20,001 - £40,000	2	0	0	1	2	1	62	38
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	1	0	0	0	1	0	105	0
<b>Total</b>	<b>6</b>	<b>2</b>	<b>6</b>	<b>8</b>	<b>12</b>	<b>10</b>	<b>218</b>	<b>67</b>
Provision	0	0	0	0	0	0	0	0
<b>Total</b>	<b>6</b>	<b>2</b>	<b>6</b>	<b>8</b>	<b>12</b>	<b>10</b>	<b>218</b>	<b>67</b>

## 27 TERMINATION BENEFITS

During 2019/20 the Council terminated 10 posts at a total cost of £67k which was made up of redundancy payments of £16k and other termination costs of £51k.

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

During 2018/19 the Council also made redundant the Director of the Rural West Sussex Partnership, the above 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.

## 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 2020 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 2019/20 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 2019/20.

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 2019/20 amounted to £308k (£329k in 2018/19) and £76k (£66k in 2018/19) was outstanding as at 31 March 2020.

#### Wholly owned entities

On 21 March 2019, Cabinet approved the creation of two companies for the purpose of providing affordable rental housing in the District. The companies were incorporated in August 2019 and December 2019 respectively, and the Council is the sole shareholder. At 31 March 2020, the companies owed the Council £46k for administration costs provided through a service agreement. The amounts due are disclosed as debtors in these statements. The Council has not prepared group accounts for 2019/20 as the value of transactions are considered immaterial.

## 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	2019/20
	£000	£000
<b>Opening Capital Financing Requirement</b>	<b>30,388</b>	<b>33,182</b>
<b>Capital Investment</b>		
Property, Plant & Equipment	12,130	6,129
Investment Properties	541	2,101
Intangible Assets	24	0
Revenue Expenditure Funded from Capital Under Statute	1,941	1,752
<b>Sources of finance</b>		
Capital receipts	(984)	(934)
Government grants and other contributions	(3,571)	(3,148)
Direct revenue contributions	(6,418)	(4,376)
Minimum Revenue Provision	(870)	(844)
Closing Capital Financing Requirement	<u>33,181</u>	<u>33,862</u>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrowing	3,663	1,524
Minimum Revenue Provision	(870)	(844)
Increase/ (decrease) in Capital Financing Requirement	<u>2,793</u>	<u>680</u>

## 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 2019/20 these amounted to £91k (£98k in 2018/19) representing 1% of pensionable pay (1% in 2018/19).

### **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.

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.

<b><u>Comprehensive Income and Expenditure Statement</u></b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£000</b>	<b>£000</b>
<b>Cost of Services</b>		
- current service cost	(4,568)	(5,530)
- past service costs	(818)	(33)
<b>Total Service Cost</b>	<b>(5,386)</b>	<b>(5,563)</b>
<b>Financing and Investment Income and Expenditure</b>		
Interest income on planned assets	4,543	4,300
Interest cost on defined benefit obligation	(4,304)	(4,265)
<b>Total Net Interest</b>	<b>239</b>	<b>35</b>
<b>Total Post Employment Benefit Charged to the Surplus or deficit on the provision of services</b>	<b>(5,147)</b>	<b>(5,528)</b>
<b>Re-measurements of the Net Defined Liability</b>		
Actuarial gains arising from changes in demographic assumptions	0	0
Actuarial gains / (losses) arising from changes in financial assumptions	(12,094)	21,763
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	43	14,501
Return on assets excluding amounts included in net interest	7,364	(10,925)
<b>Total re-measurements recognised in other comprehensive income</b>	<b>(4,687)</b>	<b>25,339</b>
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(9,834)</b>	<b>19,811</b>
<b><u>Movement in Reserves Statement</u></b>		
Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the Code	(5,147)	(5,528)
<b>Actual amounts charged to the General fund balance for pensions in the year</b>		
Employers contributions payable to the scheme	(2,482)	(2,563)

#### **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:

	<b>2018/19</b>	<b>2019/20</b>
	<b>£000</b>	<b>£000</b>
Present value of liabilities - Funded	(175,117)	(144,795)
Present value of liabilities - Un funded	(1,520)	(1,248)
Fair value of plan assets	179,598	171,378
<b>Net asset (liability) arising from defined benefit obligation</b>	<b>2,961</b>	<b>25,335</b>

The surplus on the balance sheet position increased in 2019/20. This is a result of the default longevity assumption changing from 2019 and a one year reduction has typically resulted in around a 3% to 5% reduction in the value placed on the year-end liabilities. This has outweighed the fall in value of the assets.

The accounting balance sheet position as at 31 March 2020, and the projected charge to the CIES for 2020/21, are based on a new 'roll forward' from the 2019 formal valuation. This differs to the balance sheet position as at 31 March

2019 and the charge to the CIES for 2019/20, which were based on a 'roll forward' from the 2016 formal valuation. This 'step change' led to sizeable asset and liability 're-measurement experience' items in the reconciliation of the balance sheet from 31 March 2019 to 31 March 2020. In effect, the accounting figures are "re-calibrated" every three years following each formal valuation.

<b>Funded Liabilities - LGPS</b>	<b>2018/19</b>	<b>2019/20</b>
		<b>HDC</b>
<b>Reconciliation of present value of the scheme liabilities:</b>	<b>£000</b>	<b>£000</b>
Balance at 1 April	(158,745)	(176,637)
Current service cost	(4,568)	(5,530)
Interest cost	(4,304)	(4,265)
Contributions by scheme participants	(794)	(826)
Actuarial gains and losses	(12,051)	36,264
Benefits paid	4,643	4,984
Past service costs	(818)	(33)
<b>Balance at 31 March</b>	<b><u>(176,637)</u></b>	<b><u>(146,043)</u></b>
<b>Reconciliation of fair value of the scheme assets:</b>		
Balance at 1 April	169,058	179,598
Interest income on planned assets	4,543	4,300
Return on planned assets (excluding amounts in net interest)	7,364	(10,925)
Employer contributions	2,482	2,563
Contributions by scheme participants	794	826
Benefits paid	(4,643)	(4,984)
<b>Balance at 31 March</b>	<b><u>179,598</u></b>	<b><u>171,378</u></b>

LGPS Assets comprised:

	<b>2019</b>		<b>2020</b>	
	<b>£000</b>	<b>% of assets</b>	<b>£000</b>	<b>% of assets</b>
<b>Equity Securities:</b>				
Consumer	17,494.6	9.7%	15,224.4	8.9%
Manufacturing	10,321.7	5.7%	11,756.2	6.9%
Energy & Utilities	5,467.6	3.0%	4,166.4	2.4%
Financial Institutions	21,547.5	12.0%	19,066.7	11.1%
Health & Care	8,643.7	4.8%	11,500.2	6.7%
Information Technology	11,629.8	6.5%	18,281.9	10.7%
Other	10,262.1	5.7%	4,735.8	2.8%
<b>Debt Securities:</b>				
UK Government	5,096.1	2.8%	3,890.2	2.3%
<b>Private Equity:</b>				
All	4,989.6	2.8%	3,921.9	2.3%
<b>Real Estate:</b>				
UK Property	16,720.7	9.3%	13,247.3	7.7%
<b>Investment Funds &amp; Unit Trusts:</b>				
Bonds	60,557.6	33.7%	56,743.9	33.1%
Other	1,916.6	1.1%	2,047.9	1.2%
<b>Cash &amp; cash Equivalents: All</b>	4,950.4	2.8%	6,795.2	4.0%
	<b><u>179,598</u></b>	<b><u>100%</u></b>	<b><u>171,378</u></b>	<b><u>100%</u></b>

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 £25.3m (£2.9m surplus at 31 March 2019) which has an impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of £194.6m.

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 2020 is £2.42m (£2.34m at 31 March 2019).

#### **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 2019.

The principal assumptions used by the actuary have been:

		<u>2018/19</u>	<u>2019/20</u>
Long term expected rate of return on assets in the scheme:			
Mortality assumptions:			
Longevity at 65 for current pensioners:	Men	23.6	22.2
	Women	25.0	24.2
Longevity at 65 for future pensioners:	Men	26.0	23.3
	Women	27.8	25.9
Rate of inflation / pension		2.5%	1.9%
Rate of increase in salaries		3.2%	2.3%
Rate of discounting scheme liabilities		2.4%	2.3%

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.

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

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

Quantifying the impact of the judgement at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.



The West Sussex County Council Pension Fund's actuary has adjusted GAD's estimate to better reflect the Fund's local assumptions, particularly those for salary increases and withdrawal rates. The revised estimate resulted in around a 1% increase in active member liabilities as at 31 March 2019 which resulted in an increase of approximately £0.8m. These have been carried through into the valuations at 31 March 2020.

### 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.

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.

During the building of Pirie's Place car park in 2019, the adjacent building was affected through the closure of the fire exits that led out through the car park. There is a potential litigation action in relation to sums being claimed as compensation.

### 32 GOING CONCERN

**Underlying principle:** These accounts have been prepared on a going concern basis that the authority will continue in operational existence for the foreseeable future.

The provisions in the Code of Audit Practice in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a local authority's services will continue to operate for the foreseeable future.

**Current & historical financial position:** The Council recognises that the financial position has deteriorated in the early months of 2020/21, having reported a £248k surplus for the financial period ending 31st March 2020. The deterioration is only due to the impact of Covid-19.

**Impact of Covid:** The 2020/21 budget was set in February 2020 and set a budget surplus of £826k, to be reinvested in transformation to deliver savings and generate income to balance the budgets over the medium term financial plan to 2023/24.

However, since the budget was set, the emergence of Covid-19 has fundamentally changed the financial regime for a period of at least 4 months until the end of July 2020. During this period, the Council has incurred approximately £0.2m of additional expenditure each month and has seen income fall by approximately £0.7m each month where services such as leisure and parking were closed and also reductions in income from commercial property and investments. A gradual return of most income streams are anticipated, although not necessarily back to the levels previously budgeted for.

The forecast overspend in 2020/21 is a minimum of £5m, with a worst case scenario of around £9m. The Council has received £1.47m to date from Government as grant funding towards the cost of Covid-19. The Council has already made plans to make some service areas that were closed more sustainable in the future.

All service areas are reviewing their budgets during 2020 to identify options for identifying and delivering efficiency savings and / or generating income, with the aim of setting a balanced budget in 2021/22 and reducing the overspend in 2020/21. The size of the challenge is an estimated reduction in ongoing income of between £2.5m and £3m per year in a deep recession. This compares though to £15.66m currently in the General Fund reserve. Although not desirable, this reserve could be used to smooth out any overspend in the short term, although clearly not sustainable indefinitely.

**Cash position:** The Council had a cash balance of £11m at the end of June 2020, similar to the 31 March 2020 year-end figure of £6.3m. The Council also has £9m in money market funds available in two to three days and a further £13m in longer term non-property investments, also available within a few days. Whilst there is uncertainty on income, the Council remains confident in its ability to maintain sufficient cash for its services throughout the medium term. This is based on our review of the cashflow forecast which covers a period twelve months beyond the signing of the accounts. For this, we have used the statutory accounts deadline of 30 November. The Council is of course also able to borrow short term for revenue purposes if ever needed.

In a 'stressed' case scenario whereby income is constrained further in the event of a second wave, and income recovering only very slowly, the Council has sufficient levels of reserves and investments that it would not run out of cash.

Furthermore, the Council has revisited the 2020/21 capital programme and is postponing non-essential capital projects that will further protect the levels of cash and useable reserves. The revised programme has reduced to £9m, focusing on projects that produce a positive financial revenue return as well as those where there are health and safety requirements or were already in progress and could not be postponed without incurring significant costs.

**Conclusion:**

The Council concludes that it is appropriate to prepare the financial statements on a going concern basis, and that the Council will continue as a going concern, based on the review of the forecasted reserve and cash position 12 months from the signing of the accounts.

## COLLECTION FUND

2018-19

2019-20

Business Rates £000	Council Tax £000	Total £000
0	(103,806)	(103,806)
(43,359)	0	(43,359)
0	(1)	(1)
(839)	0	(839)
<u>(44,198)</u>	<u>(103,807)</u>	<u>(148,006)</u>
(129)	212	82
(32)	1,370	1,338
0	168	168
(162)	0	(162)
(323)	1,750	1,427
17,070	12,368	29,438
4,268	80,182	84,450
0	10,095	10,095
<u>21,338</u>	<u>0</u>	<u>21,338</u>
42,675	102,645	145,321
441	310	751
303	(1)	302
1,621	0	1,621
180	0	180
<u>2,544</u>	<u>309</u>	<u>2,853</u>
<u>44,896</u>	<u>104,704</u>	<u>149,601</u>
698	897	1,595
<u>2,041</u>	<u>(3,042)</u>	<u>(1,001)</u>
<u>2,739</u>	<u>(2,145)</u>	<u>594</u>

### INCOME

Council Tax Receivable	0	(111,932)	(111,932)
Business Rates Receivable	(43,577)	0	(43,577)

### Transfers from General Fund

Transitional Relief	0	12	12
Transitional Protection	(371)	0	(371)

### Total Income

(43,948)	(111,920)	(155,868)
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### EXPENDITURE

#### Apportionment of Previous Year Surplus / (Deficit)

Horsham District Council	(14)	240	226
West Sussex County Council	(3)	1,562	1,559
Sussex Police Authority		197	197
Central Government	(17)		(17)
	(34)	1,999	1,965

#### Precepts, Demands and Shares

Horsham District Council	8,607	13,198	21,805
West Sussex County Council	23,670	86,040	109,710
Sussex Police Authority		11,810	11,810
Central Government	10,759	0	10,759
	43,036	111,048	154,084

#### Charges to Collection Fund

Write offs of uncollectable amounts	503	316	819
Increase / (Decrease) in Bad Debt Provision	(279)	8	(271)
Increase / (Decrease) in Provision for Appeals	(627)	0	(627)
Cost of Collection	185	0	185
Disregarded Amounts	94		94
	(124)	324	200

### Total Expenditure

42,878	113,371	156,249
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(Surplus) / Deficit arising during the Year

(1,070)	1,451	381
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(Surplus) / Deficit brought forward 1 April

2,739	(2,145)	594
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### (Surplus) / Deficit carried forward 31 March

1,669	(694)	975
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## 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	1
A	up to 40,000	6/9	994
B	40,001-52,000	7/9	3,275
C	52,001-68,000	8/9	9,663
D	68,001-88,000	1	12,004
E	88,001-120,000	11/9	12,364
F	120,001-160,000	13/9	10,960
G	160,001-320,000	15/9	12,066
H	over 320,000	2	1,467
COUNCIL TAX BASE			62,794

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 2020 was £113,464m and the standard National Non-Domestic Rate multiplier for the year was £0.504

### 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 2020			
£000			
	<u>Business Rates</u>	<u>Council Tax</u>	Total
	£000	£000	£000
Accumulated (Surplus) / deficit at 31 March 2020	875	(82)	792
Apportionment based on 2019/20 precepts and demands:			
Deficit / (surplus)			
Horsham District Council	875	(82)	792
West Sussex County Council	(299)	(538)	(837)
Sussex Police Authority	-	(74)	(74)
Central Government	1,093	-	1,093
	1,669	(694)	975

## GLOSSARY

<b>BALANCES</b>	The amounts remaining at the year-end on the various funds of the Council.
<b>CAPITAL EXPENDITURE</b>	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.
<b>CAPITAL RECEIPTS</b>	Receipts from the sale of property, plant and equipment e.g. land, building etc.
<b>CENTRAL SUPPORT SERVICES</b>	The expenditure on the central administration of the Council, including the cost of accommodation.
<b>COLLECTION FUND</b>	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.
<b>CIL (COMMUNITY INFRASTRUCTURE LEVY)</b>	Contribution paid by developers to Local Planning Authorities to help deliver infrastructure to support the development of the area.
<b>COUNCIL TAX</b>	A locally determined charge based on property values and levied by a local authority to enable it to provide its services.
<b>CREDITORS</b>	Individuals and organisations to which the Council owes money.
<b>DEBTORS</b>	Individuals and organisations who owe money to the Council.
<b>DEPRECIATION</b>	A charge to a revenue account to reflect the reduction in the useful economic life of a fixed asset.
<b> earmarked reserves</b>	Amounts set aside for specific purposes falling outside the definition of provisions.
<b>FAIR VALUE</b>	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.
<b>FINANCIAL ASSET</b>	A contractual right to receive economic benefits such as cash or right to receive cash or right to favourably exchange a financial asset/liability.
<b>FINANCIAL INSTRUMENT</b>	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
<b>FINANCIAL LIABILITY</b>	A contractual obligation to transfer economic benefits such as an obligation to pay over cash or unfavourably exchange a financial asset/liability.
<b>FINANCIAL REPORTING STANDARDS</b>	Accounting practice recommended for adoption by the accountancy profession e.g. in relation to public reporting, accounting policies etc.
<b>NON-CURRENT ASSET</b>	A tangible asset that yields benefit to a council and the services it provides for a period of more than one year.
<b>GENERAL FUND</b>	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.
<b>IAS</b>	International Accounting Standard.
<b>MINIMUM REVENUE PROVISION (MRP)</b>	The minimum amount that must be charged to a council's revenue account to be set aside to pay back debt.
<b>NATIONAL NON-DOMESTIC RATES (NNDR)</b>	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.
<b>PRECEPT</b>	An amount charged to the Collection Fund to finance services provided by another authority e.g. County and parish councils.
<b>PRECEPTING AUTHORITIES</b>	Those authorities which are able to raise a precept.
<b>PROVISION</b>	A fund to provide for liabilities or losses that are likely to be incurred but the dates and amounts are uncertain.
<b>PUBLIC WORKS LOAN BOARD (PWLb)</b>	A statutory body operating within Central Government responsible for lending money to local authorities and other bodies.
<b>SECTION 106 (S106)</b>	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.