



**Horsham
District
Council**

Statement of Accounts 2016/17

Audited

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Narrative Statement

INTRODUCTION

Welcome to Horsham District Council's Statement of Accounts for 2016/17. 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 2016 to 31 March 2017 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 2016/17.

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 133,000 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. The value of the rateable value listing ended 2016/17 at £104m which was £0.3 m higher than at the start of the year, although it fluctuated during the year and was at one point £0.8m below the 31 March 2016 value.

Central Government's revenue funding in the form of Revenue Support Grant and Business Rates Spending baseline fell by £710k from 2015/16 levels, which was just over a 20 percent fall. In the light of continued financial pressure from government cuts and the impact of new legislation the Council has been focusing on strengthening resilience in its operations and policies including financial and staffing resilience. The Council's excellent record of sound financial management puts the Council in a strong position to withstand the financial challenges it faces in the future.

GOVERNANCE

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

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

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

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

PERFORMANCE DURING 2016/17

The Council monitors financial and non-financial performance indicators on a monthly basis. It measures and publishes its performance using a set of 42 key performance indicators which cover many of the Council's key services. The final figures for the 2016/17 year were reported to the Overview and Scrutiny Committee on 24 July 2017. The Council also reviewed delivery of the Corporate Plan objectives at this meeting. The report showed a high level of achievement in the Corporate Plan for the 2016/17 period. A link to these reports is below:

[Overview and Scrutiny 24 July 2017 meeting](#)

These indicators show positive performance across most areas. An analysis of performance demonstrates that 72.5% (previous year 60%) of indicators met or exceeded targets set; 20% (32.5%) were close to target, and 7.5% (7.5%) fell outside of the target range. Where comparable, 26 (18) indicators improved over the previous year, 9 (14) worsened and for three there was no change.

Positive improvement over the previous year was seen in levels of income across planning, parking and trade waste as part of Medium Term Financial Strategy (MTFS); the processing of major and other planning applications; complaints about our services have reduced further and compliments increased; sickness levels falling to 7 days per FTE continue to improve; the number of planning appeals costs awarded have reduced and the number of planning appeals allowed with the adoption of the Horsham District Local Plan HDPF has reduced.

Three performance indicators were classed as outside the target range.

- The Council successfully defended a number of planning appeals, assisted by the stronger policy position with the adoption of the (HDLP) in November 2015. This resulted in lower planning appeal costs being awarded against the Council, the lowest since 2012/13, but is measured against a target of zero.
- Parking utilisation figures were below target for a 7 day period, but have a peak period of occupancy that vastly exceeds the target.
- Swimming attendances fell in year as a result of the closure of the Billingshurst pool for repairs.

Whilst close to target, collection levels of business rates and council tax remain below the West-Sussex average.

Employees

The number of permanent employees has fallen to 417.2 FTE at 31 March 2017 (422.4 at 31 March 2016). Turnover of staff during the year was 11.8% (12.4% in 2015/16), which was below the 12.5% target. There were 7 sickness days per FTE employee, which compares to 7.7 days at 31 March 2016 and is below the 8 day target. No trends needing intervention were identified.

Local taxpayers

During the year, the Council collected £90.97m 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 98.74% of the total amount due which was slightly under target of 98.8%, but with the aim of collecting the majority of the remainder in the first few months of 2017/18.

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 2017. A total of £2.31m (£2.23m in 2015/16) has been allowed against debts of £3.54m (£3.49m in 2015/16) outstanding as at 31 March 2017. The Council's share of the allowance is £281k (£274k in 2015/16).

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 2017. A total of £1.54m (£1.40m in 2015/16) has been allowed against debts of £2.81m (£2.96m in 2015/16) outstanding as at 31 March 2017. The Council's share of the allowance is £617k (£562k in 2015/16).

In the year 2016/17, there has been £586k of uncollectable amounts written off (£227k in 2015/16).

A provision for appeals made against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31 March 2017 has been made of £5.32m (£5.16m in 2015/16). The Council's share (40%) is £2.13m (£2.06m in 2015/16), as detailed in the Provisions note 18.

BUDGET 2016/17

In 2016/17, the total expenditure incurred by the Council was £66m; 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 2016/17 of £12.55m at the formal meeting on 24 February 2016.

	£000
Net expenditure	12,546
Funded by:	
New Homes Bonus Grant	1,166
Council Tax	8,249
Revenue Support Grant	825
Transitional Grant	134
Business Rates baseline funding	1,878
Additional Business rates	400
Payment to parishes	(49)
Collection fund surplus	120
Total funding	12,723
(Surplus) / Deficit	(177)

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 2016/17, 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 2017 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 2016/17

The Council monitors its expenditure and income against budget on a monthly basis and reports to Cabinet regularly and to its Finance and Performance Committee quarterly. The revenue and capital outturn report for 2016/17 was reported to Scrutiny and Overview Committee on 24 July 2017.

The variance against original budget was reported as a surplus of £0.776m. There was £0.088m of revenue budgets, intended for projects in 2016/17, which were unspent and carried forward to 2017/18. After allowing for the budgeted transfers to reserves and other transfers to earmarked reserves, the outturn surplus has reduced the in-year deficit on the General Fund to £0.389m as shown below.

	£000	
Outturn variance reported	(776)	
Budgeted transfer to General Fund Balance	177	177
Budgets brought forward from 2015/16 (including repairs and renewals)	390	
Budgets carried forward to 2017/18	(88)	
Overspend of MRP against budget	97	
Other adjustments	(189)	(189)
Surplus on General Fund (after transfers to earmarked reserves)	(389)	(389)

The General Fund shows a net surplus of £0.389m on expenditure and income transactions in the year. The Comprehensive Income and Expenditure Statement shows a surplus for the year of £19.287m, comprising a surplus on the provision of services of £8.244m and a surplus of £11.043m on the revaluation of non-current and financial assets and on the actuarial value of pension assets and liabilities.

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

In addition to the net General Fund surplus of £0.389m 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 £2.908m is a charge for the use of assets that reflects the notional consumption of assets during the year and losses of £1.764m have been debited on the revaluation of assets.
- ii) **A charge for revenue expenditure funded from capital under statute (REFCUS).** A charge of £0.787m is made for expenditure which under proper accounting practice meets the definition of revenue expenditure, but which under statute can be funded from capital resources. It mainly relates to grants made for a capital purpose, such as grants for disabled facilities.
- iii) **A credit for capital grants and contributions.** Capital grants and contributions of £4.589m 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 credit for pensions** of £0.739m representing the difference between the accounting cost of pensions (as estimated by the Pension Fund actuary in accordance with IAS19) and the actual employer contributions paid to the West Sussex Pension Fund. Further details of the movement in the pension fund liability are shown in note 30.
- v) **A gain on the disposal of assets** of £1.359m. 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 2016/17 the amount set aside was £0.837m. This is a charge to the General Fund which is not shown in the Comprehensive Income and Expenditure Statement.

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

The table below summarises these accounting adjustments:-

	£000
Surplus on General Fund	(389)
(Income)/expenditure direct from earmarked reserves	969
Transfers (to)/from earmarked reserves	(3,241)
Accounting adjustments	
Charge for depreciation	2,908
Revaluation of non-current assets	(1,764)
Revenue expenditure charged to capital	787
Capital grant income	(4,589)
IAS19 pension costs	739
Gain/loss on disposal of assets	(1,359)
Minimum Revenue Provision	(837)
Share of in year surplus on the Collection Fund	(622)
Other technical adjustments	<u>(846)</u>
Surplus on provision of services per CIES	<u>(8,244)</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 the original capital plan of £24.9m in 2016/17, the Council's capital spending for the year was £9.3m across a range of over 60 capital schemes including £1.5m on a commercial property investment.

A £7m loan to Saxon Weald housing organisation for the redevelopment of Winterton Court in Horsham which was based on the affordable housing content of the scheme was no longer required following changes to the scheme for which planning permission was again refused.

A total of £8.6m has been re-profiled into 2017/18 and later years including a further £1.7m of the initial £5m commercial property investment fund and £1m for vehicle replacement fleet which was put on hold in 2016/17 pending a decision on alternate weekly collection for which fewer vehicles would be needed. £1m of the Broadbridge Heath leisure centre budget has also been re-profiled following a lengthy tender exercise for a building contractor and also protracted discussions with the housing developer over the land for the MUGA's (Multi-Use Games Areas) as well as access arrangements.

£0.8m of the Hop Oast redevelopment budget will also be re-profiled reflecting the extent of work still to do after the new building is completed in June 2017, including completion and snags retention, demolition of the old building, decanting from one building to the other, essential equipment in the new building and making good any temporary working arrangements that were in place during the construction period.

The capital expenditure in the year was financed by £2.095m usable capital receipts, £2.905m Government grants and other contributions, and £0.77m revenue reserves leaving £3.574m unfinanced.

FINANCIAL POSITION AT 31 MARCH 2017

The net worth of the District Council is shown in the Balance Sheet. It has increased by £19.3m from 31 March 2016. This is as a result of an increase in the Council's unusable reserves of £15.323m, which includes accounting adjustments related to non-current assets and pensions of £14.701m and a £0.622m improvement from the Council's share of the Collection Fund surplus which was previously a deficit.

Property, Plant and Equipment value has increased by £10.5m to £92.4m. Investment Property value has risen by £2.6m to £35.5m.

The net pension liability of £1.875m from 31 March 2016 has improved by £3.920m to a net pension surplus of £2.045m at 31 March 2017, reflecting some changes in the financial assumptions 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 2013 and revised employer contribution rates have been agreed for the three years from 1 April 2014, which in 2016/17 was a contribution of 20.5%. The Council relies on and places assurance on the professional judgement of the Actuary and the assumptions used to calculate this actuarial valuation. Full details of the movement in the liability are shown in note 30.

The level of usable Reserves increased by just under £4m to £30.557m during 2016/17; the main increase of £2.615m was in relation to the receipt of New Homes Bonus. The Council's level of General Reserves held at 31 March 2017 stands at £20.0m. Given our intention to become financially independent in the medium term, our reserves will enable us to invest in transformation. A policy is also being developed 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 has a single £4m loan which is repayable over 10 years until March 2019 at an interest rate of 3.38%. No new long term borrowing was entered into in 2016/17.

FINANCIAL OUTLOOK INCLUDING STRATEGY AND RESOURCE ALLOCATION

Despite ongoing financial pressures from the reduction in central government funding, the Council has managed to set a balanced budget and has done so again in the forthcoming year of 2017/18. It has done this in 2017/18 through internal efficiencies and income generation such as; increasing the charge for its green waste service, introducing rural car parking charges, and an inflationary increase in Council Tax.

Further ahead, the Medium Term Financial Strategy has been revisited and balanced budgets are forecast through to 2019/20. The Council has been working on ideas for several months to ensure that it can continue its business transformation journey to meet the demands and expectations of its customers in the face of financial and demographic pressures. The current transformation programme is called "Future Horsham" and will deliver a stronger organisation which will be more productive and better equipped to serve customers. It will also help to protect front-line services whilst ensuring that the Council has a strong and responsive support services.

As well as identifying around £1.4m of transformational efficiencies from self-service, changing ICT technology, contract reviews and redesign of business processes, the Council has also identified around £1.8m of new income sources and additional income expected from a growth in the number of users. This includes additional spend of up to £15m over five years on further property investments to generate revenue income returns.

Whilst there will be a cost in implementing the transformation for which £0.5m each year is envisaged, the transformation will help protect the level of general fund reserves and keep them above the £6m minimum level of general reserves that Members agreed upon in 2012. The Council will continue to review potential actions that it could take to help pay towards further transformation and / or income generating ideas to help work towards balancing the forecast £1.6m deficit in 2020/21.

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

The Council's cash flow remains healthy. At the current year-end, the Council has £4.2m of cash and cash equivalents. The size of the deficit in 2020/21 is exceeded by the level of general reserves. The value of investments including cash and cash equivalents ended the year at £50.0m and generated an overall investment yield of 1.2% which was an improvement on the 0.77% achieved in 2015/16.

Over the last two years, the Council has made some significant decisions which 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 2016/17 or planned to complete over the next twelve months:

- Broadbridge Heath Leisure Centre: In November 2015, the Council agreed a £12.3m capital budget for the redevelopment of this site, with the aim of opening the new facility in spring 2018. Construction work is planned to start in summer 2017.
- Hop Oast (Horsham) depot redevelopment: The depots in Horsham and Storrington were at the end of their physical lives and the Council took the decision to invest £4.55m in consolidating the two sites into one up to date facility at Hop Oast to help address the needs of the increased household numbers and service demand. The new depot will open in June 2017.
- Temporary accommodation: The Council has spent £2.9m on the purchase of seventeen apartments in Horsham town used as affordable short stay temporary accommodation for homeless households. The decision supports the statutory duty the Council has to house the homeless and it reduces the need to place households in bed and breakfast. These apartments will open in June 2017.

- The vehicle replacement programme has a capital budget of £3m in 2017/18 which includes the replacement of the waste collection vehicles which were purchased in 2009 and 2010 and will reach the end of their useful life. Procurement of 19 rear loading waste vehicles is underway, with the vehicles due to arrive at Hop Oast depot in December 2017 prior to the roll out of alternate weekly collection in early February 2018.

RISKS AND OPPORTUNITIES

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

- changes to organisation processes or ICT infrastructure slow the achievement of strategic objectives
- late delivery of savings / income, or can't be delivered to the size / scale envisaged
- income may be affected by external factors such as a recession probably due towards the end of the decade
- significant economic uncertainty from world events and especially beyond the current settlement period (2020)
- further or steeper funding cuts / to help government meet their deficit reductions targets
- legislation forcing local government to pick up additional responsibilities that we don't yet know about
- growth, from changing local factors for which we have no control, such as potentially two new cinemas coming to Horsham and the impact that this might have on the income at the Capitol for example

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

FURTHER INFORMATION

Interested members of the public have a statutory right to inspect the accounts from 12 June 2017 to 21 July 2017. The notice was placed on the HDC website, under the Finance and Performance Service - Statement of Accounts.

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

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

Statement of Responsibility for the Financial Statements

THE AUTHORITY'S RESPONSIBILITIES

The authority is required to:

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

THE DIRECTOR OF CORPORATE RESOURCES RESPONSIBILITIES

The Director of Corporate Resources is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Director of Corporate Resources has:

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

The Director of Corporate Resources has also:

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

CERTIFICATION OF THE ACCOUNTS

I hereby certify that the Statement of Accounts 2016/17 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 2017.

Jane Eaton C.P.F.A.
Director of Corporate Resources
25 July 2017

APPROVAL OF THE ACCOUNTS

I hereby certify that the Statement of Accounts 2016/17 have been approved by the Council's Audit Committee under delegated powers at a meeting held on 25 July 2017.

Councillor Stuart Ritchie
Chairman of the Audit Committee
25 July 2017

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

Opinion on the Authority's financial statements

We have audited the financial statements of Horsham District Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

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

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

Respective responsibilities of the Director of Corporate Resources and auditor

As explained more fully in the Statement of the Director of Corporate Resources Responsibilities set out on page 9, the Director of Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Corporate Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Horsham District Council as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects

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

Authority's responsibilities

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

Auditor's responsibilities

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Horsham District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

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

Paul King
for and on behalf of Ernst & Young LLP, Appointed Auditor
Southampton
25 July 2017

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

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 2015	(16,178)	0	(5,673)	(21,851)	(88,999)	(110,850)	
Movement in reserves during 2015/16:							
(Surplus) or deficit on provision of services	2,969	0	0	2,969	0	2,969	7
Other Comprehensive Expenditure and Income	0	0		0	(19,017)	(19,017)	
Total Comprehensive Expenditure and Income	2,969	0	0	2,969	(19,017)	(16,048)	
Adjustments between accounting basis & funding basis under regulations (restated)	(4,124)	(5,755)	2,169	(7,710)	7,710	0	7,11
Increase/Decrease (movement) in Year	(1,155)	(5,755)	2,169	(4,741)	(11,307)	(16,048)	
Balance at 31 March 2016 carried forward	(17,333)	(5,755)	(3,504)	(26,592)	(100,306)	(126,898)	
Movement in reserves during 2016/17:							
(Surplus) or deficit on provision of services	(8,244)	0	0	(8,244)	0	(8,244)	7
Other Comprehensive Expenditure and Income	0	0	0	0	(11,044)	(11,044)	
Total Comprehensive Expenditure and Income	(8,244)	0	0	(8,244)	(11,044)	(19,288)	
Adjustments between accounting basis & funding basis under regulations	5,583	473	(1,777)	4,279	(4,279)	0	7,11
Increase/Decrease (movement) in Year	(2,661)	473	(1,777)	(3,965)	(15,323)	(19,288)	
Balance at 31 March 2017 carried forward	(19,994)	(5,282)	(5,281)	(30,557)	(115,629)	(146,186)	

The 2015/16 figures within these statements have been adjusted to reflect a change in the CIPFA presentational requirements

Comprehensive Income and Expenditure Statement

Re-stated 2015/16			2016/17				
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Note
£000	£000	£000		£000	£000	£000	
2,304	(140)	2,164	Audit, Finance HR & Commissioning	2,278	(41)	2,237	
8,810	(3,602)	5,208	Community & Culture	5,303	(3,568)	1,735	
2,184	(20)	2,164	Corporate Management	1,309	(21)	1,288	
367	(4)	363	Customer Services	398	(4)	394	
3,096	(642)	2,454	Housing Services	1,840	(773)	1,067	
2,376	(69)	2,307	ICT	2,568	(179)	2,389	
1,689	(151)	1,538	Legal and Democratic Services & Elections	1,645	(192)	1,453	
1,960	(4,002)	(2,042)	Parking	1,985	(4,213)	(2,228)	
5,063	(2,837)	2,226	Planning & Economic Development	5,039	(2,920)	2,119	
1,947	(384)	1,563	Property & Facilities	2,199	(211)	1,988	
8,619	(4,005)	4,614	Refuse, Cleansing & Environmental Services	8,773	(4,042)	4,731	
33,932	(33,259)	673	Revenues & Benefits	33,262	(32,687)	575	
72,347	(49,115)	23,232	Cost of Services	66,599	(48,851)	17,748	7
		517	Other operating expenditure			1,359	8
		(2,204)	Financing and investment income and expenditure			(3,527)	9
		(18,576)	Taxation and non-specific grant income			(23,824)	10
		2,969	(Surplus) or deficit on provision of services			(8,244)	7
			Items that will not be classified to the (Surplus) or deficit on the Provision of Services				
		(5,772)	Surplus or deficit on revaluation of Property, Plant and Equipment assets			(6,349)	12
		(13,261)	Actuarial (gains)/losses on pensions assets/liabilities			(4,659)	30
		16	Surplus or deficit on revaluation of financial assets (Available for sale)			(35)	
		(19,017)	Other Comprehensive Income and Expenditure			(11,043)	
		(16,048)	Total Comprehensive Income and Expenditure			(19,287)	

Balance Sheet

<u>31.03.2016</u>		<u>31.03.2017</u>	<u>Note</u>
£000	NON-CURRENT ASSETS	£000	
	Property, Plant and Equipment		
77,882	- Other Land and Buildings	85,033	12
2,213	- Vehicles, Plant, Furniture & Equipment	1,531	12
1,767	- Assets under construction/Awaiting Development	5,796	12
709	Heritage Assets	531	
32,887	Investment Property	35,461	13
188	Intangible Assets	11	
0	Assets Held for Sale	484	
0	Pension Asset	2,045	30
32	Long-term Debtors	322	
4,000	Long-term Investments	15,806	14
119,678	TOTAL LONG-TERM ASSETS	147,020	
22,433	Short - term Investments	29,886	14
136	Inventories	90	
5,131	Short -term Debtors	5,907	16
5,309	Cash and Cash Equivalents	4,248	15
33,009	CURRENT ASSETS	40,131	
(11,033)	Short-term Creditors	(14,961)	17
(11,033)	CURRENT LIABILITIES	(14,961)	
(291)	Provisions	(381)	18
(2,063)	Provision for Business Rates Appeals	(2,128)	18
(4,000)	Long-term Borrowing	(4,000)	14
	Other Long-term Liabilities		
(1,875)	- Pension Liability	0	30
(4,399)	- S106 Contribution	(7,308)	18
(657)	- Rent Deposits and Other Balances	(627)	
(1,471)	Capital Grants & Receipts in Advance	(11,560)	18
(14,756)	LONG-TERM LIABILITIES	(26,004)	
126,898	NET ASSETS	146,186	
	Usable Reserves		
(17,333)	- Reserves	(19,994)	19
(5,755)	- Capital Receipts Reserve	(5,282)	19
(3,504)	- Capital Grants & Contributions Unapplied	(5,281)	19
	Unusable Reserves		
(23,553)	- Revaluation Reserve	(29,298)	20
1,875	- Pensions Reserve	(2,045)	20,30
(78,838)	- Capital Adjustment Account	(83,857)	20
(68)	Financial Instrument Available for Sale Reserve	(104)	
(74)	-Financial Instrument Adjustment Account	(50)	
199	-Collection Fund Adjustment Account	(423)	
153	-Accumulating Absences Adjustment Account	148	
(126,898)	TOTAL RESERVES	(146,186)	

These financial statements replace the unaudited financial statements certified by the Director of Corporate Resources on 5 June 2017

Director of Corporate Resources

25 July 2017

Cash Flow Statement

<u>2015/16</u>		<u>2016/17</u>	<u>Note</u>
£000		£000	
	<u>Operating activities</u>		
2,969	(Surplus) or deficit on provision of services	(8,244)	7
(4,159)	Adjust net surplus or deficit on the provision of services for non- cash movements	(770)	21
3,038	Adjust for items in the net deficit on the provision of services that are investing or financing activities	6,128	21
1,848	Net cash flows from Operating activities	(2,886)	
	<u>Investing activities</u>		
4,216	Purchase of property, plant and equipment, investment property and intangible assets	8,257	
103,750	Purchase of short-term and long-term investments	129,712	
231	Other payments for investing activities	148	
(6,383)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(50)	
(91,250)	Proceeds from short-term and long-term investments	(110,500)	
(3,768)	Other receipts from investing activities	(19,080)	
6,796	Net cash flows from investing activities	8,487	
	<u>Financing Activities</u>		
(3,119)	Other receipts from financing activities	(4,541)	
0	Other payments for financing activities	0	
(3,119)	Net cash flows from financing activities	(4,541)	
5,525	Net (increase) or decrease in cash and cash equivalents	1,060	
10,834	Cash and cash equivalents at 1 April	5,309	15
5,309	Cash and cash equivalents at 31 March	4,249	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 accrual 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 precepting authorities' accounting for their relevant share.

CASH AND CASH EQUIVALENTS

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

EXCEPTIONAL ITEMS

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

PRIOR PERIOD ADJUSTMENTS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively.

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

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

CHARGES TO REVENUE RELATED TO NON-CURRENT ASSETS

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

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

MINIMUM REVENUE PROVISION

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

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

EMPLOYEE BENEFITS

Officers Emoluments and Senior Officer Remuneration

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

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

Benefits payable during employment are those that are due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and sick leave and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is charged to the provision of services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Exit Packages and Termination Costs

The Code requires disclosure of the details of exit packages agreed and the costs within bandings for the financial year with prior year comparatives. Information on termination costs together with prior year comparatives are provided in notes 25 and 26.

Post- Employment Benefits - Pensions

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

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

The assets of the scheme are included in the Balance Sheet at their fair value:

- Quoted securities - current bid price
- Unquoted securities - professional estimate
- Unitised securities - current bid price
- Property - market value

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

- Current service cost – the increase in liabilities as a result of years of service earned this year are allocated in the Comprehensive Income and Expenditure Account to the revenue accounts of services for which the employees worked.
- Past service cost – the increase or decrease in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. These are debited/credited to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Re-measurement of the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions- recognised in Other Comprehensive Income and Expenditure.
- Contributions paid to the West Sussex County Council Pension Fund – cash paid as employer contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

Discretionary Benefits

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

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

EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

FINANCIAL INSTRUMENTS

The accounting for financial instruments includes disclosures concerning the values of, and the risks related to financial assets and liabilities. The financial assets are investments, debtors and the financial liabilities are creditors, long term borrowing and other balances shown under current liabilities. The Council recognises a financial asset or liability in the Balance Sheet when it becomes a party to the contractual provisions of the instrument.

Financial Liabilities

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

For the borrowings that the Council has, the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement. The fair value of the borrowing is shown in a note to the accounts and represents what would be paid to transfer the borrowing to another market participant.

Financial Assets

Financial assets are classified into two types:

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

Loans and receivables

Loans and receivables are initially measured at fair value. They are subsequently measured at their amortised cost. The income recognised is calculated on the same basis as the charge from a financial liability as described above.

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

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

Available-for-Sale Assets

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

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

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

The inputs to the fair value 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 council 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.

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

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

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

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

GRANTS AND CONTRIBUTIONS

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

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

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

COLLECTION FUND

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

COUNCIL TAX INCOME

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

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

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

NATIONAL NON-DOMESTIC RATES (NNDR)

Following the introduction of business rate localisation, with effect from 1 April 2013 local authorities are responsible for collecting and distributing income from the business rates they collect rather than simply acting in an agency capacity for the Government NNDR Pool as they had done until 31 March 2013.

The Council is responsible for any refunds relating to backdated appeals although a significant element of refunds will relate to 2014/15 or prior years, but in accordance with CIPFA Guidance (LAAP Bulletin 96) such liabilities will only be formally recognised in the 2016/17 accounts.

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

HERITAGE ASSETS

Heritage assets are assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historic associations.

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

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

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

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

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

The Council does not recognise any intangible heritage assets.

INTANGIBLE ASSETS

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

INVENTORIES & WORK IN PROGRESS

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

INVESTMENT PROPERTY

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

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

Investment properties are not depreciated but valued annually. When a value is changed any gain or loss is recognised in the Financing and Investment Income and Expenditure in the Comprehensive Income and

Expenditure Statement but is reversed out of the General Fund in the Movement in Reserves Statement as required by statutory regulation. Gains and losses on disposal are treated similarly.

JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

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

LEASES

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

The Council as a Lessee

Operating Leases

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

The Council as a Lessor

Operating Leases

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

OVERHEADS AND SUPPORT SERVICES

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

In order to account properly for valuation changes the Revaluation Reserve was set up with a zero balance at 1 April 2007. Any revaluation upward results in a credit to the reserve. A downward revaluation can be set against the Revaluation Reserve if there is a balance referring to the devalued asset. As the reserve was set at zero many downwards revaluation of assets could appear as an impairment in the Comprehensive Income and

Expenditure Statement (CIES). Revaluation of property, plant and equipment is planned at five-yearly intervals, although material changes to asset valuations will be adjusted in the interim period, as an assessment is made at the end of each year for any indication that assets may be impaired in addition to cyclical revaluations. Any impairment would be written off against any revaluation gain for that asset in the Revaluation Reserve or otherwise recognised in the Comprehensive Income and Expenditure Statement.

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

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

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

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

DEPRECIATION

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

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

The expected useful life of assets is not necessarily revised at each revaluation but is reviewed annually. In line with the valuer's judgment we reduce the useful life of most of our assets by one year; the remaining assets' lives are reviewed by the valuer 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 a 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 2016/17 (the Code) requires the Council to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued, but not yet adopted by the Code for the relevant financial year. For the 2016/17 Statement of Accounts there are a number of accounting changes that need to be reported. These relate to:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions).
- Annual Improvements to IFRSs 2010-2012 cycle and 2012-2014 cycle.
- Amendment to IFRS 11 Joint Arrangements (accounting for Acquisitions of Interests in Joint Operations).
- Amendment to IAS 16 Property, Plant and Equipment and IAS38 Intangible Assets (clarifications of acceptable methods of depreciation and amortisation).
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative).

Additional disclosures required in the 2016/17 and 2017/18 financial statements in respect of accounting changes that are introduced in the 2017/18 Code are:

- Amendment to the reporting of pension fund scheme transaction costs
- Amendment to the reporting of investment concentration

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

3 CRITICAL JUDGEMENTS AND ASSUMPTIONS

Critical Judgements

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

- Future levels of local authority funding are uncertain, however based on its medium term planning using prudent assumptions on funding and based on announcements made by central government the Council judges that its assets will not be impaired as a result of a need to close facilities, reduce service provision or ongoing maintenance.
- The Council hold a significant portfolio of investment property and although general economic growth is still fragile the council judges that its portfolio in the context of the local economy is robust and healthy enough that its assets will not be impaired as a result of a decrease in economic activity.
- The Council judges that, on balance, the banking system will not be subject to major disruption to the extent that historic estimates of defaults are no longer tenable.
- The Council does not expect the introduction of the new 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 £141k. IFRS 12 requires that the accounts disclose the judgements made to assess the type of Joint Arrangement to determine the Council's correct accounting treatment. The Council is currently contracted into a shared arrangement for its ICT and Revenues and Benefits functions, called CenSus Shared Services Partnership.

CenSus Shared Services Partnership meets the definition of a Joint Operation as these functions were discharged to the Census Joint Committee, comprising of Members of each of the three participating authorities, each with joint control. It is not structured through a separate vehicle. As such we recognise our proportional share of assets, liabilities, revenues and expenses of the arrangement in our accounts.

Assumptions

The Statement of Accounts contains estimated figures that are based on assumption made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustments in the forthcoming financial year are as follows;

Pension Liability

Estimation of the liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. However the interaction of these assumptions is complex.

During 2016/17 the actuaries advised that the pension liability had been affected as follows:

<u>Change in assumptions year ended 31 March 2017</u>	Horsham		CenSus	
	Approximate % increase to Employer	Approximate monetary amount £000	Approximate % increase to Employer	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	9%	13,697	12%	939
1 year increase in member life expectancy	3% to 5%	4,603	3% to 5%	310
0.5% increase in Salary Increase Rate	1%	1,774	3%	215
0.5% increase in the Pension Increase Rate	8%	11,744	9%	705

Provisions

The provision for doubtful debt is based on estimates of default. The estimated default rates used which range from 3% to 100% may be sensitive to economic circumstances. An increase of 10% in default rates would have the effect of increasing the required provision by £298k.

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 £29k.

Business Rates

The Business Rates Retention Scheme became effective from 1 April 2013 and as a result local authorities are liable for any successful appeals against business rates by businesses in 2012/13 and earlier financial years in their proportional share. The Council has a total provision of £5.3m as an estimate of potential successful appeals up to 31 March 2017, the Council's proportion (40%) reflected in the Balance Sheet is £2.128m. This estimate is calculated using Valuation Office ratings list of appeals and an analysis of successful appeals to date.

Heritage Assets

The Balance Sheet has recognised heritage assets where a relevant cost can be identified. The artefacts held within the Horsham Museum have not been recognised on the Balance Sheet because we do not hold a relevant value for them and the cost of obtaining a value is not considered commensurate with the benefit of the information. It is agreed that the articles are of local historical value but it is assumed that there would not be significant demand in the wider market for the majority of the items.

4 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 2015/16 or 2016/17 other than disclosed on the face of the Comprehensive Income and Expenditure Statement.

5 PRIOR PERIOD ADJUSTMENTS

The Council has made a prior period adjustment in preparing its 2016/17 Statement of Accounts. The 2015/16 Comprehensive Income and Expenditure Statement and Movement in Reserves Statement have been restated to reflect these changes in presentational requirements.

As a result of its Telling the Story review CIPFA changed the segmental reporting requirements for the Comprehensive Income and Expenditure Statement. Authorities have previously been required to present their Cost of Services using a standardised SERCOP classification. For 2016/17 the Cost of Services can be presented in a manner consistent with its management reporting Horsham District Council report to management on a service level.

In accordance with IAS1 Presentation of Financial Statements, the 2015/16 comparatives in the Comprehensive Income and Expenditure Statement have been restated to reflect the new reporting basis as summarised below.

As part of these presentational changes the income and expenditure for 2015/16 shown in the CIES have been restated with no net effect on the cost of services for the council.

SERCOP Classification	2015/16	HDC Classification	2015/16
	<u>Net Expenditure</u>		<u>Net Expenditure</u>
	£		
Central Services to the Public	920,490	Audit, Finance, HR & Commissioning	2,164,384
Cultural & Related Services	5,850,400	Community & Culture	5,208,402
Environmental & Regulatory Services	7,050,862	Corporate Management	2,163,918
Planning & Development Services	4,339,458	Customer Services	362,942
Housing Services	3,306,960	Housing Services	2,453,846
Highways & Roads	(1,452,482)	ICT	2,307,458
Social Services	172,113	Legal and Democratic Services & Elections	1,538,192
Corporate & Democratic Core	3,049,192	Parking	(2,041,727)
Non-Distributed Costs	(5,038)	Planning & Economic Development	2,225,072
Past Service Gains relating to Pensions	0	Property & Facilities	1,562,833
		Refuse, Cleansing & Environmental Services	4,613,621
		Revenues & Benefits	673,014
Cost of Services	<u>23,231,955</u>	Cost of Services	<u>23,231,955</u>

The income and expenditure for ICT would have been shown in the accounts as

Gross Expenditure	Gross Income	Net Expenditure
4,288	(1,981)	2,307

The council made an adjustment to reduce the gross expenditure by £1.912m and increase the gross income £1.912m, showing ICT in the Comprehensive Income and Expenditure statement as

Gross Expenditure	Gross Income	Net Expenditure
2,376	(69)	2,307

6 EVENTS AFTER THE BALANCE SHEET DATE

On 1 June 2017, staff from Census ICT were transferred under TUPE arrangements back to their originating Council. The Council's 2016/17 statement of accounts includes only the Horsham District Council proportion of the Census ICT pension liabilities and assets. The Council does not expect there to be a material impact from this post balance sheet event and therefore no adjustment has been made in the statement of accounts for this.

The Statement of Accounts were authorised for issue by the Director of Corporate Resources for Horsham District Council on 25 July 2017. 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 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7 EXPENDITURE AND FUNDING ANALYSIS

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

Net Expenditure Chargeable to the General Fund Balance	Restated 2015/16		Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund Balance	2016/17		Net Expenditure in the Comprehensive Income and Expenditure Statement
	Adjustments between Funding and Accounting Basis	(Note 7a)			Adjustments between Funding and Accounting Basis	(Note 7a)	
1,924	240	2,164	Audit, Finance, HR & Commissioning	1,773	464	2,237	
2,767	2,441	5,208	Community & Culture	2,750	(1,015)	1,735	
1,347	817	2,164	Corporate Management	1,237	51	1,288	
338	25	363	Customer Services	378	16	394	
269	2,185	2,454	Housing Services	300	767	1,067	
1,716	591	2,307	ICT	1,750	639	2,389	
1,396	142	1,538	Legal and Democratic Services & Elections	1,450	3	1,453	
(2,333)	291	(2,042)	Parking	(2,523)	295	(2,228)	
1,958	268	2,226	Planning & Economic Development	1,850	269	2,119	
(1,089)	2,652	1,563	Property & Facilities	(1,533)	3,521	1,988	
3,534	1,080	4,614	Refuse, Cleansing & Environmental Services	3,607	1,124	4,731	
493	180	673	Revenues & Benefits	426	149	575	
12,320	10,912	23,232	Net cost of services	11,465	6,283	17,748	
(13,475)	(6,788)	(20,263)	Other income and expenditure	(14,125)	(11,867)	(25,992)	
(1,155)	4,124	2,969	Surplus or deficit	(2,660)	(5,584)	(8,244)	
(16,178)			Opening General Fund Balance at 31 March 2017	(17,333)			
(1,155)			Less Deficit on General Fund in Year	(2,660)			
(17,333)			Closing General Fund Balance	(19,993)			

7a ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS

2016/17

Adjustments from General fund to arrive at Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Interest	Other Differences	Total Adjustments
Audit, Finance, HR & Commissioning		(26)	494	(4)	464
Community & Culture	(1,285)	112		158	(1,015)
Corporate Management		51			51
Customer Services		16			16
Housing Services	754	21		(8)	767
ICT	746	(96)		(11)	639
Legal and Democratic Services & Elections		43		(40)	3
Parking	282	25		(12)	295
Planning & Economic Development	81	156		32	269
Property & Facilities	446	19		3,056	3,521
Refuse, Cleansing & Environmental Services	907	194		23	1,124
Revenues & Benefits		149			149
Other income and expenditure from the Funding Analysis	(1,359)	77		(10,585)	(11,867)
Difference between General Fund (Surplus) or deficit and Comprehensive Income and Expenditure (surplus) or deficit on the provision of services	572	741	494	(7,391)	(5,584)

2015/16

Adjustments from General fund to arrive at Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Interest	Other Differences	Total Adjustments
Audit, Finance, HR & Commissioning		40	168	32	240
Community & Culture	1,931	197		313	2,441
Corporate Management	710	97		10	817
Customer Services		25			25
Housing Services	2,041	46		98	2,185
ICT	658	(67)			591
Legal and Democratic Services & Elections		66		76	142
Parking	247	42		2	291
Planning & Economic Development	111	260		(103)	268
Property & Facilities	128	46		2,478	2,652
Refuse, Cleansing & Environmental Services	761	344		(25)	1,080
Revenues & Benefits		180		0	180
Other income and expenditure from the Funding Analysis	(2,027)	450		(5,211)	(6,788)
Difference between General Fund (Surplus) or deficit and Comprehensive Income and Expenditure (surplus) or deficit on the provision of services	4,560	1,726	168	(2,330)	4,124

7b SEGMENTAL INCOME

Income received on a segmental basis	2016/17	2015/16
	£000	£000
Audit, Finance, HR & Commissioning	(41)	(54)
Community & Culture	(3,173)	(3,234)
Corporate Management	(15)	(20)
Customer Services	(4)	(4)
Housing Services	(765)	(916)
ICT	(1,796)	(2,233)
Legal and Democratic Services & Elections	(192)	(151)
Parking	(4,212)	(4,001)
Planning & Economic Development	(2,765)	(2,667)
Property & Facilities	(3,216)	(2,786)
Refuse, Cleansing & Environmental Services	(4,074)	(3,785)
Revenues & Benefits	(1,324)	(1,405)
Total income analysed on a segmental basis	(21,577)	(21,256)

8 OTHER OPERATING EXPENDITURE

	2016/17	2015/16
	£000	£000
Parish council precepts	2,669	2,462
Parish grants	49	82
(Gains)/losses on the disposal of non-current assets	(1,359)	(2,027)
Total	1,359	517

9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2016/17	2015/16
	£000	£000
Interest payable and similar charges	135	135
Net interest cost on LGPS Pension	77	450
Interest receivable and similar income	(629)	(303)
Income and expenditure in relation to investment properties and changes in their fair value (as detailed in note 13)	(3,110)	(2,486)
Total	(3,527)	(2,204)

10 TAXATION AND GRANT INCOME

	2016/17	2015/16
	£000	£000
Benefits Grants	(31,090)	(31,613)
Other Government Grants	(160)	(395)
Other Grants	(499)	(492)
Grants credited to Services	(31,749)	(32,500)
Council Tax	(11,120)	(10,607)
Non Domestic Rates income & expenditure	(1,806)	(1,435)
Revenue Support Grant	(825)	(1,603)
Council Tax Freeze Grant	0	(85)
New Homes Bonus	(4,403)	(2,943)
Section 31 Grant – Business Rates Reliefs	(704)	(964)
Other Government Grants	(377)	(104)
Capital grants and contributions	(4,589)	(835)
Credited to Taxation and Non Specific Grant Income	(23,824)	(18,576)

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.

	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£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	(2,720)			2,720
Impairment on Property, Plant and Equipment	1,353			(1,353)
Other gains transferred from Revaluation Reserve	0			0
Movements in the market value of Investment Properties	412			(412)
Amortisation of intangible assets	(188)			188
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	(261)			261
Revenue expenditure funded from capital under statute	(787)			787
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	837			(837)
Capital expenditure financed from revenue balances	864		(93)	(771)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	4,589		(4,589)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0		2,905	(2,905)
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	1,621	(1,621)		0
Use of the Capital Receipts Reserve to finance new capital expenditure		2,094		(2,094)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals				
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(24)			24
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,239)			3,239
Employers pension contributions and direct payments to pensioners payable in the year	2,501			(2,501)
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	622			(622)
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	4			(4)
Total Adjustments	5,584	473	(1,777)	(4,280)

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account: Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation of non-current assets	(2,673)			2,673
Impairment on Property, Plant and Equipment	(715)			715
Other gains transferred from Revaluation Reserve	0			0
Movements in the market value of Investment Properties	203			(203)
Amortisation of intangible assets	(192)			192
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	(6,094)			6,094
Revenue expenditure funded from capital under statute	(3,210)			3,210
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	787			(787)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	835		(835)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0		3,004	(3,004)
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	8,121	(8,121)		0
Use of the Capital Receipts Reserve to finance new capital expenditure		2,366		(2,366)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals				
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(24)			24
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,075)			4,075
Employers pension contributions and direct payments to pensioners payable in the year	2,350			(2,350)
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	588			(588)
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	(25)			25
Total Adjustments	(4,124)	(5,755)	2,169	7,710

12 PROPERTY, PLANT & EQUIPMENT

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total Property, Plant & Equipment
Cost or Valuation	£000	£000	£000	£000
Movements in 2016/17				
At 1 April 2016	78,616	7,602	1,767	87,985
Additions	1,412	899	4,370	6,681
Reclassifications	(787)		(325)	(1,112)
Revaluation increase/(decreases) recognised in the Revaluation Reserve	6,349			6,349
Revaluation increase/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1,353			1,353
De-recognition – disposal	(18)	(36)		(54)
Other movements in cost or valuation	(1,488)	0	(16)	(1,504)
At 31 March 2017	85,437	8,465	5,796	99,698
Accumulated Depreciation and Impairment				
At 1 April 2016	(734)	(5,389)	0	(6,123)
Depreciation charge	(1,174)	(1,545)		(2,719)
Written out to the Revaluation Reserve	854			854
Written out to the Surplus/Deficit on the Provision of Services	634			634
Other movements	16			16
At 31 March 2017	(404)	(6,934)	0	(7,338)
Net Book Value				
At 31 March 2017	85,033	1,531	5,796	92,360
At 31 March 2016	77,882	2,213	1,767	81,862
	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total Property, Plant & Equipment
Cost or Valuation	£000	£000	£000	£000
Movements in 2015/16				
At 1 April 2015	80,331	8,937	801	90,069
Additions	1,137	218	1,086	2,441
Reclassifications	(709)		(120)	(829)
Revaluation increase/(decreases) recognised in the Revaluation Reserve	5,772			5,772
Revaluation increase/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(713)	(2)		(715)
De-recognition – disposal	(6,200)	(1,551)		(7,751)
Other movements in cost or valuation	(1,002)			(1,002)
At 31 March 2016	78,616	7,602	1,767	87,985
Accumulated Depreciation and Impairment				
At 1 April 2015	(590)	(5,518)	0	(6,108)
Depreciation charge	(1,251)	(1,422)		(2,673)
Depreciation written out to the Revaluation Reserve	215			215
Depreciation written out to the Surplus/Deficit on the Provision of Services	786			786
De-recognition	106	1,551		1,657
At 31 March 2016	(734)	(5,389)	0	(6,123)
Net Book Value				
At 31 March 2016	77,882	2,213	1,767	81,862
At 31 March 2015	79,741	3,419	801	83,961

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.

Capital Commitments

At 31 March 2017, the Council was committed to the following significant capital works contracts (£3.457m in 2016):

Capital scheme	£000
Forum and Piries Place car park lift replacement	365
Temporary accommodation apartments at Bishopric	384
Hop Oast redevelopment	<u>2,285</u>
Total	<u>3,034</u>

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		1,531	1,531
Valued at fair value as at			
31 March 2017	52,572		52,572
31 March 2016	5,793		5,793
31 March 2015	19,201		19,201
31 March 2014	6,371		6,371
31 March 2013	<u>1,096</u>		<u>1,096</u>
	<u>85,033</u>	<u>1,531</u>	<u>86,564</u>

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:

	2016/17 £000	2015/16 £000
Income from investment property	(3,011)	(2,439)
Direct operating expenses arising from investment property	313	156
Net (gains)/losses from fair value adjustments	<u>(412)</u>	<u>(203)</u>
Net (gain)/loss	<u>(3,110)</u>	<u>(2,486)</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:

	2016/17 £000	2015/16 £000
Balance at start of year	32,887	30,085
Additions	1,565	1,770
Subsequent expenditure	0	0
Disposals	(29)	0
Net gains/(losses) from fair value adjustments	411	203
Transfers	<u>627</u>	<u>829</u>
Balance at end of the year	<u>35,461</u>	<u>32,887</u>

14 FINANCIAL INSTRUMENTS

Financial Instruments - Fair Values

Financial assets classified as available for sale and all derivative assets and liabilities are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows at 31 March 2017, using market interest rates for instruments of similar credit quality and remaining term to maturity.

Financial assets classified as loans and receivables and all non-derivative financial liabilities 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 2017, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- 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.

The fair values calculated are as follows where the fair value is materially different from carrying value. The valuations are deemed as level 2 in the fair value hierarchy (see note 1 for explanation of levels):

	31.03.2017		31.03.2016	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
Financial liabilities	(4,000)	(4,211)	(4,000)	(4,258)
Loans and receivables	5,877	6,057	4,000	4,126

The financial liability is a long term borrowing whose rate is less favourable than the applicable prevailing rate while the financial assets which are classified as a loan and receivable are a long term investment whose rate is more favourable than the applicable prevailing rates.

For all other Financial Instruments the balance sheet figure equals 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 and are all financial assets.

Category	Fair	31.03.2017	31.03.2016
	value	£m	£m
	level		
Pooled funds	1	10	0
Money market funds	1	17.4	13.5
Corporate/Gov bonds and CDs	2	0	2

Categories of Financial Instruments

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

The figures here for current creditors and debtors will not necessarily match the Balance Sheet as some transactions e.g. Council Tax transactions are excluded from financial instruments.

	Long Term		Short term	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	£000	£000	£000	£000
Financial Assets:				
Investments and Available-for-sale				
Loans and receivables	4,000	4,000	16,721	14,283
Available -for-sale financial assets	11,806	0	17,413	13,459
Total	15,806	4,000	34,134	27,742
Debtors				
Loans and receivables	322	32	0	0
Financial assets carried at contract amounts	0	0	3,418	1,306

Total	322	32	3,418	1,306
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Financial Liabilities:

Borrowings

Financial liabilities at amortised cost	(4,000)	(4,000)	0	0
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Total	(4,000)	(4,000)	0	0
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Creditors

Financial liabilities carried at contract amounts	0	0	(11,577)	(8,499)
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Total	0	0	(11,577)	(8,499)
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Income, Expense, Gains and Losses

Gains and losses relating to financial instruments recognised in the Comprehensive Income and expenditure statement:

	2016/17				2015/16			
	Financial Liabilities measured at amortised cost	Financial Assets: Loans & receivables	Financial Assets: AFS	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans & receivables	Financial Assets: AFS	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Interest Expense	135	0	0	135	135	0	0	135
Total expenses	135	0	0	135	135	0	0	135
Interest income	0	(216)	(123)	(339)	0	(172)	(147)	(319)
Dividend income	0	0	(290)	(290)	0	0	0	0
Total income	0	(216)	(413)	(629)	0	(172)	(147)	(319)
Gains/Loss on revaluation	0	0	(36)	(36)	0	0	16	16
Other Comprehensive Income	0	0	(36)	(36)	0	0	16	16
Net gain/(loss) for the year	135	(216)	(449)	(530)	135	(172)	(131)	(168)

15 CASH AND CASH EQUIVALENTS

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

	31.03.2017	31.03.2016
	£000	£000
Cash held by Council	2	2
Bank current accounts	(221)	(158)
Money market Funds	3,000	4,000
Short-term deposits	1,467	1,465
Total Cash and Cash Equivalents	4,248	5,309

16 SHORT-TERM DEBTORS

	31.03.2017	31.03.2016
	£000	£000
Sundry Debtors	3,493	1,254
Central government bodies	211	1,357
Payments in advance	398	538
Council Tax debtors	431	432
NNDR Debtors	1,136	1,195
Housing benefit overpayments	2,891	2,818
Moat Management service charge	249	311
Other local authorities	110	107
	8,919	8,012
Allowance for doubtful debts	(3,012)	(2,881)

<u>5,907</u>	<u>5,131</u>
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17 SHORT-TERM CREDITORS

	31.03.2017 £000	31.03.2016 £000
Sundry Creditors	(5,505)	(5,135)
Housing Benefit Subsidy	(193)	0
Prepayment of NNDR	(823)	(515)
Prepayment of Council Tax	(292)	(228)
WSCC Council Tax creditors	(3,398)	(2,631)
SPA Council Tax creditors	(419)	(326)
Central Government – Grants, Reliefs and Levy	(782)	(63)
Central Government - NNDR creditors	(2,927)	(1,779)
WSCC NNDR Creditors	(622)	(356)
Total	<u>(14,961)</u>	<u>(11,033)</u>

18 PROVISIONS AND OTHER LONG TERM LIABILITIES

	Provision for NNDR appeals	Provision for corporate restructure	Provision for Accumulated Absences	Total
	£000	£000	£000	£000
Balance at 1 April 2015	(1,693)	(138)	(128)	(1,959)
Additional provisions made in 2015/16	(709)	0	(25)	(734)
Amounts used in 2015/16	339	0	0	339
Unused amounts reversed in 2015/16	0	0	0	0
Balance at 31 March 2016	(2,063)	(138)	(153)	(2,354)
Additional provisions made in 2016/17	(673)	(233)	5	(901)
Amounts used in 2016/17	608	0	0	608
Unused amounts reversed in 2016/17	0	138	0	138
Balance at 31 March 2017	(2,128)	(233)	(148)	(2,509)

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.

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

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

The movements in both are show below

	S106 Contributions		Capital Grants Rec'd in Advance	
	31.03.2017 £000	31.03.2016 £000	31.03.2017 £000	31.03.2016 £000
Opening balance	(4,399)	(3,171)	(1,471)	(1,220)
Grants/Contributions in	(2,946)	(1,369)	(12,139)	(558)
Grants/Contributions out	37	141	2,050	307
Closing balance	(7,308)	(4,399)	(11,560)	(1,471)

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 2016/17.

Useable Revenue Reserves	Balance at 31.03.15 £000	Income / Expenditure 2015/16 £000	Transfer to / from other reserves 2015/16 £000	Balance at 31.03.16 £000	Income / Expenditure 2016/17 £000	Transfer to / from other reserves 2016/17 £000	Balance at 31.03.17 £000
General Fund Balance	(9,311)	(1,271)	1,491	(9,091)	(3,630)	3,241	(9,480)
New Homes Reserve	(1,924)	0	(1,777)	(3,701)	0	(1,232)	(4,933)
NHB - BBH Leisure Centre	0	0	0	0	617	(2,000)	(1,383)
Health and Wellbeing	(256)	0	58	(198)	0	21	(177)
Council tax localism	(259)	0	(19)	(278)	0	(15)	(293)
Neighbourhood Planning Grant	(318)	0	0	(318)	0	40	(278)
s106 Reserves	(1,502)	109	0	(1,393)	209	0	(1,184)
NNDR Provision	(1,435)	0	0	(1,435)	0	0	(1,435)
Transformation fund	0	0	0	0	0	(113)	(113)
Other	(1,173)	7	247	(919)	143	58	(718)
Other Earmarked Reserves	(6,867)	116	(1,491)	(8,242)	969	(3,241)	(10,514)
Useable Capital Reserves							
Capital Receipts Reserve	0	(5,755)		(5,755)	473		(5,282)
Capital Grants unapplied	(5,673)	2169		(3,504)	(1,777)		(5,281)
Total Useable Revenue Reserves	(21,851)			(26,592)			(30,557)

20 UNUSABLE RESERVES

	31.03.2017 £000	31.03.2016 £000
Revaluation Reserve	(29,298)	(23,553)
Capital Adjustment Account	(83,857)	(78,838)
Financial Instruments Adjustment Account	(50)	(74)
Financial Instruments Available for Sale Reserve	(104)	(68)
Pensions Reserve	(2,045)	1,875
Collection Fund Adjustment Account	(423)	199
Accumulated Absences Account	148	153
Total Unusable Reserves	(115,629)	(100,306)

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.

	31.03.2017 £000	31.03.2016 £000
Balance at 1 April	(23,553)	(19,013)
(Upward)/downward revaluation of assets	(7,579)	(6,186)
Downward revaluation of assets and impairment losses not charged to the Surplus/deficit on the Provision of Services	1,229	416
Difference between fair value depreciation and historical cost depreciation	423	334
Amount written off to the Capital Adjustment Account	182	896
Balance at 31 March	<u>(29,298)</u>	<u>(23,553)</u>

Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement (as the benefits are earned by employees accruing years of service), updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The credit on the Pensions Reserve therefore shows a substantial surplus in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2016/17 £000	2015/16 £000
Balance at 1 April	1,875	13,412
Actuarial gains or losses on pensions assets and liabilities	(4,659)	(13,261)
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	3,239	4,075
Employers pensions contributions and direct payments to pensioners payable in the year	<u>(2,500)</u>	<u>(2,351)</u>
Balance at 31 March	(2,045)	1,875

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.

	2016/17 £000	2015/16 £000
Balance at 1 April	(78,838)	(84,131)
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	2,720	2,672
- Revaluation losses on Property, Plant and Equipment	(1,353)	460
- Depreciation of intangible assets	188	192
- Revenue expenditure funded from capital under statute	787	3,210

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	261	5,198
Movements in the market value of Investment Property	(411)	52
Adjusting amounts written out of the Revaluation Reserve	(605)	(334)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(2,094)	(2,366)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,726)	(652)
Application of grants to capital financing from the Capital Grants Unapplied Account	(180)	(2,352)
Statutory provision for the financing of capital investment charged against the General Fund	(837)	(787)
Use of general revenue reserves for the financing of capital investment	(770)	0
Balance at 31 March	(83,858)	(78,838)

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments.

The balance is reduced when investments with accumulated gains are

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised

	31.03.2017	31.03.2016
	£000	£000
Balance at 1 April	(68)	(84)
Revaluation of investment not charged to the Surplus or Deficit on the Provision of Services	(36)	16
Balance at 31 March	(104)	(68)

Financial Instruments Adjustment Account

The Financial Instrument Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

	2016/17	2015/16
	£000	£000
Balance at 1 April	(74)	(98)
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	24	24
Balance at 31 March	(50)	(74)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	24	24

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.

	2016/17	2015/16
	£000	£000
Balance at 1 April - Council Tax	(343)	(341)
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	(42)	(2)
Balance at 31 March	(385)	(343)

Balance at 1 April – NNDR	542	1,128
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	(578)	(586)
Balance at 31 March	(36)	542
Total	(421)	199

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2016/17	2015/16
	£000	£000
Balance at 1 April	153	128
Settlement or cancellation of accrual made in the end of the preceding year	(153)	(128)
Amounts accrued at the end of the current year	148	153
Balance at 31 March	148	153
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(4)	25

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

	2016/17	2015/16
	£000	£000
Depreciation and Impairments	(2,907)	(2,865)
Impairments	1,764	(512)
Pensions Liability	(739)	(1,725)
(Increase)/decrease in debtors	306	355
(Increase)/decrease in creditors	331	163
Movement in provisions	464	7
Movement in Reserves	93	0
(Increase)/decrease in inventories	(46)	402
Other non cash adjustments	(36)	16
Total	(770)	(4,159)

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

	2016/17	2015/16
	£000	£000
Capital grants credited to the surplus or deficit on the provision of services	4,589	2,027
Proceeds from the sale of non-current assets	1,360	835
Council Tax and NDR adjustment	179	176
Total	6,128	3,038

c) Interest received, interest paid and dividends received

	2016/17	2015/16
	£000	£000
Interest received	(629)	(303)
Interest paid	135	135
Total	(494)	(168)

22 EXTERNAL AUDIT COSTS

	2016/17 £000	2015/16 £000
Fees payable with regard to external audit services carried out by the appointed auditors for the year	50	51
Fees payable for the certification of grant claims and returns for the year	13	12
Fees payable in respect of other services provided during the year	0	4
Total	63	67

The costs within other services for 2015/16 relate to additional audit work required by the Department of Works and Pensions in relation to the 2013/14 Housing Benefit Claim. The costs have been charged in 2015/16 due to the timing of the work.

23 MEMBERS ALLOWANCES

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

	2016/17 £000	2015/16 £000
Attendance Allowances	319	316
Expenses	21	27
Total	340	343

24 LEASES

Operating Leases

Council as a Lessee

The Council has a single material operating lease commencing on 1st June 2015 for its main office. The lease is for 25 years with earliest break at 10th year. The expenditure charged to the Comprehensive Income and Expenditure Statement in the year was £230,000.

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	
	31/3/2017 £000	31/3/2016 £000	31/3/2017 £000	31/3/2016 £000
Not later than one year	2,121	1,900	230	230
Later than one year and not later than five years	5,257	5,035	920	920
Later than five years	7,112	7,505	728	958
	14,490	14,440	1,878	2,108

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as rent reviews. The Council received contingent rent of £0.43m in 2016/17 (£0.15m in 2015/16).

Finance Leases

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

25 SENIOR OFFICER'S REMUNERATION

Corporate Post Holder Title	Total Remuneration excluding pension contributions	Employer Pension Contributions	Total Remuneration including pension contributions	Note
2016/17	£	£	£	a
Chief Executive	120,899	22,987	143,886	
Director of Community Services	94,363	18,944	113,307	
Director of Corporate Resources (Section 151 Officer)	89,149	18,089	107,238	
Director of Planning, Economic Development and Property	91,792	18,944	110,736	
Head of Legal and Democratic Services (Monitoring Officer)	73,756	14,956	88,712	
2015/16	£	£	£	
Chief Executive	123,781	21,649	145,430	
Director of Community Services	97,446	17,841	115,287	
Director of Corporate Resources (Section 151 Officer)	79,096	14,868	93,964	b
Director of Planning, Economic Development and Property	87,597	17,205	104,802	
Head of Legal and Democratic Services (Monitoring Officer)	74,586	14,129	88,715	

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

Note:

a. Senior officers are remunerated for returning officer duties during elections. The amount of remuneration varies according to the type and number of elections. In 2015/16 the amount payable for returning officer duties was greater than the 2016/17 amount paid. There was also an increase in the rate of employer pension contributions.

b. In 2015/16, the Director of Corporate Resources left post on 29 February 2016 so 2015/16 does not include a full year of costs. The new Director started at the end of March 2016.

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

Remuneration Band	Number of Employees 2016/17	Number of Employees 2015/16
£50,000 - £54,999	6	10
£55,000 - £59,999	6	6
£60,000 - £64,999	2	1
£65,000 - £69,999	2	1
£70,000 - £74,999	2	2
£75,000 - £79,999	1	2
£80,000 - £84,999	0	1
£85,000 - £89,999	1	1
£90,000 - £94,999	2	0
£95,000 - £99,999	0	1
£100,000 - £104,999	0	0
£105,000 - £109,999	0	0
£110,000 - £114,999	0	0
£115,000 - £119,999	0	0
£120,000 - £124,999	<u>1</u>	<u>1</u>
Total number	23	26

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		Number of exit packages by exit band		Total cost of exit packages in each band	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17 £000	2015/16 £000
£0 - £20,000	3	4	6	2	9	6	61	57
£20,001 - £40,000	3	5	0	0	3	5	96	134
£40,001 - £60,000	1	0	0	0	1	0	58	0
£60,001 - £80,000	0	1	0	0	0	1	0	72
Total	7	10	6	2	13	12	215	263
Provision	3	0	1	0	4	0	233	0
Total	10	10	7	2	17	12	448	263

27 TERMINATION BENEFITS

During 2016/17 the Council terminated 13 posts at a total cost of £215k which was made up of redundancy payments of £158k and other termination costs of £57k. Termination costs in 2015/16 were £263k.

In addition, in 2016/17, the Statement includes a provision of £233k which was agreed for 4 officers (£0 in 2015/16); these costs are not included in the bands and therefore an additional line has been added to reconcile the total cost of termination benefits reported in the Comprehensive Income and Expenditure Statement.

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 2017 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 2016/17 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 2016/17.

Partnerships and shared arrangements

Census

As part of the CenSus partnership between Horsham, Mid Sussex and Adur District Council there is an agreement to share certain costs. The following costs were paid in respect of the 2016/17 financial year:

<u>ICT – Hosted by Horsham Council District Council</u>		Outstanding at 31.03.2017 (due to) / from HDC
	£000	£000
Mid Sussex	880	(67)
Horsham	772	0
Adur & Worthing	1,129	11

<u>Revenues and Benefits – hosted by Mid Sussex District Council</u>		Outstanding at 31.03.2017 (payable to MSDC)
	£000	£000
Mid Sussex	1,049	0
Horsham	1,004	(74)
Adur	817	0

Building Control

Horsham District Council provides the Building Control service for Crawley Borough Council. Crawley discharged this function under an agreement pursuant to sections 101 and 111 of the Local Government Act 1972, section 3 of the Local Government Act 1999 and the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2000/2851. The total contribution paid by Crawley for 2016/17 amounted to £301k and £76k was outstanding as at 31 March 2017.

Procurement Service - shared resource

The procurement staff within Crawley and Horsham have been pooled and are treated as a shared resource between Crawley, Horsham and Mid Sussex. In 2016/17 the costs for each Council were:

	£000	Outstanding at 31.03.2017 (due to) / from HDC
	£000	£000
Crawley	59	13
Horsham	59	0
Mid Sussex	51	(9)

Access Officer - shared resource

The Access Officer role is a shared resource utilised by Horsham DC and Crawley BC. In 2016/17 the costs for each Council were:

	£000	Outstanding at 31.03.2017 (due to) from HDC
	£000	£000
Crawley	8	0
Horsham	33	0

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.

	2016/17 £000	2015/16 £000
Opening Capital Financing Requirement	13,255	11,986
Capital Investment		
Property, Plant & Equipment	6,681	2,441
Investment Properties	1,565	1,770
Intangible Assets	11	5
Revenue Expenditure Funded from Capital Under Statute	1,087	3,210

Sources of finance

Capital receipts	(2,095)	(2,366)
Government grants and other contributions	(2,905)	(3,004)
Direct revenue contributions	(770)	0
Minimum Revenue Provision	(837)	(787)
Closing Capital Financing Requirement	<u>15,992</u>	<u>13,255</u>

Explanation of movements in year

Increase in underlying need to borrowing	3,574	2,056
Minimum Revenue Provision	(837)	(787)
Increase/ (decrease) in Capital Financing Requirement	<u>2,737</u>	<u>1,269</u>

30 DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

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

In addition, the Council is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases and early access pension costs. In 2016/17 these amounted to £101k (£110k in 2015/16) representing 1% of pensionable pay (1% in 2015/16).

Change in accounting policy

The Council has adopted the amendment to IAS19, Retirement benefits. The change requires the recognition of a number of new classes of components of defined benefit costs - net interest on the net defined liability / (asset) and re-measurement of the net defined liability / (asset); and where there is material impact, new definitions or recognition criteria for termination benefits. The statements being reported reflect these changes and have restated figures and enhanced disclosure where relevant.

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 Council has a shared service arrangement with Mid Sussex and Adur District Councils for the Revenues and Benefits service and with the same authorities and Worthing Borough Council for central information technology service. The Revenues and Benefits Service is hosted by Mid Sussex and the Information Technology service is hosted by Horsham. Each partner shows its share of the pension assets and liabilities in the accounts.

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>	2016/17	2015/16
	£000	£000
<u>Cost of Services</u>		
- current service cost	(3,162)	(3,625)
- past service costs	(0)	(0)
Total Service Cost	(3,162)	(3,625)
<u>Financing and Investment Income and Expenditure</u>		
Interest income on planned assets	4,767	4,315
Interest cost on defined benefit obligation	(4,844)	(4,765)
Total Net Interest	(77)	(450)
Total Post Employment Benefit Charged to the Surplus or deficit on the provision of services	(3,239)	(4,075)

Re-measurements of the Net Defined Liability

Actuarial gains arising from changes in demographic assumptions	4,132	0
Actuarial gains / (losses) arising from changes in financial assumptions	(25,030)	12,886
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	701	1,866
Return on assets excluding amounts included in net interest	24,856	(1,491)
Total re-measurements recognised in other comprehensive income	4,659	13,261
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	1,420	(9,186)

Movement in Reserves Statement

Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the Code	(739)	(1,725)
Employers contributions payable to scheme	(2,501)	(2,350)

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:

	2016/17 Census £000	2016/17 HDC £000	2015/16 Census £000	2015/16 HDC £000
Present value of liabilities - Funded	(7,747)	(153,443)	(6,056)	(131,041)
Present value of liabilities - Un funded	0	(1,756)	0	(1,609)
Fair value of plan assets	8,153	156,838	6,668	130,163
Net asset (liability) arising from defined benefit obligation	406	1,639	612	(2,487)

Funded Liabilities - LGPS

	2016/17 Census £000	2016/17 HDC £000	2015/16 Census £000	2015/16 HDC £000
Reconciliation of present value of the scheme liabilities:				
Balance at 1 April	(6,056)	(132,650)	(6,558)	(142,394)
Current service cost	(200)	(2,963)	(241)	(3,384)
Interest cost	(221)	(4,623)	(216)	(4,549)
Contributions by scheme participants	(50)	(747)	(50)	(742)
Actuarial gains and losses	(1,309)	(18,888)	960	13,792
Benefits paid	89	4,672	49	4,627
Past service costs	0	0	0	0
Balance at 31 March	(7,747)	(155,199)	(6,056)	(132,650)
Reconciliation of fair value of the scheme assets:				
Balance at 1 April	6,668	130,163	6,394	129,146
Interest income on planned assets	242	4,525	210	4,106
Return on planned assets (excluding amounts in net interest)	1,132	23,724	(76)	(1,415)
Employer contributions	150	2,351	139	2,211
Contributions by scheme participants	50	747	50	742
Benefits paid	(89)	(4,672)	(49)	(4,627)
Balance at 31 March	8,153	156,838	6,668	130,163

LGPS Assets comprised:

Fair Value of scheme assets at 31 March

	2017			2016		
	Census	HDC	Total % of assets	Census	HDC	Total % of assets
	£000	£000		£000	£000	
Equity Securities:						
Consumer	1,159.9	22,312.2	14.2%	1,089.3	21,262.9	16.3%
Manufacturing	745.2	14,335.1	9.1%	227.9	4,449.0	3.4%
Energy & Utilities	393.7	7,574.3	4.8%	230.6	4,502.2	3.5%
Financial Institutions	1,328.0	25,545.2	16.3%	1,080.2	21,085.4	16.2%
Health & Care	564.9	10,867.0	6.9%	430.4	8,401.9	6.5%
Information Technology	1,114.2	21,432.3	13.7%	861.4	16,815.4	12.9%
Other	375.6	7,226.0	4.6%	583.6	11,393.4	8.8%
Debt Securities:						
UK Government	151.2	2,908.2	1.9%	116.1	2,266.2	1.7%
Private Equity:						
All	350.5	6,742.2	4.3%	320.5	6,255.9	4.8%
Real Estate:						
UK Property	642.9	12,368.4	7.9%	601.7	11,744.8	8.8%
Overseas Property	0.0	0.0	0%	0.7	14.2	0.1%
Investment Funds & Unit Trusts:						
Bonds	1,021.6	19,652.3	12.5%	937.0	18,290.0	14.1%
Other	95.6	1,838.4	1.2%	51.1	998.2	0.8%
Cash & cash Equivalents: All	209.8	4,036.4	2.6%	137.5	2,683.5	2.1%
	8,153	156,838	100%	6,668	130,163	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 £2.045m which has an impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of £146.186m.

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 2018 is £2.39m (this includes £152k estimated for the HDC share of Census).

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. The pension scheme is assessed by Hymans Robertson for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2016.

The principal assumptions used by the actuary have been:

		<u>2016/17</u>	<u>2015/16</u>
Long term expected rate of return on assets in the scheme:			
Mortality assumptions:			
Longevity at 65 for current pensioners:	Men	23.6	24.4
	Women	25.0	25.8
Longevity at 65 for future pensioners:	Men	26.0	26.9
	Women	27.8	28.5
Rate of inflation / pension		2.4%	2.2%
Rate of increase in salaries		3.1%	3.7%
Rate of discounting scheme liabilities		2.6%	3.5%

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 following sensitivity analyses have been determined based on possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The estimations in the sensitivity analyses have followed the accounting policies for the scheme.

31 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

A number of NHS Trust organisations are making claims nationally for charitable relief in respect of Non-domestic rates. The Local Government Association is seeking legal advice on this matter as it believes the claims are unfounded. However, should it be agreed that the relief is applicable then there will be a potential loss in rates yield for the council. The liability for Horsham is hard to predict as it will depend on what local NHS bodies fulfil any criteria for relief.

32 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

- a) **Credit Risk** – the possibility that other parties might fail to pay amounts due to the Council
- b) **Liquidity Risk** – the possibility that the Council might not have funds available to meet its commitments to make payments
- c) **Market Risk** – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements

Credit Risk: Investments

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

This risk is minimised through the Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Ratings Services. The Treasury Management Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria.

The detailed Strategy is approved each year by the Council and incorporates indicators stipulated by the CIPFA codes on Treasury Management and CIPFA prudential code. The authorised limit for external borrowing in 2016/17 was £15m. The limit per institution, excluding UK Government or Local Authority, for unsecured investment was £2.5m. The limit for long term investment was £8m. The actual performance against Treasury Management Strategy is reviewed by the Audit Committee of the Council annually.

The analysis below summarises the Council's exposure to risk using credit ratings which are derived from historic default rates for different categories of instruments.

	31.03.2017	31.03.2016
	£000	£000
AAA rated counterparties	14,322	13,459
AA rated counterparties	6,908	13
A rated counterparties	6,415	8,912
BBB rated counterparties	4,453	4,440
Unrated Pooled funds	9,980	
Unrated Local Authorities	<u>8,000</u>	<u>5,000</u>
Total	<u>50,078</u>	<u>31,824</u>

Credit Risk: Trade Receivables

The Council raises charges for a wide range of services that meet the definition of a financial asset. The Council does not generally allow credit for its trade debtors, such that £0.495m of the £1.8m balance is past its due date for payment.

The past due amount can be analysed as follows:

Age	31.03.2017	31.03.2016
	£000s	£000s
Less than three months	288	218
Three to six months	115	46
Six months to one year	18	31
More than one year	75	96
Total	<u>496</u>	<u>391</u>

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury Management Strategy reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This ensures that cash is available when it is needed.

The Council's Treasury Management Strategy sets a benchmark of £3m being available within a three month period and can borrow from the money markets to cover any day to day cash flow need. The PWLB also acts as a lender of last resort to Councils (although it will not provide funding to a Council whose actions are unlawful). There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities is as follows:

	31.03.2017	31.03.2016
	£000s	£000s
Less than one year	11,577	8,499
Between one and two years	0	0
Between two and five years	4,000	4,000
More than five years	0	0
Total	<u>15,577</u>	<u>12,499</u>

Market Risk: Interest rate risk

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

- borrowings at variable rates - the interest expense will rise;
- borrowings at fixed rates - the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income will rise
- investments at fixed rates – the fair value of the assets will fall

Investments classed as “loans and receivables” and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments classed as “available for sale” will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Director of Corporate Resources will also monitor market and forecast interest rates within the year to adjust exposures appropriately.

Sensitivity to Interest Rate Changes

The Council does not hold borrowings or investments at variable rates so there is no direct link to the net income of the Council. To some extent the call deposits and maturing fixed rate investments would be affected by a persisting change to rates. The Council also holds variable net asset value money market funds and pooled funds whose price may be affected by interest rate changes indirectly as the funds comprise some fixed rate instruments.

To give some guide to the magnitude of the possible effect if all other variables stayed the same and a rate change of 1% were to apply to the investments held at 31 March 2017 the financial effect would be:

	£000
Increase in income receivable	(309)
Impact on surplus and deficit on provision of services	(309)
Decrease in fair value of available for sale financial assets	152
Impact on Comprehensive Income and Expenditure	(157)
Decrease in fair value of loans and receivables*	104
Decrease in fair value of fixed rate borrowing*	(81)

*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 Risk: 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 market risk associated with these instruments is managed alongside interest rate risk.

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to all pooled funds of £10m. A 5% fall in commercial property prices would result in a £0.12m charge to Other Comprehensive Income & Expenditure – this would have no impact on the Surplus or Deficit on the Provision of Services until the investment was sold.

The Council's investment in a pooled equity funds is subject to the risk of falling share prices. This risk is limited by the Council's maximum exposure to all pooled funds of £10m. A 5% fall in share prices would result in a £0.17m charge to Other Comprehensive Income & Expenditure – this would have no impact on the Surplus or Deficit on the Provision of Services until the investments were sold.

COLLECTION FUND

2015-16			2016-17		
Business Rates £000	Council Tax £000	Total £000	Business Rates £000	Council Tax £000	Total £000
			INCOME		
0	(86,404)	(86,404)	0	(91,940)	(91,940)
(41,039)	0	(41,039)	(42,229)	0	(42,229)
			Transfers from General Fund		
0	(3)	(3)	0	(2)	(2)
(340)	0	(340)	185	0	185
<u>(41,379)</u>	<u>(86,407)</u>	<u>(127,786)</u>	<u>(42,044)</u>	<u>(91,942)</u>	<u>(133,986)</u>
			Total Income		
			EXPENDITURE		
			Apportionment of Previous Year Surplus / (Deficit)		
(577)	184	(393)	(640)	160	(480)
(144)	1,173	1,029	(160)	1,014	854
0	143	143	0	126	126
(722)	0	(722)	(800)	0	(800)
<u>(1,443)</u>	<u>1,500</u>	<u>57</u>	<u>(1,600)</u>	<u>1,300</u>	<u>(300)</u>
			Precepts, Demands and Shares		
15,916	10,421	26,337	16,563	10,919	27,482
3,979	66,043	70,022	4,141	70,309	74,450
0	8,179	8,179	0	8,667	8,667
19,895	0	19,895	20,704	0	20,704
<u>39,790</u>	<u>84,643</u>	<u>124,433</u>	<u>41,408</u>	<u>89,895</u>	<u>131,303</u>
			Charges to Collection Fund		
153	74	227	309	277	586
311	179	490	139	89	228
926	0	926	163	0	163
177	0	177	179	0	179
<u>1,567</u>	<u>253</u>	<u>1,820</u>	<u>790</u>	<u>366</u>	<u>1,156</u>
39,914	86,396	126,310	40,598	91,561	132,159
(1,465)	(11)	(1,476)	(1,446)	(381)	(1,827)
<u>2,821</u>	<u>(2,774)</u>	<u>47</u>	<u>1,356</u>	<u>(2,785)</u>	<u>(1,429)</u>
<u>1,356</u>	<u>(2,785)</u>	<u>(1,429)</u>	<u>(90)</u>	<u>(3,166)</u>	<u>(3,256)</u>
			(Surplus) / Deficit carried forward 31 March		

NOTES TO THE COLLECTION FUND

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

The accounts have been prepared on an accruals basis.

1 COUNCIL TAX

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

BAND	VALUE RANGE £	PROPORTION OF BAND "D"	BAND "D" EQUIVALENT NO.OF PROPERTIES
Reduced A	up to 40,000	5/9	1
A	up to 40,000	6/9	917
B	40,001-52,000	7/9	2,853
C	52,001-68,000	8/9	8,901
D	68,001-88,000	1	11,408
E	88,001-120,000	11/9	11,837
F	120,001-160,000	13/9	10,663
G	160,001-320,000	15/9	11,597
H	over 320,000	2	1,438
COUNCIL TAX BASE			59,615

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 Mar 2017 was £104,021m and the National Non-Domestic Rate multiplier for the year was 0.497.

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 2017

£000

Accumulated Surplus at 31.03.2017 3,256

Apportionment based on 2016/17 precepts and demands:

	<u>Business</u> <u>Rates</u> £000	<u>Council</u> <u>Tax</u> £000	Total £000
Horsham District Council	36	385	421
Sussex Police Authority	0	305	305
West Sussex County Council	9	2,476	2,485
Central Government	45	0	45
	90	3,166	3,256

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

