



**Horsham
District
Council**

Statement of Accounts 2021/22

Unaudited

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Narrative Statement

INTRODUCTION

Welcome to Horsham District Council's Statement of Accounts for 2021/22. 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 2021 to 31 March 2022 and aims to help readers understand the most significant issues reported in the accounts and how they relate to the Council's overall business. It includes comment on the financial performance and economy, efficiency and effectiveness in the use of resources over the financial year and in the context of the Medium-Term Financial Strategy.

BASIS OF PREPARATION

The Accounts are presented on an International Financial Reporting Standards (IFRS) basis having been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22. 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 147,000 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.

GOVERNANCE

The District Council has adopted the Cabinet model of governance with a Leader, Deputy Leader and Cabinet Members. 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. The Audit Committee monitors the action plan of any identified governance improvement areas.

PERFORMANCE DURING 2021/22

The Council monitors financial and non-financial performance indicators on a monthly basis. It measures and publishes its performance using a set of 32 key performance indicators which cover many of the Council's key services. The

performance figures for the 2021/22 year are reported quarterly to Overview and Scrutiny Committee, with the final outturn reported in June. The Council also reviews delivery of the Corporate Plan objectives at this meeting.

These indicators show performance remained good across a lot of areas, with nearly 89% of indicators at, or close, to target. Of the three indicators outside the target, the museum had remained closed for refurbishment for the first half of the year, and the surge in numbers of households in Bed and Breakfast and temporary accommodation had risen as a result of the eviction ban lifting. The numbers have stabilised, and actions are being taken to reduce the numbers to target levels.

Employees

The number of permanent employees was 368.3 FTE at 31 March 2022 (361.6 at 31 March 2021). There were 6.0 sickness days per FTE employees (5.1 days at 31 March 2021) 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 £124.24m 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 98.48% of the total amount due which was more than 2020/21 (98.31%). Collection of the remainder will continue into 2022/23 and the target of 98.8% remains unchanged for future years.

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 2022. A total of £2.72m (£2.74m in 2020/21) has been allowed against debts of £4.46m (£4.02m in 2020/21) outstanding as at 31 March 2022. The Council's share of the allowance is £310k (£315k in 2020/21).

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 2022. A total of £1.01m (£1.37m in 2020/21) has been allowed against debts of £1.02m (£2.35m in 2020/21) outstanding as at 31 March 2022. The Council's share of the allowance is £406k (£546k in 2019/20).

In 2021/22 there has been £0.175m of uncollectable amounts written off (£0.260m in 2020/21).

A provision for appeals made against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31 March 2022 has been made of £4.04m (£5.01m in 2020/21). The Council's 40% share is £1.62m (£2.00m in 2019/20), as detailed in the Provisions note 18. The reduction is a result of several appeals being settled during the year.

BUDGET 2021/22

In 2021/22, the total expenditure incurred by the Council was £66.7m; 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 2021/22 of £13.0m at the formal meeting on 10 February 2021. To support with the increased cost of further Covid 19 restrictions an additional budget of £1.1m was added to the General Fund Revenue budget for 2021/22 at a formal meeting on 28 April 2021.

Net expenditure		14,139
Funded by:	Council Tax	(10,251)
	Business Rates baseline	
	Funding	(2,052)
	Collection fund deficit	1
	One off Government funding	(717)
	Total funding	(13,019)
	Deficit	1,120

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 2021/22, 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 2022 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 2021/22

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 2021/22 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 £2.11m. A budget of £16k has been carried forward to 2022/23 for Economic Development to continue their training and support to local businesses.

After allowing for the budgeted transfers to reserves and other transfers to earmarked reserves, the operational outturn deficit has increased the in-year deficit on the General Fund to £1.663m as shown below.

	£000
Outturn variance reported	(2,111)
Budgets brought forward from 2020/21	4
Budgets carried forward to 2021/22	(16)
Services funding from Government	(1,201)
S31 Government Grants	(2,926)
Collection fund Deficit	7,950
Other adjustments	(37)
Surplus on General Fund (after transfers to earmarked reserves)	1,663

The General Fund shows a net deficit of £1.663m on expenditure and income transactions in the year. The Comprehensive Income and Expenditure Statement shows a surplus for the year of £29.32m, comprising a surplus on the provision of services of £14.381m and a surplus of £14.939m 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 deficit of £1.663m 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 £2.392m is a charge for the use of assets that reflects the notional consumption of assets during the year and revaluation decreases of £3.113m have been recognised on the revaluation of assets.
- ii) **A charge for revenue expenditure funded from capital under statute (REFCUS).** A charge of £3.044m 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 £7.407m 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 £3.279m representing the difference between the accounting cost of pensions of £5.760m (as estimated by the Pension Fund actuary in accordance with IAS19) and the actual employer contributions of £2.481m 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 £0.684m. 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 2021/22 the amount set aside was £0.92m (2020/21 £0.88m). This is a charge to the General Fund which is not shown in the Comprehensive Income and Expenditure Statement.

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

The table below summarises these accounting adjustments:-

	£000
Deficit on General Fund	1,663
Transfers (to) / from earmarked reserves	(5,114)
Accounting adjustments	
Charge for depreciation	2,392
Revaluation of non-current assets	(3,113)
Revenue expenditure charged to capital	3,044
Capital grant income	(8,531)
IAS19 pension costs	3,279
(Gain) / loss on disposal of assets	(684)
Minimum Revenue Provision	(918)
Share of in year deficit on the Collection Fund	(5,298)
Other technical adjustments	(1,101)
Surplus on provision of services per CIES	<u>(14,381)</u>

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 £8.3m in 2021/22, the Council's capital spending for the year was £4.7m across a range of 24 capital schemes with the largest being:

- £1.1m on disabled facilities using Government grant funding to help disabled residents live in their homes
- £0.9m on Housing Enabling grants, to help towards the provision of affordable housing in the district.
- £0.9m on S106 and CIL infrastructure spend by parishes
- £0.7m on the refurbishment and carbon reduction improvements at St Peter's Hall

The 2021/22 capital programme did not move forward at the expected rate during the year. Spend on vehicle replacement was curtailed by approximately £0.6m as the Council reviewed the strategy to re-use or replace using alternative fuels such as electric vehicles. A £0.7m extension at an industrial estate unit was paused due to a third party pausing the development, other large projects were delayed due to lengthy consultation or contract negotiation processes. Where projects are continuing, the unspent capital budget has been re-profiled into 2022/23 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 2022/23 capital programme will be £12m.

FINANCIAL POSITION AT 31 MARCH 2022

The net worth of the District Council is shown in the Balance Sheet. It has increased by £29.32m from 31 March 2021.

Property, Plant and Equipment value has increased by £6.3m to £114.2m including surplus assets, with additions of £1.4m, depreciation of £2.4m, overall net upward revaluations of £4.3m. Investment Property value has risen by £1.7m to £59.7m due to £1.8m in net gains from fair value adjustments, £0.1m additions and £0.2m disposal in year.

The net pension asset increased by £5.7m from a net pension surplus of £31.0m at 31 March 2021 to a net pension surplus of £36.7m at 31 March 2022. The value of assets decreased less than the decrease in liabilities from changes in the financial assumptions on salaries, inflation and future liability discounts used by the Actuary. 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 2022 and the employer contribution rates were agreed for the three years from 1 April 2023. The contribution rate for 2022/23 is 18%. 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 £8.56m to £66.9m during 2021/22. The Council's level of General Reserves held at 31 March 2022 stands at £23.3m. 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 any financial uncertainty from the multiple and various risks faced. 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 does not have any borrowing.

FINANCIAL OUTLOOK INCLUDING STRATEGY AND RESOURCE ALLOCATION

The Covid-19 pandemic legacy continued to have an impact on the lives of our residents and businesses during 2021/22. The Council too remains affected by a reduction of income and higher levels of expenditure compared to pre-pandemic. Whilst a £2.1m operational surplus was produced in 2021/22, this was in the context of a very cautious budget set in lockdown in January 2021. Net expenditure was still £1m higher than 2019/20 levels, so there is still some way to go as new habits such as hybrid working have become semi-permanent. Restructure actions taken at the end of 2020 contributed a saving of approximately £1.4m per year going forward which have helped.

Operationally, the impact has fallen heavily on Revenues and Benefits, both from increased benefit claims and the application of the measures announced by The Chancellor to support businesses through grant funding, and rate reliefs and rate discounts during the pandemic. The Council received close to £10m of grant funding from Government in 2021/22 and paid out close to £9.9m during the year across ten complex and detailed grant schemes, helping to support many hundreds of businesses that were forced to close or were severely affected by the restrictions and lockdowns. £7.4m of this was spent as agent transactions, where the Council paid set amounts to specific businesses for specific periods of time effectively on behalf of Government. £2.5m was spent as principal transactions, where the Council was given the grant funding and had discretion on amounts and recipients to support businesses on a case-by-case basis under broader, more localised criteria.

The principal transactions are reported in the CIES and grant disclosure note 10. The additional costs of the extra administration were broadly met by new burdens grants during 2021/22 as Government recognised the impact on local authorities, but there is a continuing impact on the Revenues and Benefits and Finance payment teams too.

Income largely met the 2021/22 budget across most services, albeit that the budgets were dampened for the expected impact of Covid-19 when set in lockdown in February 2021. Parking income remains £0.6m below the pre-pandemic levels, with lower numbers of annual season tickets being sold as customer habits changed to more flexible working patterns. The numbers of parking customers has generally recovered but dwell time has lagged. Income may therefore never return to previous levels. Deferral and write-off of some rents and some re-negotiations of rent levels continues to affect a small proportion of property investment income. Support for the leisure centres reduced in 2021/22 as numbers of users returned and the Council anticipates that the leisure contract will return to management fee income in 2022/23.

At 31 March 2022, the Council has £23.3m of general fund reserves and £23.6m of earmarked reserves including £12.6m in New Homes Bonus. It is expected that £0.107m will be used to top the transformation fund back up to £0.5m, providing funds to drive transformational changes in the future. 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. The Council is also due to receive £2.1m in New Homes Bonus during 2022/23 which is not ring-fenced, nor presently taken into the revenue budget.

The values in the balance sheet at 31 March 2022 are just a snapshot in time and the value of the asset base, investment assets and pension fund assets continue to fluctuate. The value of pension fund and treasury investments have continued to hold up. Income from treasury investments suffered from near zero interest rates on short term cash for much of the year, but were held up by the income from the longer-term pooled funds.

The 2021/22 budget was set in February 2021 to balance with the help of Government Covid-19 related grants. The ongoing risk though is that the Council will not be able to return to previous levels of income if consumer habits permanently change and that the rate of inflation continues at close to double-digit levels, but the Government grants fall away as expected. Greater detailed budget monitoring and forecasting will be key to understanding 2022/23 in more detail, especially as events outside the Council's control play out with regards to inflation. The current cost of living crisis is expected to continue in 2022/23 and beyond, early identification of issues will help the Council take action to further mitigate overspends and reduce the impact on cash flows. A £1m earmarked reserve for inflationary pressures has been set aside to mitigate the risk of inflation related overspends in 2022/23 as well as the Council using existing reserves to support residents.

The Director of Resources regularly reports to the Council on the basis of the latest information available, so that the risks and opportunities can be considered and evaluated. The Medium-Term Financial Strategy will be regularly revisited during 2022/23 as it was in 2021/22, updating the assumptions. The outcome from forthcoming Government reviews of Business Rates and Fair Funding together with costs of decarbonisation during the decade and any implementation of food waste, leaves significant uncertainty for the financial position in the future.

The Council's cash flow remains healthy. At the current year-end, the Council has £15m of cash and cash equivalents. The value of treasury investments including those classified as cash and cash equivalents ended the year at £10.5m.

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 2021/22 or is planned to complete over the next twelve months:

- Completion of the Warnham nature reserve discovery hub; £0.5m visitors centre building at the nature and conservation reserve. The Council was awarded a £0.28m grant by the European Agricultural Fund for Rural Development who support investment in public recreational infrastructure to help fund this.
- £1m in 2022/23 of a £2.6m extension to an Industrial estate unit, completing in 2023/24.
- £1m in 2022/23 of a £2.5m public realm strategy design and delivery, completing in 2023/24.
- £0.75m in 2022/23 of a £2.6m community building and nursery at Highwood.

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, especially on the global supply chain and inflation.
- income may be significantly affected by external factors such as recession, or by permanent changes to consumer behaviour
- changes to organisation processes or ICT infrastructure that slow the achievement of strategic objectives.
- a solution to develop a water neutrality mitigation strategy cannot be found and a Local Plan is not developed.
- further or steeper funding cuts / to help government meet their financial targets especially beyond the current settlement period (2023).
- 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-term opportunities that could be developed to mitigate some of 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 July 2022 to 12 August 2022. 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 Resources; Dominic Bradley (Dominic.Bradley@horsham.gov.uk) or the Head of Finance and Performance; Samantha Wilson (Samantha.Wilson@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 2021/22 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 2022.

Dominic Bradley C.P.F.A.
Director of Resources

APPROVAL OF THE ACCOUNTS

I hereby certify that the Statement of Accounts 2021/22 have been approved by the Council's Audit Committee under delegated powers at a meeting held on

Councillor Michael Wood
Chairman of the Audit Committee

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Movement in Reserves Statement

	General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Note
	£000	£000	£000	£000	£000	£000	
Balance at 1 April 2020	(25,191)	(2,088)	(10,646)	(37,925)	(156,681)	(194,605)	
Movement in reserves during 2020/21:							
(Surplus) or deficit on provision of services	(13,570)	0	0	(13,570)	0	(13,570)	7
Other Comprehensive Expenditure and Income	0	0	0	0	(6,016)	(6,016)	
Total Comprehensive Expenditure and Income	(13,570)	0	0	(13,570)	(6,016)	(19,586)	
Adjustments between accounting basis & funding basis under regulations	(4,731)	366	(2,519)	(6,884)	6,884	0	7,11
Increase/Decrease (movement) in year	(18,301)	366	(2,519)	(20,454)	868	(19,586)	
Balance at 31 March 2021 carried forward	(43,492)	(1,722)	(13,165)	(58,379)	(155,813)	(214,191)	
Movement in reserves during 2021/22:							
(Surplus) or deficit on provision of services	(14,381)	0	0	(14,381)	0	(14,381)	7
Other Comprehensive Expenditure and Income	0	0	0	0	(14,939)	(14,939)	
Total Comprehensive Expenditure and Income	(14,381)	0	0	(14,381)	(14,939)	(29,320)	
Adjustments between accounting basis & funding basis under regulations	10,981	89	(5,255)	5,815	(5,815)	0	7,11
Increase/Decrease (movement) in year	(3,400)	89	(5,255)	(8,566)	(20,754)	(29,320)	
Balance at 31 March 2022 carried forward	(46,892)	(1,633)	(18,419)	(66,944)	(176,567)	(243,511)	

Comprehensive Income and Expenditure Statement

2020/21			2021/22				
Gross	Gross	Net		Gross	Gross	Net	
Expenditure	Income	Expenditure		Expenditure	Income	Expenditure	Note
£000	£000	£000		£000	£000	£000	
2,780	(41)	2,739	Audit, Finance HR & Commissioning	2,761	(44)	2,717	
6,593	(2,090)	4,503	Leisure & Culture	5,296	(2,118)	3,178	
1,339	(16)	1,323	Corporate Management	1,287	(36)	1,251	
400	(1)	399	Customer Services	327	(2)	325	
4,217	(2,595)	1,622	Housing & Community Services	5,823	(3,674)	2,149	
1,880	(33)	1,847	ICT	2,178	(128)	2,050	
1,692	(116)	1,576	Legal and Democratic Services & Elections	1,827	(96)	1,731	
5,578	(4,750)	828	Parking	1,100	(4,840)	(3,740)	
5,735	(3,508)	2,227	Planning & Economic Development	6,614	(3,622)	2,992	
1,970	(273)	1,697	Property & Facilities	2,582	(264)	2,318	
9,796	(4,294)	5,502	Refuse, Cleansing & Environmental Services	11,637	(5,030)	6,606	
26,956	(26,809)	147	Revenues & Benefits	25,284	(25,320)	(36)	
68,936	(44,526)	24,410	Cost of Services	66,716	(45,174)	21,542	7
		3,602	Other operating expenditure			3,255	8
		(9,559)	Financing and investment income and expenditure			(8,010)	9
		(32,023)	Taxation and non-specific grant income			(31,168)	10
		(13,570)	(Surplus) or deficit on provision of services			(14,381)	7
			Items that will not be classified to the (Surplus) or deficit on the Provision of Services				
		789	Surplus or deficit on revaluation of Property, Plant and Equipment assets			(5,958)	
		(6,705)	Actuarial (gains)/losses on pensions assets			(8,981)	30
		(100)	Surplus or deficit on revaluation of financial assets			0	
		(6,016)	Other Comprehensive Income and Expenditure			(14,939)	
		(19,586)	Total Comprehensive Income and Expenditure			(29,320)	

Balance Sheet

<u>31.03.2021</u>		<u>31.03.2022</u>	Note
£000	NON-CURRENT ASSETS	£000	
	Property, Plant and Equipment		
104,161	- Other Land and Buildings	109,809	12
2,415	- Vehicles, Plant, Furniture & Equipment	1,788	12
283	- Assets under construction/Awaiting Development	5	12
1,057	- Surplus Assets	2,558	12
531	Heritage Assets	531	
57,996	Investment Property	59,746	13
8	Intangible Assets	0	
313	Assets Held for Sale	0	
31,006	Pension Asset	36,708	30
218	Long-term Debtors	214	
<u>25,162</u>	Long-term Investments	<u>28,651</u>	14
223,150	TOTAL LONG-TERM ASSETS	240,010	
13,415	Short - term Investments	40,279	14
91	Inventories	159	
5,862	Short -term Debtors	5,033	16
<u>20,981</u>	Cash and Cash Equivalents	<u>14,945</u>	15
40,349	CURRENT ASSETS	60,416	
<u>(19,431)</u>	Short-term Creditors	<u>(31,640)</u>	17
(19,431)	CURRENT LIABILITIES	(31,640)	
(394)	Provisions	(219)	18
(2,004)	Provision for Business Rates Appeals	(1,618)	18
(335)	Council tax and NDR appropriations	(449)	
(13,837)	Long-term liabilities - S106 Contribution	(9,601)	18
(364)	CIL Contribution	(720)	
(821)	Rent Deposits and Other Balances	(1,322)	
(12,122)	Capital Grants & Receipts in Advance	(11,347)	18
<u>(29,877)</u>	LONG-TERM LIABILITIES	<u>(25,275)</u>	
214,191	NET ASSETS	243,511	
	Usable Reserves		
(43,492)	- Reserves	(46,892)	19
(1,722)	- Capital Receipts Reserve	(1,633)	19
(13,165)	- Capital Grants & Contributions Unapplied	(18,420)	19
	Unusable Reserves		
(34,194)	- Revaluation Reserve	(36,425)	20
(31,006)	- Pensions Reserve	(36,708)	20,30
(98,336)	- Capital Adjustment Account	(104,794)	20
(484)	- Pooled Fund Adjustment Account	(1,374)	
(60)	- Financial Instrument Revaluation Reserve	(60)	
7,874	- Collection Fund Adjustment Account	2,576	20
<u>394</u>	- Accumulating Absences Adjustment Account	<u>219</u>	
(214,191)	TOTAL RESERVES	(243,511)	

Dominic Bradley C.P.F.A Director of Resources

Cash Flow Statement

<u>2020/21</u>		<u>2021/22</u>	<u>Note</u>
£000		£000	
	<u>Operating activities</u>		
(13,570)	(Surplus) or deficit on provision of services	(14,381)	7
(13,730)	Adjust net surplus or deficit on the provision of services for non- cash movements	8,217	21
5,566	Adjust for items in the net deficit on the provision of services that are investing or financing activities	9,399	21
(21,734)	Net cash flows from Operating activities	3,235	
	<u>Investing activities</u>		
2,835	Purchase of property, plant and equipment, investment property and intangible assets	1,562	
111,126	Purchase of short-term and long-term investments	187,408	
183	Other payments for investing activities	0	
(552)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(924)	
(105,517)	Proceeds from short-term and long-term investments	(157,000)	
(5,500)	Other receipts from investing activities	(9,038)	
2,575	Net cash flows from investing activities	22,008	
	<u>Financing Activities</u>		
4,465	Other receipts from financing activities	(19,206)	
0	Other payments for financing activities	0	
4,465	Net cash flows from financing activities	(19,206)	
(14,693)	Net (increase) or decrease in cash and cash equivalents	6,036	
6,288	Cash and cash equivalents at 1 April	20,981	15
20,981	Cash and cash equivalents at 31 March	14,945	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
- Understandability
- 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 errors 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 the Council's 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 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 is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

FINANCIAL INSTRUMENTS

Financial Liabilities

Financial Liabilities and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. The amount presented in the Balance Sheet for borrowings is the outstanding principal repayable (plus accrued interest).

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.

The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

Financial assets are initially measured at fair value. They are subsequently measured at their amortised cost. Annual income appears in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) and is 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 derecognition of the asset are credited or debited to the General Fund through the Movement in Reserves Statement. The relevant assets are the Fundamentum REIT and the Council's investment in its Housing Subsidiary which are equity instruments which the Council has elected to treat in this category.

GRANTS AND CONTRIBUTIONS

Where the Council has not identified itself as an agent, grants have been recognised using the following accounting policy:

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.

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 downward revaluations 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 2021/22 (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. The standards introduced by the 2022/23 Code and relevant for additional disclosures that will be required in the 2021/22 financial statements in accordance with the requirements of paragraph 3.3.4.3 of the Code are:

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

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 2022/23 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 enough that its overall asset portfolio will not be impaired as a result of short term 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 7.5% of the Council spending baseline which equates to £154k.

Assumptions and Other Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2022 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 2021/22 the actuaries advised that the pension liability had been affected as follows:

	<u>Change in assumptions year ended 31 March 2022</u>	
	Approximate % increase to employer	Approximate monetary amount £000
0.1% decrease in Real Discount Rate	2%	3,260
1 year increase in member life expectancy	4%	7,135
0.1% increase in Salary Increase Rate	0%	233
0.1% increase in the Pension Increase Rate	2%	3,003

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. A 10% increase in default rates increases the provision by £314k.

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.

Property valuations

Intrinsic in the valuations of properties are assumptions on property yields, building costs, and planning policy. These may be affected by wider political and economic environment in the forthcoming financial year.

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 £4.0m as an estimate of potential successful appeals up to 31 March 2022, the Council's proportion (40%) reflected in the Balance Sheet is £1.6m. 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.

There have not been any prior period adjustments made to these accounts.

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 2020/21 or 2021/22 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 Resources for Horsham District Council on xx xxx xxxx. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2022, the figures in the financial statements and note have been adjusted in all material respects to reflect the impact of this information. There were no material post balance sheet events that have required an amendment or disclosure in the statement of accounts.

7 EXPENDTURE 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	2020/21	Net Expenditure		2021/22	Net Expenditure	
Expenditure Chargeable to the General Fund Balance	Adjustments between Funding and Accounting Basis	in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund Balance	Adjustments between Funding and Accounting Basis	in the Comprehensive Income and Expenditure Statement
	(Note 7a)				(Note 7a)	
1,500	1,239	2,739	Audit, Finance, HR & Commissioning	1,876	841	2,717
3,652	851	4,503	Leisure & Culture	2,120	1,058	3,178
1,611	(288)	1,323	Corporate Management	1,039	212	1,251
371	28	399	Customer Services	280	45	325
983	639	1,622	Housing & Community Services	1,125	1,025	2,149
1,727	120	1,847	ICT	1,866	184	2,050
1,191	385	1,576	Legal and Democratic Services & Elections	1,594	137	1,731
(425)	1,253	828	Parking	(2,240)	(1,500)	(3,740)
2,045	182	2,227	Planning & Economic Development	1,433	1,559	2,992
(2,394)	4,091	1,697	Property & Facilities	(2,164)	4,482	2,318
3,720	1,782	5,502	Refuse, Cleansing & Environmental Services	3,873	2,734	6,607
798	(651)	147	Revenues & Benefits	573	(609)	(36)
14,779	9,631	24,410	Net cost of services	11,373	10,168	21,542
(33,081)	(4,899)	(37,980)	Other income and expenditure	(14,774)	(21,149)	(35,923)
(18,302)	4,732	(13,570)	Surplus or deficit	(3,401)	(10,981)	(14,381)
(25,189)			Opening General Fund Balance	(43,491)		
(18,302)			Less Surplus on General Fund in Year	(3,401)		
(43,491)			Closing General Fund Balance	(46,892)		

7a ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS

2021/22

Adjustments from General fund to arrive at Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Covid-19 Support	Other Differences	Total Adjustments
Audit, Finance, HR & Commissioning	0	218	(2,473)	3,096	841
Leisure & Culture	717	284	(146)	204	1,058
Corporate Management	0	214	0	(2)	212
Customer Services	0	45	0	0	45
Housing Services	1,138	450	17	(581)	1,025
ICT	8	189	0	(14)	184
Legal and Democratic Services & Elections	0	197	0	(60)	137
Parking	(1,319)	139	(272)	(49)	(1,500)
Planning & Economic Development	948	877	0	(266)	1,559
Property & Facilities	(917)	96	0	5,303	4,482
Refuse, Cleansing & Environmental Services	1,724	1,164	0	(154)	2,734
Revenues & Benefits	0	0	(257)	(352)	(609)
Other income and expenditure from the Funding Analysis	(10,111)	(594)	3,129	(13,573)	(21,149)

Difference between General Fund (Surplus) or deficit and Comprehensive Income and Expenditure (surplus) or deficit on the provision of services

(7,811) 3,279 0 (6,449) (10,981)

2020/21

Adjustments from General fund to arrive at Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Covid-19 Support	Other Differences	Total Adjustments
Audit, Finance, HR & Commissioning	(4)	323	0	920	1,239
Leisure & Culture	1,760	132	(762)	(279)	851
Corporate Management	0	84	0	(372)	(288)
Customer Services	0	28	0	0	28
Housing Services	499	151	0	(11)	639
ICT	13	63	0	43	120
Legal and Democratic Services & Elections	0	67	0	318	385
Parking	3,199	52	(1,998)	0	1,253
Planning & Economic Development	102	300	(191)	(29)	182
Property & Facilities	(2,346)	34	0	6,403	4,091
Refuse, Cleansing & Environmental Services	1,507	381	0	(106)	1,782
Revenues & Benefits	0	0	0	(651)	(651)
Other income and expenditure from the Funding Analysis	(6,310)	(580)	2,951	(958)	(4,899)

Difference between General Fund (Surplus) or deficit and Comprehensive Income and Expenditure (surplus) or deficit on the provision of services

(1,580) 1,034 0 5,278 4,732

8 OTHER OPERATING EXPENDITURE

	2020/21	2021/22
	£000	£000
Parish council precepts	3,865	3,939
(Gains)/losses on the disposal of non-current assets	<u>(263)</u>	<u>(684)</u>
Total	<u>3,602</u>	<u>3,255</u>

9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2020/21	2021/22
	£000	£000
Net interest income on LGPS Pension	(582)	(594)
Interest receivable and similar income	(867)	(1,217)
Income and expenditure in relation to investment properties and changes in their fair value (as detailed in note 13)	(5,771)	(5,309)
Changes in fair value of investments	<u>(2,339)</u>	<u>(890)</u>
Total	<u>(9,559)</u>	<u>(8,010)</u>

10 TAXATION AND GRANT INCOME

	2020/21	2021/22
	£000	£000
Benefits Grants	(24,400)	(23,138)
Other Government Grants	(4,946)	(3,345)
Other Grants	<u>(1,677)</u>	<u>(503)</u>
Grants credited to Services	<u>(31,023)</u>	<u>(26,986)</u>
Council Tax	(13,687)	(14,185)
Non Domestic Rates income & expenditure	6,825	977
Lower Tier Funding	0	(1,201)
New Homes Bonus	(4,831)	(3,083)
Section 31 Grant – Business Rates Reliefs	(10,677)	(7,279)
Covid-19 Support Grants	(1,753)	(571)
Discretionary Covid-19 Grants	(2,779)	1,756
Capital grants and contributions	<u>(5,121)</u>	<u>(8,531)</u>
Credited to Taxation and Non Specific Grant Income	<u>(32,023)</u>	<u>(32,117)</u>

During the year, the Council received £1.81m in discretionary Covid-19 grants. In 2021/22 £3.53m was paid to local businesses, this was paid using the in-year receipts and ear marked reserve that was created in 2020/21.

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.

2021/22	Usable Reserves		Capital Grants Unapplied	Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve		
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation of non-current assets	(2,392)			2,392
Revaluation movement in Property, Plant and Equipment				(1,269)
	1,269			
Movements in the market value of Investment Properties	1,844			(1,844)
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	(570)			570
Revenue expenditure funded from capital under statute	(3,044)			3,044
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	918			(918)
Capital expenditure financed from revenue balances	86			(86)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	8,531		(5,255)	(3,276)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,254	(1,254)		
Use of the Capital Receipts Reserve to finance new capital expenditure		1,343		(1,343)
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Gain/loss on revaluation of Financial Instruments Adjustment Account	890			(890)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,760)			5,760
Employers pension contributions and direct payments to pensioners payable in the year	2,481			(2,481)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	5,298			(5,298)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in accordance with statutory requirements	175			(175)
Total Adjustments	10,980	89	(5,255)	(5,815)

2020/21

	Usable Reserves		
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
	£000	£000	£000
			Movement in Unusable Reserves
			£000
Adjustments primarily involving the Capital Adjustment Account:			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation of non-current assets	(2,703)		2,703
Revaluation movement in Property, Plant and Equipment	(1,996)		1,996
Movements in the market value of Investment Properties	2,067		(2,067)
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	(490)		490
Revenue expenditure funded from capital under statute	(2,520)		2,520
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Statutory provision for the financing of capital investment	880		(880)
Capital expenditure financed from revenue balances	173		(204)
		31	
Adjustments primarily involving the Capital Grants Unapplied Account:			
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	5,121		(2,571)
		(2,550)	
Adjustments primarily involving the Capital Receipts Reserve:			
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	753	(753)	
Use of the Capital Receipts Reserve to finance new capital expenditure		1,119	(1,119)
Adjustments primarily involving the Financial Instruments Adjustment Account:			
Gain/loss on revaluation of Financial Instruments Adjustment Account	2,339		(2,339)
Adjustments primarily involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,850)		3,850
Employers pension contributions and direct payments to pensioners payable in the year	2,816		(2,816)
Adjustments primarily involving the Collection Fund Adjustment Account:			
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(7,086)		7,086
Adjustments primarily involving the Accumulated Absences Account:			
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(235)		235
Total Adjustments	(4,731)	366	(2,519)
			6,884

12 PROPERTY, PLANT & EQUIPMENT

Movements in 2021/22	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Surplus Assets	Total Property, Plant & Equipment
Cost or Valuation	£000	£000	£000	£000	£000
At 1 April 2021	104,762	8,688	283	1,057	114,790
Additions	1,158	273			1,431
Reclassifications	54		(278)	224	0
Revaluation increase/(decrease) recognised in Revaluation Reserve	4,650			1,277	5,827
Revaluation increase/(decrease) recognised in Surplus /Deficit on the Provision of Services	1,269				1,269
De-recognition – disposal					
Other movements in cost or valuation	(1,537)				(1,537)
Other movement	(39)				(39)
At 31 March 2022	110,317	8,961	5	2,558	121,841
Accumulated Depreciation and Impairment					
At 1 April 2021	(601)	(6,273)	0	0	(6,874)
Depreciation charge	(1,483)	(900)			(2,383)
Written out to the Revaluation Reserve	1,308				1,308
Written out to the Surplus/Deficit on the Provision of services	229				229
Other movement	39				39
At 31 March 2022	(508)	(7,173)	0	0	(7,681)
Net Book Value					
At 31 March 2022	109,809	1,788	5	2,558	114,160
At 31 March 2021	104,161	2,415	283	1,057	107,916
Movements in 2020/21	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Surplus Assets	Total Property, Plant & Equipment
Cost or Valuation	£000	£000	£000	£000	£000
At 1 April 2020	109,635	8,506	5	0	118,146
Additions	901	187	278	5	1,371
Reclassifications	(137)			137	0
Revaluation increase/(decrease) recognised in the Revaluation Reserve	(1,865)			924	(1,865)
Revaluation decrease recognised in Surplus /Deficit on the Provision of Services	(1,990)				(1,995)
De-recognition – disposal	(15)	(5)			(15)
Other movements in cost or valuation	(1,767)			(9)	(1,776)
At 31 March 2021	104,762	8,688	283	1,057	114,790
Accumulated Depreciation and Impairment					
At 1 April 2020	(821)	(5,137)			(5,958)
Depreciation charge	(1,556)	(1,136)			(2,692)
Written out to the Revaluation Reserve	840				840
Written out to the Surplus/Deficit on the Provision of Services	927				927
Other movements	9				9
At 31 March 2021	(601)	(6,273)			(6,874)
Net Book Value					
At 31 March 2021	104,161	2,415	283	1,057	107,916
At 31 March 2020	108,814	3,369	5	0	112,188

Other Plant, Property and Equipment assets - Surplus Assets

Four assets valued at £2.558m (31 March 2021 Three assets £1.057m).

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

None held - (31 March 2021 one asset £0.313m).

Capital Commitments

At 31 March 2022, the Council was committed to the following significant capital works contracts (£0.04m in 2021):

Capital scheme	£000
Horsham Skate Park	250
Rural car park – Storrington Mill Lane	189
Total	439

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		1,788	1,788
Valued at fair value as at			
31 March 2022	86,558		86,558
31 March 2021	4,664		4,664
31 March 2019	12,724		12,724
31 March 2018	5,863		5,863
	109,809	1,788	111,597

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:

	2020/21 £000	2021/22 £000
Income from investment property	(4,054)	(4,039)
Direct operating expenses arising from investment property	350	570
Net (gains)/losses from fair value adjustments	<u>(2,067)</u>	<u>(1,840)</u>
Net (gain)/loss	<u>(5,771)</u>	<u>(5,309)</u>

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:

	2020/21 £000	2021/22 £000
Balance at start of year	54,466	57,996
Additions	1,463	131
Net gains/(losses) from fair value adjustments	2,067	1,844
Disposals	0	(225)
Balance at end of the year	<u>57,996</u>	<u>59,746</u>

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 comprises equity investments of £2m in the listed Fundamentum REIT and £0.23m in the equity of the Council's subsidiary Horsham District Homes. Both these investments are subject to 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.

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.

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	
	31.03.2021	31.03.2022	31.03.2021	31.03.2022
	£000	£000	£000	£000
Loans at amortised cost:				
- PWLB borrowing	0	0	0	0
Total Borrowing	0	0	0	0
Liabilities at amortised cost:				
- Trade payables	0	0	(17,940)	(10,708)
Included in Creditors *	0	0	(17,940)	(10,708)
Total Financial Liabilities	0	0	(17,940)	(10,708)

* The various liabilities lines on the Balance Sheet include **£18.0m** (2021: £9.7m) 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	
	31.03.2021	31.03.2022	31.03.2021	31.03.2022
	£000	£000	£000	£000
<i>At amortised cost:</i>				
- Principal incl accruals	0	2,500	4,001	27,010
<i>At fair value through profit & loss:</i>				
- Fair value	22,977	23,865	9,413	13,269
<i>Fair value through other comp. income</i>				
- Fair value	2,186	2,286		
Total Investments	25,162	28,651	13,414	40,278
<i>At amortised cost:</i>				
- Principal incl accruals	0	0	2,982	4,446
<i>At fair value through profit & loss:</i>				
- Fair value	0	0	17,999	10,499
Total Cash and Cash Equivalents	0	0	20,981	14,945
<i>At amortised cost:</i>				
- Receivables			3,993	3,821
- Loans made for service purposes	214	214		
- Loss allowance	(6)	(6)	(394)	(384)
Included in Debtors **	208	208	3,599	3,437
Total Financial Assets	25,370	28,859	37,995	58,660

* The debtors lines on the Balance Sheet include **£3.3m** (2021: £3.5m) 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 Assets			2021/22	2020/21
	Amortised Cost	Fair Value through OCI	Fair Value through Profit & Loss	Total	Total
	£000	£000	£000	£000	£000
Interest expense				0	0
Impairment Loss				0	0
Changes in fair value				0	0
Interest payable and similar charges	0	0	0	0	0
Interest income	(30)			(30)	(28)
Dividend income		(46)	(865)	(911)	(831)
Gains from changes in fair value			(890)	(890)	(2,339)
Impairment loss reversals	(11)			(11)	(23)
Interest and investment income	(41)	(46)	(1,755)	(1,842)	(3,220)
Net impact on surplus/deficit on provision of services	(41)	(46)	(1,755)	(1,842)	(3,220)
Gains on revaluation				0	(100)
Losses on revaluation				0	0
Impact on other comprehensive income	0	0	0	0	(100)
Net (Gain)/Loss for Year	(41)	(46)	(1,755)	(1,842)	(3,320)

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 2022, 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	31.03.2021	31.03.2022
Bond & Equity funds	FVPL	1	18,081	18,281
Property Fund	FVPL	1	4,750	5,584
REIT	FVOCI	2	2,060	2,060
Money market funds	FVPL	1	27,413	23,769

The Council holds £0.23m equity in its Housing subsidiary with the value of the price paid for equity as the amount is not material. Should the value become material a recognised valuation process would be followed.

(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.

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 DLUHC 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.

Credit Rating	31.03.21	31.03.21	31.03.22	31.03.22
	Long-term £000	Short Term £000	Long-term £000	Short Term £000
AA-	0	0	0	18,000
A	0	3,590	0	4,106
Unrated local authorities	0	4,000	2,500	9,000
Total	0	7,590	2,500	31,106

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.

	31.03.2021 Receivables	31.03.2022 Receivables
	£000	£000
Neither past due nor impaired	1,530	2,943
Past due < 3 months	310	565
Past due 3-6 months	396	107
Past due 6-12 months	320	245
Past due 12+ months	357	533
TOTAL RECEIVABLES	2,913	4,393

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

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

Credit Risk: Loans, Financial Guarantees and Loan Commitments

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

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

Borrower	Exposure type	Balance Sheet	Risk exposure	Balance Sheet	Risk exposure
		31.03.2021 £000	31.03.2021 £000	31.03.2022 £000	31.03.2022 £000
Henfield leisure centre	Loans at market rates	208	208	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 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. Although the Council has granted an extension to the Henfield Leisure Centre loan repayment it judges that this is a short term issue caused by the pandemic which does not materially affect the long term business model.

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:

- 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:

	31.03.2021	31.03.2022
	£000	£000
Increase in interest receivable on variable rate investments	(234)	(319)
Decrease in fair value of investments held at FVPL	390	413
Impact on Surplus or Deficit on the Provision of Services	157	94
Decrease in fair value of investments held at FVOCI	0	0
Impact on Comprehensive Income and Expenditure	157	94
Decrease in fair value of loans and investments at amortised cost *	38	178
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 £5m respectively. A 5% fall in commercial property prices at 31 March 2022 would result in a £0.29m (2021: £0.25m) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account and a £0.1m (2021: £0.1m) 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 £18m. A 5% fall in share prices at 31 March 2022 would result in a £0.40m (2021: £0.35m) 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:

	31.03.2021	31.03.2022
	£000	£000
Cash held by Council	1	2
Money market Funds	17,999	10,499
Short-term deposits	2,735	4,106
Cash in transit	<u>247</u>	<u>340</u>
Total Cash and Cash Equivalents	<u>20,981</u>	<u>14,945</u>

16 SHORT-TERM DEBTORS

	31.03.2021	31.03.2022
	£000	£000
Sundry Debtors	4,002	3,908
Central government bodies	70	362
Payments in advance	537	419
Council Tax debtors	569	396
WSCC NNDR Debtor	673	0
NNDR Debtors	941	800
Housing benefit overpayments	<u>2,567</u>	<u>2,236</u>
Sub-total	9,359	8,121
Allowance for doubtful debts	<u>(3,497)</u>	<u>(3,088)</u>
Total debtors after allowance for doubtful debts	<u>5,862</u>	<u>5,033</u>

17 SHORT-TERM CREDITORS

	31.03.2021	31.03.2022
	£000	£000
Sundry Creditors	(11,734)	(8,080)
Prepayment of NNDR	(502)	(460)
Prepayment of Council Tax	(362)	(380)
WSCC Council Tax creditors	(1,163)	(2,473)
SPA Council Tax creditors	(167)	(356)
Central Government	(5,503)	(18,762)
WSCC NNDR Creditors	<u>0</u>	<u>(1,129)</u>
Total	<u>(19,431)</u>	<u>(31,640)</u>

Included within Central Government is £5.6m funding for the 2022/23 council tax energy rebate scheme and £3.1m for NNDR Covid Additional Relief Fund.

18 PROVISIONS AND OTHER LONG-TERM LIABILITIES

	Provision for NNDR appeals	Provision for Accumulated Absences	Total
	£000	£000	£000
Balance at 1 April 2020	(1,121)	(158)	(1,278)
Additional provisions made in 2020/21	(144)	(236)	(380)
Amounts used in 2020/21	382	0	382
Change in collection fund share	(1,121)	0	(1,121)
Balance at 31 March 2021	<u>(2,004)</u>	<u>(394)</u>	<u>(2,397)</u>
Additional provisions made in 2021/22	(109)	0	(109)
Amounts used in 2021/22	495	175	670
Balance at 31 March 2022	<u>(1,617)</u>	<u>(219)</u>	<u>(1,836)</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 shown below:

	S106 Contributions		Capital Grants Rec'd in Advance	
	31.03.2021	31.03.2022	31.03.2021	31.03.2022
	£000	£000	£000	£000
Opening balance	(12,106)	(13,837)	(12,785)	(12,122)
Grants/Contributions in	(1,948)	(2,936)	(634)	(802)
Grants/Contributions out	217	7,172	1,297	1,577
Closing balance	<u>(13,837)</u>	<u>(9,601)</u>	<u>(12,122)</u>	<u>(11,347)</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 2021/2022

Useable Revenue Reserves	Balance at 31.03.20 £000	Income / Expenditure 2020/21 £000	Transfer to / from other reserves 2020/21 £000	Balance at 31.03.21 £000	Income / Expenditure 2021/22 £000	Transfer to / from other reserves 2021/22 £000	Balance at 31.03.22 £000
General Fund Balance	(15,662)	(18,433)	9,199	(24,896)	(3,614)	5,277	(23,233)
New Homes Reserve	(4,671)	0	(4,831)	(9,502)	0	(3,083)	(12,585)
Health and Wellbeing	(308)	0	0	(308)	0	(27)	(335)
Council tax localism	(293)	0	0	(293)	0	0	(293)
Neighbourhood Planning Grant	(278)	0	11	(268)	0	0	(268)
s106 Reserves	(802)	26	0	(776)	(142)	0	(918)
NNDR Provision	(1,435)	0	0	(1,435)	0	(2,796)	(4,231)
Homelessness Prevention	(77)	0	(64)	(142)	0	(95)	(237)
Revenues & Benefits	(318)	0	(300)	(618)	0	(302)	(920)
Covid-19 Discretionary fund	(36)		(2,779)	(2,815)	356	1,699	(760)
Transformation fund	(377)	0	(12)	(389)	0	(4)	(393)
HDC Green Reserve	0	0	(695)	(695)	0	129	(566)
Leisure Reserve	0	0	(212)	(212)	0	212	0
Journey to Work	(211)	0	(78)	(289)	0	(75)	(364)
Covid 19 Outbreak Management Fund	0	0	0	0	0	(446)	(446)
IT Security	0	0	0	0	0	(100)	(100)
Community Fund	0	0	0	0	0	(250)	(250)
Other	(721)	105	(240)	(856)	0	(139)	(995)
Other Earmarked Reserves	(9,528)	131	(9,199)	(18,596)	214	(6,269)	(23,659)
Sub-total	(25,190)			(43,492)			(46,892)
Useable Capital Reserves							
Capital Receipts Reserve	(2,088)	366		(1,722)	89		(1,633)
Capital Grants unapplied	(10,646)	(2,519)		(13,165)	(5,255)		(18,420)
Total Useable Revenue Reserves	(37,924)			(58,379)			(66,944)

The government continued to grant business rate relief to retail, hospitality and leisure services during 2021/22, and compensate Councils for these reliefs with a Section 31 grant. These reliefs must be shown as a deficit on the Council's share of income within the Collection Fund Adjustment Account, while the grant income must be shown within the Council's General Fund. In 2021/22, £7.95m has been transferred from the Collection Fund Adjustment Account to the General Fund, this was funded from the Section 31 grant held in the General Fund in 2020/21.

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.

	31.03.2021	31.03.2022
	£000	£000
Balance at 1 April	(35,832)	(34,194)
Adjustment to Capital Adjustment Account *		2,921
(Upward)/downward revaluation of assets	(5,787)	(7,638)
Downward revaluation of assets and impairment losses not charged to the Surplus/deficit on the Provision of Services	6,567	1,679
Difference between fair value depreciation and historical cost depreciation	562	491
Amount written off to the Capital Adjustment Account	296	315
Balance at 31 March	(34,194)	(36,426)

* The 2.9m adjustment between revaluation reserve and capital adjustment account is a technical adjustment that does not affect the asset values but reflects a change in the historic recognition of a set of assets that had not formerly held a value. These assets were originally recognised with the contra credit being the revaluation reserve whereas after a review of the accounting treatment the contra credit is now to the capital adjustment account.'

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

	2020/21	2021/22
	£000	£000
Balance at 1 April	(25,335)	(31,006)
Actuarial gains or losses on pensions assets and liabilities	(6,705)	(8,151)
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	3,850	5,760
Employers pensions contributions and direct payments to pensioners payable in the year	(2,816)	(2,481)
Balance at 31 March	(31,006)	(35,878)

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.

	2020/21	2021/22
Balance at 1 April	(98,354)	(98,336)
Adjustment relating to Revaluation Reserve		(2,921)
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	2,692	2,384
Depreciation of intangible assets	11	8
Revaluation gains / losses on Property, Plant and Equipment	1,996	(1,269)
Revenue expenditure funded from capital under statute	2,521	3,043
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	202	254
Movements in the market value of Investment Property	(2,067)	(1,844)
Adjusting amounts through revaluation reserve	(562)	(491)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(1,119)	(1,343)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,360)	(2,264)
Grants from the Capital Grants Unapplied Account	(212)	(1,047)
Use of earmarked revenue reserves for the financing of capital investment	(204)	(51)
Statutory provision for the financing of capital investment charged against the General Fund	(880)	(918)
Balance at 31 March	(98,336)	(104,795)

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.

	2020/21	2021/22
	£000	£000
Balance at 1 April - Council Tax	(85)	72
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	157	(144)
Balance at 31 March	<u>72</u>	<u>(72)</u>
Balance at 1 April – NNDR	873	7,802
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	6,929	(5,154)
Balance at 31 March	<u>7,802</u>	<u>2,648</u>
Total	<u>7,874</u>	<u>2,576</u>

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

	2020/21 £000	2021/22 £000
Depreciation and Impairments	(2,703)	(2,392)
Impairments	70	3,113
Pensions Liability	(1,034)	(3,279)
(Increase)/decrease in debtors	2,580	(2,541)
(Increase)/decrease in creditors	(3,314)	8,738
Movement in provisions	(7,026)	5,399
(Increase)/decrease in inventories	3	68
Other non-cash adjustments	(2,306)	(889)
Total	<u>(13,730)</u>	<u>8,217</u>

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

	2020/21 £000	2021/22 £000
Capital grants credited to the surplus or deficit on the provision of services	5,121	8,532
Proceeds from the sale of non-current assets	263	684
Council Tax and NDR adjustment	182	183
Total	<u>5,566</u>	<u>9,399</u>

c) Interest received, interest paid and dividends received

	2020/21 £000	2021/22 £000
Interest received	(867)	(1,216)
Total	<u>(867)</u>	<u>(1,216)</u>

22 EXTERNAL AUDIT COSTS

	2020/21 £000	2021/22 £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	43	49
Fees payable in respect of other services or relating to previous years	5	(18)
Total	<u>88</u>	<u>70</u>

The cost for the 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 until the amounts have been approved by the Public Section Audit Appointments (PSAA).

Fees payable for the certification of grant claims and returns are effectively those of the previous year's audit. The £49k spent in 2021/22 is for the 2019/20 Housing Benefit audit, that was certified in February 2021, as well a further payment relating to the 2020/21 Housing Benefits audit.

Fees payable in respect of other services relate to additional work on the 2019/20 and 2020/21 main audits that were accrued but the actual spend was less than the amount accrued.

23 MEMBERS ALLOWANCES

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

	2020/21 £000	2021/22 £000
Allowances	346	359
Expenses	3	11
Total	<u>349</u>	<u>370</u>

NB: Officer travel costs dropped significantly as a result of the Pandemic during 2020-21, whilst there was an increase during 2021-22 this is still below pre-pandemic costs of £16k in 2019-20

24 LEASES

Operating Leases

Council as a Lessee

The Council leases its main office and a small number of cars for £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	
	31.03.2021	31.03.2022	31.03.2021	31.03.2022
	£000	£000	£000	£000
Not later than one year	3,260	3,311	230	247
Later than one year and not later than five years	8,391	8,737	728	551
Later than five years	8,126	7,195		
	19,777	19,243	958	798

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 £256,000 in 2021/22 (£29,000 in 20/21).

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	Employer Pension Contributions	Total Remuneration including pension
	£	£	£
2021/22			
Chief Executive	129,362	25,179	154,541
Director of Community Services	102,611	19,241	121,852
Director of Corporate Resources (Section 151 Officer)	106,181	19,241	125,422
Director of Place	102,715	19,241	121,956
Head of Legal and Democratic Services (Monitoring Officer)	83,806	15,228	99,034
2020/21			
Chief Executive	121,024	24,053	145,077
Director of Community Services	100,533	19,955	120,488
Director of Corporate Resources (Section 151 Officer)	100,865	19,955	120,820
Director of Place	100,533	19,955	120,488
Head of Legal and Democratic Services (Monitoring Officer)	78,769	15,754	94,523

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. The increase on costs from the previous year is due to the inclusion of payments relating to the Police & Crime Commissioner & Local By-elections held in May 2021.

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	Number of
	Employees	Employees
	2020/21	2021/22
£50,000 - £54,999	13	15
£55,000 - £59,999	4	1
£60,000 - £64,999	6	7
£65,000 - £69,999	0	0
£70,000 - £74,999	1	2
£75,000 - £79,999	1	0
£80,000 - £84,999	2	1
£85,000 - £89,999	0	0
£90,000 - £94,999	0	0
£95,000 - £99,999	0	2
£100,000 - £104,999	4	1
£105,000 - £109,999	0	0
£110,000 - £114,999	0	0
£115,000 - £119,999	1	0
£120,000 - £124,999	1	0
£125,000 - £129,999	0	1
Total number	33	30

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	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21 £000	2021/22 £000
£0 - £20,000	16	3	4	6	20	9	111	60
£20,001 - £40,000	4	2	0	0	4	2	104	50
£40,001 - £60,000	2	0	0	0	2	0	102	0
£60,001 - £80,000	3	0	0	0	3	0	217	0
£80,001 - £100,000	1	0	0	0	1	0	87	0
£100,001 - £150,000	2	0	0	0	2	0	244	0
Total	28	5	4	6	32	11	864	110
Provision	0	0	0	0	0	0	0	0
Total	28	5	4	6	32	11	864	110

27 TERMINATION BENEFITS

During 2021/22 the Council terminated 11 posts at a total cost of £110k which was made up of redundancy payments of £49k, other termination costs of £32k and pension strain costs of £29k.

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 2022 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 2021/22 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 2021/22.

Building Control

Horsham District Council provides the Building Control service for Crawley Borough Council. Crawley B.C. 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 B.C. for 2021/22 amounted to £294k (£311k in 2020/21) and £87k (£70k in 2020/21) was outstanding as at 31 March 2022.

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 2019, the Council is the sole shareholder. The transactions with the housing companies during 2021/22 are summarised in the table below.

	Horsham District Homes	Horsham District Homes (Holdings)	Disclosed within Note
	£000	£000	
Equity paid	100		Note 14
Grant income paid		447	
Rental income collected		(9)	
Services provided	12	22	Note 16

The Council has not prepared group accounts for 2021/22 as the value of transactions are considered immaterial. The accounts for the companies are audited by independent auditors and filed with Companies House.

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.

	2020/21	2021/22
	£000	£000
Opening Capital Financing Requirement	33,862	34,568
Capital Investment		
Property, Plant & Equipment	1,371	1,431
Investment Properties	1,464	131
Equity in subsidiary	125	100
Revenue Expenditure Funded from Capital Under Statute	2,521	3,044
Sources of finance		
Capital receipts	(1,119)	(1,343)
Government grants and other contributions	(2,572)	(3,276)
Revenue contributions	(204)	(86)
Minimum Revenue Provision	(880)	(918)
Closing Capital Financing Requirement	<u>34,568</u>	<u>33,650</u>
Explanation of movements in year		
Increase in underlying need to borrowing	1,586	0
Minimum Revenue Provision	(880)	(918)
Increase / (decrease) in Capital Financing Requirement	<u>706</u>	<u>(918)</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 authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions 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 2021/22 these amounted to £93k (£94k 2020/21) representing 1% of pensionable pay (1% in 2020/21).

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.

<u>Comprehensive Income and Expenditure Statement</u>	2020/21	2021/22
	£000	£000
<u>Cost of Services</u>		
- current service cost	(4,211)	(6,328)
- past service costs	(221)	(26)
Total Service Cost	(4,432)	(6,354)
<u>Financing and Investment Income and Expenditure</u>		
Interest income on planned assets	3,945	4,314
Interest cost on defined benefit obligation	(3,363)	(3,720)
Total Net Interest	582	594
Total Post Employment Benefit Charged to the Surplus or deficit on the provision of services	<u>(3,850)</u>	<u>(5,760)</u>

Re-measurements of the Net Defined Liability

Actuarial gains arising from changes in demographic assumptions	(260)	8,012
Actuarial gains / (losses) arising from changes in financial assumptions	(36,306)	8,107
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	1,562	(2,908)
Return on assets excluding amounts included in net interest	<u>41,709</u>	<u>(4,230)</u>
Total re-measurements recognised in other comprehensive income	<u>6,705</u>	<u>8,981</u>
Total Post Employment Benefit Charged to the Comprehensive		
Income and Expenditure Statement	<u>2,855</u>	<u>3,221</u>
<u>Movement in Reserves Statement</u>		
Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance	(3,850)	(5,760)
Actual amounts charged to the General fund balance for pensions in the year		
Employers contributions payable to the scheme	2,816	2,481

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:

	2020/21	2021/22
	£000	£000
Present value of liabilities - Funded	(183,566)	(176,421)
Present value of liabilities - Un funded	(1,362)	(1,216)
Fair value of plan assets	<u>215,934</u>	<u>214,345</u>
Net asset (liability arising from defined benefit obligation)	<u>31,006</u>	<u>36,708</u>

The surplus on the balance sheet position increased in 2021/22 by £5.7m. In simple terms, this is a result of the decrease in liabilities being greater than the increase in assets. During the accounting period investment returns have been fallen slightly, resulting in a reduction of the return on assets whilst the decrease in liabilities has been caused by changes in financial assumptions of inflation, salaries and discounts.

Funded Liabilities - LGPS

	2020/21	2021/22
	£000	£000
Reconciliation of present value of the scheme liabilities:		
Balance at 1 April	(146,043)	(184,928)
Current service cost	(4,211)	(6,328)
Interest cost	(3,363)	(3,720)
Contributions by scheme participants	(874)	(873)
Actuarial gains and losses	(35,004)	13,390
Benefits paid	4,788	4,848
Past service costs	(221)	(26)
Balance at 31 March	<u>(184,928)</u>	<u>(177,637)</u>
Reconciliation of fair value of the scheme assets:		
Balance at 1 April	171,378	215,934
Interest income on planned assets	3,945	4,314
Return on planned assets (excluding amounts in net interest)	41,709	(4,409)
Employer contributions	2,816	2,481
Contributions by scheme participants	874	873
Benefits paid	(4,788)	(4,848)
Balance at 31 March	<u>215,934</u>	<u>214,345</u>

LGPS Assets comprised:

	2021		2022	
	£000	% of assets	£000	% of assets
Equity Securities:				
Consumer	22,432.7	10.4%	0.0	0.0%
Manufacturing	12,605.5	5.8%	0.0	0.0%
Energy & Utilities	3307.6	1.5%	0.0	0.0%
Financial Institutions	19,563.7	9.1%	0.0	0.0%
Health & Care	14,440.6	6.7%	0.0	0.0%
Information Technology	29,967.4	13.9%	0.0	0.0%
Other	7,155.8	3.3%	0.0	0.0%
Debt Securities:				
UK Government	2,742.2	1.3%	0.0	0.0%
Private Equity:				
All	3,440.3	1.6%	4,379.8	2.0%
Real Estate:				
UK Property	14,652.8	6.8%	20,918.0	9.8%
Investment Funds & Unit Trusts:				
Equities	0.0	0.0%	100,298.7	46.8%
Bonds	72,664.9	33.7%	74,089.6	34.6%
Infrastructure	0.0	0.0%	9,214.0	2.1%
Other	3,387.1	1.6%	4,671.5	4.3%
Cash & cash Equivalents: All	9,573.5	4.4%	773.3	0.4%
	215,934	100%	214,345	100%

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 £36.2m (£31.0m surplus at 31 March 2021) which has an impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of £243.5m.

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 2023 is £2.21m (£2.33m at 31 March 2022).

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The 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 2022.

The principal assumptions used by the actuary have been:

		<u>2020/21</u>	<u>2021/22</u>
Long term expected rate of return on assets in the scheme: Mortality assumptions:			
Longevity at 65 for current pensioners:	Men	22.1	22.3
	Women	24.4	24.7
Longevity at 65 for future pensioners:	Men	23.1	23.2
	Women	26.1	26.5

Rate of inflation / pension	2.9%	3.2%
Rate of increase in salaries	3.4%	4.7%
Rate of discounting scheme liabilities	2.0%	2.7%

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

The estimate of the defined benefits obligation is sensitive to the actuarial assumptions. The sensitivity analyses in Note 3 have been determined based on possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The estimations in the sensitivity analyses have followed the accounting policies for the scheme.

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. The potential impact of the judgement has been included in the actuary's estimated calculations.

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.

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.

A former employee has redirected a claim for personal injury submitted to the Council earlier in the year, to his subsequent employer. Legal advice is that the matter does not appear to be our responsibility, but we are reviewing documentation to confirm this.

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 made a £2.1m operational surplus in the period ending 31 March 2022, partly because it took early action in November 2020 with a sizable restructure that reduced expenditure by around £1.4m.

Impact of Covid: The 2021/22 budget was set in February 2021 in lockdown and thankfully was more cautious than events panned out. The pandemic though may have changed some areas of income generation permanently, such as the reduction in from car parking season tickets, currently £0.6m lower than pre-pandemic due to the change to hybrid working. There have been other reductions in income across some of the commercial property, leisure, planning and building control. There has also been significant additional expenditure supporting our leisure service contracts in 2021/22 as there was in 2020/21, although a return to management fee income is expected in 2022/23.

All service areas reviewed their budgets during the setting of the 2022/23 budget and identified areas where they could carefully manage expenditure in the year, and also reflected the anticipated semi-permanency of some reductions in income. Therefore, another prudent budget was set, albeit one that is likely to be stretched by inflation that continues

to rise far beyond the levels anticipated in January 2022. From the £2.1m outturn surplus in 2021/22, £1m has been set aside in an earmarked reserve to be used to mitigate inflation in salaries and also general price rises in goods and services that the Council uses in 2022/23. The overspend is in the context of £23.3m currently in the General Fund reserve. Although not desirable, this reserve could be used to smooth out any overspend in the short term, although this is clearly not sustainable indefinitely. The size of the challenge in the medium-term is highly uncertain, due to the unknown timing, scale and impact of any Fair Funding Review, changes to business rates or the introduction of mandatory food waste collection. Should all three collide at once in 2024/25, it creates an estimated budget gap of £1.7m a year from 2025/26.

Cash position: The Council had a cash balance of £10.8m at the end of May 2022, and £13.4m in money market funds available in two to three days, and a further £17m in longer term non-property investments, also available within a few days. Whilst uncertainty on income remains, 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 and in that time-period, a further £29.5m that is locked away with different end dates to try to maximise the interest return would also become free from the fixed investment periods.

In a 'stressed' case scenario whereby income is constrained further in the event of a new Covid-19 variant, and income recovering only slowly, the Council has sufficient levels of reserves and investments that it would not run out of cash.

The Council has set a modest £12.0m capital programme in 2022/23, that will further protect the levels of cash and useable reserves. The programme focuses on projects that produce a positive financial revenue return as well as those with health and safety requirements.

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

2021-22		
Business Rates £	Council Tax £	Total £
	(124,239)	(124,239)
(36,062)		(36,062)
0	0	0
0	0	0
	(434)	(434)
	(1)	(1)
90		90
(35,972)	(124,675)	(160,647)
(7,897)	13	(7,884)
(2,505)	82	(2,423)
0	11	11
(9,868)	0	(9,868)
(20,270)	106	(20,164)
17,478	14,191	31,669
4,370	95,339	99,709
0	13,564	13,564
21,848		21,848
43,695	123,094	166,790
0	250	250
(175)	(13)	(188)
(966)		(966)
184		184
91	0	91
(868)	237	(631)
22,557	123,437	145,995
(13,415)	(1,237)	(14,652)
20,409	613	21,021
6,994	(625)	6,370

INCOME		
Council Tax Receivable		
Business Rates Receivable		
Transfers from General Fund		
Council Tax Benefits		
Transitional Relief		
Transitional Protection		
Total Income		

EXPENDITURE		
Apportionment of Previous Year Surplus/(deficit)		
Horsham District Council		
West Sussex County Council		
Sussex Police Authority		
Central Government		

Precepts, Demands and Shares		
Horsham District Council		
West Sussex County Council		
Sussex Police Authority		
Central Government		

Charges to Collection Fund		
Write offs of uncollectable amounts		
Increase/(Decrease) in Bad Debt Provision		
Increase/(Decrease) in Provision for Appeals		
Cost of Collection		
Disregarded Amounts		
Total Expenditure		

(Surplus) / Deficit arising during the Year		
(Surplus) / Deficit bought forward 1st April		
(Surplus) / Deficit carried forward 31st March		

2020-21		
Business Rates £	Council Tax £	Total £
	(116,391)	(116,391)
(23,990)		(23,990)
0	0	0
0	0	0
	(563)	(563)
	(14)	(14)
(467)		(467)
(24,457)	(116,969)	(141,425)
(662)	53	(608)
885	348	1,233
0	48	48
(827)	0	(827)
(604)	449	(154)
17,455	13,788	31,243
4,364	90,682	95,046
0	12,600	12,600
21,818		21,818
43,637	117,070	160,607
360	139	499
487	616	1,103
(955)		(955)
181		181
91	0	91
163	756	919
43,196	118,275	161,472
18,740	1,307	20,046
1,669	(694)	975
20,409	613	21,021

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	978
B	40,001-52,000	7/9	3,189
C	52,001-68,000	8/9	9,567
D	68,001-88,000	1	12,075
E	88,001-120,000	11/9	12,462
F	120,001-160,000	13/9	11,162
G	160,001-320,000	15/9	12,183
H	over 320,000	2	<u>1,517</u>
COUNCIL TAX BASE			<u>63,134</u>

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 2022 was £114.917m and the standard National Non-Domestic Rate multiplier for the year was £0.512

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 2022			
£000			
Accumulated (Surplus) / deficit at 31			
March 2022			
Apportionment based on 2021/22 precepts and demands:			
Deficit / (surplus)			
	<u>Business</u> <u>Rates</u>	<u>Council</u> <u>Tax</u>	Total
	£000	£000	£000
Horsham District Council	2,797	(72)	2,725
West Sussex County Council	700	(484)	216
Sussex Police Authority	-	(68)	(68)
Central Government	3,497	-	3,497
	<u>6,994</u>	<u>625</u>	<u>6,370</u>

GLOSSARY

BALANCES	The amounts remaining at the year-end on the various funds of the Council
CAPITAL EXPENDITURE	Expenditure on the acquisition of assets either directly by the Local Authority or indirectly in the form of grants to other persons or bodies that will give benefit for a number of years.
CAPITAL RECEIPTS	Receipts from the sale of property, plant and equipment e.g. land, building etc.
CENTRAL SUPPORT SERVICES	The expenditure on the central administration of the Council, including the cost of accommodation
COLLECTION FUND	A statutory fund maintained by the billing authority that is used to record local taxes and non-domestic rates collected by the Council, payments to precepting authorities, central government and its own general fund
CIL (COMMUNITY INFRASTRUCTURE LEVY)	Contribution paid by developers to Local Planning Authorities to help deliver infrastructure to support the development of the area.
COUNCIL TAX	A locally determined charge based on property values and levied by a local authority to enable it to provide services
CREDITORS	Individuals and organisations to which the Council owe money.
DEBTORS	Individuals and organisations who owe money to the Council
DEPRECIATION	A charge to a revenue account to reflect the reduction in the useful economic life of a fixed asset
EARMARKED RESERVES	Amounts set aside for specific purposes falling out the definition of provisions
FAIR VALUE	Amount for which an asset could be sold or liability transferred in an orderly transaction between market participants at the measurement date. In most cases, this is the actual price paid.
FINANCIAL ASSET	A contractual right to receive economic benefits such as cash or right to receive cash or right to favourably exchange a financial asset/liability.
FINANCIAL INSTRUMENT	A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments
FINANCIAL LIABILITY	A contractual obligation to transfer economic benefits such as an obligation to pay over cash or unfavourably exchange a financial asset/liability
FINANCIAL REPORTING STANDARDS	Accounting practice recommended for adoption by the accountancy profession e.g. in relation to public reporting, accounting policies etc.
NON-CURRENT ASSET	A tangible asset that yields benefit to a Council and the services it provides for a period of more than one year
GENERAL FUND	The main revenue fund of a billing authority from which day to day spending on services (other than the provision of Council housing services) is met
IAS	International Accounting Standard
MINIMUM REVENUE PROVISION (MRP)	The minimum amount that must be charged to the Council's revenue account to be set aside to pay back debt
NATIONAL NON-DOMESTIC RATES (NDR)	The charge payable on all business premises, calculated by multiplying the rateable value of the property by the nationally set multiplier
PRECEPT	An amount charged to the collection fund to finance services provided by another authority e.g. County and Parish Councils
PRECEPTING AUTHORITIES	The authorities which are able to raise a precept
PROVISION	A fund to provide for liabilities or losses that are likely to be incurred but the dates and amounts are uncertain
SECTION 106 (S106)	Contribution paid by developers to Local Planning Authorities in order to offset the costs of the external effects of development under section 106 of the Town and Country Planning Act 1990.
SECTION 31 GRANT	Grants paid to the Council by Central Government under Section 31 of the Local Government Finance Act 2003