MID SUSSEX
DISTRICT COUNCIL

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9 November 2020

New regulations came into effect on 4 April 2020 to allow Councils to hold meetings remotely via electronic means. As such, Council and Committee meetings will occur with appropriate Councillors participating via a remote video link, and public access via a live stream video through the Mid Sussex District Council's YouTube channel.

Dear Councillor,

A meeting of **AUDIT COMMITTEE** will be held **VIA REMOTE VIDEO LINK** on **TUESDAY, 17TH NOVEMBER, 2020 at 5.00 pm** when your attendance is requested.

Yours sincerely,

KATHRYN HALL

Chief Executive

A G E N D A

		Pages
1.	Roll Call and Virtual Meeting Explanation.	
2.	To receive apologies for absence.	
3.	To receive Declarations of Interest from Members in respect of any matter on the Agenda.	
4.	To Confirm the Minutes of the Meeting held on 15 September 2020.	**3 - 6**
5.	To consider any items that the Chairman agrees to take as urgent business.	
6.	Audit Results Report 2019/20.	**7 - 52**
7.	Financial Statements 2019/20.	**53 - 156**
8.	Internal Audit - Monitoring Report 6th November 2020.	**157 - 160**
9.	Committee Work Programme 2020/21	**161 - 162**

10. Questions pursuant to Council Procedure Rule 10.2 due notice of which has been given.

To: **Members of Audit Committee:** Councillors M Pulfer (Chair), R Cromie (Vice-Chair), A Boutrup, M Cornish, S Hicks and L Stockwell

Minutes of a meeting of Audit Committee held on Tuesday, 15th September, 2020 from 6.00 pm - 6.53 pm

Present: M Pulfer (Chair)
R Cromie (Vice-Chair)

A Boutrup
M Cornish
S Hicks
L Stockwell

1. ROLL CALL AND VIRTUAL MEETINGS EXPLANATION.

The Chairman introduced the meeting and took a roll call of Members in attendance. The Legal Officer explained the virtual meeting procedure.

2. TO RECEIVE APOLOGIES FOR ABSENCE.

None.

3. TO RECEIVE DECLARATIONS OF INTEREST FROM MEMBERS IN RESPECT OF ANY MATTER ON THE AGENDA.

None.

4. TO CONFIRM THE MINUTES OF THE PREVIOUS MEETING HELD ON 3 MARCH 2020.

The Minutes of the meeting of the Committee held on 3 March 2020 were agreed as a correct record and signed by the Chairman.

5. TO CONSIDER ANY ITEMS THAT THE CHAIRMAN AGREES TO TAKE AS URGENT BUSINESS.

None.

6. AUDIT PROGRESS REPORT 2019/20.

Jack Dunkley, Ernest & Young introduced the report and thanked the Council's Finance Team for their assistance with this year's audit.

Members queried how the audit was conducted, how evidence was provided to EY, and third-party going concern liabilities relating to receipt of commercial income.

The External Auditor noted the regular virtual meetings held with the Finance Team and the use of a client portal to upload evidence in the absence of face to face meetings with inspection of documents. During the audit EY had looked at

commercial income, recovery of that income as a bad debt, and the assumptions the Council were making in relation to debtors.

As there were no further questions the Chairman took Members to the recommendations in the report which were agreed unanimously.

RESOLVED

The Committee received and noted the audit progress report and the letter from the Chairman of the Committee to EY.

7. INTERNAL AUDIT ANNUAL REPORT 2019/20.

Chris Bower, Senior Internal Auditor introduced the report.

Members discussed whether the Council was getting value for money and how their finances were managed, benchmarking the Council against other local authorities, changes to the current decision making due to the pandemic, sought confirmation that internal controls measures were still satisfactory,

As there were no further questions the Chairman took Members to the recommendations in the report which were agreed unanimously.

RESOLVED

The Committee received and noted the report.

8. INTERNAL AUDIT - MONITORING REPORT 31ST AUGUST 2020

Chris Bower, Senior Internal Auditor introduced the report and noted that three audits were still in progress.

Members expressed concern with the frequency of bank reconciliations and the controls in place for the Council's bank accounts.

The Senior Internal Auditor confirmed that bank reconciliations are completed at the end of each month and there are individual daily controls, more frequent reconciliations would increase work-load and the current procedures work well. He noted there had been an issue with the reconciliations not being performed to the correct standard, this had now been rectified and he confirmed that the external auditors were content. A Member requested the update on contract documentation which had been noted in item 5 of the last committee meeting.

The Head of Corporate Resources suggested that a report is provided by the internal auditors at the meeting in November.

As there were no further questions the Chairman took Members to the recommendations in the report which were agreed unanimously.

RESOLVED

The Committee received and noted the report.

9. REVIEW OF TREASURY MANAGEMENT ACTIVITY 2019/20.

Peter Stuart, Head of Corporate Resources introduced the report.

Members sought an explanation of the statutory override, requested updates on Counterparty Comparisons and Adur and Worthing's use of ethical investments, sought clarification on values of the Local Authority Property Fund (LAPF), the implications from changes to borrowing from the Public Works Loan Board (PWLB)

The Head of Corporate Resources noted that the pandemic had impacted on work streams of the three local authorities. Reports would be provided at the next committee meeting to update the committee on Counterparty Comparisons and Adur & Worthing's use of ethical investments and these will be added to the Committee Work Programme. He advised that the Government agreed a five-year statutory override to avoid direct costs to Council's General Fund (the council tax raising account) caused by valuation changes in pooled investment funds. He confirmed there had been no change in the investment in the LAPF, the report detailed the valuation change. He advised that previously some local authorities had borrowed from the PWLB to purchase properties to solely generate income, however loans can still be obtained for regeneration of properties. He highlighted that properties purchased by the Council had not been completed using PWLB funds.

As there were no further questions the Chairman took Members to the recommendations in the report which were agreed unanimously.

RESOLVED

The Committee received and noted the report.

10. COMMITTEE WORK PROGRAMME.

Tom Clark, Head of Regulatory Services introduced the work programme and Members were asked to note the programme as set out at paragraph 5 of the report and the matters raised under item 9 above.

As there were no further questions the Chairman took Members to the recommendations in the report which were agreed unanimously.

RESOLVED

The Committee noted the Work Programme subject to minor amendments to be made by the Head of Corporate Resources and the Head of Regulatory Services.

11. QUESTIONS PURSUANT TO COUNCIL PROCEDURE RULE 10.2 DUE NOTICE OF WHICH HAS BEEN GIVEN.

None.

The meeting finished at 6.53 pm

Chairman

AUDIT RESULTS REPORT 2019/20

REPORT OF:	Head of Corporate Resources
Contact Officer:	Peter Stuart Email: peter.stuart@midsussex.gov.uk Tel: 01444 477315
Wards Affected:	All
Key Decision:	No
Report to:	Audit Committee 17 November 2020

Purpose of Report

1. This report introduces the auditors' 'Audit Results Report' and provides some context for Members' consideration.

Recommendations

2. That the report be received.

Background

3. The Audit Results Report (attached) sets out the auditor's opinion on both the financial statements and the arrangements to secure Value for Money. It is the key document arising from the annual audit and is to be read by 'those charged with governance' as well as being a public document for all stakeholders.

4. At the time of writing, the audit is not quite finished but it is expected that the opinion on the accounts will be unqualified. This is a very positive statement and shows that the statements offer a true and fair view of the authority's financial position for 2019/20.

5. Members will note that the auditor found two areas where amendments to the draft accounts could be made – one has been actioned and one not, for the reasons outlined within the report.

6. The External Auditor will attend the virtual meeting to present his report and answer Member's questions.

Policy Context

7. Receiving the report enables the Council to fulfil its statutory obligations.

Other Options Considered

8. None.

Financial Implications

9. This report has no financial implications.

Risk Management Implications

10. None.

Equality and Customer Service Implications

11. This report has no such implications.

Other Material Implications

12. This report has no such implications.

Background Papers

None.

Mid Sussex District Council

Audit results report

Year ended 31 March 2020

November 2020

Building a better working world

17 November 2020

Dear Audit Committee Members

We are pleased to attach our Audit Results Report for the forthcoming meeting of the Audit Committee.

We have substantially completed our audit of the Council for the year ended 31 March 2020, As set out on pages 5 and 6, a number of issues have arisen as a result of COVID-19 which impacted on our audit. We confirm that we expect to issue an unqualified audit opinion on the financial statements, before the accounts publication date of 30 November 2020

This report is intended solely for the use of the Audit Committee, other members of the Council, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 17 November 2020.

Yours faithfully

Kevin Suter

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/).The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of Mid Sussex District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Mid Sussex District Council those matters we are required to state to them in this report and for no other purpose. To the **fullest** extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Mid Sussex District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Executive Summary

Executive Summary

Scope update

In our audit planning report presented at the 3 March 2020 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. Below we have highlighted the changes to that scope:

Changes to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all local authority bodies.

Changes to our risk assessment as a result of Covid-19

- **Valuation of investment property -** The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty have been included in the year-end valuation reports produced by the Council's external valuer. We consider that the material uncertainties disclosed by the valuer gave rise to an additional risk relating to disclosures on the valuation of investment property. We reported this additional risk at the September Audit Committee.
- **Disclosures on Going Concern** – Financial plans for 2020/21+ will need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Local Authority would not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Local Authority's actual year end financial position and performance.
- **Adoption of IFRS16** – The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of Local Authority Financial Statements has been deferred until 1 April 2021. The Authority will therefore no longer be required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements does not now need to be financially quantified in 2019/20. We therefore no longer consider this to be an area of audit focus for 2019/20.

Changes in materiality

We updated our planning materiality assessment using the draft results and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment to £1.5m (Audit Planning Report – £1.6m). This results in updated performance materiality, at 75% of overall materiality, of £1.1m, and an updated threshold for reporting uncorrected misstatements of £74,000. We have considered whether any change to our materiality is required in light of Covid-19. Following this consideration we remain satisfied that the values for planning materiality, performance materiality and our audit threshold for reporting differences reported to you in our Audit Planning Report remain appropriate.

We also identified areas where misstatement at a lower level than our overall materiality level might influence the reader and developed an audit strategy specific to these areas, including:

- Remuneration disclosures including any severance payments, exit packages and termination benefits. We audit these fully given their inherent sensitive nature.
- Related party transactions. We consider any related parties in terms of the underlying relationship and potential influence, and not simply the overall values disclosed.

Executive Summary

Status of the audit

We have substantially completed our audit of Mid Sussex District Council's financial statements for the year ended 31 March 2020 and have performed the procedures outlined in our Audit planning report. Subject to satisfactory completion of the following outstanding items. we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 4:

- Completion of subsequent events review; and
- Receipt of the signed management representation letter

Audit differences

We have identified audit differences relating to the valuation of investment property & pension fund asset. Please see further details in section 4.

Executive Summary

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of the Council's financial statements This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee.

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

Executive Summary

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We have no other matters to report.

Independence

We have no issues to report.

Please refer to Section 9 for our update on Independence.

02 Areas of Audit Focus

Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What judgements are we focused on?

As part of our work we focused the key judgemental areas of financial statements, such as accounting policies, the model applied to the minimum revenue provision and unusual transactions.

We reviewed accounting estimates for evidence of management bias, and specifically focused on the following:

- IAS 19 disclosures;
- NDR appeals provision; and
- Valuation of land and buildings in Property, Plant and Equipment and Investment Properties.

What did we do?

We have performed the procedures described in our original audit plan. Please see the following page for full details.

What are our conclusions?

Our audit work found no evidence that management had attempted to override internal controls.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business.

This conclusion is based on detailed testing of accounts entries susceptible to potential manipulation

Significant Risk

Areas of Audit Focus

Significant risk

Further details on procedures/work performed

We identified the key fraud risks at the planning stage of the audit and considered the effectiveness of management's controls that are designed to address the risk of fraud. We updated our understanding of the risks of fraud and the controls put in place to address them and made enquiries of Internal Audit, management and those charged with governance to support our understanding.

We have:

- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Understood the oversight given by those charged with governance of management's processes over fraud.
- Considered of the effectiveness of management's controls designed to address the risk of fraud.

Performed mandatory procedures regardless of specifically identified fraud risks, including:

- Reviewed the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of the financial statements.
- Reviewed, discussed with management and challenged any accounting estimates on revenue or expenditure recognition for evidence of bias, specifically:
  - IAS 19 disclosures;
  - NDR appeals provision; and
  - Valuation of land and buildings in Property, Plant and Equipment and Investment Properties.

  We found that the valuation method for each of the above has not changed from prior years.

- Reviewed the transactions in the financial statements for evidence of any significant unusual transactions.

- In addition to our overall response, we considered where these risks may present themselves and identified a separate fraud risk related to the capitalisation of revenue expenditure as set out on the next slide.

Areas of Audit Focus

Significant risk

Risk of fraud in revenue recognition - inappropriate capitalisation of revenue expenditure

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

From our risk assessment, we have assessed that the risk manifests itself solely through the inappropriate capitalisation of revenue expenditure to improve the financial position of the general fund.

Capitalised revenue expenditure can be funded through borrowing with only minimal MRP charges recorded in the general fund, deferring the expenditure for 30+ years when the borrowing is repaid

What did we do?

Our approach will focus on:

► For significant additions we examined invoices, capital expenditure authorisations, leases and other data that support the additions. We reviewed the sample selected against the definition of capital expenditure in IAS 16.

► We extended our testing of items capitalised in the year by lowering our testing threshold. We will also review a larger random sample of capital additions below our testing threshold.

► Journal testing – we used our testing of Journals to identify high risk transactions, such as items originally recorded as revenue expenditure and subsequently capitalised.

What are our conclusions?

We are satisfied that capital additions made in the year met the requirements of IAS 16, and had been correctly capitalised

Significant Risk

Areas of Audit Focus

Significant risk

Valuation of investment property

What is the risk?

The Council holds a significant investment property portfolio. The valuation of property is complex and subject to several assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements.

Difficulties in the retails sector in particular have led to many retailers, including well-known names, closing stores, going into administration, or otherwise looking to reduce their rental costs by renegotiating existing leases.

These difficulties have had a direct impact on the value of the retail units (high street shops, out of town retail parks and shopping centres) leased to retailers.

What did we do?

We have:

- Considered the work performed by the Council's valuer, this included a review of the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample tested key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- instructed our own Property valuation team (EY Real Estates) to review a sample of property valuations performed by the Councils Valuer
- Consider the annual cycle of valuations to ensure that investment properties are being revalued every year.
- Tested accounting entries have been correctly processed in the financial statements; and
- We also noted that the Council valuer attached a 'material uncertainty' clause to their valuation as a result of Covid. We reviewed the adequacy of the disclosure of this in the Council's accounts.

What are our conclusions?

We instructed our property valuation team to review a sample of the valuation performed by the Council. The review focuses on whether the valuation is based on reasonable and supportable assumptions.

From this review we identified several asset values were materially misstated. The key areas our valuation team identified differences on were;

- Where the current tenant has a short period remaining on their tenancy, the valuation should allow for a void and incentive period at the end of the current lease
- Purchase costs should be deducted on the valuation due to the UK market reporting yields on a net basis
- Yields assumed by the Council valuer were outside the range of published benchmarks for similar properties

Following the correction of these misstatements, we conclude that the balance is fairly stated and do not modify our audit opinion in respect of this matter.

Significant Risk

Areas of Audit Focus

Significant risk

New financial ledger system

What is the risk?

The Council introduced its new Technology One financial management system with effect from 02 September 2019. It put in place measures to migrate data on 2019/20 transactions and balances from the old to the new financial management system. The Council's 2019/20 financial statements will be prepared using data taken from the new general ledger at the end of the financial year.

To ensure the production of materially accurate and complete 2019/20 financial statements, it is essential that the Council is assured over the completeness and accuracy of financial data to its new general ledger

What did we do?

We have:

- met with officers to discuss and understand the process for implementing the new financial management system.
- reviewed the actions taken by the Council to ensure the complete and accurate migration of financial data to the new general ledger. This included reviewing the effectiveness of reconciliation processes. We also undertook our own testing on the completeness and accuracy of data migration.
- Met with internal audit to understand the work they had completed in 2019/20 in relation to the new ledger system.
- reviewed how data from the new system maps to the statement of accounts, as part of our understanding of the accounts production process for 2019/20.

What are our conclusions?

From the work performed we have sufficient assurance the data transfer from the old system to the new system was materially accurate and complete.

Significant Risk

Areas of Audit Focus

other risk

Valuation of property, plant & equipment

What is the risk?

The fair value of Property, Plant and Equipment (PPE) represent significant balances in the Council's accounts and is subject to valuation changes and impairment reviews.

Management is required to make material judgements about key assumptions and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

What did we do?

We have:

- Considered the work performed by the Council's valuer, this included a review of the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample tested key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE.
- Reviewed assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated;
- Considered changes to useful economic lives as a result of the most recent valuation;
- Tested accounting entries have been correctly processed in the financial statements; and
- We also noted that the Council valuer attached a 'material uncertainty' clause to their valuation as a result of Covid. We reviewed the adequacy of the disclosure of this in the Council's accounts.

What are our conclusions?

We are satisfied that the valuation of property, plant and equipment is fairly stated and appropriately disclosed.

Areas of Audit Focus

Other risk

Net pension liability valuation

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by West Sussex County Council.
The Council's pension fund net liability is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2020 this totalled £15,081k.
The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What did we do?

We have:

- Liaised with the auditors of West Sussex Pension Fund to obtain assurances over the information supplied to the actuary in relation to West Sussex County Council.
- Assess the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team.
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19; and
- Reviewed the Council's calculation of the impact of the 'McCloud' and 'Goodwin' judgement noting that the post balance sheet events did not have a material impact on the pension liability and therefore are not required to be disclosed as post balance sheet event.

What are our conclusions?

We identified that the pension asset value at 31 March 2020 used by the actuary in their report was understated by £112k.

As the difference is not material, we concluded that the net pension liability was fairly stated.

In all other respects we have no findings to report.

Areas of Audit Focus

Other risk

Going Concern Disclosure

What is the risk?

Covid-19 has created a number of financial pressures throughout Local Government. There is currently not a clear statement of financial support from MHCLG that covers all financial consequences of Covid-19.

There have been a number of media stories in both the national press and trade publications raising the possibilities of an increase in Chief Financial Officers using their s114 powers. This could be under s114(3), insufficient resources to fund likely expenditure.
CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis.

However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'.
To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.

What did we do?

In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we sought a documented and detailed consideration to support management's assertion regarding the going concern basis. Our audit procedures to review these included consideration of:

- Current and developing environment;
- Liquidity (operational and funding);
- Mitigating factors;
- Management information and forecasting; and
- Sensitivities and stress testing.

Due to the impact of Covid-19, we also consulted internally with our risk department over the level of disclosure.

What are our conclusions?

We have reviewed managements Going Concern assessment and confirm their conclusion that the Council remains a Going Concern is based on reasonable and supportable assumptions.

We have also reviewed managements updated Going Concern Disclosure and confirmed it sufficiently detailed, transparent and accurately reflects managements underlying Going Concern assessment.

03 Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MID SUSSEX DISTRICT COUNCIL

Opinion

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

- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet,
- Cash Flow Statement
- related notes 1 to 40.
- Collection Fund and the related notes 1 to 4.

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

In our opinion the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

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

Draft audit report

Our opinion on the financial statements

Other information

The other information comprises the information included in the Statement of Accounts 2019-20, other than the financial statements and our auditor's report thereon. The Head of Corporate Resources is responsible for the other information.

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

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

We have nothing to report in this regard.

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

Arrangements to secure economy, efficiency and effectiveness in the use of resources

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

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects

Audit Report

Draft audit report

Our opinion on the financial statements

Responsibility of the Head of Corporate Resources

As explained more fully in the Statement of the Head of Corporate Resources Responsibilities set out on page 4, the Head of Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

Draft audit report

Our opinion on the financial statements

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

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

Certificate

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

Use of our report

This report is made solely to the members of Mid Sussex 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 Mid Sussex District Council and Mid Sussex District Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kevin Suter (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton
18 November 2020

04 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as "known" or "judgemental". Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of differences

We highlight the following misstatements greater than £1.1m which have been corrected by management that were identified during the course of our audit.

We have identified the following judgemental errors in the valuation of investment property:

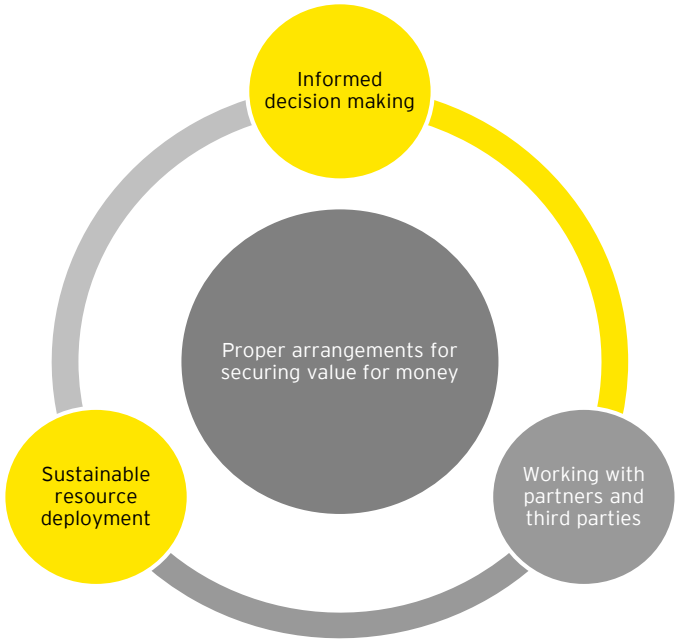
- Retail Assets – We identified three retail assets value was overstated by a total of £9.2m

- Industrial Asset – we identified the value of one industrial asset was understated by £2.3m

We report to you any uncorrected misstatements greater than our nominal value of £74,000. We identified that the pension assets were understated by £112k.

05 Value for Money Risks

Value for Money



Overall conclusion

We did not identify any significant risks around these criteria

We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2019/20 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level.

Our risk assessment therefore considered both the potential financial impact of any issues identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders.

06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2019/20 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2019/20 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have no matters to report as the Council in relation to this work.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Council, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other matters

We have no other matters to report.

07 Assessment of Control Environment

Assessment of Control Environment

Financial controls

Under ISA (UK&I) 265 it is mandatory to communicate significant deficiencies in internal control in writing to any audit client. Unless the audit team has used the 'Management Letter template' to communicate significant deficiencies, it is mandatory to use this section if there are any.

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

08 Independence

Independence

Confirmation and analysis of Audit fees

We confirm there are no changes in our assessment of independence since our confirmation in our audit planning board report dated March 2020.

We complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit Committee

We confirm we have undertaken non-audit work outside of the Statement of responsibilities of auditors and audited bodies as issued by the Public Sector Audit Appointments Ltd. We have adopted the necessary safeguards in our completion of this work

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Council, and its directors and senior management and its affiliates, including all services provided by us and our network to your Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Our fees do not yet include the scale fee review which is currently underway with management and PSAA to agree whether the scale fees need to be rebased to properly account for the increased audit and quality requirements as well as increased regulatory challenge on the depth and quality of assurance provided by audit suppliers. There is now greater pressure on firms to deliver higher quality audits by requiring auditors to demonstrate greater professional scepticism when carrying out their work. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts. Discussions remain ongoing.

As part of our reporting on our independence, we set out below a summary of the fees you have paid us in the year ended 31 March 2020.

Description	Estimated Fee 2019/20 £	Scale Fee 2019/20 £	Final Fee 2018/19 £
Total Fee – Code work (1)	TBC	38,917	38,917
Additional Covid -19 related costs (2)	TBC	n/a	n/a
Total audit	TBC	38,917	38,917
Other non-audit services not covered above (Housing Benefits)	TBC	n/a	40,922
Total other non-audit services	TBC	n/a	40,922

All fees exclude VAT

Note:

(1) We outlined in our audit plan the basis on which the scale fees are set by PSAA. We also outlined a combination of factors which mean that we do not believe the existing scale fees provide a clear link with both a public sector organisation's risk and complexity and therefore it endangers the sustainability of Local Audit in the future.

Based on these factors, and in light of requests from PSAA to provide further detailed analysis we have estimated the impact on the Council, which has been shared with management but we have not reached agreement on that rebasing.

(2) We will hold discussions with officers regarding the additional fee for the work required in relation to Covid-19.

All additional fees will be subject to approval by PSAA.

Other communications

EY Transparency Report 2019
Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2019: https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2019/ey-uk-2019-transparency-report.pdf

09 Appendices

Appendix A

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report to March 2020 Audit Committee
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report to March 2020 Audit Committee
Significant findings from the audit	▸ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▸ Significant difficulties, if any, encountered during the audit ▸ Significant matters, if any, arising from the audit that were discussed with management ▸ Written representations that we are seeking ▸ Expected modifications to the audit report ▸ Other matters if any, significant to the oversight of the financial reporting process	Audit results report to November 2020 Audit Committee

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	No conditions or events were identified, either individually or together to raise any doubt about Mid Sussex District Council's ability to continue for the 12 months from the date of our report.
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Material misstatements corrected by management	Audit results report to November 2020 Audit Committee
Subsequent events	▸ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	November 2020 Audit Committee
Fraud	▸ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▸ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▸ Any other matters related to fraud, relevant to Audit Committee responsibility.	Audit results report to November 2020 Audit Committee No matters to report.

Appendix A

Required communications	What is reported?	Our Reporting to you When and where
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the Authority	Audit results report to November 2020 Audit Committee. No matters to report.
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit planning report to March 2020 Audit Committee and Audit results report to November 2020 Audit Committee

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	At the time of drafting the report, we are awaiting a small number of confirmations of investment balances held by the Council.
Consideration of laws and regulations	▸ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▸ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Audit results report to November 2020 Audit Committee and Annual Audit Letter. No matters to report.

Appendix A

Required communications	What is reported?	Our Reporting to you When and where
Written representations we are requesting from management and/or those charged with governance	▸ Written representations we are requesting from management and/or those charged with governance	Audit results report to November 2020 Audit Committee
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▸ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report to November 2020 Audit Committee. No matters to report.
Auditors report	▸ Any circumstances identified that affect the form and content of our auditor's report	Audit results report to November 2020 Audit Committee
Fee Reporting	▸ Breakdown of fee information when the audit planning report is agreed ▸ Breakdown of fee information at the completion of the audit ▸ Any non-audit work	Audit planning report to March 2020 Audit Committee and Audit results report to November 2020 Audit Committee

Appendix B

Management representation letter

Management Rep Letter

Ernst & Young LLP

Grosvenor House,

Grosvenor Square,

Southampton SO15 2BE,

United Kingdom

This letter of representations is provided in connection with your audit of the financial statements of Mid Sussex District Council ("the Council") for the year ended 31 March 2020. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Mid Sussex District Council as of 31 March 2020 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20. We have approved the financial statements.
2. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
3. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, that are free from material misstatement, whether due to fraud or error.
4. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. . We have not corrected these differences identified by and brought to the attention from the auditor because the amendment to the accounts would involve a disproportionate amount of work for the utility to be gained by the users of those accounts.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance

Appendix B

Management representation letter

Management Rep Letter

matters:

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
   - Additional information that you have requested from us for the purpose of the audit; and
   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements[, including those related to the COVID-19 pandemic
3. We have made available to you all minutes of the meetings of the Council, Cabinet and Audit Committee held through the year to the most recent meeting on the following date: 30 October 2020.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 35 to the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. There have been no events subsequent to period end, including events related to the COVID-19 pandemic, which require adjustment of or disclosure in the financial statements or notes thereto.

Appendix B

Management representation letter

Management Rep Letter

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report.
2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Going Concern

1. Note 37 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

H. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and investment property, in the calculation of the NDR appeals provision, in generating the IAS19 pension disclosures and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

I. Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We confirm that the significant assumptions used in making the NDR appeals provision, valuation of assets and IAS19 disclosure estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete ,including the effects of the COVID-19 pandemic on the NDR appeals provision, valuation of assets and IAS19 disclosure and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic

J. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Signed on behalf of Mid Sussex District Council

I confirm that this letter has been discussed and agreed by the Audit Committee

Signed:

Name: Peter Stuart

Position: Head of Corporate Resources

Date:

Name: Michael Pulfer

Position: Chairman, Audit Committee

Date:

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FINANCIAL STATEMENTS 2019/20

REPORT OF:	Head of Corporate Resources
Contact Officer:	Peter Stuart
	Email: peter.stuart@midsussex.gov.uk Tel: 01444 477315
Wards Affected:	All
Key Decision:	No
Report to:	Audit Committee
	17 November 2020

Purpose of Report

1. This report presents the Financial Statements to the Committee for approval.

Summary

2. The Financial Statements have been circulated to all Members of the Committee. They have been subject to the annual audit and will have an unqualified opinion. No further changes arise from the Audit Results Report.

3. Recommendations

i) That the Financial Statements are approved;

Background

4. The Financial Statements present a picture of the Council's financial position over the year. This year they have again been prepared in accordance with International Financial Reporting Standards, although in comparison to last year they are being presented later. This is due to the changes in timescales allowed as a response to the Covid -19 pandemic, which has affected both the auditor and the finance team.

5. The statements are appended to this report and have been subject to audit.

6. The Head of Corporate Resources will sign the accounts as presenting a true and fair view of the financial position of the authority and its income and expenditure for the year ended 31st March 2020.

7. The Letter of Representation sets out the Committee's responsibility for approving the statements and their contents and is included as Appendix B. Note that this will be signed by the Chairman.

Policy Context

8. Receiving the report and following the recommendation enables the Council to fulfil its statutory obligations.

Other Options Considered

9. None.

Financial Implications

10. None.

Risk Management Implications

11. None.

Equality and Customer Service Implications

12. This report has no such implications

Other Material Implications

13. None.

Background Papers

None.

MID SUSSEX
DISTRICT COUNCIL

Statement of Accounts 2019– 2020 (Audited Version)

Audit Committee
17 November 2020

MID SUSSEX
DISTRICT COUNCIL

Statement of Accounts for the Year Ended 31 March 2020

Contents

Section 3 Notes to the Accounts continued

MID SUSSEX
DISTRICT COUNCIL

Statement of Responsibility and Narrative Report

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that Officer is the Head of Corporate Resources;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the Statement of Accounts.

The Head of Corporate Resources' Responsibilities

The Head 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 Chartered Institute of Public Finance and Accountancy (CIPFA) 2019/20 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Head of Corporate Resources has:

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

The Head of Corporate Resources has also:

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

I declare that the Statement of Accounts presents a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2020. I confirm that the date of this declaration is the date up to which events have been considered for inclusion within the Authority's Statement of Accounts and are therefore authorised for issue.

P Stuart FCPFA
Head of Corporate Resources
17 November 2020

Approval for the Statement of Accounts

Cllr M Pulfer
Chairman Audit Committee
17 November 2020

Narrative Report by the Head of Corporate Resources

1. Introduction

The purpose of this report is to provide an effective guide to the most significant matters reported in the accounts. Its aim is to be fair, balanced and understandable for the users of the financial statements. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS), and are in respect of the financial year ended 31 March 2020. Where appropriate we have commented on the impact of the Covid pandemic on the accounts even though the effect of this falls mainly in the new financial year. Other reports set out the effect in the new financial year and over the medium term.

The pages that follow are the Authority's Accounts for 2019/20. These comprise:

- Two years' statements of comprehensive income and expenditure (CIES)
- Two statements of changes in equity (MIRS)
- Two years' statements of financial position (Balance Sheet)
- Two statements of cash flows
- Two expenditure and funding analysis notes
- Related notes, including comparative information

Each of the main Financial Statements are explained further below:

Comprehensive Income and Expenditure Statement (CIES) – This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Movement in Reserves Statement (MIRS*)* – This statement shows the movement in the year on the different reserves held by the Authority, 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 authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

Balance Sheet – The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e., those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is unusable reserves. This category includes reserves that hold unrealised gains and losses (e.g. the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the MIRS line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement – The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period using the indirect method. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income, or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

Notes to the Accounts - These explain the basis of the figures in the accounts. The order of the notes is not prescribed and they are presented in a systematic manner that is most effective for the understanding of readers of the Authority.

Expenditure and Funding Analysis Note – The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Authority in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Authority's head of service areas. Income and expenditure accounted for

under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

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

We appreciate that the accounts are becoming ever more complex, we will again be publishing summary accounts to help people understand the Authority's financial position. If any further information is required on any aspect of these documents please use our contact details below.

I would now like to draw attention to the key features of these accounts and offer a brief financial overview of the year and comparison with the previous year.

2. Performance during the year and the position at the end of the year

This section of the report is intended to offer some information on the authority's key strengths and resources.

Revenue

The revenue and capital outturn for 2019/20 was reported to Cabinet on 1 June 2020.

During the year, Cabinet received five Budget Management reports (including the Outturn Report). Over the year the budget has continued to be carefully managed to ensure, as far as possible, that financial targets are met without compromising service performance. Whilst the first three quarters of the year showed an underspend, the Outturn for 2019/20 was an overspend of £10,000, after allowing for transfers of £257,000 to Specific Reserves. Members should note that this Budget Outturn Report links with the Service Performance Outturn Report which was separately reported to Cabinet on 1 June.

In summary, the main variances were the result of reduced income in a number of areas together with increased expenditure in the last quarter of the year. This overspend has been funded from General Reserve.

This outturn position is set out in the table overleaf.

Interest

Interest receipts for the year totalled £335,222; being £22,778 less than the original estimate. Of the total interest received £531 was utilised and has been transferred to the HR and Payroll Specific Reserve for employee benefits. This is in accordance with existing practice to part-pay employees' professional qualification subscriptions. No interest was used to support the revenue budget overspend position. Therefore, a net total of £334,691 was transferred to General Reserve.

Specific Items and Reserves

Specific items financed from the Specific Reserves and General Reserve totalled £7,171,000.

The largest utilisation of General Reserve amounted to £1,286,000 to finance the Capital Programme (including £179,000 for the financing of Revenue projects within the Programme). The largest utilisation of Specific Reserve amounted to £1,471,000, which was transferred to the Temporary Accommodation Reserve to acquire and manage our own properties to improve the quality of services for homeless families.

In addition, just under £9,000,000 has been transferred into Reserves, (£4,320,000 to Specific Reserve and £4,636,000 to General Reserve). The largest contributions to General Reserve in the year include:

- £3,444,000 grant relating to New Homes Bonus allocation.
- £336,000 interest receipts generated mainly from treasury management activity
- £413,000 for commuted sums -open space maintenance.
- £229,000 being the annual contribution budgeted to be paid to General Reserve, to fund the Authority's Major Capital Renewals programme.

Overall there has been a net increase of £1,785,000 in the level of the General Fund Balance as at 31 March 2020. Further details are contained within the Transfers to /from Earmarked Specific Reserves, Note 7 to the accounts, and are also set out in the Appendix C of the Outturn Report to Cabinet 1 June 2020.

Revenue Expenditure 2019/20 Service Area	Outturn Summary Estimate* 2019/20 £'000	Actual 2019/20 £'000	Variation** 2019/20 £'000		Reconciliation of Outturn to Statement of Accounts Transfer to/from Reserves 2019/20 £'000	Other Adjustments # 2019/20 £'000	Total Net Cost of Services (CIES EFA Note 1) 2019/20 £'000
Housing	1,232	1,447	215		216	(3)	1,660
Planning Policy & Economic Development	1,103	897	(206)		(49)	8	856
Development Management	650	547	(103)		105	5	657
Cleansing Services	3,105	3,025	(80)		(123)	(335)	2,567
Parking Services	(1,127)	(1,195)	(68)		20	5	(1,170)
Landscapes and Leisure	997	1,065	68		(56)	103	1,112
Community Services Policy and Performance	1,355	1,319	(36)		122	2	1,443
Corporate Estates and Facilities	(2,464)	(2,385)	79		(408)	2,741	(52)
Finance Accountancy	0	44	44		(3)	(1)	40
Finance Corporate	1,505	1,359	(146)		277	1	1,637
Revenues & Benefits	2,394	2,407	13		(92)	133	2,448
Customer Services and Communications	0	27	27		0	(1)	26
ICT & Digital	100	20	(80)		306	11	337
Human Resources & Payroll	0	52	52		46	0	98
Legal Services	0	(25)	(25)		0	0	(25)
Democratic Services	981	958	(23)		60	24	1,042
Land Charges	143	87	(56)		0	1	88
Environmental Health	1,122	1,104	(18)		(19)	13	1,098
Building Control	298	368	70		0	1	369
Strategic Core	1,148	1,174	26		172	(4)	1,342
Benefits	(119)	(119)	0		10	0	(109)
Drainage levies	1	1	0		0	0	1
Balance Unallocated	62	62	0		(62)	0	0
Council Net Expenditure	12,486	12,239	(247)		522	2,704	15,465
Less:							
Drainage levies					0	(1)	(1)
Total excluding drainage levies	12,486	12,239	(247)	***	522	2,703	15,464
Contribution to Development Plan Reserve	100	100	0				
Contribution to Rate Relief Equal. Reserve	200	200	0				
Contribution to ICT Reserve	400	400	0				
Contribution to Burgess hill Growth Reserve	60	60	0				
Contribution to Orchards Reserve	425	425	0				
Transfer to Specific Reserves (previously reported)		257	257				
	13,671	13,681	10				15,464
			0				
Total	13,671	13,681	10	****			15,464

* Includes approved variations including utilisation of Balance Unallocated

** Variations are explained in the Outturn Report to Cabinet on 1 June 2020.

*** Total before transfers to Specific Reserves approved during 19/20 (£257k).

**** Total overspend after approved transfers to Reserves (257k).

Other adjustments are items that were included in Outturn but need to be excluded from Net Cost of Service (NCS) in the CIES as these items are shown below NCS in the Statement of Accounts e.g Investment Property income, non-ringfenced grants, and external interest. In addition finance leases and recharged salaries to front line services have to be adjusted as the shown as fully recharged services in the Statement of Accounts.

Figures are subject to roundings to nearest £'000

Capital and Revenue Projects

Capital expenditure usually generates an asset that has a useful life of more than one year. Actual Capital Spending for the year amounted to £9,492,000 with an additional £262,000 spent on Revenue Projects within the approved programme. The Capital Spending included £4,566,000 on projects that came forward during the year which were unbudgeted at the time. In total, the spend on both Capital and Revenue projects was £9,754,000 which was £3,501,000 more than the updated 2019/20 programme of £6,253,000. (When excluding the unbudgeted projects, the outturn total is £5,188,000, which is £1,065,000 less than the updated 2019/20 programme of £6,253,000). Included in this year's variation, is slippage of projects totalling £1,291,000. Of this slippage, £894,000 relates to Corporate Estates and Facilities projects including Major Capital Renewals schemes, £204,000 relates to Planning Policy for Burgess Hill Place and Connectivity Programme, £53,000 for Cleansing Services, Landscapes and Leisure and £140,000 relates to Disabled Facilities Grants. These amounts have been rolled over and added to the Programme of Capital and Revenue Projects for 2020/21.

Capital Expenditure 2019/20

Property, Plant and Equipment	**2019/20**
Land and Buildings	**£000**
Temporary Accomodation Properties	1,471
Pavilions	52
Leisure Centres	298
Car Parks	80
Oaklands Office	299
Land and Buildings	2,200
Plant / Vehicles / Equipment and Asset Under Construction	
Playground and Skatepark Equipment, Asset Under Construction	121
ICT Hardware	95
Green Waste Wheeled Bins	10
Plant / Vehicles / Equipment	226
Total Property, Plant and Equipment, Asset Under Construction (Note 12)	2,426
Intangible Assets (Note 15)	
Software and software licences	365
Investment Property (Note 14)	
The Orchards Shopping Centre	358
Other Investment Property and Industrial Estate Buildings	353
	711
Revenue Expenditure funded from Capital Under Statute	
Other expenditure	4,808
Housing - Disabled Facilities Grants (DFG)	1,182
Housing - Affordable Housing	0
Total REFCUS Expenditure	5,990
Total Capital Expenditure	9,492
Financed by:	
General Reserve	1,107
Earmarked Specific Reserve	2,134
Total General Fund Balances	3,241
Government Grants, Contributions & Section 106s RIA	5,602
Capital Grants Unapplied Account	563
Usable Capital Receipts	86
Total	9,492

Usable capital receipts for 2019/20 totalled £208,000 (Note 6). Other contributions received in 2019/20 totalled £7,230,000 (Note 11 Grant Income – Capital Grants and Contributions Receipts in Advance), as shown below:

Time Limited Section 106 agreements & Local Authority contributions	£6,217,000
Disabled Facilities Grant (contribution from WSCC)	£1,013,000

The available year-end balance of Usable Capital Receipts is £1,145,000 (MIRS), Capital Grants Unapplied Account is £5,669,000 (MIRS) and Section 106 Contributions and Capital Grants Receipts in Advance is £9,061,000 (Note 11).

3. The Performance of the Authority

Service Performance

The outturn 2019/20 report to Cabinet shows that performance has been good overall, with most services performing at or close to target. The table below shows the summary comparative information with the previous financial year.

Year	Green	Amber	Red	Health check	Total
2019/20	38 (70%)	12 (22%)	4 (7%)	15	69
2018/19	33 (80%)	8 (20%)	0	19	60

Employees

The number of employees has increased a little from last year to 283 full time equivalents. Turnover also increased from a very low 6% last year to 10%, but still positive to the annual target. No particular trends emerged that required intervention. The pandemic required the workforce to swiftly adopt safe working practices, with 2/3rds of staff working from home and the remainder using socially-distanced offices with an increased level of cleaning. There has been no increase in staff sickness over the period and it is possible that remote and flexible working will be adopted over the longer term.

Strategic Risks

Each year the Cabinet agrees the risks that may prevent or slow the achievement of the strategic objectives. For 2019/20 these were:

1. Capacity of West Sussex County Council to support Mid Sussex District Council's ambitions.
2. West Sussex County Council budget cuts: housing related support, recycling credits and support services for vulnerable children and families
3. Threat of No Deal Brexit.

These were monitored through the year by both Management Team and Cabinet and controlled such that the risks did not materialise. An amended set of risks was adopted for 2020/21 by Cabinet to which will be added the Covid pandemic affecting the financial stability of the council and its ability to finance service delivery in the same way.

4. Impact of COVID-19 on Provision of Services, Financial Performance and Financial Position

The Covid pandemic started in the UK only at the end of the financial year and therefore had only a minimal effect on that year; however, the economic havoc wreaked by the lockdown and the government response, is certain to cause issues for all authorities for years to come. Mid Sussex, whilst in a strong financial position, will be reviewing its Corporate Plan mid year and presenting a set of responses that will act to safeguard services whilst preserving its financial position over the medium term.

This review will take place over the summer, with reports to Scrutiny, Cabinet and then Council in September 2020. It can be expected that rebuilding the economy and supporting the community in its recovery will feature strongly in the revised plan and these can be assisted with bespoke grant schemes financed from the general reserve for a limited period. Similarly, we will need to expand some services where demand has increased and build in any revenue pressure to the medium-term financial plan.

The strategy proposed for the council is to review the Corporate Plan and achieve efficiency savings from adopting new ways of working, targeted and tested changes in services and taking some restructure opportunities whilst filling the remaining deficit with use of General Reserve over the medium term. At the time of writing we are awaiting the details of the income protection scheme announced by the Secretary of State, which suggests that all but commercial income will be replaced with central funding. This will have a

major positive impact on our outlook, but we remain cautious until the details are known. In the meantime, we continue to prepare on the most prudent basis.

We are not presently seeing significant costs arising from increasing demand for services, aside from the homelessness service where the pandemic has exacerbated the trend of the last few years. As such, we are not expecting an unrelenting surge in costs requiring financing in 20/21 year. This is being closely monitored however.

As would be expected, the authority has taken full part in the various grant schemes set out by the Department for Business, Energy and Industrial Strategy. At the time of writing over £25m of the first scheme and some £1.5m of the discretionary scheme has been awarded and paid to recipients. The considerable effort in so doing has been rewarded by New Burdens funding of £170k in the current year.

5. Local Taxpayers

During the year, the Authority collected £111,478,000 in Council Tax on behalf of West Sussex County Council, the Sussex Police and Crime Commissioner and Mid Sussex District Council and its towns and parishes. All but £10,048,000 of this was passed on to the other authorities. The collection rate for the year was 98.3% of the total amount due and most of the remainder will be collected in the first few months of 2020/21.

6. Pensions

The Authority is required to show in the Statement of Accounts the costs, assets and liabilities associated with its share of the pension fund which is administered by West Sussex County Council. The surplus or deficit on the Authority's Pension Fund is shown within the Balance Sheet.

The pension liability has reduced to £15,081,000 as at 31 March 2020, from £35,546,000 the previous year. This is mainly due to the change in financial assumptions used by the actuary particularly the decrease in the Pension Increase Rate. These assumptions are determined by the Actuary and represent the market conditions at the reporting date. The Authority relies 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 the Notes to the Accounts, Note 34.

7. Other Significant items

Other items are disclosed in the Notes to the Accounts, Note 3.

8. Changes in accounting policy

For this year's accounts, there are no changes in accounting policy.

9. Borrowing

As part of the Orchards Shopping Centre head-lease purchase, the authority entered into £13m of borrowing with other local authorities at various rates and maturity dates. This strategy was agreed by the Audit Committee and the actual loans were described in the papers received by Audit Committee in January 2017 http://mid-sussex.cmis.uk.com/mid-sussex/MeetingsCalendar/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1752/Committee/29/Default.aspx

The intention is that the outstanding loans are repaid from capital receipts arising from the sale of land or refinanced over the short term if receipts are not available.

10. Provisions

NNDR Provision for Appeals

At 31 March 2020 there is a provision of £6,720,000 relating to outstanding appeals to the Rateable Value, as detailed in the Collection Fund Section 4. The Authority's share of this is £1,344,000 as detailed in Note 23.

Termination Benefits Provision

At 31 March 2020 there is a provision of £77,000 relating to 1 officer, as detailed in the Exit Package Note 30.

Employee Benefits Accrual

Under the Code, the council is required to accrue for any annual leave earned but not taken at 31 March each year. At 31 March 2020 this amounts to a £146,000 provision.

Municipal Mutual Insurance (MMI)
Municipal Mutual Insurance (MMI) is an insurance company established by a group of local authorities in 1903. The Company suffered substantial losses between 1990 and 1992. These losses reduced MMI's net assets to a level below the minimum regulatory solvency requirement. In September 1992 MMI ceased to write new, or to renew, general insurance business. MMI has been in run-off since 1992 and the Council, like many other local authorities, is a Scheme Creditor of MMI. Under the terms of MMI's Scheme of Arrangement, if MMI cannot complete a solvent runoff, Scheme Creditors may have to pay back part of all claims for which they have received settlements since 1992.

Whilst the Scheme of Arrangement has not been triggered it remains "held in reserve". However, following a recent judgement by the Supreme Court regarding Employers' Liability cover for Mesothelioma claims there is the potential for the scheme of arrangement to be triggered. As at 31 March 2020, there is a remaining provision for £10,000.

11. Material Events after the reporting date

Following the referendum vote that backed the withdrawal of the United Kingdom from the European Union, we are carefully monitoring the political and economic outlook. At the time of writing it has had no significant effects upon the Authority's financial position; but this will be kept under review.

12. Level of Financial Reserves

The level of reserves increased during 2019/20, largely due to the receipt of New Homes Bonus (NHB) grant (£3,444,000) and investment interest (£592,000). The main utilisation relates to financing the Capital Programme. This includes £1,107,000 funded from General Reserve as well as £1,471,000 from the Specific Reserve for the purchase of Temporary Accommodation.

The Authority's level of General Fund Balances held at 31 March 2020 stands at £6,132,000. At Outturn, the Cabinet agreed to earmark sums from the Revenue underspend to specific reserves.

As stated above, it is felt that the authority has sufficient reserves to weather the financial storm created by the pandemic. While the use of General Reserve is not a long-term solution, it is felt that some temporary and prudent use of the reserve to fill the deficit is warranted and is affordable over the medium term. The reports mentioned above anticipate that up to £10m could be used over the next four years and until the economy recovers, although this will not be without its own impact on the capital programme which will need to be assessed at the appropriate time.

13. Business Rates Retention Scheme (RRS)

The income from Business Rates is part of our core funding and is showing signs of increasing slightly as the economy improves. However, our approach to this is very prudent and given the length of time that elapses between setting a budget and knowing the outturn for the year, we have been reluctant to rely on the income in advance of its receipt. We now also are preparing for full retention of business rates to the local government sector and are keeping abreast of the working groups which together are devising the new system which was expected to start in 2020/21. However, the increased level of funding will come with increased responsibilities which do have the potential to affect our financial strategy. The Council will be kept updated as the situation develops. In the mean-time we are anticipating the Fair Funding Review which has the potential to amend the Council's funding via Business Rates.

14. Council Tax Support Scheme (CTSS)

This has become business as usual now and has been updated to be administratively less cumbersome. Whilst we are expecting some impact from the effect of the Covid pandemic – which would manifest as a drag on the taxbase increase, this is not expected to be significant for the authority.

15. Further Information

Interested members of the public have a statutory right to inspect the accounts from 20 July 2020 to 28 August 2020. The Notice was placed on the MSDC website, under the Finance Publications section. Further information about any aspect of the accounts is available from both the Head of Corporate Resources, Peter Stuart 01444 477315 (Peter.Stuart@midsussex.gov.uk), and the Chief Accountant, Cathy Craigen 01444 477384 (Cathy.Craigen@midsussex.gov.uk), at Mid Sussex District Council, Oaklands Road, Haywards Heath, RH16 1SS. It is our intention to be open with the information that we hold and we encourage local stakeholder enquiries.

MID SUSSEX
DISTRICT COUNCIL

Financial Statements

Comprehensive Income and Expenditure Statement

2018/19 Gross Expenditure £000	2018/19 Gross Income £000	2018/19 Net Expenditure £000		2019/20 Gross Expenditure £000	2019/20 Gross Income £000	2019/20 Net Expenditure £000
			Business Unit Net Expenditure (Note 1)			
2,724	(307)	2,417	Housing	2,333	(465)	**1,868**
2,745	(2,335)	410	Planning Policy & Economic Development	5,761	(4,755)	**1,006**
2,290	(1,600)	690	Development Management	2,453	(1,490)	**963**
5,270	(2,454)	2,816	Cleansing Services	5,277	(2,305)	**2,972**
1,928	(2,863)	(935)	Parking Services	1,884	(2,877)	**(993)**
7,619	(1,837)	5,782	Landscapes & Leisure	5,049	(2,283)	**2,766**
1,838	(417)	1,421	Community Services, Policy & Performance	2,068	(449)	**1,619**
2,132	(1,324)	808	Corporate Estates & Facilities	1,103	(515)	**588**
107	0	107	Finance Accountancy	91	0	**91**
1,321	(15)	1,306	Finance Corporate	341	(8)	**333**
3,533	(523)	3,010	Revenues & Benefits	3,345	(497)	**2,848**
84	(4)	80	Customer Services & Communications	134	(5)	**129**
553	0	553	ICT & Digital	730	(5)	**725**
89	0	89	Human Resources & Payroll	179	0	**179**
180	(143)	37	Legal Services	254	(198)	**56**
1,316	(315)	1,001	Democratic Services	1,379	(269)	**1,110**
344	(184)	160	Land Charges	355	(194)	**161**
2,566	(1,379)	1,187	Environmental Health	2,864	(1,530)	**1,334**
928	(513)	415	Building Control	964	(447)	**517**
1,434	0	1,434	Strategic Core	1,676	0	**1,676**
31,709	(31,987)	(278)	Benefits	28,759	(28,868)	**(109)**
70,710	(48,200)	22,510	**Net Cost of Services**	66,999	(47,160)	**19,839**
3,209	0	3,209	**Other Operating Expenditure (Note 8)**	4,081	0	**4,081**
3,113	(4,485)	(1,372)	**Financing & Investment Income/Expenditure (Note 9)**	8,431	(4,762)	**3,669**
0	(23,398)	(23,398)	**Taxation & Non-Specific Grant Income (Note 10)**	0	(23,067)	**(23,067)**
77,032	(76,083)	949	**(Surplus) / Deficit on Provision of Services**	79,511	(74,989)	**4,522**
		(27,623)	(Surplus)/ Loss arising on revaluation of Property, Plant, Equipment assets (Note 25a)			**787**
		3,595	Actuarial (gains) / losses on pension fund assets and liabilities (Note 34)			**(23,008)**
		(24,028)	**Other Comprehensive Income and Expenditure**			**(22,221)**
		(23,079)	**Total Comprehensive Income and Expenditure**			**(17,699)**

Movement In Reserves Statement

	General Fund Reserves	Usable Capital Receipts	Capital Grants Unapplied Account	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2019	**(19,938)**	**(1,061)**	**(5,674)**	**(26,673)**	**(112,528)**	**(139,201)**
Total Comprehensive Income and Expenditure	**4,522**	**0**	**0**	**4,522**	**(22,221)**	**(17,699)**
Adjustments between accounting basis and funding basis under regulation (Note 6)	(6,425)	(84)	5	(6,504)	6,504	**0**
Increase / Decrease in Year	(1,903)	(84)	5	(1,982)	(15,717)	(17,699)
Balance at 31 March 2020	**(21,841)**	**(1,145)**	**(5,669)**	**(28,655)**	**(128,245)**	**(156,900)**

General Fund Balances	**(6,132)**
Earmarked Specific Reserves	**(15,709)**
General Fund Reserves balance at 31 March 2020 (Note 7)	**(21,841)**

	General Fund Reserves	Usable Capital Receipts	Capital Grants Unapplied Account	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2018	**(27,568)**	**(1,323)**	**(5,324)**	**(34,215)**	**(81,907)**	**(116,122)**
Total Comprehensive Income and Expenditure	**949**	**0**	**0**	**949**	**(24,028)**	**(23,079)**
Adjustments between accounting basis and funding basis under regulation (Note 6)	6,681	262	(350)	6,593	(6,593)	**0**
Increase / Decrease in Year	7,630	262	(350)	7,542	(30,621)	(23,079)
Balance at 31 March 2019	**(19,938)**	**(1,061)**	**(5,674)**	**(26,673)**	**(112,528)**	**(139,201)**

General Fund Balances	**(3,098)**
Earmarked Specific Reserves	**(16,840)**
General Fund Reserves balance at 31 March 2019 (Note 7)	**(19,938)**

Balance Sheet

31 March 2019 £000		Note	31 March 2020 £000
86,590	Land and Buildings		**86,549**
3,557	Vehicles, Plant & Equipment		**3,349**
2,173	Infrastructure Assets		**2,022**
20	Community Assets		**20**
117	Assets Under Construction		**0**
386	Surplus Assets		**0**
92,843	**Property, Plant & Equipment**	12, 17	**91,940**
825	Heritage Assets	13	**825**
55,446	Investment Properties	14	**50,779**
233	Intangible Assets	15	**445**
5,967	Long Term Investments	18	**5,755**
19	Long Term Debtors	18	**22**
155,333	**Long Term Assets**		**149,766**
20,139	Short Term Investments	18	**19,171**
5,282	Short Term Debtors	19	**3,778**
27,208	Assets Held For Sale	21	**27,208**
5,210	Cash & Cash Equivalents	20	**9,790**
57,839	**Current Assets**		**59,947**
(12)	Bank Overdraft	20	**0**
(11,693)	Creditors	22	**(17,066)**
(2,323)	Provisions	23	**(1,577)**
(277)	Finance Lease Payable Less 1 Year	33	**(283)**
(6,188)	Borrowing Payable Less 1 Year	18	**(189)**
(20,493)	**Current Liabilities**		**(19,115)**
(7,954)	Capital Grants & Contributions Receipts In Advance	11	**(9,061)**
(2,541)	Finance Lease Payable Longer 1 Year	33	**(2,258)**
(7,437)	Borrowing Payable Longer 1 Year	18	**(7,298)**
(35,546)	Liability related to Defined Benefit Pension Scheme	34	**(15,081)**
(53,478)	**Long Term Liabilities**		**(33,698)**
139,201	**Net Assets**		**156,900**
(3,098)	General Fund Balances	7	**(6,132)**
(16,840)	Earmarked Specific Reserve	7	**(15,709)**
(1,061)	Usable Capital Receipts Reserve	MIRS	**(1,145)**
(5,674)	Capital Grants Unapplied Account	MIRS	**(5,669)**
(26,673)	**Usable Reserves**	24	**(28,655)**
(73,303)	Revaluation Reserve		**(71,898)**
(75,162)	Capital Adjustment Account		**(71,721)**
(17)	Deferred Capital Receipts Reserve		**(16)**
58	Financial Instruments Revaluation Reserve		**271**
35,546	Pensions Reserve		**15,081**
253	Collection Fund Adjustment Account		**(108)**
97	Accumulated Absences Account		**146**
(112,528)	**Unusable Reserves**	25	**(128,245)**
(139,201)	**Total Reserves**		**(156,900)**

These financial statements replace the unaudited financial statements certified by the Head of Corporate Resources on 17 July 2020

P Stuart, FCPFA
Head of Corporate Resources
17 November 2020

Cash Flow Statement

2018/19 £000		Note	2019/20 £000
(949)	**Net surplus / (deficit) on the provision of services**	CIES	**(4,522)**
8,914	Adjustments to net surplus or deficit on the provision of services for non cash movement	27	**13,787**
(6,183)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	27	**(6,368)**
1,782	**Net cash flows from Operating Activities**	27	**2,897**
	Investing Activities		
(15,392)	Purchase of property, plant and equipment, investment property and intangible assets		**(3,814)**
(18,025)	Purchase of short-term and long-term investments		**(24,000)**
1,007	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		**208**
28,000	Proceeds of short-term and long-term investments		**25,000**
5,889	Capital grants and S106 contributions received		**7,268**
1,479	**Net Cash flows from Investing Activities**		**4,662**
	Financing Activities		
6,000	Cash receipts of short-term and long-term borrowing		**0**
(271)	Cash payments for the reduction of the outstanding liabilities relating to finance leases		**(277)**
(5,127)	Repayments of short-term and long-term borrowing		**(6,133)**
(175)	Other payments for financing activities		**3,443**
427	**Net Cash flows from Financing Activities**		**(2,967)**
3,688	**Net increase / (decrease) in cash and cash equivalents**		**4,592**
1,510	Cash and cash equivalents at 1 April	20	**5,198**
5,198	Cash and cash equivalents at 31 March	20	**9,790**
3,688	Movement in year increase / (decrease)		**4,592**

MID SUSSEX
DISTRICT COUNCIL

Notes to the Accounts

1. Expenditure and Funding Analysis

Business Unit	2019/20 Net Expenditure Chargeable to the General Fund Balances	2019/20 Adjustments for Capital purposes (Note a)	2019/20 Net change for the Pensions adjustments (Note b)	2019/20 Other Differences (Note c)	2019/20 Total Adjustments between the Funding and Accounting Basis	2019/20 Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000	£000
Housing	**1,660**	49	155	4	**208**	**1,868**
Planning Policy & Economic Development	**856**	0	144	6	**150**	**1,006**
Development Management	**657**	0	306	0	**306**	**963**
Cleansing Services	**2,567**	326	78	1	**405**	**2,972**
Parking Services	**(1,170)**	5	170	2	**177**	**(993)**
Landscapes & Leisure	**1,112**	1,507	144	3	**1,654**	**2,766**
Community Services, Policy & Performance	**1,443**	0	179	(3)	**176**	**1,619**
Corporate Estates & Facilities	**(52)**	528	109	3	**640**	**588**
Finance Accountancy	**40**	0	54	(3)	**51**	**91**
Finance Corporate	**1,637**	0	(1,304)	0	**(1,304)**	**333**
Revenues & Benefits	**2,448**	15	385	0	**400**	**2,848**
Customer Services & Communications	**26**	0	101	2	**103**	**129**
ICT and Digital	**337**	184	196	8	**388**	**725**
Human Resources & Payroll	**98**	0	76	5	**81**	**179**
Legal Services	**(25)**	0	78	3	**81**	**56**
Democratic Services	**1,042**	3	64	1	**68**	**1,110**
Land Charges	**88**	41	31	1	**73**	**161**
Environmental Health	**1,098**	0	237	(1)	**236**	**1,334**
Building Control	**369**	0	150	(2)	**148**	**517**
Strategic Core	**1,342**	0	315	19	**334**	**1,676**
Benefits	**(109)**	0	0	0	**0**	**(109)**
Net Cost of Services	**15,464**	2,658	1,668	49	**4,375**	**19,839**
Town & Parish Precepts and Levies	4,213	0	0	0	**0**	**4,213**
Net gain/loss on disposal of non current assets	0	(170)	0	0	**(170)**	**(170)**
Payment to Housing Capital Receipts Pool	0	38	0	0	**38**	**38**
Net interest receivable	(436)	0	0	0	**0**	**(436)**
Net interest on pension net defined benefit liability	0	0	875	0	**875**	**875**
Investment Properties	(2,747)	5,764	0	0	**5,764**	**3,017**
Financial Instruments Valuation Adjustment	0	0	0	213	**213**	**213**
Capital grants and contributions unapplied credited to the CIES	(33)	(558)	0	0	**(558)**	**(591)**
Council Tax Income	(14,363)	0	0	(82)	**(82)**	**(14,445)**
Business Rates Income	(2,248)	0	0	(279)	**(279)**	**(2,527)**
Non-ringfenced government grants	(5,504)	0	0	0	**0**	**(5,504)**
Capital Expenditure financed from revenue balances	3,241	(3,241)	0	0	**(3,241)**	**0**
Statutory provision for payment of debt, Minimum Revenue Provision	510	(510)	0	0	**(510)**	**0**
Other Income and Expenditure (Notes 8, 9, 10)	**(17,367)**	1,323	875	(148)	**2,050**	**(15,317)**
(Surplus)/Deficit for year	**(1,903)**	3,981	2,543	(99)	**6,425**	**4,522**
Opening General Fund Reserves	**(19,938)**					
Plus/ less Surplus or Deficit on General Fund Balance in Year	**(1,903)**					
Closing General Fund Reserves	**(21,841)**					

The Net Expenditure Chargeable to the General Fund Balances shown above is listed by Business Unit. This can be referenced back to the Narrative Report Note 2 table on page 7 which is a summary of the Outturn reported to Cabinet on 3 June 2019 with columns showing transfers to reserves and other adjustments. The columns showing the Adjustments between the Funding and Accounting Basis give details of the adjustments to reach the total Net Expenditure in the CIES. These adjustments are also shown in Note 6.

Adjustments for Capital Purposes

(a) Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure**- adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

(b) Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the Authority as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure –**the net interest on the defined benefit liability is charged to the CIES.

Other Differences

(c) Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For **services** this represents the removal of the Accumulated Absences Account accrual for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March.
- For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for statutory override for pooled investments.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.
- This also includes the net transfer to Earmarked Specific Reserves.

Business Unit	2018/19 Net Expenditure Chargeable to the General Fund Balances	2018/19 Adjustments for Capital purposes (Note a)	2018/19 Net change for the Pensions adjustments (Note b)	2018/19 Other Differences (Note c)	2018/19 Total Adjustments between the Funding and Accounting Basis	2018/19 Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000	£000
Housing	1,436	888	95	(2)	981	2,417
Planning Policy & Economic Development	317	0	96	(3)	93	410
Development Management	443	0	250	(3)	247	690
Cleansing Services	2,292	476	51	(3)	524	2,816
Parking Services	(1,354)	293	130	(4)	419	(935)
Landscapes & Leisure	1,301	4,389	94	(2)	4,481	5,782
Community Services, Policy & Performance	1,269	25	125	2	152	1,421
Corporate Estates & Facilities	(208)	934	85	(2)	1,017	809
Finance Accountancy	11	0	93	3	96	107
Finance Corporate	1,649	0	(343)	0	(343)	1,306
Revenues & Benefits	2,748	10	260	(8)	262	3,010
Customer Services & Communications	7	0	75	(2)	73	80
ICT and Digital	208	203	145	(3)	345	553
Human Resources & Payroll	36	0	54	(1)	53	89
Legal Services	(28)	0	67	(2)	65	37
Democratic Services	936	14	51	0	65	1,001
Land Charges	104	32	26	(2)	56	160
Environmental Health	1,019	0	180	(12)	168	1,187
Building Control	305	0	114	(4)	110	415
Strategic Core	1,195	0	231	7	238	1,433
Benefits	(278)	0	0	0	0	(278)
Net Cost of Services	**13,408**	7,264	1,879	(41)	**9,102**	**22,510**
Town & Parish Precepts and Levies	4,162	0	0	0	0	4,162
Net gain/loss on disposal of non current assets	0	(953)	0	0	(953)	(953)
Payment to Housing Capital Receipts Pool	0	0	0	0	0	0
Net interest receivable	(431)	0	0	0	0	(431)
Net interest on pension net defined benefit liability	0	0	785	0	785	785
Investment Properties	(2,741)	1,106	0		1,106	(1,635)
Financial Instruments Valuation Adjustment	0	0	0	(91)	(91)	(91)
Capital grants and contributions unapplied credited to the CIES	(27)	(1,672)	0	0	(1,672)	(1,699)
Council Tax Income	(13,937)	0	0	20	20	(13,917)
Business Rates Income	(2,488)	0	0	961	961	(1,527)
Non-ringfenced government grants	(6,255)	0	0	0	0	(6,255)
Capital Expenditure financed from revenue balances	15,441	(15,441)	0	0	(15,441)	0
Statutory provision for payment of debt, Minimum Revenue Provision	498	(498)	0	0	(498)	0
Other Income and Expenditure (Notes 8, 9, 10)	**(5,778)**	(17,458)	785	890	**(15,783)**	**(21,561)**
(Surplus)/Deficit for year	**7,630**	(10,194)	2,664	849	**(6,681)**	**949**
Opening General Fund Reserves	**(27,568)**					
Plus/ less Surplus or Deficit on General Fund Balance in Year	**7,630**					
Closing General Fund Reserves	**(19,938)**					

2. Expenditure and Income analysed by nature

The Authority's expenditure and income is analysed as follows:

	2019/20 £000	2018/19 £000
Expenditure		
Employee benefits expenses (includes Pensions adjustments in Note 1)	**16,594**	15,715
Benefits (CIES)	**28,759**	31,709
Premises, Transport, Supplies & Services, Third Party Payments	**14,186**	13,381
REFCUS (Narrative Report Note 2) and Revenue Projects	**6,150**	4,387
Investment Property operating expenditure (Note 14)	**1,423**	1,028
Investment property revaluations (net decreases) (Note 14)	**5,764**	1,106
Financial Instrument Valuation Adjustment (Note 9)	**213**	0
Support service recharges	**(86)**	(79)
Depreciation, amortisation (Note 12, Note 15)	**2,112**	2,269
Impairment (Note 17)	**159**	4,113
Interest payments (Note 9)	**156**	194
Precepts and levies (Note 8)	**4,213**	4,162
Payments to Housing Capital Receipts Pool (Note 8)	**38**	0
Net (Gain)/Loss on the disposal of assets (Note 8)	**(170)**	(953)
Total Expenditure	**79,511**	77,032
Income		
Fees, charges and other service income	**(12,370)**	(12,397)
Interest and dividend income (Note 18)	**(592)**	(625)
Investment property income (Note 14)	**(4,170)**	(3,769)
Investment property revaluations (net increases) (Note 14)	**0**	0
Financial Instrument Valuation Adjustment (Note 9)	**0**	(91)
Income from council tax and non-domestic rates (Note 10)	**(16,972)**	(15,444)
Housing Benefit Gross Income (CIES)	**(28,868)**	(31,987)
Government grants and contributions (Note 10, Note 11)	**(12,017)**	(11,770)
Total Income	**(74,989)**	(76,083)
(Surplus) / deficit on the Provision of Services	**4,522**	949

3. Material Items of Income and Expense

For the purposes of this note, the Authority considers materiality as £1,540,000, based on 2% of prior year gross service expenditure. Where material items are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the nature and amount of these items would be separately disclosed. For 2019/20 the material items are:

- The receipt of New Homes Bonus of £3,444,000 as detailed in Note 10 Taxation and Non-Specific Grant Income and Expenditure.
- The receipt of £2,747,000 relating to the net rental income from Investment Property as detailed in Note14 Investment Properties.

4. Events After The Reporting Period

The Statement of Accounts was authorised for issue by the Head of Corporate Resources on 17 November 2020. Events taking place after the reporting period are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Impact of Covid19

The Accounts and Audit (Coronavirus) Amendments Regulations 2020 (SI 2020/404) have extended the statutory audit deadline for 2019/20 for all local authorities, apart from health service bodies. The publication date for audited accounts will move from 31 July to 30 November 2020.

Asset Valuations

The valuations that are detailed in Note 12 and Note 14 have been provided by Wilkes Head Eve LLP, who have issued the following statement with their report:

- "The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

- Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

- Our valuation(s) / market review(s) are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation/review than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of asset/portfolio under frequent review."

Asset Held For Sale
The marketing of Hurst Farm has produced possible receipt figures that favourably vary from that used as the valuation of that asset for sale. However, there would be a significant degree of risk in using these figures at this early stage of due diligence on the bids and we are not therefore proposing to amend the Statements. It should be noted that this capital receipt would affect the Balance Sheet only if it were to be adjusted, and not the CIES. Hurst Farm is shown in Note 21 Assets Held for Sale.

McCloud Judgement June 2019
The UK Government requested leave to appeal to the Supreme Court in respect of the McCloud Judgement but this was denied at the end of June 2019. IAS19 values were therefore been updated to reflect actuarial assumptions subsequent to this decision in the 2018/19 accounts. A more detailed disclosure is included under Note 34 Defined Benefit Pension Schemes.

5. Prior Period Adjustments

There are no prior period adjustments.

6. 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 Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure, as shown in the Movement In Reserves Statement.

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance
The General Fund is a statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Authority is required to recover) at the end of the financial year.

Capital Receipts Reserve
The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied Account
The Capital Grants Unapplied Accounts holds the grants and contributions received towards capital projects for which the Authority has met the conditions that would otherwise require repayment for the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and /or the financial year in which this can take place.

2019/20	Usable Reserves		
Adjustments to the Revenue Resources	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Pension costs (transferred to/from the Pensions Reserve, Note 25(f))	(2,543)	0	0
Council tax and NDR (transfers to or from Collection Fund Adjustment Account (Note 25(g))	361	0	0
Holiday pay (transferred to the Accumulated Absences Account (Note 25 (h))	(49)	0	0
Financial Instruments Valuation Adjustments (transferred to the Financial Instruments Valuation Reserve (Note 25 (d))	(213)	0	0
Reversal of entries included in the Surplus/Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account:			
Charges for depreciation and impairment of non current assets	(1,959)	0	0
Revaluation losses on Property Plant and Equipment, and Heritage Assets	(159)	0	0
Movements in the fair value of Investment Properties	(5,764)	0	0
Amortisation of intangible assets	(153)	0	0
Capital grants and contributions applied for REFCUS	5,602	0	0
Revenue expenditure funded from capital under statute	(5,990)	0	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(36)	0	0
Capital grants and contributions unapplied credited to the CIES	558	0	(558)
Total Adjustments to Revenue Resources	(10,345)	0	(558)
Adjustments between Revenue and Capital Resouces			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	207	(207)	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(38)	38	0
Statutory provision for the payment of debt (transfer to the Capital Adjustment Account)	510	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	3,241	0	0
Total Adjustments between Revenue and Capital Resources	3,920	(169)	0
Adjustments to Capital Resouces			
Use of the Capital Receipts Reserve to finance capital expenditure	0	86	0
Application of capital grants to finance capital expenditure	0	0	563
Cash payments in relation to deferred capital receipts	0	(1)	0
Total Adjustments to Capital Resources	0	85	563
Total Adjustments on MIRS	(6,425)	(84)	5

2018/19	Usable Reserves		
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Pension costs (transferred to/from the Pensions Reserve, Note 25(f))	(2,664)	0	0
Council tax and NDR (transfers to or from Collection Fund Adjustment Account (Note 25(g))	(981)	0	0
Holiday pay (transferred to the Accumulated Absences Account (Note 25 (h))	41	0	0
Financial Instruments Valuation Adjustments (transferred to the Financial Instruments Valuation Reserve (Note 25 (d))	91	0	0
Reversal of entries included in the Surplus/Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account:			
Charges for depreciation and impairment of non current assets	(2,180)	0	0
Revaluation losses on Property Plant and Equipment, and Heritage Assets	(4,113)	0	0
Movements in the fair value of Investment Properties	(1,106)	0	0
Amortisation of intangible assets	(89)	0	0
Capital grants and contributions applied for REFCUS	3,505	0	0
Revenue expenditure funded from capital under statute	(4,387)	0	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(54)	0	0
Capital grants and contributions unapplied credited to the CIES	1,672	0	(1,672)
Total Adjustments to Revenue Resources	(10,265)	0	(1,672)
Adjustments between Revenue and Capital Resouces			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,007	(1,007)	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	0	0	0
Statutory provision for the payment of debt (transfer to the Capital Adjustment Account)	498	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	15,441	0	0
Total Adjustments between Revenue and Capital Resources	16,946	(1,007)	0
Adjustments to Capital Resouces			
Use of the Capital Receipts Reserve to finance capital expenditure	0	1,269	0
Application of capital grants to finance capital expenditure	0	0	1,322
Cash payments in relation to deferred capital receipts	0	0	0
Total Adjustments to Capital Resources	0	1,269	1,322
Total Adjustments on MIRS	6,681	262	(350)

7. Transfers To/From Earmarked Specific Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked specific reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2019/20. The net movement in the year is shown on the Movement In Reserves Statement. Further explanation of each item included in Specific Reserve is set out in the Outturn Report 2019/20, to Cabinet on 11 May 2020.

Specific Reserve	Balance at 1 April 2018 £000	Transfers In 2018/19 £000	Transfers Out 2018/19 £000	Balance at 31 March 2019 £000	Transfers In 2019/20 £000	Transfers Out 2019/20 £000	Balance at 31 March 2020 £000
Housing	(4,410)	(346)	2,392	(2,364)	(333)	1,687	**(1,010)**
Planning Policy & Economic Development	(2,315)	(1,393)	506	(3,202)	(673)	806	**(3,069)**
Development Management	(21)	0	0	(21)	0	0	**(21)**
Parking	(54)	(98)	38	(114)	0	20	**(94)**
Cleansing Services	(189)	(26)	39	(176)	0	35	**(141)**
Landscapes & Leisure	(556)	(374)	505	(425)	(278)	296	**(407)**
Community Services, Policy & Performance	(410)	(239)	202	(447)	(76)	148	**(375)**
Corporate Estates & Facilities	(5,311)	(525)	491	(5,345)	(738)	515	**(5,568)**
Finance Accountancy	(6)	(5)	0	(11)	(17)	14	**(14)**
Finance Corporate	(4,575)	(377)	4,548	(404)	(137)	408	**(133)**
Revenues & Benefits	(246)	(252)	306	(192)	(132)	40	**(284)**
ICT & Digital	(333)	(626)	760	(199)	(405)	530	**(74)**
Human Resources & Payroll	(3)	(7)	8	(2)	(6)	7	**(1)**
Democratic Services	(176)	(70)	39	(207)	(70)	129	**(148)**
Land Charges	(2)	0	0	(2)	0	0	**(2)**
Planning Service Support	(25)	0	0	(25)	0	25	**0**
Environmental Health	0	0	0	0	(5)	0	**(5)**
Corporate Funds	(2,082)	(2,687)	1,065	(3,704)	(1,415)	756	**(4,363)**
Specific Reserve Total	(20,714)	(7,025)	10,899	(16,840)	(4,285)	5,416	**(15,709)**
General Fund Balances	(6,854)	(4,978)	8,734	(3,098)	(4,636)	1,602	**(6,132)**
	(27,568)	(12,003)	19,633	(19,938)	(8,921)	7,018	**(21,841)**

Earmarked Specific Reserves – These reserves comprise amounts for particular purposes and for which Member authorisation has been obtained as to how these may be applied.

- The transfers out of the Housing Specific Reserve included £1,471,000 utilised from the Temporary Accommodation Reserve to help secure better accommodation for vulnerable families.
- The transfers to Corporate Funds Specific Reserve included £1,414,000 to the Rate Retention Scheme Equalisation of which £1,206,000 relates to MHCLG grants and £200,000 relates to the budgeted 2019/20 Corporate Plan contribution. £719,000 has been utilised including £279,000 for previous year NNDR3 levy calculator adjustment and £440,000 Revenue Budget financing.

General Fund Balances – This includes amounts earmarked for the Capital Programme, amounts provided by developers as commuted sums in lieu of future maintenance, and resources available to meet future running costs for services.

8. Other Operating Expenditure

	2019/20 £000	2018/19 £000
Town and Parish Council precepts	**4,212**	4,161
Levies	**1**	1
Payments to Government Housing Capital Receipts Pool (Note 6)	**38**	0
Net (gains)/losses on the disposal of non-current assets	**(170)**	(953)
Total	**4,081**	3,209

9. Financing and Investment Income and Expenditure

	2019/20 £000	2018/19 £000
Interest payable and similar charges (Note 18)	**156**	194
Net interest on the net defined benefit liability/(asset) (Note 34)	**875**	785
Interest receivable and similar income (Note 18)	**(592)**	(625)
Income and expenditure for Investment Properties (Note 14)	**(2,747)**	(2,741)
Movement in fair value of Investment Properties (Note 14)	**5,764**	1,106
Movement in valuation of Financial Instruments (Note 25(d))	**213**	(91)
Total	**3,669**	(1,372)

10. Taxation and Non-Specific Grant Income and Expenditure

	2019/20 £000	2018/19 £000
Housing Benefits Administration Grant	**(224)**	(247)
New Burden Council Tax Reform & Business Rates Scheme	**(99)**	(89)
New Homes Bonus	**(3,444)**	(3,657)
Individual Electoral Registration Grant	**(25)**	(26)
Various DWP New Burden Grants	**(96)**	(121)
Small Business, Empty Property and Business Rate Reliefs	**(1,172)**	(1,663)
Local Council Tax New Burdens	**(18)**	(14)
Transparency Code Set Up Grant	**(8)**	(8)
Levy Account Surplus Grant	**(7)**	(32)
Self Build & Custom Housebuilding Grant	**(15)**	(30)
Brownfield Register New Burden Grant	**(2)**	(4)
Homelessness Grants	**(309)**	(297)
Other New Burdens Grants	**(12)**	(1)
EU Exit Preparation Grant	**(35)**	(17)
Covid-19 Emergency Funding Grant	**(38)**	0
Parks Improvements Grant	**0**	(23)
National Community Clean Up Grant	**0**	(26)
Non-ringfenced government grants	**(5,504)**	(6,255)
Council Tax Income (Collection Fund)	**(14,445)**	(13,917)
Retained Business Rates (Collection Fund)	**(2,527)**	(1,527)
Capital Grants and S106 Receipts	**(591)**	(1,699)
Total credited to Taxation and Non Specific Grant Income	**(23,067)**	(23,398)

11. Grant Income

The authority credited the following grants and contributions within the Net Cost of Service in the Comprehensive Income and Expenditure Statement in 2019/20. The non-ringfenced grants that have been credited to the Taxation and Non-Specific Grant Income and Expenditure line on the CIES are detailed in Note 10.

	2019/20 £000	2018/19 £000
DWP Housing Benefit Subsidy	**(27,266)**	(29,932)
Disabled Facilities Grant Contribution from WSCC	**(1,013)**	(1,027)
DWP Employment Project Coordinator	**(15)**	0
Cabinet Office Voter Pilot ID	**(267)**	0
WSCC Contribution- Civil Parking Enforcement/Controlled Parking Zone	**(200)**	(155)
WSCC Contribution- Recycling Credits	**(791)**	(898)
WSCC Contribution - Business Rates Bicycle Funding	**0**	(70)
WSCC Contribution- Watercourses	**0**	(13)
WSCC Contribution - Microbusiness Grant	**(46)**	(71)
WSCC Partnerships	**(78)**	(66)
WSCC Public Health	**(387)**	(273)
WSCC Flood Risk	**(13)**	0
NNDR Cost of Collection contribution	**(172)**	(173)
New River contribution to Martlets Relocation	**0**	(125)
Independence Retail programme -Chichester DC	**0**	(39)
Other	**(13)**	(1)
Total Credited to Services	**(30,261)**	(32,843)

The revenue grants that have yet to be recognised as income, as they have conditions attached to them that will require the monies to be returned to the giver, are held as Receipts In Advance within Creditors. The balances at the year-end are as follows:

Grants Receipts in Advance- Revenue Grants	2019/20 £000	2018/19 £000
Mid Sussex Partnership	**(86)**	(86)
Balance at 31 March	**(86)**	(86)

Capital Grants and Contributions - Receipts In Advance

The Authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver, including Section 106s, which are time limited.

Section 106 receipts are monies paid to the Council by developers as a result of the grant of planning permission where works are required to be carried out or new facilities provided as a result of that permission (e.g. playgrounds and equipment). The sums are restricted to being spent only in accordance with the agreement concluded with the developer.

	2019/20 £000	2018/19 £000
Balance at 1 April	**(7,954)**	(7,241)
Received in year	**(7,230)**	(5,405)
Applied to Comprehensive Income and Expenditure Statement	**6,123**	4,692
Balance at 31 March	**(9,061)**	(7,954)

The year-end balance is for £8,921,000 Time Limited Section 106 receipts and £140,000 Local Authority contributions.

12. Property, Plant and Equipment

Non-current assets are included in the balance sheet at their current value, determined as the amount that would be paid for the asset in its existing use (existing use value-EUV), except for infrastructure and community assets which are included at historical cost or £1 value. The current value measurement base for surplus assets is fair value, estimated at highest and best use from a market participant's perspective.

Depreciation

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

- Buildings: straight line allocation over the useful life of the property as estimated by the valuer
  Component Parts of the Leisure Centres, Council Offices and Woodside Pavilion are
  Structure-Externals 60 years life, Roof-Electrical 35 years life, Services 20 years life
- Vehicles, Plant and Equipment: straight line
  Computer equipment 5 year life, Playground equipment 5 year life, Wheeled Bins 10 year life, Car Parking Machines 7 year life, Mobile Seating Unit 10 year life
- Infrastructure: straight line over the life of the asset

The main elements of the depreciation charge are for Leisure Centres and Community Halls, £1,059,000 (£1,114,000 in 2018/19), for Other Buildings, £206,000 (£172,000 in 2018/19), and for ICT and Playground Equipment, £256,000 (£447,000 in 2018/19).

Capital Commitments

At 31 March 2020, the Authority has authorised expenditure for the construction or enhancement of Property, Plant and Equipment which in 2020/21 - 2023/24 is budgeted to cost £2,721,000. Similar commitments at 31 March 2019 were £3,517,000. The commitments are as follows:

Scheme	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Total £000
Council Chamber Modernisation	577	0	0	0	577
Replacement heating distribution system, Oaklands	138	0	0	0	138
Oaklands Window Replacement	110	0	0	0	110
St. John's Park, Burgess Hill Pavilion Improvements	180	0	0	0	180
Major Capital Renewals	45	356	111	246	758
ICT	211	50	50	50	361
Other Schemes including playground equipment & infrastructure	597	0	0	0	597
Total	1,858	406	161	296	2,721

At 31 March 2020 the Authority's outstanding contractual commitments for the construction or enhancement of Property, Plant and Equipment were £134,000 (£483,000 at 31 March 2019).

2019/20	Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	**Total**	Finance Leased Assets included in Vehicles, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2019	88,182	7,723	4,110	20	117	386	**100,538**	3,089
Additions	2,200	145	0	0	81	0	**2,426**	0
Revaluation increase/(decrease) recognised in the Revaluation Reserve	(1,963)	0	0	0	0	0	**(1,963)**	0
Revaluation increase/(decrease) recognised in the Surplus/Deficit on the Provision of Services	(230)	0	0	0	0	0	**(230)**	0
Derecognition - disposals	(14)	(359)	(10)	0	0		**(383)**	0
Other movements in cost or valuation	0	198	0	0	(198)	(386)	**(386)**	0
At 31 March 2020	88,175	7,707	4,100	20	0	0	**100,002**	3,089
Accumulated Depreciation and Impairment								
At 1 April 2019	(1,592)	(4,166)	(1,937)	0	0	0	**(7,695)**	(271)
Depreciation Charge	(1,281)	(533)	(145)	0	0	0	**(1,959)**	(277)
Depreciation written out to the Revaluation Reserve	1,176	0	0	0	0	0	**1,176**	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	71	0	0	0	0	0	**71**	0
Derecognition - disposals	0	341	4	0	0	0	**345**	0
At 31 March 2020	(1,626)	(4,358)	(2,078)	0	0	0	**(8,062)**	(548)
Net Book Value At 31 March 2020	**86,549**	**3,349**	**2,022**	**20**	**0**	**0**	**91,940**	**2,541**
Net Book Value At 31 March 2019	**86,590**	**3,557**	**2,173**	**20**	**117**	**386**	**92,843**	**2,818**

2018/19	Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	**Total**	Finance Leased Assets included in Vehicles, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2018	89,959	6,564	4,110	20	0	0	**100,653**	1,817
Additions	3,814	3,478	0	0	117	0	**7,409**	3,089
Revaluation increase/(decrease) recognised in the Revaluation Reserve	(1,000)	0	0	27,208	0	0	**26,208**	0
Revaluation increase/(decrease) recognised in the Surplus/Deficit on the Provision of Services	(4,151)	0	0	0	0	0	**(4,151)**	0
Derecognition - disposals	(54)	(2,319)	0		0	0	**(2,373)**	(1,817)
Other movements in cost or valuation	(386)	0	0	(27,208)	0	386	**(27,208)**	0
At 31 March 2019	88,182	7,723	4,110	20	117	386	**100,538**	3,089
Accumulated Depreciation and Impairment								
At 1 April 2018	(1,770)	(5,767)	(1,762)	0	0	0	**(9,299)**	(1,817)
Depreciation Charge	(1,287)	(718)	(175)	0	0	0	**(2,180)**	(271)
Depreciation written out to the Revaluation Reserve	1,425	0	0	0	0	0	**1,425**	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	40	0	0	0	0	0	**40**	0
Derecognition - disposals	0	2,319	0	0	0	0	**2,319**	1,817
At 31 March 2019	(1,592)	(4,166)	(1,937)	0	0	0	**(7,695)**	(271)
Net Book Value At 31 March 2019	**86,590**	**3,557**	**2,173**	**20**	**117**	**386**	**92,843**	**2,818**
Net Book Value At 31 March 2018	**88,189**	**797**	**2,348**	**20**	**0**	**0**	**91,354**	**0**

Revaluations

The Authority has a rolling programme for revaluation that ensures all Property, Plant and Equipment required to be measured at current value or fair value is re-valued at least every five years, as detailed in the Narrative Report. The valuations of land and buildings are carried out externally by the Chartered Surveyors at Wilkes Head & Eve LLP, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). The sources of information and assumptions made in producing the various valuations for 1 April 2019 are set out in a valuation certificate and report.

Operational assets are defined as being held, occupied and used by the Authority in the direct delivery of services for which there is a statutory or discretionary responsibility, and valued as Existing Use Value (EUV). For specialised operational properties, depreciated replacement cost (DRC) is used. Further information is in the Statement of Accounting Policies Note 37(q) Property, Plant and Equipment and Note 37(y) Fair Value Measurement.

An impairment review was conducted for 31 March 2020, by a RICS qualified chartered surveyor at Wilkes Head & Eve LLP, with no further adjustments needed to the asset values.

	Land and Buildings £000	Vehicles, Plant, Equipment £000	Infrastructure £000	Community Assets £000	Assets Under Construction £000	Surplus Assets £000	Total £000
Valued at historical cost	0	**7,707**	**4,100**	**20**	**0**	**0**	**11,827**
Valued at fair value in:							
2019/20	**61,463**	**0**	**0**	**0**	**0**	**0**	**61,463**
2018/19	9,632	0	0	0	0	0	9,632
2017/18	8,519	0	0	0	0	0	8,519
2016/17	2,804	0	0	0	0	0	2,804
2015/16	5,757	0	0	0	0	0	5,757
Cost or Valuation	88,175	7,707	4,100	20	0	0	100,002

Impact of Covid-19

The valuations that are detailed in this Note and Note 14 have been provided by Wilkes Head Eve LLP, who have issued the following statement with their report:

- "The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

- Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

- Our valuation(s) / market review(s) are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation/review than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of asset/portfolio under frequent review."

13. Heritage Assets

Reconciliation of the carrying Value of Heritage Assets Held by the Authority

	Historic Buildings £000	Art Collection and furniture £000	Civic Regalia £000	**Total Assets £000**
Cost or valuation				
At 1 April 2018	700	131	6	**837**
Additions	0	0	0	**0**
Disposals	0	0	0	**0**
Revaluations	0	(14)	4	**(10)**
Impairment Losses / (reversals) recognised in the Revaluation Reserve	0	0	0	**0**
Impairment Losses (reversals) recognised in the Surplus/Deficit on the Provision of Services	0	(2)	0	**(2)**
At 31 March 2019	700	115	10	**825**
Cost or valuation				
At 1 April 2019	700	115	10	**825**
Additions	0	0	0	**0**
Disposals	0	0	0	**0**
Revaluations	0	0	0	**0**
Impairment Losses / (reversals) recognised in the Revaluation Reserve	0	0	0	**0**
Impairment Losses (reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	**0**
At 31 March 2020	700	115	10	**825**

Historic Buildings
The Authority's historic building is Jill Windmill. Jill Windmill was first built in 1821 on another site on the South Downs and was moved to its present position at Clayton in 1852. It is currently a fully working, functioning windmill grinding corn. The volunteers from the Jack and Jill Windmills Society, a registered charity, www.jillwindmill.org.uk, meet on a regular basis and have carried out the vast majority of the restoration work of the timber construction, and the ongoing maintenance of Jill Windmill. The main renovation took place in 1989 after the structure suffered considerable damage in the storms of 1987.
The windmill is reported in the Balance at replacement cost value. This specialised valuation was updated on 23 January 2012 for the restated balances by a RICS qualified valuer.

Art Collection and Furniture
The Authority's external valuer for its art work (Gorringes, Lewes) carried out a full valuation of the collection of 11 paintings as at 23 October 2018. The valuations were based on commercial markets including recent transaction information from auctions where similar types of paintings are regularly being purchased. The paintings have been dated from as early as 1831 and are a mixture of portraits, still life and views of the River Thames. In addition there is a map of Sussex dated 1795.
The Authority's collection of Heritage Assets also includes an Edwardian writing desk, which is housed in the Chairman's office at the Council Offices at Oaklands.

Civic Regalia
The Authority's external valuer for its art work (Gorringes, Lewes) carried out a full valuation of the Authority's civic regalia as at 23 October 2018. The items are the Chairman's Chain of Office, the Vice-Chairman's silver gilt chain, and a silver gilt and enamel elliptical badge.

Additions / Disposals of Heritage Assets
The Authority has not purchased any Heritage assets in 2019/20.

14. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The main income received is ground rent for shopping centres and industrial estates.

	2019/20 £000	2018/19 £000
Rental income from investment property	**(4,170)**	(3,769)
Direct operating expenses arising from investment property	**1,423**	1,028
Net (gain) / loss	**(2,747)**	(2,741)

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

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

	2019/20 £000	2018/19 £000
Balance at 1 April	**55,446**	43,935
Additions:		
Purchases	**361**	11,892
Subsequent expenditure	**350**	725
Disposals	**0**	0
Net gains/(losses) from fair value adjustments	**(5,764)**	(1,106)
Transfers to/from Property, Plant and Equipment	**386**	0
Balance at 31 March	**50,779**	55,446

Purchases and Subsequent Expenditure

In 2019/20 the main purchases made by the Authority are the leasehold interest in two Flats in The Orchards Shopping Centre for £177,000 and £181,000. The Authority is the freeholder of these properties.

In 2018/19 the main purchases made by the Authority were two industrial estate buildings, 255-269 London Road, Burgess Hill for £6,622,000 and 208-216 London Road, Burgess Hill for £5,271,000.

Revaluations

All the Authority's Investment Properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes, (Accounting Policies Note 37(y) contains an explanation of the fair value levels) as detailed in the Narrative Report. The fair value of investment property has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the levels of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

The annual valuations are carried out by an external RICS qualified chartered surveyor from Wilkes Head Eve LLP, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The sources of information and assumptions made in producing the valuations for 1 April 2019 are set out in a valuation report. In estimating the fair value of the Authority's investment properties, the highest and best use is their current use. The impact of Covid-19 has led to the valuer including the following statement regarding the valuation techniques used during the year for investment properties.

- "Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

- Our valuation(s) / market review(s) are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation/review than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of asset/portfolio under frequent review."

The main downward revaluation changes are for The Orchards Shopping Centre downwards by £6,477,000, 255-269 London Road, Burgess Hill by £1,372,000, The Martlets Shopping Centre downwards by £1,365,000. The Market Place Car Park has been revalued upwards by £1,482,000 and Victoria Industrial Estate revalued upwards by £2,513,000.

An impairment review was conducted for 31 March 2020, by Wilkes Head Eve LLP, with no further adjustments needed to the asset values.

There were no disposals recorded for 2019/20 or for 2018/19.

15. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software. All software is given a 5 year useful life. The carrying amount of intangible assets are amortised on a straight line basis. The amortisation of £153,000 charged to revenue in 2019/20 (£89,000 in 2018/19) was charged to the appropriate Business Unit in the Net Cost of Services.

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

	2019/20	2018/19
Balance at 1 April	£000	£000
Gross carrying amounts	**880**	853
Accumulated amortisation	**(647)**	(744)
Net carrying amount at 1 April	**233**	109
Purchases	**365**	213
Disposals (NBV)	**0**	0
Amortisation for the year	**(153)**	(89)
Net carrying amount at end of year	**445**	233
Comprising:		
Gross carrying amounts	**1,059**	880
Accumulated amortisation	**(614)**	(647)
Balance at 31 March	**445**	233

16. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), 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 Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2019/20 £000	2018/19 £000
Opening Capital Financing Requirement	**27,948**	25,357
Capital Investment		
Operational Assets and Assets Under Construction (Note 12)	**2,426**	4,320
Finance Lease for new SERCO fleet (Note 12)	**0**	3,089
Investment Assets (Note 14)	**711**	12,617
Intangible Assets (Note 15)	**365**	213
Revenue expenditure funded from capital under statute (Note 6)	**5,990**	4,387
Source of Finance		
Capital Receipts (Note 6)	**(86)**	(1,269)
Government Grant, WSCC Contribution, Sect 106 receipts in advance (Note 6)	**(5,602)**	(3,505)
Capital Grants Unapplied Account (Note 6)	**(563)**	(1,322)
Capital expenditure financed from revenue balances (Note 6)	**(3,241)**	(15,441)
Statutory provision for the payment of debt-MRP from revenue (Note 6)	**(510)**	(498)
Closing Capital Financing Requirement	**27,438**	27,948
Explanation of Movement in Year		
Increase / (Decrease) in underlying need to borrow (unsupported by Government financial assistance)	**(510)**	2,591
Increase/ (Decrease) in Capital Financing Requirement	**(510)**	2,591

As part of the purchase of the head lease of The Orchards Shopping Centre the Authority entered into borrowing in November 2016. Further details are given in the Narrative Report Note 8.

Capitalisation of Borrowing Costs

At 31 March the Authority has no capitalised borrowing costs.

17. Impairment Losses

During 2019/20, the Authority has recognised impairment losses of £300,000 and credits of £141,000 to give a net loss of £159,000 as part of the revaluation for 1 April 2019, completed by the external valuer, Wilks Head & Eve LLP, RICS qualified chartered surveyors.

Details of the revaluation are consolidated in Note 37(q), and Property, Plant and Equipment Note 12.

18. Financial Instruments

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

	Long Term		Short Term	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Investments at amortised cost	**25**	25	**19,171**	20,139
Fair value through profit or loss	**5,730**	5,942	**0**	0
Total Investments	**5,755**	5,967	**19,171**	20,139
Fair value through profit or loss	**0**	0	**9,790**	5,210
Total Cash and Cash Equivalents	**0**	0	**9,790**	5,210
Long Term Debtors at amortised Cost	**22**	19	**0**	0
Trade Debtors at amortised Cost	**0**	0	**1,026**	1,262
Total Financial Assets	**5,777**	5,986	**29,987**	26,611
Borrowing at amortised cost	**(7,298)**	(7,437)	**(189)**	(6,188)
Bank Overdraft	**0**	0	**0**	(12)
Total Borrowings	**(7,298)**	(7,437)	**(189)**	(6,200)
Creditors -Finance lease liabilities at amortised cost	**(2,258)**	(2,541)	**(283)**	(277)
Trade Creditors at amortised cost	**0**	0	**(3,204)**	(2,987)
Total Financial Liabilities	**(9,556)**	**(9,978)**	**(3,676)**	**(9,464)**

Borrowings

Borrowing was arranged with Public Works Loan Board (PWLB) on 4 March 2008 at a fixed interest rate of 4.55% with repayments of £158,000 per year for 15 years.

For the purchase of the head lease of The Orchards Shopping Centre, Haywards Heath, long term borrowing of £7,000,000 and short term borrowing of £15,000,000 was arranged at interest rates between 0.35% and 1.00% with other local authorities. The loans commenced on 21 November 2016. £2,000,000 of the long term borrowing matures on 20 November 2020 and £5,000,000 matures on 22 November 2021. The short term borrowing of £6,000,000 matures on 1 April 2019. Further detail is given in the Narrative Report Note 8.

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	Financial Liabilities measured at Amortised Cost 2019/20 £000	Financial Assets: measured at Amortised Cost 2019/20 £000	Financial Assets: Fair Value through profit or loss 2019/20 £000	Total 2019/20 £000
Interest expense (Note 9)	**156**	**0**	**0**	**156**
Total expense in Surplus or Deficit on the Provision of Services	**156**	**0**	**0**	**156**
Interest income, dividend income (Note 9)	**0**	**(335)**	**(257)**	**(592)**
(Gain)/Loss on revaluation of financial instrument (Note 25 (d))	**0**	**0**	**213**	**213**
Total income in Surplus or Deficit on the Provision of Services	**0**	**(335)**	**(44)**	**(379)**
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**0**	**0**	**0**	**0**
Net (gain)/loss for the year	**156**	**(335)**	**(44)**	**(223)**

	Financial Liabilities measured at Amortised Cost 2018/19 £000	Financial Assets: measured at Amortised Cost 2018/19 £000	Financial Assets: Available-for-Sale 2018/19 £000	Total 2018/19 £000
Interest expense (Note 9)	194	0	0	194
Total expense in Surplus or Deficit on the Provision of Services	194	0	0	194
Interest income, dividend income (Note 9)	0	(368)	(257)	(625)
(Gain)/Loss on revaluation of financial instrument (Note 25 (d))	0	0	(91)	(91)
Total income in Surplus or Deficit on the Provision of Services	0	(368)	(348)	(716)
Net (gain)/loss for the year	194	(368)	(348)	(522)
Surplus/deficit arisng on revaluation of financial assets in Other Comprehensive Income and Expenditure	0	0	0	0
Net (gain)/loss for the year	**194**	**(368)**	**(348)**	**(522)**

Financial Instruments -Fair Values

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the financial instruments, using the following assumptions:

- For Public Works Loans Board (PWLB) loans, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB redemption procedures
- For loans receivable prevailing benchmark market rates have been used to provide the fair value
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade or other receivables is taken to be the invoiced or the billed amount.

The fair values are calculated as follows:

Financial Liabilities	Amortised Cost 31 March 2020 £000	Fair Value 31 March 2020 £000	Amortised Cost 31 March 2019 £000	Fair Value 31 March 2019 £000
Borrowing	**(7,487)**	**(7,410)**	(13,626)	(13,581)
Other liabilities	**(5,744)**	**(5,744)**	(5,817)	(5,817)
Financial Assets				
Investments greater than 1 year	**25**	**25**	25	25
Fair value through profit & loss (CCLA Property Fund)	**5,730**	**5,730**	5,942	5,942
Money market investments less than 1 year	**19,171**	**19,171**	20,139	20,150
Cash Equivalents	**9,790**	**9,790**	5,210	5,213
Other assets	**1,373**	**1,373**	1,282	1,282

Assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument. The valuation technique to measure the money market investments and the CCLA Property Fund is in the category, Level 1, as explained in the Accounting Policy Note 37 (y). There has been no change in the valuation technique used during the year for the financial instruments.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value. Debtor and Creditor amounts relating to such things as council tax, non-domestic rates, general rates etc. are outside the scope of the accounting provisions as they are statutory debts and do not arise from contracts.

Nature and Extent of Risks Arising From Financial Instruments

The Authority's activities expose it to a variety of financial risks. The key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
- Re-financing risk – the possibility that the Authority might need to renew a financial instrument on maturity at disadvantageous interest rates or terms
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates movements.

Overall procedures for managing risk

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Adur-Worthing shared service, under policies approved by the Authority in the annual Treasury Management Strategy Statement and Annual Investment Strategy. The Authority provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which is available on the Authority's website.

Credit Risk Management Practices

The Annual Investment Strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Standard & Poor's and Moody's Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located within each category. There is particular regard to determining whether the credit risk of financial instruments has increased significantly since initial recognition.

The main credit criteria in respect of financial assets held by the Authority are summarised below:

- Credit ratings of Short Term of F1, Long Term A-, (Fitch or equivalent rating), with the lowest available rating being applied to the criteria. Except for the UK, a minimum sovereign credit rating of AA- will be used

- UK institutions provided with support from the UK Government
- Building Societies with assets in excess of £1 billion

Limits on the size and length of time of deposits are:

- Banks - £4,000,000 (up to £5,000,000 for group) for a maximum of 5 years;
- Buildings Societies - £4,000,000 for the Nationwide, Yorkshire and Coventry Building Societies and £3,000,000 for the others on the approved list, for a maximum of 3 years;
- Money Market Funds (MMF) - £3,000,000 (for any one MMF) for short term operational cash flow purposes. Total investments in MMFs shall not exceed £9,000,000 or 25% of the total investment portfolio, whichever is the higher, for more than one week at any one time;
- Local Authorities - £3,000,000 for a maximum of 5 years

The full investment strategy for 2019/20 was approved by the Authority on 27 March 2019 and is available on the Authority's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Authority.

The Authority's maximum exposure to credit risk in relation to its investments of £28,465,000 in banks, building societies and money market funds cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities with which the Authority holds investments to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, there was no evidence at the 31 March 2020 that this was likely to crystallise.

Amounts Arising from Expected Credit Losses

An analysis of the Authority's Expected Credit Losses (ECL) on its fixed term deposit investments in banks, building societies and money market funds shows that the ECL is not material.

Credit Risk Exposure

The Authority has the following exposure to credit risk at 31 March 2020:

Financial Institutions	Credit Risk Rating	Gross Carrying Amount £000
Money Market Funds	AAA	**9,460**
UK Banks	A	**5,005**
Building Societies	BBB	**1,000**
Building Societies	Unrated	**13,000**
Local Authorities	AA	**-**
Total		**28,465**

The following analysis summaries the Authority's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2020 £ 000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2020 %	Estimated maximum exposure to default and uncollectability at 31 March 2020 £000	Estimated maximum exposure at 31 March 2019 £000
Customers *	**1,025**	**1**	**1**	**10**	**23**
Total	**1,025**	**1**	**1**	**10**	**23**

* excludes statutory debtors for Council Tax and NNDR

The counterparty limit with the Authority's own banker, Lloyds, was breached on 23 July 2019 due to a £1.2m receipt in the afternoon, too late to be invested onwards. This related to a joint project with other local authorities and

Southern Water. No other credit limits were exceeded during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Authority does not generally allow credit for customers, such that £1,009,000 is past its due date for payment (£1,189,000 at 31 March 2019) and is analysed by age as follows:

	31 March 2020 £000	31 March 2019 £000
Less than three months	**520**	656
Three to six months	**122**	36
Six months to one year	**152**	389
Greater than one year	**215**	108
Total	**1,009**	1,189

Collateral
During the reporting period the Authority held no collateral as security.

Liquidity risk
The Authority manages its liquidity positions through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury Management Strategy Statement and Annual Investment Strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Treasury Management Code of Practice. This seeks to ensure that cash is available when needed.

The Authority has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. 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 assets, excluding sums due from customers, is as follows:

	31 March 2020 £ 000	31 March 2019 £ 000
Less than one year	**28,465**	25,210
Between one and two years	**0**	0
Between two and three years	**0**	0
Total	**28,465**	25,210
Local Authority Property Fund	**6,000**	6,000
Total	**34,465**	31,210

Refinancing and Maturity Risk

The Authority maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedure, longer-term risk to the Authority relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Authority approved treasury and investment strategies address the main risks and the central treasury team addresses the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by the Authority in the Treasury Management Strategy, available on the Authority's website):

	Approved minimum limits %	Approved maximum limits %	Actual at 31 March 2020 %	Actual at 31 March 2020 £ 000	Actual at 31 March 2019 %	Actual at 31 March 2019 £ 000
Less than 1 year	0	50	25	**2,462**	39	6,455
Between 1 and 2 years	0	70	54	**5,434**	15	2,422
Between 2 and 5 years	0	80	10	**1,054**	38	6,181
Between 5 and 10 years	0	60	11	**1,068**	8	1,375
More than 10 years	0	50	0	**0**	0	0
Total			100	**10,018**	100	16,433

Market risk

a) Interest Rate Risk

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

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall (no impact on revenue balances)
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure will rise
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other 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 and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure Statement.

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Authority's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

According to this assessment strategy, at 31 March 2020, if interest rates had been 1% higher with all other variable held constant, the financial effect would be:

	£000
Increase in Interest payable on variable borrowings	**0**
Increase in Interest receivable on variable investments	**64**
Impact on Surplus or defict on the Provision of Services	**64**
Decrease in fair value of fixed rate investment assets	**n/a**
Impact on Other Comprehensive Income and Expenditure	**n/a**
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	**99**

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the paragraph – Fair Value of Assets and Liabilities carried at Amortised Cost.

b) Price Risk

The Authority, excluding the pension fund, does not generally invest in equity shares or marketable bonds and does not have shareholdings in joint ventures or local industry. The Authority holds £6,000,000 in the Local Authorities'

Property Fund and the value varies. However any movements in price will not impact on the General Fund Balance as regulations are in force to ameliorate the impact of fair value movements.

c) Foreign Exchange risk

The Authority has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to loss arising from movements in exchange rates.

19. Debtors

Amounts falling due within one year	31 March 2020 £000	31 March 2020 £000	31 March 2019 £000	31 March 2019 £000
Central Government Departments		**633**		1,172
Other Local Authorities		**432**		475
Other Entities and Individuals	**6,110**		7,102	
less Allowance for general Bad Debts	**(2,747)**		(2,515)	
less Allowance for Collection Fund Bad Debts	**(650)**		(952)	
Net Debtors for Other Entities and Individuals		**2,713**		3,635
Total		**3,778**		5,282

20. Cash and Cash Equivalents

The balance of Cash, Cash on hand and demand deposits, and Cash equivalents, short-term , highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, is made up of the following elements:

	31 March 2020 £000	31 March 2019 £000
Bank current accounts	**325**	(12)
Cash Equivalents	**9,465**	5,210
Cash & Cash Equivalents (Cashflow Statement)	**9,790**	5,198

21. Assets Held for Sale

A Community Asset, Hurst Farm, was transferred from Property, Plant and Equipment and classified as Asset Held for Sale at 31 March 2019 with a value of £27,208,000.

	31 March 2020 £000	31 March 2019 £000
Balance outstanding at start of year	**27,208**	0
Assets newly classified as held for sale transferred from Property, Plant and Equipment	**0**	27,208
Balance outstanding at year-end	**27,208**	27,208

22. Creditors

	31 March 2020 £000	31 March 2019 £000
Government Departments	**(4,053)**	(3,408)
Other Local Authorities	**(8,129)**	(3,400)
Other entities and individuals	**(4,884)**	(4,885)
	(17,066)	(11,693)

23. Provisions

The provisions held at 31 March 2020 are as follows:

- £146,000 for Employee Benefits Accrual. Employees build up an entitlement to be paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Authority is required to accrue for any annual leave earned but not taken at 31 March each year.
- £10,000 is in relation to MMI, further details are set out in the Narrative Report.
- £77,000 for Termination Benefits Provision. Further details are set out in Note 30.
- £1,344,000 NNDR Appeals Outstanding Provision, MSDC share, further detail is in the Collection Fund Section 4.

	31 March 2018 £000	Movement in Year £000	31 March 2019 £000	Movement in Year £000	31 March 2020 £000
Employee Benefits Provision	(138)	41	(97)	(49)	**(146)**
MMI Provision	(10)	0	(10)	0	**(10)**
Termination Benefits Provision	(270)	270	0	(77)	**(77)**
Business Rates Appeals Provision	(1,506)	(710)	(2,216)	872	**(1,344)**
	(1,924)	(399)	(2,323)	746	**(1,577)**

24. Usable Reserves

All movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Note 6. Also, full details of the movements in Earmarked Specific Reserve and General Fund Balances are shown in Note 7.

25. Unusable Reserves

(a) Revaluation Reserve

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

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

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

2018/19 £000	2018/19 £000	Revaluation Reserve	2019/20 £000	2019/20 £000
	(46,378)	**Balance at 1 April**		**(73,303)**
(33,057)		Upward revaluation of assets	**(512)**	
5,434		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	**1,299**	
	(27,623)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		**787**
647		Difference between fair value depreciation and historical cost depreciation	**607**	
51		Accumulated gains on assets sold or scrapped	**11**	
	698	Amount written off to the Capital Adjustment Account		**618**
	(73,303)	**Balance at 31 March**		**(71,898)**

(b) Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties.

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

Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2018/19 £000	2018/19 £000	Capital Adjustment Account	2019/20 £000	2019/20 £000
	(64,358)	**Balance at 1 April**		**(75,162)**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
2,180		Charges for depreciation and impairment of non-current assets	**1,959**	
4,113		Revaluation losses/(gains) on Property, Plant and Equipment	**159**	
89		Amortisation of intangible assets	**153**	
4,387		Revenue expenditure funded from capital under statute	**5,990**	
54		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	**36**	
	10,823			**8,297**
	(698)	Adjusting amounts written out of the Revaluation Reserve		**(618)**
	10,125	Net written out amount of the cost of non-current assets consumed in the year		**7,679**
		Capital financing applied in the year:		
(1,269)		Use of the Capital Receipts Reserve to finance new capital expenditure	**(86)**	
(15,441)		Capital expenditure charged against the General Fund balances	**(3,241)**	
(3,505)		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	**(5,602)**	
(1,322)		Application of grants to capital financing from the Capital Grants Unapplied Account	**(563)**	
(498)		Statutory provision for the financing of capital investment charged against the General Fund balance	**(510)**	
	(22,035)			**(10,002)**
	1,106	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		**5,764**
	(75,162)	**Balance at 31 March**		**(71,721)**

(c) Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. They consist of the principal outstanding from mortgage loans on sales of Council houses, advances to Housing Associations, Housing Advances and other miscellaneous loans.

Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

(d) Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its investments that are measured at fair value through profit and loss (Note 9). 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.

2018/19 £000	2018/19 £000		2019/20 £000	2019/20 £000
	0	**Balance at 1 April**		**58**
149		Transfer from Available for Sale Financial Instruments Reseve	**0**	
(91)		Financial Instruments held under Fair Value through Profit & Loss subject to MHCLG Statutory over-ride*	**213**	
	58			**213**
	0	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income		**0**
	58	**Balance at 31 March**		**271**

* The Ministry for Housing, Communities and Local Government (MHCLG) introduced a statutory over-ride to protect the General Fund balance from any fluctuations in fair value movements in quoted investment funds. For the Authority this relates to its investment in the Local Authorities Property Fund (CCLA). The over-ride expires on 31 March 2023 and unless extended, all fair value movements will then impact on the General Fund balance.

(e) Available for Sale Financial Instruments Reserve

The Available-for-Sale Financial Instruments Account contains the gains made by the Authority 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.

2018/19 £000	2018/19 £000		2019/20 £000	2019/20 £000
	149	**Balance at 1 April**		**0**
(149)		Transfer of Available for Sale opening balance to Financial Instruments Revaluation Reserve under IFRS9	**0**	
0		Upward revaluation of assets	**0**	
0		Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	**0**	
	0			**0**
	0	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income		**0**
	0	**Balance at 31 March**		**0**

The 2018/19 Code of Practice on Local Authority Accounting adopted IFRS9 Financial Instruments. As a result the opening balance on 1 April 2018 of £149,000 has been transferred to the Financial Instruments Revaluation Reserve in relation to an investment in the Local Authority Property Fund (CCLA).

(f) Pensions Reserve

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

2018/19 £000	Pensions Reserve	2019/20 £000
29,287	**Balance at 1 April**	**35,546**
3,595	Actuarial gains or losses on pensions assets and liabilities	**(23,008)**
5,680	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	**5,691**
(3,016)	Employer's pensions contributions and direct payments to pensiors payable in the year	**(3,148)**
35,546	**Balance at 31 March**	**15,081**

(g) Collection Fund Adjustment Account

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

2018/19 £000	Collection Fund Adjustment Account	2019/20 £000
(728)	**Balance at 1 April**	**253**
20	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.	**(82)**
961	Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements.	**(279)**
253	**Balance at 31 March**	**(108)**

(h) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2018/19 £000	2018/19 £000	Accumulated Absences Account	2019/20 £000	2019/20 £000
	138	**Balance at 1 April**		**97**
(138)		Settlement or cancellation of accrual made at the end of the preceding year	**(97)**	
138		Amounts accrued at the end of the current year	**97**	
	(41)	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		**49**
	97	**Balance at 31 March**		**146**

26. Trust Funds

The Authority is the sole trustee of and administers a number of Trust Funds which have been consolidated within Service Net Expenditure as follows. The accounts for these charities are subject to independent examination. The Trust Fund Assets are not consolidated within the Authority's Assets.

Total Assets Less Current Liabilities 31 March 20 £000	**Trust Fund**	2019/20 Gross Expenditure £000	2019/20 Gross Income £000	2019/20 Net Expenditure £000	2018/19 Net Expenditure £000
2,209	Beech Hurst Gardens	82	(129)	**(47)**	42
212	St.Johns Park	43	(42)	**1**	8
233	Fairfield Road Recreation Ground	16	(14)	**2**	2
163	Richard Worsley Recreation Ground	19	(18)	**1**	8
0	Lucastes Avenue Open Space	0	0	**0**	0
0	West Common Open Space	0	0	**0**	0
143	Ashurst Wood Recreation Ground	10	(8)	**2**	2
0	Brooklands Park	8	(8)	**0**	0
163	John Pears Recreation Ground	28	(27)	**1**	0
3,123		206	(246)	**(40)**	62

27. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2018/19 £000		2018/19 £000
(394)	Interest received	**(303)**
(255)	Dividends received	**(258)**
191	Interest paid	**161**

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2018/19 £000		2019/20 £000
(2,180)	Depreciation	**(1,959)**
(4,113)	Impairment and downward valuations	**(159)**
(89)	Amortisation of Intangible Assets	**(153)**
(285)	(Increase) / decrease in impairment for bad debts	**70**
91	Adjustment for movements in fair value of investments classified as Fair Value through Profit and Loss Account	**(213)**
51	(Increase) / decrease in interest creditors	**54**
499	(Increase) / decrease in creditors	**(2,243)**
(24)	Increase / (decrease) in interest and dividend debtors	**31**
1,412	Increase / (decrease) in debtors	**(1,570)**
(53)	Adjustments for effective interest rates	**(48)**
(2,664)	Movement in pension liability	**(2,543)**
(399)	Contributions (to)/from Provisions	**746**
(54)	Carrying amount of non-current assets sold or de-recognised	**(36)**
(1,106)	Movement in Investment Property values	**(5,764)**
(8,914)		**(13,787)**

The surplus or deficit on the provision of services has been adjusted for the following items that are investing or financing activities:

2018/19 £000		2019/20 £000
5,176	Capital grants credited to the surplus or deficit on the provision of services	**6,161**
1,007	Proceeds from the sale of non-current assets	**207**
6,183		**6,368**

28. Agency Services

The Authority provides a Civil Parking Enforcement Service (CPE) and Controlled Parking Zone Service (CPZ) on behalf of West Sussex County Council (WSCC). West Sussex County Council fund any deficit incurred in the operation by the Authority of these services. Commencing from 2016/17, MSDC is also allowed to retain 30% of any budgeted surplus. The cost includes non-cash accounting entries in respect of IAS19 Retirement Benefits.

The Authority, as the billing authority, also acts as agent for the Government in collecting National Non-Domestic Rates (NNDR). The Government paid an allowance for the cost of this collection of £172,000 in 2019/20 (£173,000 in 2018/19).

	2019/20 £000	2018/19 £000
Expenditure incurred in providing a CPE/CPZ service to WSCC	**828**	756
Fees and charges	**(477)**	(501)
Management fee payable by WSCC	**(200)**	(155)
Net (Surplus) / Deficit arising on the agency arrangement	**151**	100
Government contribution for cost of collection of NNDR	**(172)**	(173)
Net (Surplus) / Deficit arising on the agency arrangement	**(172)**	(173)

29. Members' Allowances

The Authority paid the following amounts to Members of the council during the year.

	2019/20 £000	2018/19 £000
Allowances	**394**	396
Expenses	**13**	15
Total	**407**	411

30. Officers' Remuneration

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

		Salary (including fees & Allowances)	Expenses Allowances	Compensation for Loss of Office	Pension contributions	Total
		£	£	£	£	£
Chief Executive	2019/20	138,706	2,675	0	26,297	167,678
Chief Executive	2018/19	135,986	2,418	0	25,293	163,697
Assistant Chief Executive	2019/20	87,658	1,101	0	16,509	105,268
Assistant Chief Executive	2018/19	85,939	994	0	15,985	102,918
Head of Digital and Customer Services	2019/20	85,104	0	0	15,829	100,933
Head of Digital and Customer Services	2018/19	83,435	0	0	15,519	98,954
Head of Corporate Resources (and S151 Officer)	2019/20	85,225	2,082	0	16,239	103,546
Head of Corporate Resources (and S151 Officer)	2018/19	83,556	1,865	0	15,985	101,406
Head of Regulatory Services (and Monitoring Officer)	2019/20	75,674	0	0	14,075	89,749
Head of Regulatory Services (and Monitoring Officer)	2018/19	74,192	0	0	13,800	87,992

(Expenses allowances comprise BUPA Medical Insurance payments only)

Banding Note

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions), were paid the following amounts (this includes posts disclosed in the senior employees table unless specifically excluded within the notes):

	Number of Employees	
Remuneration Band	2019/20	2018/19
£140,000 - £149,999	**1**	0
£135,000 - £139,999	**0**	1
£130,000 - £134,999	**0**	0
£125,000 - £129,999	**0**	0
£120,000 - £124,999	**0**	0
£115,000 - £119,999	**0**	0
£110,000 - £114,999	**0**	0
£105,000 - £109,999	**0**	0
£100,000 - £104,999	**0**	0
£95,000 - £99,999	**0**	0
£90,000 - £94,999	**0**	0
£85,000 - £89,999	**3**	2
£80,000 - £84,999	**0**	1
£75,000 - £79,999	**1**	0
£70,000 - £74,999	**3**	3
£65,000 - £69,999	**1**	0
£60,000 - £64,999	**1**	0
£55,000 - £59,999	**5**	4
£50,000 - £54,999	**7**	2

Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit Package Cost Bands (including special payments)	Number of compulsory redundancies (a)		Number of other departures agreed (b)		Total number of exit packages by cost band (a + b)		Total cost of exit packages in each band	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20 £000	2018/19 £000
£100,001 - £150,000	**1**	-	**-**		**1**	-	**100**	0
£80,001 - £100,000	**-**	-	**-**	-	**-**	-	**0**	0
£60,001 - £80,000	**-**	-	**2**	2	**2**	2	**142**	127
£40,001 - £60,000	**-**	1	**-**	-	**-**	1	**0**	56
£20,001 - £40,000	**1**	1	**2**	3	**3**	4	**92**	110
£0,000 - £20,000*	**2**	3	**4**	16	**6**	19	**38**	148
	4	5	**8**	21	**12**	26	**372**	441
Provision	**1**	-	**-**	-	**1**	-	**77**	0
Total	**5**	5	**8**	21	**13**	26	**449**	441

‘ * For 18/19, this banding totals £148,000 as it contains costs totalling £46,000 that relate to 7 employees who left in 2017/18, but whose costs have since been adjusted in 2018/19. Therefore, the balance of £102,000 relates to the 12 employees who left in 2018/19. For 19/20, this banding only totals £38,000 as it contains a credit of £16,000 that relates to 1 employee who left in 2018/19, but whose cost was adjusted in 2019/20. Therefore, a cost of £53,000 within this net total of £38,000, relates to the remaining 5 officers who left in 2019/20.

The table above includes £449,000 (£441,000 in 2018/19) for exit packages in the current year. For 2019/20 this includes a provision £77,000 for 1 officer which were 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 and Debtors. There is no provision for 2018/19.

Termination Benefits

The Authority terminated the contracts of a number of employees in 2019/20, incurring gross liabilities of £449,000 (compared to £441,000 in 2018/19). For 2018/19, it should be noted that £177,000 of these costs were being held as debtor balances as they are being recovered from our Census partners giving a net cost to the Authority of £264,000 for that year.

31. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts:

	2019/20 £000	2018/19 £000
Fees payable to Ernst & Young LLP with regard to external audit services carried out by the appointed auditor for the year	**49**	39
	49	39

32. Related Parties

The Authority 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 Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority 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 Authority. In this context, related parties include Central Government, Members, Chief Officers, and other partners.

We have sent a letter for confirmation of any related party transactions to all members and senior officers, and all declarations have been returned.

Related Parties for the Authority include the following:

Central Government
Central government has significant influence over the general operations of the Authority. It is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grant receipts outstanding at 31 March 2020 are shown in Note 11.

Members
Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in Note 29. One Member disclosed that they use to have a direct supplier relationship with the Authority but this finished early last year. Given the contractual sum is minor, we consider that this interest has been adequately declared. A list of organisations that have received grant funding has also been reviewed. Discounting town and parish councils, only minor (<£500) sums have been advanced to any that have a Councillor interest. No disclosures have been received for the larger grants and there is no reason to suspect that any individual has failed to declare the appropriate interest. A review of the Register of Members' Interests has been undertaken to ascertain if any related party interests exist. No material disclosures have been identified. The Register of Members' Interest is open to public inspection at the council office during office hours, on application, and is also available on the Council's website.

Officers
Senior Officers have not disclosed any material transactions with related parties.

Census Partnership
Adur District Council exited the Census Shared Services Partnership on 30 September 2017 and was recharged £207,000 in respect of Termination Benefits incurred in respect of Census staff. This sum was paid on 31st October 2019. The Census shared Services Partnership with the remaining partner, Horsham District Council, ceased on 31 March 2018. The estimated termination benefits in respect of the remaining staff, were then shared equally between the remaining Census Partners, of which Horsham District Council were recharged £177,000. £115,000 of this sum remains outstanding at 31 March 2020 following a dispute which is subject to ongoing negotiations and possible arbitration.

33. Leases

Lessee - Finance Leases
The Authority has a contract with SERCO for the provision of waste collection. The new fleet of vehicles used to provide the service are shown as Property, Plant and Equipment in the Balance Sheet, with a vehicle life of 10 years 4 months which ends 30 July 2028.

	31 March 2020 £000	31 March 2019 £000
Vehicles, Plant, Equipment	**2,541**	**2,818**
	2,541	**2,818**

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the asset acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The future minimum lease payments are made up of the following amounts:

Finance Lease liabilites (net present value of minimum lease payments)	31 March 2020 £000	31 March 2019 £000
Current	**332**	**332**
Non- current	**2,434**	**2,766**
Less finance costs payable in future years	**(225)**	**(280)**
Minimum lease payments	**2,541**	**2,818**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Not later than one year	**283**	277	**283**	277
Later than one year and not later than five years	**1,190**	1,166	**1,190**	1,166
Later than five years	**1,068**	1,375	**1,068**	1,375
	2,541	2,818	**2,541**	2,818

Lessee - Operating Leases
The Authority has operating lease agreements covering equipment, photocopiers and vehicles (for pest control, car parking and leisure). The expenditure charged to the Business Units in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £25,000 (£31,000 in 2018/19) and the total commitments at 31 March 2020 amounted to £63,000 (£6,000 in 2018/19).

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

	2019/20 £000	2018/19 £000
Not later than one year	**20**	6
Later than one year and not later than five years	**43**	0
Later than five years	**0**	0
	63	6

Lessor – Finance Leases
The Authority does not lease out assets under a finance lease.

Lessor – Operating Leases
The Authority leases out a range of properties under operating leases for community services and commercial rents. The future minimum lease payments receivable under non-cancellable leases in future years are:

	2019/20 £000	2018/19 £000
Not later than one year	**3,752**	3,557
Later than one year and not later than five years	**11,965**	11,322
Later than five years	**67,355**	66,695
	83,072	81,574

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. The Authority received contingent rent of £259,000 in 2019/20 (£430,000 in 2018/19).

34. Defined Benefit Pension Schemes

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

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

Freedom Leisure/Places for People
In July 2009 Leisure Services Staff were transferred to Freedom Leisure under TUPE Regulations. Freedom Leisure were admitted to the LGPS under a ‘pass through’ arrangement whereby there was a sharing of Pension risks with the Authority (as scheme Employer) as detailed below. This arrangement ceased on 30 June 2014, following a retender of Leisure Services.

New contractors, Places for People, were appointed following a retender of the Leisure Services Contract on 1 July 2014. Places for People have been admitted to the LGPS under a 'cap and collar' arrangement whereby there is a sharing of Pension risks with the Authority (as scheme Employer) as detailed below.

- Places for People are responsible for paying the employers contribution rate in line with the triennial valuation. The increase is capped at 1% every three years. Places for people are also responsible for paying any strain on the pension fund caused by granting early retirements and exercising discretions such as giving members added years, which are not covered by the contribution rate agreed. These contributions of £252,500 are included within the total Employers' contribution estimated by the actuary for 2017/18.
- The Authority is responsible for paying the differential between the capped contribution rate and the revised employer's contribution rate following the valuation of the fund as a whole. The Authority is also liable for any surplus / deficits on exit that are not met by increased employer contribution payments. As such, the Authority retains the net liability for the transferred staff as reflected in the statements.

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 cash payable in year, so the real cost of post employments/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	2019/20 £000	2018/19 £000
Cost of Services:		
Current Service Cost	**4,778**	3,932
Past Service Cost/Gain	**53**	963
Losses/(Gains) on Curtailment and Settlements	**(15)**	0
Effect of Business Combinations and Disposals	**0**	0
Financing and Investment Income and Expenditure:		
Net Interest Expense (Note 9)	**875**	785
Total Post Employment Benefit Charges to the Surplus or Deficit on the Provision of Services	**5,691**	5,680
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
Remeasurements		
Return on plan assets (excluding the amount included in the net interest expense)	**3,643**	(4,817)
Actuarial (Gains)/Losses arising on changes in demographic assumptions	**(7,262)**	0
Actuarial (Gains)/Losses arising on changes in financial assumptions	**(13,099)**	8,339
Other experience (Gains)/Losses	**(6,290)**	73
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(23,008)**	3,595
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	**5,691**	5,680

	2019/20 £000	2018/19 £000
Actual amount charged to the General Fund Balance for pensions in the year:		
Employers' contributions payable to the scheme	**3,148**	3,016

The total contributions expected to be paid to the Local Government Pension Scheme by the council in the year to 31 March 2021 is £2,856,000.

Pensions Assets and Liabilities recognised in the Balance Sheet

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

	31 March 2020 £ 000	31 March 2019 £ 000
Present value of defined benefit obligation	**(129,356)**	(150,936)
Fair value of plan assets	**114,275**	115,390
Net Liability arising from defined benefit obligation	**(15,081)**	(35,546)

Reconcilation of the present value of the Scheme Liabilities (Defined Benefit Obligation):

Year ended:	31 March 2020 £ 000	31 March 2019 £ 000
Opening Defined Benefit Obligation	**150,936**	136,946
Current service Cost*	**4,778**	3,932
Interest Cost	**3,647**	3,584
Contributions by Members	**588**	615
Remeasurement		
Actuarial Gains/(Losses) arising on changes in demographic assumptions	**(7,262)**	0
Actuarial Gains/(Losses) arising on changes in financial assumptions	**(13,099)**	8,339
Other experience	**(6,290)**	73
Past Service Costs/(Gains)	**53**	963
Liabilities Extinguished on Settlements	**0**	0
Liabilities Assumed in a Business Combination	**0**	0
Estimated Unfunded Benefits Paid	**(123)**	(109)
Estimated Benefits Paid	**(3,872)**	(3,407)
Closing Defined Benefit Obligation	**129,356**	150,936

Reconciliation of the movements in the Fair Value of Scheme (Plan) Assets:

Year ended:	31 March 2020 £ 000	31 March 2019 £ 000
Opening Fair Value of Employer Assets	**115,390**	107,659
Interest income	**2,772**	2,799
Effect of Settlements	**15**	0
Remeasurement		
Return on plan assets (excluding the amount included in the net interest expense)	**(3,643)**	4,817
Contributions by Members	**588**	615
Contributions by the Employer	**3,025**	2,907
Contributions in respect of Unfunded Benefits	**123**	109
Assets Distributed on Settlements	**0**	0
Assets Acquired in a Business Combination	**0**	0
Benefits Paid	**(3,872)**	(3,407)
Unfunded Benefits Paid	**(123)**	(109)
Census proportional sharing (Losses) / Gains*		0
Closing Fair Value of Employer Assets	**114,275**	115,390

*The service cost figures include an allowance for administration expenses of 0.4% of payroll. This is recognised within Cost of services along with other Current Service costs.

IAS19 values were updated in the Accounts to 31st March 2019 to reflect actuarial assumptions subsequent to the decision not to give the Government leave to appeal the following judgement, with no further adjustment required to 2019/20 Accounts:

McCloud Judgement:

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme.
In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the Supreme Court but this was denied at the end of June 2019.
Therefore, LGPS benefits accrued from 2014 may need to be enhanced so that all eligible members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections.
Quantifying the impact of the judgement at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.
The West Sussex County Council Pension Fund's actuary has adjusted GAD's estimate to better reflect the Fund's local assumptions, particularly those for salary increases and withdrawal rates. The revised estimate results in around a 1% increase in active member liabilities as at 31 March 2019 which results in an increase of approximately £658,000.

Guaranteed minimum pension (GMP):

Guaranteed minimum pension (GMP) was accrued by members of the Local Government Pension Scheme (LGPS) between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number or reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men's and women's benefits.
As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility leads to increased costs for schemes (including the LGPS) and hence scheme employers.
The Fund's actuary has carried out calculations in order to estimate the impact that the GMP indexation changes will have on the pension fund liabilities. The estimate assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards.
The estimated impact of GMP indexation is to increase the total liabilities by approximately £43,000.

Local Government Pension Scheme Assets comprised:

	2020 £ 000	2020 %	2019 £ 000	2019 %
Cash and cash equivalents	**4,531**	**4%**	3,181	3%
Equity Instruments:				
By industry type:				
Consumer	**10,150**	**9%**	11,240	10%
Manufacturing	**7,838**	**7%**	6,632	6%
Energy and Utilities	**2,778**	**2%**	3,513	3%
Financial Institutions	**12,711**	**11%**	13,843	12%
Health and Care	**7,667**	**7%**	5,554	5%
Information Technology	**12,189**	**11%**	7,472	6%
Other	**3,157**	**3%**	6,593	6%
Sub-total equity	**56,490**		54,847	
Bonds:				
Government	**2,594**	**2%**	3,274	3%
Sub-total Bonds	**2,594**		3,274	
Private Equity:				
All*	**2,615**	**2%**	3,206	3%
Sub-total private Equity	**2,615**		3,206	
Property:				
Uk Property	**8,832**	**8%**	10,743	9%
Overseas property	**0**	**0%**	0	0%
Sub-total Property	**8,832**		10,743	
Investment funds and Unit Trusts:				
Bonds	**37,848**	**33%**	38,908	33%
Other	**1,365**	**1%**	1,231	1%
Sub-total Investment Funds	**39,213**		40,139	
Totals	**114,275**	**100%**	115,390	100%

*All scheme assets have quotes prices in active markets except those relating to private equity which have quoted prices not in active markets.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The pension scheme is assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2019.

Financial Assumptions

The assumptions used by the Actuary in preparing the pensions information are:

Year ended:	MSDC 31 March 2020	MSDC 31 March 2019
Pension Increase Rate	**1.9%**	2.5%
Salary Increase Rate	**2.3%**	3.2%
Discount rate	**2.3%**	2.4%

Mortality

Life expectancy is based on actuarial tables, which now show a reduction over earlier years' assumptions. The average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.2 years	24.2 years
Future Pensioners	23.3 years	25.9 years

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.

Further information can be found in the West Sussex County Council Pension Fund's Annual Report, which is available on request from County Hall, Chichester, West Sussex.

35. Contingent Liabilities

A contingent liability is a potential liability which depends on the occurrence or non-occurrence of one or more uncertain future events. The Council has identified the following contingent liabilities as at 31 March 2020 that might result in an obligation on the Council.

A potential liability exists in relation to NHS Trusts who are seeking mandatory charitable relief on business rates. They are seeking to appeal a recent first instance decision against their claim. Should this appeal be successful NHS Trusts will be entitled to an 80% discount, backdated for a period of six years. This cost will be split between MHCLG and Local Government. Whilst a general provision for Non-Domestic Rates Appeals is recognised based on the provisions held by the Council's billing authorities (Note 23), no specific provision has been made for NHS Trust charitable appeals at this stage as an obligation requiring settlement is not considered to be probable. However, the Authority has earmarked funding in a reserve (Note 7) for the eventuality of a successful appeal.

36. Contingent Assets

There are no contingent assets as at 31 March 2020.

37. Accounting Policies

(a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets, and financial instruments.

Going Concern

Underlying principle

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

The provisions in the Code of Audit Practice in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government).

If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a local authority's services will continue to operate for the foreseeable future.

Current & historical financial position

The Authority recognises that the financial position has deteriorated in the early months of 2020/21, having reported a £10,000 overspend (after transfers to reserves of £257,000) for the financial period ending 31st March 2020. The deterioration is only due to the impact of Covid-19.

Impact of Covid
The 2020/21 budget was set in March 2020 and set a balanced budget after transfers to specific reserves. The Medium Term Financial Plan (MTFP) at that time showed modest savings being necessary to 2023/24.
However, since the budget was set, the emergence of Covid-19 has fundamentally changed the financial regime for a period of at least 4 months until the end of July 2020. During this period, the Authority has incurred approximately £189,000 of additional expenditure each month where leisure centres were closed, and is forecasting that income will fall by some £3.8m for the year. A gradual return of most income streams are anticipated, although not necessarily back to the levels previously budgeted for.

The forecast overspend in 2020/21 is £2.065m, although this could be better or worse depending upon the pandemic. The effect of financing this from General Reserve will mean that total usable reserves are estimated to fall to £5.555m by 31 March 2021. The Authority has received £1.7m to date from Government as grant funding towards the cost of Covid-19. The Authority has already made plans to make some service areas that were closed more sustainable in the future.

All service areas are reviewing their budgets during 2020 to identify options for identifying and delivering efficiency savings and / or generating income, with the aim of setting a balanced budget in 2021/22 and reducing the overspend in 2020/21. The size of the challenge is an estimated reduction in ongoing income of around £2m per year in each of the next three years.

Cash position
The Council had a general reserve cash balance of £6.132m at the end of March 2020. Whilst there is uncertainty on income, the Council remains confident in its ability to maintain sufficient cash for its services throughout the medium term. The Council is of course also able to borrow short term for cash management purposes if ever needed.
In a 'stressed' case scenario whereby income is constrained further in the event of a second wave, and income recovering only very slowly, the Council has sufficient levels of reserves and investments that it would not run out of cash.

Furthermore, the Council has a modest capital programme and could postpone non-essential capital projects that would further protect the levels of cash and useable reserves.

The programme focuses on projects that produce a positive financial revenue return as well as those where there are health and safety requirements or were already in progress and could not be postponed without incurring significant costs.

Conclusion
These accounts have been prepared on a going concern basis, following the projection of an overspend in 2020/21 that is well within the level of general useable reserves and a plan to produce a balanced budget in 2021/22.

(b) Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract. Interest payable on £1.7 million borrowing is at a fixed rate over the life of the 15 year loan from Public Works Loan Board (PWLB). Interest payable has also been accrued on the long term borrowing for The Orchards Shopping Centre.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Exceptions to this principle relate to:

- Quarterly and monthly payments for utilities are charged at the date of billing each year rather than being apportioned between financial years, with allowances made to ensure a full years expenditure in any given year;
- Council Taxpayers, where no account is taken for possible changes arising from new entries, late notification from Council Taxpayers and amendments to the valuation list until the transaction is actioned. This means late changes in the year may not be accounted for until the following year.
- Housing Benefit payments, where payments are made in conformity with the legislative requirements.
- Members Allowances, where payments are made in the year claims from councillors are processed.
- Employee overtime and car mileage claims, where payments are made in the year claims are processed following overtime worked or mileage incurred.
- Garden Waste, where annual fee income is accounted for in the year received, although renewal dates vary throughout the year and service is provided for a year from renewal.
- Car Park Penalty Notice income is recorded as income on the date the cash is received.
- Mobile phone payments are charged monthly allowing for 12 payments each year. This covers the period March 2019 to February 2020 rather than April 2019 to March 2020.
- Refunds relating to Sports pitch bookings fee income for the year are accounted for in May of the following year, being the end of the season.
- Council tax and Non Domestic Rate billing and the associated housing benefit and CTRS notifications where although the printing and despatch of bills is carried out within the accounting year, the cost clearly relates to the billing year and is matched thereto.
- Car park income is recorded as income on the date the cash is banked, not the date it is collected by the third party.

These policies are consistently applied each year and therefore do not have a material effect on the year's accounts.

(c) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in one month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. We have applied this approach in our accounting policy since 2012/13, which ensures we are compliant with IAS7.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

(d) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

(e) Charges to Revenue for Non- Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision (MRP)) by way of

an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

(f) Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, 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 Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision or Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service, or where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

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

Post-Employment Benefits

Employees of the council are members of the Local Government Pensions Scheme, administered by West Sussex County Council.

The West Sussex Local Government Pension Scheme

The West Sussex Local Government Pension Scheme is accounted for as a defined benefit scheme.

The liabilities of the West Sussex County Council pension scheme attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method, that is, an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projections of projected earnings for current employees. Liabilities are discounted to their value at current prices, using a nominal discount rate of 2.4% (based on the indicative rate of return on a high quality corporate bond).

The assets of the West Sussex County Council pension scheme attributable to the Authority are included in the Balance Sheets at their fair value:

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

The change in the net pension liability is analysed into the following components:

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year –allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - Past service costs – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - Net interest on the net defined benefit (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in 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-measurements comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the West Sussex pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement (MIRS) this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the events of early retirements. It is not the Authority's policy to make such payments.

(g) Events After the Reporting Period

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

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

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

(h) Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and 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.

Annual charges to the Comprehensive Income and Expenditure Statement for interest payable on borrowing are at a fixed rate over the life of a 15 year loan from Public Works Loan Board (PWLB). Annual charges are also payable for borrowing on The Orchards Shopping Centre. The amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Financial Assets

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

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI).

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost
Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For all the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on derecognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.
Expected Credit Loss Model
Expected credit losses for all of financial assets held at amortised cost are recognised either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables, and contract assets and trade receivables.

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

Financial Assets Measured at Fair Value through Profit or Loss
Fair values are shown in Note 18 Financial Instruments. The measurement techniques are detailed in Note 37 (y).

Fair Value Through Other Comprehensive Income
The Authority has no Financial Assets classed as FVOCI.

(i) Government Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Unapplied Grants and Contributions Receipts In Advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

(j) Heritage Assets

Tangible and intangible Heritage Assets (described in this summary as heritage assets)
The Authority's Heritage Assets are held in the Council offices, and on the South Downs at Clayton, West Sussex. These heritage assets are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the Authority's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant

and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The Authority's heritage assets are accounted for as follows:

- **Historical Buildings**

  The historic building is Jill Windmill. This item is reported in the Balance sheet at replacement cost value. The War Memorial is in Ardingly.

- **Art Collection and Civic Regalia**

  The works of art includes oil paintings and these are reported in the Balance Sheet on the basis of an insurance valuation undertaken 23 October 2018. The items are valued by an external valuer. The assets are deemed to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation.

  Acquisitions are made by donation, which are recognised at valuation with valuations provided by the external valuers and with reference to appropriate commercial markets for the paintings using the most relevant and recent information from sales at auctions.

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets. E.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment (see note 37(q)) in this summary of significant accounting policies. The Authority will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for display. The proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (see notes 37(t) and 37(q)).

(k) Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. This has been set as 5 years. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

(l) Inventories and Long Term Contract

Inventories are valued at actual cost. This is a departure from the requirements of the code and IAS 2, which require stocks to be shown at the lower of actual cost or net realisable value, but the impact is not material.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

(m) Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sales proceeds greater than £10,000) the Capital Receipts Reserve.

(n) Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and 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.

(o) Leases

Leases are classified as finance leases where the terms of the lease in substance transfers substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between

- A charge for the acquisition of the payments made to the lessor in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).
The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is rent free period at the commencement of the lease).

The Authority as Lessor

Finance Leases
The Authority has not granted any finance leases over a property, or item of plant or equipment.

Operating Leases
Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

(p) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principle of the CIPFA Service Reporting Code of Practice 2019/20 (SeRCOP). The total absorption costing principle is used - the budgeted cost of over heads and support services are shared between users in proportion to the benefits received with the exception of:

- Corporate and Democratic Core – costs relating to the council's status as a multi-functional, democratic organisation. These costs are reported within the Strategic Core Business Unit totals within Net Cost of Services
- Non Distributed Cost – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on Assets Held for Sale. These costs are reported within the Finance Corporate Business Unit within Net Cost of Services.

(q) Property, Plant and Equipment

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

Recognition: expenditure costs of £10,000 or more, on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement: assets are initially measured at cost, comprising

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost. Open spaces (community assets) have been included at a nominal value of £1 per item.
- Surplus assets, the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.
- Where non-property assets that have short useful lives or low values (or both) depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued on a five year rolling programme, to ensure that their carrying amount is not materially different from their fair value at the year-end. The asset valuations, as at 1st April 2018, were carried out by an external RICS qualified chartered surveyor employed by Wilkes Head Eve LLP. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

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

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

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

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

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

- Dwellings and other buildings - straight line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant, and equipment - Computer equipment and new playground equipment is depreciated using the straight - line method over 5 years; for Wheelie Bins and Skate Park Equipment straight line over 10 years and 7 year straight line for the Car Parking Machines.
- Infrastructure - straight line allocation over the life of the asset

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

Componentisation: The Code required the Authority to adopt new accounting policies in respect of componentisation and de-recognition of components from 1 April 2010, and to apply these policies prospectively from that date. For the Authority, the basis of componentisation of Assets and limits are set out below:

- All assets with values of over £500,000 before depreciation have been deemed to be material and considered for componentisation. i.e. It has been considered whether any part of these assets should have a different useful life or method of depreciation.
- Each asset has been reviewed individually. The assets that are required to be componentised in line with our policy are the Leisure Centres, Clair Hall, ‘Oaklands’ Council Offices and Woodside Pavilion. These 6 assets have been split into the following relevant components:
  - Land,
  - Structure/externals with 60 year life,
  - Roof/electrical with 35 year life, and
  - Services (including boilers, heating systems, lifts) with 20 year life
  - Allweather pitch with 26 year life.

The leisure centres, halls and pavilion are valued on a Depreciated Replacement Cost (DRC) basis, and the council offices valued on Existing Use Value (EUV) basis. For the Authority, pavilions are valued individually on a EUV basis. In relation to componentisation, they have similar characteristics and have been considered collectively for their impact on depreciation calculations. (total value around £3million). To explain further, apart from Woodside Pavilion, each Pavilion is valued less than £500,000, and therefore falls below the trigger value for componentisation. In addition, examination of individual Pavilions has identified that the land value forms an insignificant part of the asset, and there are no parts of the building of a value significant enough to warrant separate componentisation.

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment (or set aside to reduce the Authority's underlying need to borrow –the capital financing requirement-). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

(r) Provisions, Contingent Liabilities and Contingent Assets

Provisions: Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.
Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

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

the obligation cannot be measure reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets: A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

(s) Reserves and Balances

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

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

(t) Revenue Expenditure Funded from Capital under Statute

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

(u) VAT

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

(v) Officer Personal Loan Scheme

Balances held are shown as long term debtors in the Balance Sheet. Loans in their last year are still shown as long term debtors with the exception of season ticket loans which are included as sundry debtors in the Balance Sheet as the maximum period allowed is twelve months.

(w) Borrowing Costs

The Authority charges borrowing costs to the Comprehensive Income and Expenditure Statement in the period to which the borrowing relates. It does not capitalise any borrowing costs against its assets.

(x) Redemption of Debt

There is a legal requirement to make a charge to the Comprehensive Income and Expenditure Statement to contribute towards reducing the overall borrowing. The Authority's policy is to charge this Minimum Revenue Provision (MRP) on an annuity basis over the life of the loans.

(y) Fair Value Measurement

The Authority measures some of its assets and liabilities at fair value at the 31 March 2020. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- Without a principal market, in the most advantageous market for the asset or liability.

The Authority uses external Valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant.

Inputs to the valuation techniques in respect of the Authority's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

- Level 1 – quoted prices(unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.

- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

38. Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

The Code of Practice on Local Council Accounting in the United Kingdom 2019/20 (the Code) requires an authority to disclose information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, and this would result in an impact on disclosures spanning two financial years.

Accounting changes that are introduced by the 2020/21 code are:

- Amendments to IAS 28 Investments in Associates and Joint Ventures;Long-term Interests in Associates and Joint Ventures;
- Annual Improvements to IFRS Standards 2015-2017 Cycle;
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.
- The Code Board has agreed to defer the implementation of IFRS16 Leases for one year in-line with the government's Financialy Reporting Advisory Board's proposals for central government departments. This will mean the effective date for implementation is now 1 April 2021.

These changes are not expected to have a material impact on the Council's Statement of Accounts.

39. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 37, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Funding
There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

Leases
The Authority has examined its leases, and classified them as either operational or finance leases. The Authority uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In reassessing the leases the Authority has estimated the implied interest rate within each lease to calculate the present value of the minimal lease payment.

Joint arrangements
IFRS 12 requires that the accounts disclose the judgements made to assess the type of Joint Arrangement to determine the Authority's correct accounting treatment. The Authority is not part of a Joint Venture or a Joint Operation.

Investment Properties
Investment properties have been assessed using the identifiable criteria under the international accounting standards as being held for rental income or for capital appreciation. Properties have been assessed using this criteria, which is subject to interpretation to determine if there is operational service potential.

Provisions: Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. The impact of the McCloud judgement and the decision not to give the government leave to appeal at the end of June 2019, has led to an update of the IAS19 assumptions and values. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. The West Sussex County Council Pension Fund's actuary has adjusted GAD's estimate to better reflect the Fund's local assumptions, particularly those for salary increases and withdrawal rates. The revised estimate results in around a 1% increase in active member liabilities as at 31 March 2019 which results in an increase of approximately £658,000.

40. Assumptions Made About The Future And Other Major Sources Of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority 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 Authority's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Property, Plant and Equipment: Asset valuations are detailed in Note 12 and Note 14 with a detailed statement from the valuer Wilkes Head Eve LLP regarding the outbreak of Covid-19 and the impact this will have on those valuations. In addition, assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relations to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £41,000 if the life of the assets was reduced by one year.

Business Rates: Since the introduction of Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in earlier financial years in their proportionate share. Therefore, a provision for the Authority's share of £1,344,000 (2018/19 £2,216,000) has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2020. The estimate has been calculated using the Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2020.

Pension Liability: Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. The effects on the net pension liability of changes in individual assumptions can be measured. For instance a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £12,233,000. In addition, a 0.5% increase in the Pension Increase Rate would increase liabilities by £10,973,000. However, the assumptions interact in complex ways. During 2019/20, the Authority's actuaries advised that the net pension liability had increased by £6,186,000, as a result of estimates being corrected as a result of experience and decreased by £26,651,000 attributable to updating of the assumptions.

Pension Liability (IAS19 disclosures): In terms of the pension liability, the substance of the arrangement with Places for People (from 1 July 2014) who run our leisure services contract, is that the transferred staff are being treated as though they are employees of the Authority and are included as part of IAS19 disclosures.

Arrears: The Authority has provided within its financial statements an impairment of doubtful debts of £3,689,000 (2018/19 £3,467,000) as set out in Note 19. This allowance is considered adequate to cover future bad debts, but is by its nature an estimate. If collection rates were to deteriorate an increase in the amount of the impairment of doubtful debts would be required.

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MID SUSSEX
DISTRICT COUNCIL

Collection Fund Statement

Collection Fund Statement

Income and Expenditure Account

2018/19 £000 Council Tax	2018/19 £000 Business Rates	2018/19 £000 Total			2019/20 £000 Council Tax	2019/20 £000 Business Rates	2019/20 £000 Total
			Income				
			Council Tax				
(103,979)	0	(103,979)	Council Tax Receivable	2	(111,478)	0	(111,478)
			Business Rates				
0	(46,129)	(46,129)	Business Rates Receivable	3	0	(48,966)	(48,966)
(103,979)	(46,129)	(150,108)	Total Income		(111,478)	(48,966)	(160,444)
			Expenditure				
			Apportionment of Previous Year Estimated Surplus / (Deficit)				
832	174	1,006	West Sussex County Council		593	112	705
102	0	102	Sussex Police & Crime Commissioner		75	0	75
145	695	840	Mid Sussex District Council		103	446	549
0	869	869	Central Government		0	558	558
1,079	1,738	2,817			771	1,116	1,887
			Precepts, Demands and Shares				
79,045	4,531	83,576	West Sussex County Council		83,993	24,526	108,519
9,952	0	9,952	Sussex Police & Crime Commissioner		11,529	0	11,529
13,792	18,125	31,917	Mid Sussex District Council		14,260	8,918	23,178
0	22,656	22,656	Central Government		0	11,148	11,148
102,789	45,312	148,101			109,782	44,592	154,374
			Charges to Collection Fund				
68	56	124	Write Offs of uncollectable amounts	4	71	250	321
173	250	423	Increase/(decrease)in bad debt allowance	4	199	(232)	(33)
0	1,778	1,778	Increase/(decrease) provision for appeals	4	0	1,179	1,179
0	173	173	Cost of Collection Allowance		0	172	172
241	2,257	2,498			270	1,369	1,639
104,109	49,307	153,416	Total Expenditure		110,823	47,077	157,900
130	3,178	3,308	**(Surplus)/Deficit arising in the year**		(655)	(1,889)	(2,544)
			Collection Fund Balance				
(1,458)	(1,329)	(2,787)	(Surplus)/Deficit at 1 April 2019		(1,328)	1,073	(255)
130	2,402	2,532	Movement on Fund Balance		(655)	(2,512)	(3,167)
(1,328)	**1,073**	**(255)**	**(Surplus) / Deficit at 31 March 2020**		(1,983)	(1,439)	(3,422)
			Shares of (Surplus)/Deficit at 31 March 2020				
(1,019)	107	(912)	West Sussex County Council		(1,517)	(1,776)	(3,293)
(133)	0	(133)	Sussex Police & Crime Commissioner		(208)	0	(208)
(176)	429	253	Mid Sussex District Council		(258)	150	(108)
0	537	537	Central Government		0	187	187
(1,328)	**1,073**	**(255)**			(1,983)	(1,439)	(3,422)

Notes to the Collection Fund Account

1. General

The Collection Fund statement reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates (NNDR). The administrative costs associated with the collection process are charged to the General Fund.

Collection Fund surpluses or deficits declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. The Council Tax precepting bodies are West Sussex County Council and Sussex Police and Crime Commissioner.

The Business Rates Retention Scheme was introduced from 1 April 2013. The main aim of the scheme is to give councils a greater incentive to grow businesses in the District. It does however, also increase the financial risk due to non-collection and the volatility of the NDR base. For 2018/19 the scheme shares are 40% retained by the Authority, 50% share paid to Central Government and 10% share paid to West Sussex County Council and for 2019/20 all of the 7 Districts are part of the West Sussex Pool. The shares for the current year are 20% retained by the Authority, 55% share paid to West Sussex County Council and 25% share paid to Central Government.

The NDR surpluses or deficits declared by the billing authority in relation to Business Rates are apportioned to the relevant bodies in the subsequent financial year in their respective proportions detailed above.

2. Council Tax

The Authority is required to calculate a tax base each year and this is divided into the total precept requirement to produce the band D council tax figure.

The tax base is calculated by estimating the number of dwellings in the district in each tax band, taking into account an estimate of additions and deletions during the year, and adjusted for the effects of various reliefs, exemptions and discounts where applicable. Each band total is then adjusted to give band D equivalents. Finally, an adjustment is made to cover non-collection of arrears.

A summary of the calculation, as agreed by the Authority on 27 February 2019, is shown below.

Property Value	Number of Net Dwellings	Ratio to Band D	No of Band D Equivalents	less (0.6%) adjustment for non-collection	**Council Tax Base**
up to £40,000	1,446.48	6/9	964.3		
between £40,001 & £52,000	4,521.49	7/9	3,516.7		
between £52,001 & £68,000	11,170.52	8/9	9,929.4		
between £68,001 & £88,000	14,814.94	9/9	14,814.9		
between £88,001 & £120,000	10,275.73	11/9	12,559.2		
between £120,001 & £160,000	7,870.49	13/9	11,368.5		
between £161,001 & £320,000	4,321.75	15/9	7,202.9		
over £320,000	358.99	18/9	718.0		
			61,073.9	(366.4)	**60,707.5**

The average band D Council Tax can be calculated by estimating the amount of income required to be taken from the Collection Fund by West Sussex County Council, Sussex Police & Crime Commissioner and the Council (including parish and town council requirements) for the forthcoming year and dividing this by the Council Tax Base as below.

Authority	**Demand or Precept** £000		**Council Tax Base**		**Band D Council Tax** £	
West Sussex County Council	**83,993**	÷	60,707.5	=	**1,383.57**	
Sussex Police & Crime Commissioner	**11,529**	÷	60,707.5	=	**189.91**	
Mid Sussex District Council	**14,260**	÷	60,707.5	=	**234.89**	(average)
Average Band D Council Tax Charge For 2019/20					**1,808.37**	

To calculate the Council Tax for each band, the band D Council Tax is then multiplied by the ratio specified above for the particular band. There were 24 actual Council Taxes levied for band D properties for each parish area in the district and these ranged from £1,744.32 to £1,864.17.

3. Business Rates Income

The Authority collects Non Domestic Rates (Business Rates) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government. The Rateable Value of Non Domestic Properties as at 31 March 2020 was £124,324,000 (£119,888,000 at 31 March 2019). The standard multiplier for 2019/20 was 50.4p (49.3p in 2018/19) and the Small Business Rate Relief Multiplier for the year was 49.1p (48.0p in 2018/19).

For the year 2019/20 only, the Authority was part of the WSCC Business Rates Pool. In the pool, the net yield is paid 25% to central government, 55% to WSCC leaving 20% as the Authority's share. The business rates shares payable for 2019/20 were estimated before the start of the year as £11,148,000 (25%) (£22,656,000 in 2018/19, 50%) to Central Government, £8,918,000 (20%) (£18,125,000 in 2018/19, 40%) for the Authority and £24,526,000, 55% (£4,531,000 in 2018/19, 10%) for WSCC. These amounts have been charged to the Collection Fund in year.

As part of the Business Rates scheme, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs payable to Central Government are used to pay the top ups of those authorities who do not received their baseline funding amount, ie County Councils.

In addition, a 'safety net' figure is calculated at 92.5% of baseline funding amount to ensure authorities are protected to this level of business rates income. If the income share exceeds the baseline, then a tariff payment is due. The Authority was not required to make a tariff payment in year due to being part of the WSCC Business Rates Pool. A tariff payment of £15,484,000 was made in 2018/19 from the Authority's General Fund to Central Government.

The total income from business ratepayers collected in 2019/20 was £48,966,000 (£46,129,000 in 2018/19), net of transitional protection payments for ratepayers of £622,000 (£776,000 in 2018/19).

Successful appeals against the NDR rateable values are refunded to the ratepayers according to the proportional shares.

4. Allowance for Bad Debts and Provision for NNDR Valuation Appeals

Council Tax An allowance has been made for Council Taxpayers' Bad Debts using an analysis of the recovery position of the debts outstanding as at 31 March 2020. A total of £3,112,000 (£2,839,000 in 2018/19) has been allowed against debts of £4,567,000 (£3,932,000 in 2018/19) outstanding as at 31 March 2020. The Authority's share of the allowance is £404,000 (£369,000 in 2018/19).

In year, £71,000 of uncollectable amounts has been written off (£68,000 in 2018/19).

Business Rates An allowance of £1,228,000 (£1,460,000 in 2018/19) has been made for Business Ratepayers' Bad Debts using an analysis of the recovery position of the debts outstanding as at 31 March 2020 against debts outstanding of £4,156,000 (£2,079,000 in 2018/19). The Authority's share of the allowance is £246,000 (£584,000 in 2018/19).

In year, £250,000 of uncollectable amounts has been written off (£56,000 in 2018/19).

A provision for appeals made against the rateable value not settled as at 31 March 2020 has been made of £6,719,000 (£5,541,000 in 2018/19). The Authority's share is £1,344,000 (£2,216,000 in 2018/19).

MID SUSSEX
DISTRICT COUNCIL

Annual Governance Statement

Annual Governance Statement

1. Scope of responsibility

Mid Sussex District Council ("the Authority") is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and including arrangements for the management of risk.

2. The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks, the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised, (and the impact should they be realised), and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Authority for the year ending 31 March 2020 and up to the date of approval of the Statement of Accounts.

3. The Authority's governance framework

The Authority's Constitution, which is updated annually, (and last updated in May 2019), sets out how the Authority operates. It states what matters are reserved for decision by the whole Council, the responsibilities of the Cabinet and the matters reserved for collective and individual decision.

Decision-making powers not reserved for councillors are delegated to the Chief Executive and Heads of Service. The Monitoring Officer ensures that all decisions made are legal and supports the Standards Committee in promoting high standards of conduct amongst members and the wider Parish Council community in Mid Sussex.

The Scrutiny Committees are dual role in that they offer advice to Cabinet and Council both collectively, and to Cabinet members individually, and will scrutinise decisions made by the Cabinet, individual Cabinet members, and Executive decisions taken by officers and those published on the Members' Information Service, and in the formulation of new policies. Whilst there have been no Call-ins in the last year, the structure exists within which they can be made.

The overall budget and policy framework of the Authority is set by the Authority and all decisions are made within this framework. The Authority's overall policy is represented through the Corporate Plan, which is a combination of service and financial plans.

The Corporate Plan is a key reference for the Medium Term Financial Plan, which enables the Authority to forecast forward and make best use of financial, human, technological and other resources available and to enable the continued provision of value for money services that meet the needs of residents, businesses and other stakeholders. At the broadest level, the Authority also works with a number of key strategic partners through the local strategic partnership group of organisations.

From the Corporate Plan, service plans and business plans are developed and individual officer work plans are agreed, with performance targets agreed at every level. More detailed budgets are aligned to corresponding plans following a robust budget challenge process, which challenges managers to demonstrate efficiency and value for money. Performance is monitored and managed at every level on a regular basis.

The Authority also monitors its performance through feedback from its residents and service users. An analysis of complaints raised under the Authority's Corporate Complaints Policy is regularly reported and considered by the Scrutiny Committee for Customer Services, Service Delivery and Community; the last instance being in February 2020. The Authority also has a Whistleblowing Policy, which encourages staff to report any instances of suspected unlawful conduct, financial malpractice, or actions that are dangerous to the public or environment.

The Authority's financial management arrangements conform to the standards of the Chartered Institute of Public Finance and Accountancy (CIPFA), and have regard to the 'Statement on the Role of the Chief Financial Officer in Local Government'. The Head of Corporate Resources has statutory responsibility for the proper management of the Authority's finances and is a key member of the Management Team. The four Heads of Service with the Chief Executive sit as a Management Team and may further devolve decision making to Business Unit Leaders through written schemes of management. The Head of Corporate Resources will also provide detailed finance protocols, procedures and guidance and training for managers, staff and Members.

The Authority's Risk Management Strategy ensures proper management of the risks to the achievement of the Authority's priorities and helps decision-making. In the Authority's day-to-day operations, a framework of internal controls (e.g. authorisation, reconciliations, separation of duties, etc.) control the risks of fraud or error, and this framework is reviewed by Internal Audit. Partnership working is governed by agreements, protocols or memoranda of understanding relevant to the type of work or relationship involved. The Authority's legal services and procurement teams ensure that all are fit for purpose and the Authority's interests are protected.

The Audit Committee is responsible for monitoring the effective development and operation of corporate governance in the Authority. It provides independent assurance of the adequacy of the Authority's governance arrangements, including the associated control environment, the Authority's financial (and non-financial) performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, oversight of the financial reporting process and scrutiny of the treasury management strategy and policies.

4. Review of effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit annual report, and by comments made by the external auditors and other review agencies and inspectorates. The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes the following:

- The Authority's internal management processes, such as performance monitoring and reporting; the staff performance appraisal framework; monitoring of policies, such as the corporate complaints and health and safety policies; and the corporate budget challenge process;
- The work of the corporate Joint Procurement Board partnered with Horsham District Council and Crawley Borough Council;
- The Authority's internal audit coverage (purchased from Crawley Borough Council under a shared service arrangement), which is planned using a risk based approach. The outcome from the internal audit coverage helps form the Chief Internal Auditor's opinion on the overall adequacy of the Authority's internal control framework, which is reported in his annual report.

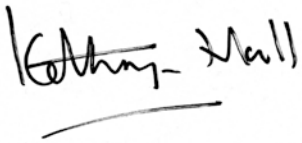
- The Chief Internal Auditor's annual report on anti-fraud and corruption activities, including the use of the National Fraud Initiative data matching exercise;
- The annual review of the effectiveness of the internal audit function;
- External audit review of the work of the internal audit service and comment on corporate governance and performance management in their Annual Audit Letter and other reports;
- Workforce assessments and accreditation where appropriate and affordable;
- The External Auditor's opinion on the Council's financial statements;
- The work of the Audit Committee, which reviews the outcomes from the annual audit plan and the annual report of the audit function;
- The work of the Scrutiny Committees;
- An annual review of the constitution by the Constitutional Review Group, which recommends amendments to the Constitution, where appropriate, for agreement by the Authority. The last review, reported to, and agreed by, Council in January 2019 increased the planning delegations to officers and reduced the number of planning committees from 3 to 2 but increased the size of the committees from 10 to 12. The ability to substitute members only exists on Scrutiny Committees. It also amended the work areas of the three scrutiny committees to better balance out the workload. The financial procedure rules and procurement code were also updated.
- Work of the Standards Committee, which includes monitoring the operation of the Members' Code of Conduct and the Member and Officer Protocol.

5. Significant governance issues

The Covid-19 pandemic at the tail end of the financial year has had an unprecedented impact upon the Council finances which is set out within the Narrative Report, but this has not manifest in any governance issues.

Otherwise, the review, as detailed above, provides good assurance of the effectiveness of the Authority's system of internal control. There have been no governance issues identified during the year that are considered significant in relation to the Authority's overall governance framework.

Specific opportunities for more minor improvements in governance and internal controls identified as part of the assurance processes detailed above have been addressed or are included in action plans for the relevant managers.



Cllr Jonathan Ash-Edwards
Leader of Council
July 2020

Kathryn Hall
Chief Executive
July 2020

MID SUSSEX
DISTRICT COUNCIL

Glossary of Terms

Glossary of Terms

Accounting Polices - These are the specific principles, bases, conventions, rules and practices applied by the Authority in preparing and presenting the financial statements.

Accounting Standards - These are set by CIPFA /LASAAC and comprise International Financial Reporting Standards (IFRSs) developed by the Financial Reporting Advisory Board ((FRAB). The Code of Practice on Local Authority Accounting is based on approved Accounting Standards issued by the International Accounting Standards Board (IASB) as well as approved Accounting Standards issued by the International Public Sector Accounting Standards Board (IPSAS) and the UK Accounting Standards Board. Therefore, the IFRS-based Code of Practice on Local Authority Accounting is based on the accounting standards issued by various standard setting bodies, Auditors could expect the guidance to be complied with, and any departure must be disclosed in the published accounts.

Accruals - The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Actuarial Gains and Losses (Pensions IAS 19)- Actuaries assess financial and non-financial information provided by the Council to project levels of future pension fund requirements. Actuarial gains and losses are the changes in actuarial deficits or surpluses that arise because:

Events have not coincided with actuarial assumptions made for the last revaluation (experience gains or losses) or the actuarial assumptions have changed.

These are recognised by appropriation from the pensions reserve and have no impact on the Comprehensive Income and Expenditure Account.

Agency Services - Services which are performed by or for another authority or public body, where the principal (i.e. the authority responsible for the service) reimburses the agent (i.e. the authority carrying out the work) for the cost of the work carried out.

Allowance for Bad and Doubtful Debts - The amount set aside in the Council's accounts to cover debts which may be un-collectable and written off.

Balances - In general, this is the accumulated surplus of income over expenditure, on any account, at the end of the financial year. Balances form part of the Council's reserves, and the authority may use its revenue balances to reduce the requirement from the council tax.

Band D Equivalent - The weighted number of properties subject to council tax in a local authority's area, calculated on the basis of prescribed proportions in relation to band D.

Billing Authority – This is the local authority responsible for the billing and collection of the council tax from all properties in their areas. In shire areas the District Councils are the billing authorities.

Capital Accounting - The recording in local authority balance sheets of the value of all capital assets and the use of these values to charge services with capital charges.

Capital Adjustment Account – this represents timing differences between the amount of the historical cost of non-current assets consumed and the amount that has been financed.

Capital Expenditure – On the acquisition or construction of assets which have a long-term value to the authority in the provision of its services (e.g. land; purchasing existing buildings or erecting new ones; purchasing furniture or equipment etc.).

Capital Programme - an authority's plan for capital projects and spending over future years. Included in this category are the purchase of land and buildings, the erection of new buildings, design fees and the acquisition of vehicles and major items of equipment.

Capital Receipts - Income received from the sale of land or other assets, which is available to finance other items of capital (but not revenue) spending, subject to the provisions contained within the Local Government Act 2003, or to repay outstanding debt on assets originally financed from loan.

Chargeable Dwelling – A dwelling that is subject to council tax.

CIPFA (The Chartered Institute of Public Finance and Accountancy) - This is the professional body for accountants working in local government and public bodies and is a Member of the Consultative Committee of Accountancy Bodies. The Institute provides financial and statistical information services for local government and advises central government and other bodies on local government and public finance matters. Members of the Institute are entitled to use the letters CPFA after their names, and membership is by examination. CIPFA is an entirely privately funded body.

Collection Fund - A fund administered by each billing authority (the District Council in shire areas), recording receipts from Council Tax, and payments to the General Fund and other public authorities. It also records receipts of non-domestic rates collected on behalf of Central Government, County Council and MSDC, and payments made to these organisations for their share of the total Business Rates collected.

Community Assets - Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Contingent Liability and Asset - A contingent liability or asset is a possible loss or gain which is not recognised in the accounts because it cannot be accurately estimated or because the event giving rise to the possible loss or gain is not considered sufficiently certain. This item is disclosed by way of a note to the accounts.

Costs Payable to the Pension Fund and any Payments to Pensioners (Pensions IAS 19) - These are appropriated to the Comprehensive Income and Expenditure Account from the Pensions Reserve, to replace all IAS 19 debits and credits, so that they remain, as previously, the actual amount to be met from government grants and local taxation.

Council Tax - The local tax payable on most residential properties in a local authority's area, in the year. Properties are valued within eight valuation bands (A-H), which determines the amount of council tax payable. See band D equivalents.

Creditors- Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the date of the Balance Sheet.

Current Assets - An asset which will be consumed or realised in the next accounting period e.g. short-term investments, inventories, short term debtors, cash and cash equivalents.

Current Liabilities - An amount which will be payable or could be called in within the next accounting period e.g. creditors, provision for accumulated absences, finance leases payable less than 1 year, cash overdrawn, and borrowing payable less than 1 year.

Current Service Cost (Pensions IAS 19) This represents the increase in present value of the scheme's liabilities expected to arise from employee service in the current period.

Debtors – These are sums of money due to the Council that have not been received at the date of the Balance Sheet.

Discount Rate – A calculation using a specified discount rate to estimate the present value of a future liability.

Depreciation – is provided for on all Property, Plant and Equipment. Depreciation is the measure of the wearing out, consumption, or other reduction in the useful economic life of a non-current asset, whether arising from use, effluxation of time or obsolescence through technological or other changes.

DWP – Department for Work and Pensions

Exceptional Items – These are material items in terms of the authority's overall net expenditure which derive from events or transactions which are not expected to recur frequently or regularly that fall within the ordinary activities of the authority. They are disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Extraordinary Items - Material items which derive from events or transactions that fall outside the ordinary activities of the authority. It would be rare for an item to be classified as extraordinary and would only be likely where ultra vires transactions occur.

External Audit - The independent examination of the accounts of local authorities. The Mid Sussex audit is carried out by the Ernst &Young LLP.

Fair Value – Fair value is the price at which an asset could be exchanged in an arm's length transaction, less any grants receivable towards the purchase or use of the asset.

Finance Lease - A lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. Other types of lease are termed "operating leases".

Financial Instruments – A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. This covers both financial simple assets and financial liabilities e.g. trade debtors and trade creditors. In its most complex form these include derivatives and embedded derivatives.

Gains and Losses on Settlements (Pensions IAS 19) - An irrecoverable action that relieves the employer of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. This also is charged to Non Distributed Costs.

General Fund Balance- The main revenue fund of a billing authority. Day-to-day spending on services is met from the fund.

Heritage Asset – 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.

Impairment – Impairment occurs when an asset has been re-valued and the valuation is downward. It is caused by a consumption of economic benefits (e.g. physical damage, or deterioration in the quality of service provided by the asset) or a general fall in prices.

Infrastructure Assets – Non-current assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways, footpaths and culverts.

Intangible Assets – Intangible assets are defined as "non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events

Interest Cost (Pensions IAS 19) – The expected increase during the year in the present value of the schemes liabilities because the benefits are one year closer to settlement.

International Financial Reporting Standard (IFRS) – Defined Accounting Standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of the other entities.

Minimum Revenue Provision (MRP) – is the minimum amount which must be charged to an Authority's revenue account each year and set aside as provision for credit liabilities, under the Local Government and Housing Act 1989.

Ministry of Housing, Communities and Local Government – MHCLG**.**

National Non-Domestic Rates (NNDR) - Nationally set tax charged on the rateable value of non-domestic properties (also known as business rates). The rate is set by the MHCLG.

Net Book Value (NBV)- is the amount at which non-current assets are included in the Balance Sheet, e.g. historical cost or current value less cumulative depreciation.

Net Realisable Value (NRV) – is the existing use value of the non-current asset less any expenses incurred in realising the asset.

Non-current Assets – Tangible assets that yield benefits to the local authority and the services it provides for more than one accounting year, e.g. land buildings, vehicles, vehicles plant and equipment, infrastructure assets and community assets. Collectively these are referred to as Property Plant and Equipment.

Operating Lease – is a lease other than a Finance Lease. A type of lease, usually of computer equipment, office equipment, furniture etc., which is similar to renting. Ownership of the asset must remain with the lessor for a lease to be classed as an operating lease.

Past Service Costs (Pensions IAS 19) - The increase or decrease in the present value of the scheme liabilities related to employee service in prior periods, as a result of the introduction of or improvement to retirement benefits or changes in indexation. This is charged or credited within the net cost of services under Non Distributed costs in the Comprehensive Income and Expenditure Account. Discretionary Pension benefits awarded on early retirement are treated as past service costs.

Pension Fund - An employees' pension fund maintained by an authority, or group of authorities, to make pension payments on retirement of participants; it is financed from contributions from the employing authority, the employee and investment income. This Council contributes to the West Sussex Pension Fund.

Precept - The levy made by West Sussex County Council (WSCC) and Sussex Police & Crime Commissioner (SPPC) on the Collection Fund, and Parish and Town Councils on the General Fund, for their net expenditure requirements.

Provisions and Reserves - Amounts set aside in one year to cover expenditure in the future. Provisions are for liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain. Reserves are amounts set aside which do not fall within the definition of provisions and include general reserves (or "balances") which every authority must maintain as a matter of prudence. This Council has established the General Reserve, and the Specific Reserve. These are further described in the Statement of Accounts.

Rateable Value (RV) - A value of all non-domestic properties subject to rating, to which rate pound ages are applied to arrive at a rate payable. The value is based on a notional rent that the property could be expected to yield after deducting the cost of repairs.

Related Parties – Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, all senior officers from Heads of Service and above and the Pension Fund. For individuals identified as related parties, the following are also presumed to be related parties:-

- Members of the close family, or the same household; and
- Partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

Reserves - See Provisions and Reserves.

Return on Plan Assets (IAS 19) is interest, dividends and other income derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less:

a) Any costs of managing plan assets, and
b) Any tax payable by the plan itself, other than tax included in the actuarial assumptions used to measure the present value of the defined benefit obligation.

Revaluation Reserve – This Reserve records the accumulated gains on the non-current assets held by the Council resulting from inflationary increases in values or upward revaluations resulting from other factors.

Revenue Expenditure – is expenditure on the day-to-day running of Council services. E.g. employee costs, premises costs, transport costs and supplies and services.

Revenue Expenditure Funded From Capital Under Statute (REFCUS) – Expenditure that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the Comprehensive Income & Expenditure Statement.

Service Reporting Code of Practice (SeRCOP) – This is Cifpa's authoritive guide that establishes proper practices with regard to consistent financial reporting for services in local authorities.

Surplus – is where income exceeds expenditure.

Transitional Relief – Scheme whereby the Council Tax is reduced for properties which would otherwise have seen a large increase in the Council Tax bill in comparisons with the actual 1992/93 community charge bill for the particular property.

MID SUSSEX
DISTRICT COUNCIL

Auditor's Opinion and Certificate

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MID SUSSEX DISTRICT COUNCIL

Opinion

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

- Comprehensive Income and Expenditure Statement,
- Movement in Reserves Statement,
- Balance Sheet,
- Cash Flow Statement,
- related notes 1 – 40,
- Collection Fund and associated notes 1 – 4.

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

In our opinion the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the Statement of Accounts 2019-20, other than the financial statements and our auditor's report thereon. The Head of Corporate Resources is responsible for the other information.

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

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

We have nothing to report in this regard.

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

Arrangements to secure economy, efficiency and effectiveness in the use of resources

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

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

Responsibility of the Head of Corporate Resources

As explained more fully in the Statement of the Head of Corporate Resources Responsibilities set out on page 4, the Head of Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Mid Sussex District Council had put in

place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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

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

Certificate

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

Use of our report

This report is made solely to the members of Mid Sussex 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.

Kevin Suter (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton
xx November 2020

The maintenance and integrity of Mid Sussex District Council web site 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.

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Letter of representations: Audit of Council only financial statements

[To be prepared on the entity's letterhead]

17 November 2020

Ernst & Young LLP
Grosvenor House,
Grosvenor Square,
Southampton SO15 2BE,
United Kingdom

This letter of representations is provided in connection with your audit of the financial statements of Mid Sussex District Council ("the Council") for the year ended 31 March 2020. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Mid Sussex District Council as of 31 March 2020 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

1. **A. Financial Statements and Financial Records** We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20

2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and are free of material misstatements, including omissions. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on

Local Authority Accounting in the United Kingdom 2019/20, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because the amendment to the accounts would involve a disproportionate amount of work for the utility to be gained by the users of those accounts.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

    - involving financial statements;

    - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;

    - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;

    - involving management, or employees who have significant roles in internal controls, or others; or

    - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

    - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

    - Additional information that you have requested from us for the purpose of the audit; and

    - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.

3. We have made available to you all minutes of the meetings of the Council, Cabinet and Audit Committee held through the year to the most recent meeting on the following date: 17 November 2020.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees,

whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 35 to the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. There have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report.

2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Going Concern

1. Note 37 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

H. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and investment property, in the calculation of the NDR appeals provision, in generating the IAS19 pension and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

I. Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context *of* CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

2. We confirm that the significant assumptions used in making the NDR appeals provision, valuation of assets and IAS19 disclosure estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete ,including the effects of the COVID-19 pandemic on the NDR appeals provision, valuation of assets and IAS19 disclosure and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20

4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

J. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

_____

Peter Stuart – Head of Corporate Resources

_____

Michael Pulfer - Chairman of the Audit Committee

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Communication schedule for uncorrected misstatements

Entity: Mid Sussex District Council **Period Ended:** 31-Mar-2020 **Currency:** GBP

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)									
No.	W/P ref.	Account (Note 1)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period		Income statement effect of the prior period	
		(misstatements are recorded as journal entries with a description)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable	Prior period Debit/(Credit)	Non taxable
Factual misstatements:												
		understatements of Pension Assets										
		Net pension liability	112,000									
		Actuarial (gains) / losses on pension fund assets and						(112,000)				
Total of uncorrected misstatements before income tax			112,000	0	0	0	0	(112,000)	0		0	
Total of uncorrected misstatements			112,000	0	0	0	0	(112,000)	0		0	
Financial statement amounts												
Effect of uncorrected misstatements on F/S amounts			0.0%	0.0%	0.0%	0.0%	0.0%		0.0%		0.0%	

Memo: Total of non-taxable items (marked 'X' above)		0	0
Uncorrected misstatements before income tax	0.0%	0	0
Less: Tax effect of misstatements at current year marginal rate		0	0
Uncorrected misstatements in income tax		0	0
Cumulative effect of uncorrected misstatements after tax but before turnaround	0.0%	0	0

Turnaround effect of prior period uncorrected misstatements	After tax	Memo: Before tax
All factual and projected misstatements:	0	0
Judgmental misstatements (Note 3):	0	0
Cumulative effect of uncorrected misstatements, after turnaround effect 0.0%	0	
Current year income before tax		
Current year income after tax	0	

Do not remove any categories of misstatements above, even if there are no misstatements; removing these categories may adversely affect the formulas or template functionality.

EY

(EY Form 430GL(R)UKI 29 January 2020)

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INTERNAL AUDIT – MONITORING REPORT 6th November 2020

REPORT OF: Audit and Risk Manager
Contact Officer: Gillian Edwards
Email: gillian.edwards@midsussex.gov.uk Tel: 01444 477241
Wards Affected: All MSDC Wards
Key Decision: No
Report to: Audit Committee
17th November 2020

Purpose of Report

1. The purpose of this report is twofold; to update the Committee on the progress of the 2020/2021 Internal Audit Plan and to report on the progress made in implementing previously agreed recommendations.

Recommendation

2. The Committee is asked to receive this report.

Background

3. Work Completed

Since the last report, as at 31st August 2020, the following reviews have been completed.

Audit Title	Audit Opinion
Disabled Facility Grants	Substantial
Payroll System Post Implementation Review	Substantial
Contact Register	Limited

4. Work in Progress

The reviews in progress and other work that we have undertaken in the period are shown at Appendix A.

5.1 High priority findings in this period

Contract Register 2020/2021
Final Report Date: 6th November 2020

During this review, we identified one high priority finding as follows:

Contract Register Not Updated

The Local Government Transparency Code, published in 2015, requires Local authorities to publish, on a quarterly basis, details of each individual item of expenditure that exceeds £500 and we can confirm that this is being done.

The Code also requires Local Authorities to publish details of any contract, commissioned activity, purchase order, framework agreement and any other legally enforceable agreement with a value that exceeds £5,000. The Code provides details

of what is required to be published, including the value, description of goods and services start and end dates of contracts.

At the request of this Committee at the last meeting, we have undertaken a short review to confirm whether the Contract Register is being kept up to date. We obtained details of all purchase orders over £5,000 between 6th April 2020 to 28th September 2020 and found that purchase orders valued at £1,952,979 were not recorded on the Contract Register. The following were the ten highest examples:

Company	Value April-September 2020
Southern Water Services Ltd **	£1,375,757
Zurich Municipal Insurance **	£111,857
Arthur J. Gallagher Insurance Brokers Limited **	£73,257
Cross Stone Urban Regeneration	£34,672
Ernst & Young LLP	£37,479
Balfour Beatty Construction Limited	£26,167
Pagoda Security and Facilities Management Ltd	£22,161
Crawley Borough Council (Main)	£15,776
Symatrix Limited	£15,317
JLT Specialty Limited- Insurance	£14,554
Total	£1,726,997

We are working with the Solicitor and Head of Regulatory Services, who is responsible for this area, to improve the system for recording relevant purchase orders on the Contract Register.

5. Follow Up Audits:

No follow up audits were undertaken in this period.

6. Work in Progress

6.1 The reviews in progress and other work that has been undertaken in the period are shown at Appendix A.

6.2 All work has been planned and allocated to Audit staff and we are confident that the audit plan will be complete by 31st March 2021.

Background Papers

- Internal Audit reports relating to 2020/2021
- Working papers relating to 2020/2021

Appendix A

Internal Audit Plan 2020/2021

Progress Report as at 6th November 2020

Audit	Audit Plan Year	Audit Opinion-Assurance	Number of High Priority Findings	Comments
A. Work Completed in the Current Period				
Disabled Facility Grants	2020/21	Substantial		
Payroll Post Implementation Review	2020/21	Substantial		
Contract Register	2020/21	Limited	**1**	
B. Work In Progress				
Tech 1 System Post Implementation Review	2020/21			
National Fraud Initiative Data Matching	2020/21			
Housing Benefits	2020/21			
Council Tax	2020/21			
NNDR	2020/21			

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COMMITTEE WORK PROGRAMME 2020/21

REPORT OF: Tom Clark, Head of Regulatory Services
Contact Officer: Alison Hammond, Member Services Officer
Email: alison.hammond@midsussex.gov.uk Tel: 01444 477227
Wards Affected: All
Key Decision: No

Purpose of Report

1. For the Audit Committee to note its Work Programme for 2020/21.

Summary

2. Members are asked to note the attached Work Programme. The Work Programme will be reviewed as the final piece of business at each meeting, enabling additional business to be agreed as required.

Recommendations

3. The Committee are recommended to note the Committee's Work Programme as set out at paragraph 5 of this report.

Background

4. It is usual for Committees to agree their Work Programme at the first meeting of a new Council year and review it at each subsequent meeting to allow for the scrutiny of emerging issues during the year.

The Work Programme

5. The Committee's Work Programme for 2020/21 is set out below:

Meeting date	Item
2 March 2021	Internal Audit Monitoring Report Internal Audit Plan Audit Planning Treasury Management Strategy Statement Annual Investment Strategy 2021/22 to 2023/24

Policy Context

6. The Work Programme should ideally reflect the key priorities of the Council, as defined in the Corporate Plan and Budget.

Financial Implications

7. None.

Risk Management Implications

8. None.

Background Papers

None.