MID SUSSEX DISTRICT COUNCIL

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8 September 2023

NOTE: There will be limited public access to observe the meeting. Those wishing to do so must reserve a seat by completing a Registration Form by 4pm on the working day prior to the meeting. Access is also available via a live stream through the Mid Sussex District Council's YouTube channel.

Dear Councillor,

A meeting of **AUDIT COMMITTEE** will be held in the **COUNCIL CHAMBER** at these offices on **MONDAY, 18TH SEPTEMBER, 2023 at 7.00 pm** when your attendance is requested.

Yours sincerely,

KATHRYN HALL

Chief Executive

A G E N D A

		Pages
1.	To receive apologies for absence.	
2.	To receive Declarations of Interest from Members in respect of any matter on the Agenda.	
3.	To be agreed by general affirmation the Minutes of the previous meeting held on 19 April and 24 May 2023.	**3 - 8**
4.	To consider any items that the Chairman agrees to take as urgent business.	
5.	Financial Statements 2021/22.	**9 - 184**
6.	Review of Treasury Management Activity 2022/23.	**185 - 198**
7.	Audit Committee Work Programme 2023/24.	**199 - 200**
8.	Questions pursuant to Council Procedure Rule 10.2 due notice of which has been given.	

To: **Members of Audit Committee:** Councillors S Hicks (Chairman), R Bates (Vice-Chair), J Belsey, L Carvalho, C Cherry, R Clarke and M Cornish

Minutes of a meeting of Audit Committee held on Wednesday, 19th April, 2023 from 7.00 pm

Present: M Pulfer (Chair)
S Hicks (Vice-Chair)

M Cornish I Gibson

Absent: Councillors L Stockwell, K Adams and A Boutrup

1. TO RECEIVE APOLOGIES FOR ABSENCE.

Apologies were received from Councillors Adams, Boutrup and Stockwell and the Committee agreed for Councillor Hicks to act as Vice Chairman for the meeting.

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

None.

3. TO CONFIRM THE MINUTES OF THE PREVIOUS MEETING HELD ON 21 FEBRUARY 2023.

The minutes of the meeting of the Committee held on 21st February were agreed as a correct record, with 3 in favour and 1 abstention and signed by the Chairman.

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

None.

5. ANNUAL GOVERNANCE STATEMENT 2022-23.

Louise Duffield, Director of Resources and Organisational Development, introduced the report which sets out Mid Sussex District Councils Annual Governance Statement (AGS) 2022/23 for consideration and approval at Appendix A, signed by the Executive Leader and Chief Executive of the Council.

A Member was disappointed in the reduction of Scrutiny Committees noting this was a reduction of the Councils governance framework and this should be reviewed if possible. A Member noted the Councils Charity Trustee role and whether this type of governance should be referenced in the report. The Director of Resources and Organisational Development confirmed the Annual Governance Statement is specifically focussed on financial governance. The Chairman asked for clarity on the hybrid working pattern of staff and the Director of Resources and Organisational Development advised this was approximately a 50/50 split between office and home.

As there were no further questions, the Chairman took Members to a vote on the recommendation which was agreed unanimously with 4 in favour.

RESOLVED

The Committee considered and approved the AGS for inclusion in the Statement of Accounts 2022/23.

6. FINANCIAL STATEMENTS 2020-21.

Louise Duffield, Director of Resources and Organisational Development, introduced the report which had been presented to the Committee in March 2022. However, the sign off of the financial statements had been delayed due to an objection. Following extensive work the objection had been dismissed and the financial statements are now complete. Kevin Suter, Ernst & Young drew Member's attention to Appendix A and Appendix B of the report and advised the content of the objection had been included in the report.

In response to a Member question regarding the Capital values of properties, Kevin Suter confirmed this was a sample of the data rather than each individual transaction. The Director of Resources and Organisational Development advised work was underway to improve the book valuation process.

Members discussed the objection in detail including the property valuation and payment to third parties. Kevin Suter confirmed no further third party transactions had been made and that this audit only considers 2021, however, although previous years audits were now closed the same audit would apply.

In response to a Member asking for clarity on materiality and pension adjustments, Kevin Suter confirmed the pension adjustment is non-material. In terms of the sampling process, he clarified that if an error was uncovered as part of the process, all factors are considered to determine if further data needs to be sampled. He confirmed the land value of Hurst Farm is considered as a whole and the percentage is a share of the receipt in accordance with the landowner agreement, the percentage does not relate to the valuation.

The Director of Resources and Organisational Development noted that work was already underway to improve the process for exempt minutes as recommended in the report and the cost of the objection to the Council was circa £35k.

Finally, a Member noted it would be useful to have an overview of all the areas that are scrutinised by Scrutiny Committee Members to see the work being done and to highlight those areas that could be improved.

As there were no further questions the Chairman took Members to a vote on the recommendations which were agreed unanimously with 4 in favour.

RESOLVED

The Committee:

i. Agreed the Auditors Annual Report having consideration of the Audit Results Report together with previous considerations and the resolution on 1 March 2022;
ii. Approved the Signed the Financial Statements for the year ending 31 March 2021 and the Letter of Representation

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

The Chairman thanked officers for their work and Members for their diligence.

The meeting finished at 7.32 pm

Chairman

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Minutes of a meeting of Audit Committee held on Wednesday, 24th May, 2023 from 7.20 pm

Present:

M Cornish	J Belsey	R Clarke
S Hicks	L Carvalho	
R Bates	C Cherry	

1. ELECTION OF CHAIRMAN.

Councillor Bates nominated Councillor Hicks as Chairman of the Committee for the 2023/24 Council year. This was seconded by Councillor Cherry and with no further nominations put forward, this was agreed unanimously.

RESOLVED

That Councillor Hicks be elected Chairman of the Committee for the 2023/24 Council year.

2. APPOINTMENT OF VICE-CHAIRMAN.

Councillor Cherry nominated Councillor Bates as Vice-Chairman of the Committee for the 2023/24 Council year. This was seconded by Councillor Hicks and with no further nominations put forward, this was agreed.

RESOLVED

That Councillor Bates be appointed Vice-Chairman of the Committee for the 2023/24 Council year.

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

None.

The meeting finished at 7.25 pm

Chairman

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FINANCIAL STATEMENTS 2021/22

REPORT OF:	DIRECTOR OF RESOURCES AND ORGANISATIONAL DEVELOPMENT
Contact Officer:	Assistant Director of Corporate Resources (and S151 Officer) Rachel Jarvis, Email: rachel.jarvis@midsussex.gov.uk Tel: 01444 477244
Wards Affected:	*N/A*
Key Decision:	No
Report to:	Audit Committee 18 September 2023

Purpose of Report

1. This report is to update Audit Committee on the Financial Statements for 2021/22. Ernst & Young LLP (EY) have now concluded their audit of the 2021/22 Accounts, and we are pleased to report they intend to provide an unqualified opinion.

2. This report therefore contains the Financial Statements relating to the 2021/22 financial year are now ready for final review and signing and comprise: -

   (a) The Auditors Annual Report (Appendix A)

   (b) The Audit Results Report to the Audit Committee (Appendix B)

   (c) The Financial Accounts 2020/21 - Final (Appendix C)

   (d) Letter of Representation - (Appendix D)

Recommendations

3. The Audit Committee is recommended to:

   i. Agree the Auditors Annual Report having consideration of the Audit Results Report;
   ii. Approve the Financial Statements and Letter of Representation for the year ending 31 March 2021
   iii. Agree that the Chair signs the above on behalf of the Committee

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Background

4. The audit of the Statements for the financial year 2021/22 is now concluded and the outcome is presented at Appendix A and Appendix B.

5. The conclusion of this Audit has been delayed for three reasons. Firstly, as a result of investigations required due to an objection made to the accounts. This objection was not accepted for consideration.

6. Secondly, there are national issues in local public sector audits. These have been summarised in the recent reviews by the National Audit Office (NAO), the Public Accounts Committee, and the Redmond Review.

7. The delay to the audit then meant that the results of the pension fund triannual valuation were published before its conclusion. Potential issues were identified by EY in the valuation, for which an updated report was requested via WSCC which administers the Pension Fund. Further detail is provided below.

8. As is the picture nationally, the Whole of Government Accounts has not concluded, and the National Audit Office has reserved the right to request further procedures subject to the conclusion of the Whole of Government Accounts. It is unlikely that this will be requested specifically of Mid Sussex DC.

Auditors Audit Results Report and Findings

9. This section provides an overview of the Audit Results Report in order to provide the Audit Committee with a broader context to facilitate their understanding.

10. Section 2 of the report provides an overview of the areas of audit focus. Of note are

   a) Areas of significant risk

      i. Valuation of investment property (adjusted) - There has been a need to update the valuations initially provided by the Councils' valuers on some investment properties that were understated by £229k. Looking forward Finance are working with Estates and the appointed external valuers to better align their practices, in particular the timing of the valuation to the same point in the financial year, to address these issues.

   b) Other risks:

      i. Valuation of Land and Buildings (adjusted) - An understatement of floor space of £224k occurred due to the use of out-of-date floor plans.

      ii. Creditors balance error (adjusted); The error of £117k relates to a creditor balance for a specific contract. EY have required MSDC to correct this historic creditor error in 2021/22 by including only 12.5, 4-week periods, rather than the 13 periods used as standard. This will remove the reoccurring overstated creditor balance for the future.

      iii. Net Pension Liability (adjusted) - The Pension Fund is administered by West Sussex County Council which appoints actuaries to provide annual pension liability information. Due to audit delays the timing of the most recent Pension triennial valuation results were issued prior to completion of our 2021/22 audit. EY became aware of some valuation issues and therefore asked us to commission an additional report from the actuary. The revised IAS19 for 2021/22 showed a reduction in our net liability by £2.969m. This was the result of changes in membership data, but also changes made by the actuary in respect of financial and demographic assumptions.

      iv. Value recorded as a contingent liability (unadjusted) - The accounts disclosed a liability of £250k as contingent on further events. EY have concluded that the liability was a present liability from a past event and probable for payment therefore a specific provision should have been made. This is a difference of opinion of the disclosure required rather than having any bearing on the bottom line.

v. Accounting for Covid Business Grants (adjusted) – This is an accounting adjustment, and the overall financial position remains unchanged, as the adjustment required relates to how the grants are presented in the accounts. During the pandemic, there were a high volume of new grants to support the public, often with complex accounting requirements. The treatment of which both local and national governments had to grapple with. In this instance, a significant number of authorities, a lot of whom took joint advice, made the same presentational error.

Financial Implications

11. As laid out in Appendix B.

Risk Management Implications

12. None

Equality and Customer Service Implications

13. None

Other Material Implications

14. None

Sustainability Implications

15. None

Appendices

- Appendix A – Auditors Annual Report
- Appendix B - Mid Sussex District Council Audit Results Report
- Appendix C – Draft Statement of Accounts 2021/22
- Appendix D – Draft Letter of Representation

Background Papers

None

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Mid Sussex District Council
Auditor's Annual Report

Year ended 31 March 2022

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 July 2021)" 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.

Introduction

Purpose

The purpose of the auditor's annual report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on value for money (VFM) arrangements, which aims to draw to the attention of the Council, or the wider public, relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

We have undertaken our 2021/22 audit work in accordance with the Audit Plan that we issued on 8 July 2022. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2021/22 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the narrative statement.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- If we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

Responsibilities of the Council:

The Council is responsible for preparing and publishing its financial statements, narrative statement and annual governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Introduction (continued)

2021/22 Conclusions	
Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2022 and of its expenditure and income for the year then ended. We issued our auditor's report on 18 September 2023.
Going concern	We have concluded that the Assistant Director of Corporate Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the other information published with the financial statement	Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.
Value for money (VFM)	We had no matters to report by exception on the Council's VFM arrangements. We have included our VFM commentary in Section 03.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Council.
Public interest report and other auditor powers	We had no reason to use our auditor powers.
Whole of government accounts	We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission.
Certificate	We will be able to issue our certificate once the NAO have confirmed whether there are any additional group audit procedures required as part of the Whole of Government Accounts submission.

Audit of the financial statements

Key findings

The Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

On 18 September 2023, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 18 September 2023 Audit Committee meeting. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan. We reported 1 area for improvement in the control environment in the Audit Results Report.

Significant risk	Conclusion
Risk of fraud in revenue and expenditure recognition - inappropriate capitalisation of revenue expenditure	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 through the potential to inappropriately capitalise revenue expenditure to improve the financial position of the general fund. We have not identified any material weaknesses in controls or evidence of material management override. We tested a sample of PPE additions and confirmed they met the capitalisation requirements under IAS16. We tested a sample of REFCUS items and confirmed they were appropriately classified. We have not identified any instances of inappropriate judgements being applied.
Misstatements due to fraud or error - management override of controls	Our work did not identify any material weaknesses in the design of controls or evidence of material misstatements, whether due to fraud or error, related to the inappropriate capitalisation of revenue expenditure. Our work did not identify any instances of inappropriate judgements being applied. Our work did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business. We have not identified any unusual or unsupported journals, or other adjustments made in preparing the financial statements.

Audit of the financial statements

Significant risk	Conclusion
Valuation of Investment Property	Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, Material judgemental inputs and estimation techniques are required to calculate the balances held in the balance sheet. The risk is heightened for traditional retail assets due to market difficulties. Errors have been identified in the valuations for the past three years. Our testing has identified one asset which was understated by £229k due to a difference in professional opinion on reversionary rents and the fact that an updated tenancy schedule was not provided to the valuer in performing their work. Management have adjusted for this in the Accounts.

Other risks / areas of audit focus	Conclusion
Valuation of Land & buildings	Property, plant & equipment land & buildings represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation. Material judgemental inputs and estimation techniques are required to calculate the balances held in the balance sheet. Our testing has identified one asset which was understated by £224k driven by a difference in area adopted in the valuation calculation. Management have adjusted for this in the accounts.
Pension Liability valuation	The Code of Accounting Practice requires extensive disclosures regarding the Council's pension liability balances. The accounting requires significant estimation and judgement, with management engaging an actuary to undertake the calculations on their behalf. As the audit was not completed by 31 March 2023, management needed to take account of the completed 2022 triennial valuation. The Council are required to consider the potential impact of this, and commissioned an updated IAS 19 report from their actuary. Management have processed this change within the financial statements, being a decrease in the pension liability of £2,969k. Due to the material movement these figures we have had to perform additional procedures. This work includes additional membership testing (being completed at the Pension Fund level) and obtaining updated assurances from PWC as the consulting actuaries. We have received the updated assurances, and are satisfied that the updated assumptions within the revised report are supportable.

Value for Money

We did not identify any risks of significant weaknesses in the Council's VFM arrangements for 2021/22.

Our VFM commentary highlights relevant issues for the Council and the wider public.

We have no matters to report by exception in the audit report.

Scope

We are required to report on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in it use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03). We presented our VFM risk assessment to the 26 July 2022 and 18 September 2023 Audit Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Council committee reports, meetings with the Assistant Director Corporate Resources and evaluation of associated documentation through our regular engagement with Council management and the finance team.

Reporting

We completed our risk assessment procedures and did not identify any significant weaknesses in the Council's VFM arrangements. We have also not identified any significant risks during the course of our audit. As a result, we had no matters to report by exception in the audit report on the financial statements.

Our commentary for 2021/22 is set out over pages 8 to 10. The commentary on these pages summarises our conclusions over the arrangements at the Council in relation to our reporting criteria (see below) throughout 2021/22. Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Auditor's Annual Report and have been updated for 2021/22.

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weaknesses identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weaknesses identified

Value for Money (continued)

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

The council has appropriate arrangements in place to ensure financial sustainability.

The medium term financial strategy is updated annually, looking forward over a 4 year period.

Throughout 2021/22, the MTFS in place was the “Financial Strategy 2021/22 - 2021/26”. This was presented at Council in March 2021. Towards the end of 2021/22, the updated MTFS was released being the “Financial Strategy 2022/23 – 2025/26”. The medium-term financial plan included £3m use of reserves each year from 2022/23 to 2024/25 as part of the earlier MTFS. This has however, been reduced to £1.3m each year from 2023/24 to 2025/26 as part of the latter MTFS.

Subsequent to the year we are assessing, the most recent update to the Financial Strategy was for 2023/24 to 2026/27 and was taken to the March 2023 Council. This report revised down the use of general reserve further to nil, setting a balanced budget for the 2023/24 year and appropriately recognising the risks in some of the assumptions made, including inflationary pressures.

There are projected cumulative gaps in the subsequent years, in the region of:

2024/25	£0.6m
2025/26	£3.2m
2026/27	£3.3m

These gaps will need to be addressed by the Council in the forthcoming periods.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Value for Money (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

The Council had arrangements in place to ensure it made informed decisions and properly managed its risks.

During 2021/22 the Council made a key change in arrangements regarding its internal audit provider. From 1 July 2021 has been undertaken by Mazars LLP, which is providing a fresh perspective on the Council.

Looking forward, the Council also intends to revisit budget monitoring to a quarterly cycle.

During the 2021/22 audit we were provided with information from a member of the public in relation to the decision making regarding severance payments to the former s151 officer. We determined to consider the matter as information brought to the auditor's attention, under paragraph 5.3 of the Code of Audit Practice 2020

The information covered three areas:

1. No report was made to Full Council to be considered under section 4 of the Local Government & Housing Act 1989
2. Allegations of unlawfulness of the severance payment
3. The Council had not approved the appointment of the new s151 officer.

We reviewed each of the matters, and determined the following:

1. No report was required under section 4 of the Local Government & Housing Act 1989. The Chief Executive (Head of Paid Service) had no concerns to bring to the attention of members requiring them to consider such a report.
2. We investigated the payments to the s151 officer, including their compliance with the Constitution, the Council's pay policy, and relevant legislation and guidance. We obtained the Council's legal advice, and also took our own legal advice. We concluded that we did not wish to further challenge the Council's payments.
3. We identified that the Council would receive a report on the appointment of the new s151 officer at its May 2022 meeting, and reviewed the meeting agenda confirming that this did occur.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to make informed decisions and properly manage its risks.

Value for Money (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

The Council has arrangements in place to improve economy, efficiency and effectiveness. These derive from the Corporate Plan, setting out the Council's priorities and objectives. The Council's Cabinet monitors progress against the key projects, budgets and performance measures on a regular basis.

To track performance and judge how well the Council are delivering their services, they measure their key activities and set performance targets using performance indicators. These performance measures are split by service area and show indicators such as target, status and comparison to other periods.

Mid Sussex District Council has in place a "procurement code". This information was laid out within the Constitution and sets out the procedures that must be followed in relation to the procurement and award of a contract. These are intended to promote good purchasing practice and public accountability and deter corruption. Following the year-end the procurement code has been taken out of the Constitution to present a stand alone document.

We received an objection to the 2021/22 financial statements, that covered issues with regard to procurement.

The objection asked for a public interest report into payments made to a supplier in respect on compliance with the Public Contracts Regulations 2015.

As part of the contract was a secondment, it also as us to consider compliance with other laws regarding employment and its taxation.

Having made initial enquiries of the Council, we established that the payments were beneath the Public Contract Regulations 2015 thresholds relevant to the year of £189,330. The Council also set out its consideration of IR35 in the matter of employment taxes.

Therefore, we decided not to accept the objection for consideration.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Appendices

Building a better working world

Appendix A – Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria	Findings
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	The Council produces an annual MTFS covering the current and next 4 years on a rolling basis. The MTFS should have regard to the following criteria: • be constructed to resource the forthcoming Corporate Plan; • identify and quantify all known factors likely to impact on the Council's budget in the medium-term; • use the service review process to identify efficiencies to maintain a balanced budget over the medium-term; • have regard to the current and potential legislative and national financial issues; and • community needs and taxation implications. This strategy will set out the key financial principles to be utilised and key actions that need to be undertaken to ensure the Council is able to continue to balance its finances over the medium-term. The purpose of the report is to update the Council's financial strategy and action plan to help guide the management of the Council's finances during a period of diminishing resources. Throughout 2021/22, the MTFS in place was the "Financial Strategy 2021/22 - 2021/26". This was presented at Council in March 2021. Towards the end of 2021/22, the updated MTFS was released being the "Financial Strategy 2022/23 – 2025/26". This was presented at Council in March. The four-year financial model forecasts are updated to as part of this annual cycle to reflect current assumptions, including government funding, council tax projections, projected costs, and planned efficiencies. The medium-term financial plan included £3m use of reserves each year from 2022/23 to 2024/25 as part of the earlier MTFS. This has however, been reduced to £1.3m each year from 2023/24 to 2025/26 as part of the latter MTFS. The Council's budget has taken into account various known pressures and risks, such as: • Inflation • Reduction in leisure centre contract management fee income due to the impact of the pandemic These are revisited within each MTFS, and such pressures and risks included within the 2022/23 MTFS include: • More extensive inflation increases, including pay inflation and energy costs • Increases in the costs of waste contracts As noted in the report, projections over future years should be treated with caution as circumstances can change quickly and assumptions underpinning the figures may change. The most recent update to the "Financial Strategy" was for 2023/24 to 2026/27 and was taken to the March 2023 Council. This report revised down the use of general reserve further to nil.

Appendix A – Summary of arrangements

Financial Sustainability (Continued)

Reporting Sub-Criteria	Findings
How the body plans to bridge its funding gaps and identifies achievable savings	In preparation for the annual budget process, the Council's Financial Strategy, and the 4-year Financial Model, including the key financial principles, are reviewed. This is in order to take into account financial pressures, saving plans and the key assumptions being used for future years' forecasts. To address the impact on the financial position of the Council, saving proposals of £250k per annum were approved as part of the Corporate Plan and these have remained consistent within each Corporate Plan prepared which, when combined, cover the period 2021/22 to 2026/27. The annual budget for revenue spending was approved by Full Council as set out above having incorporated these savings identified.
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	Mid Sussex District Council implement a Corporate Plan which sets out the Council's future priorities and objectives. This helps ensure that: • The Council manages its resources effectively • Projects can be delivered by the Council's services and that enough capacity is available to deliver them • The Council's Cabinet can plan its work • A framework is provided for evaluating the Council's performance The Council's Management Team and Cabinet monitor progress against the key projects, budgets and performance measures on a regular basis and take action where any activities are behind schedule. The priorities as set out within the Corporate Plan are: • Effective and responsive services • Sustainable economic growth • Strong and resilient communities • Financial independence As noted above, the Financial Strategy and Plan has regard to the Corporate Plan, therefore ensuring the consistency of financial strategy with the corporate strategy. As part of its arrangements during the year the Chief Executive reviewed the senior management structure, which had been delayed during the Covid-19 pandemic. The review assessed the structure and the needs of the Council in line with its strategy, business need, and future requirements.

Appendix A – Summary of arrangements

Financial Sustainability (Continued)

Reporting Sub-Criteria	Findings
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system	Under the umbrella of the Financial Strategy are other linked policies and strategies which assist with ensuring the robust financial management of the Council, including the Treasury Management and Investment Strategies and a Capital Strategy. We note that throughout the financial planning (i.e. budget and MTFS) consideration of other plans also takes place. The Financial Strategy and Plan incorporates the revenue effect of capital and other investment decisions, and those impacting the workforce as a whole. The Capital Programme is based upon the Corporate Plan which will identify the need for investment. The Capital Strategy implemented by Mid Sussex District Council provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local services and how associated risk is managed by the Council. The Council approves a Capital Programme on recommendation from the Council's Cabinet. The programme consists of significant projects that qualify as capital expenditure and a planned programme of schedule asset replacements. The key driver of the Capital Strategy is the Council's Statement of Main Purpose "To be an effective Council delivering value for money services and helping to create a strong economy, environment and community" and the accompanying priorities: • Effective and responsive services • Sustainable economic growth • Strong and resilient communities • Financial independence This statement gives a strategic direction to the Council to enable it to meet the demands of the future. The Treasury Management strategy is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing. Decision on treasury management investment and borrowing are made daily and therefore, are delegated to the Head of Corporate Resources, who must act in line with the Treasury Management Strategy approved by Council.

Appendix A – Summary of arrangements

Financial Sustainability (Continued)

Reporting Sub-Criteria	Findings
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	Please see documentation above about MTFS, and below regarding the annual budget setting process. Throughout the preparation of each of these, risks are taken into consideration in order to see how they impact certain areas and what the financial implications of these risks might be. This includes the following implemented measures: • The Council publishes detailed financial plans (including the MTFS) that are aligned to its Corporate Plan and includes actions to ensure financial sustainability • In-year monitoring of these financial plans to identify and incorporate any unplanned changes in underlying assumptions of the Council's plans as discussed below • Reporting of financial performance against set financial plans as discussed below • Risk management processes to identify, monitor and assets risks The Council has an effective strategic risk management framework and register in place to identify, mitigate and monitor the risks to the organisation in delivering strategic objectives. This includes both financial and non-financial risks. Cabinet is the body responsible for the Council's strategic risk management. Cabinet approves the Council's strategic risks on an annual basis. Cabinet members work with Heads of Service regarding the progress in managing risks that fall within their portfolio. In addition, Cabinet is responsible for: • Providing an overall direction on strategic risk management. • Promoting a positive risk culture throughout the organisation including promoting its importance to other Members. • Holding an annual workshop to agree the strategic risks for the following 12 months. • Approving an annual Strategic Risk Profile. The Cabinet Member for Finance and Service Delivery is recognised as the Member Risk Champion and works with the Officer Risk Campion to embed risk management into the organisation. The Management Team is responsible for ensuring the Council's strategic risks are actively managed throughout the year. It uses its weekly meetings to monitor progress across all the risks and where it is found that a risk has increased in risk profile, a report is submitted to Cabinet. (continued….)

Appendix A – Summary of arrangements

Financial Sustainability (Continued)

Reporting Sub-Criteria	Findings
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans (continued)	In addition, the Management Team has the following responsibilities: • Implementing the strategic risk management policy. • Reviewing the management of strategic risk. • Monitoring the effectiveness of controls designed to implement the chosen risk response. • Integrating risk management into the service and budget planning process. • Promoting a robust and proactive risk culture throughout the organisation. • Ensuring that appropriate training is put in place for appropriate officers and that it is reflected in the Member Development Programme. The Officer Risk Champion and works with the Member Risk Champion to embed risk management into the organisation. These arrangements come together, linking the Corporate Plan and its risks assessment, through to the financial plans and implications, as part of the ongoing monitoring of performance and then the annual refresh associated with developing the annual budget.

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria	Findings
How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	The Council has an effective strategic risk management framework and register in place to identify, mitigate and monitor the risks to the organisation in delivering strategic objectives. This includes both financial and non-financial risks. This is supported by the Strategic Risk Management Policy and sets out the ways in which the Council: • Identifies key strategic risks in the context of the Corporate Plan's objectives • Assesses risks to determine the potential likelihood and impact of each risk • Determines the response that should be made to each risk • Develops the necessary actions, controls, and processes to implement the chosen response to each risk • Communicates its approach to risk management and the results of risk management activity • Deals with each risk – either avoid, reduce, share or accept it. The Council maintains a strategic risk register. The register details: • The description of the risk, including the Corporate Strategic Aim that the risk is aligned to, the risk owner and the Cabinet Member • The current mitigations • The consequences split across the categories of "Financial", "Reputational" and "Operational • The key causal factors • The initial risk score Updates to the risk register are discussed in Cabinet as described above. *Internal Audit* The Council has an Internal Audit Function in place. The Internal Audit Service provides a continuous and independent review of all internal control systems. It objectively examines, evaluates and reports upon the adequacy of such internal controls. The provision of Internal Audit was revised, and from 1 July 2021 has been undertaken by Mazars LLP. This is providing a fresh perspective on the Council. The findings and recommendations from each audit review are reported to the Audit Committee and an Annual Report is also prepared.

Appendix A – Summary of arrangements (continued)

Governance (Continued)

Reporting Sub-Criteria	Findings
How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud (Continued)	Their opinion for the year to 31 March 2022 was that: *Based on our audit work, our opinion on the governance, risk management, and control framework is Moderate in its overall adequacy and effectiveness. Some improvements are required to enhance the adequacy and effectiveness of the governance, risk management and control framework.*
How the body approaches and carries out its annual budget setting process	The Council has a statutory duty to prepare a balanced annual revenue budget. The Council's budget must be constructed so as to ensure that resource allocations properly reflect the Council's priorities. The financial strategy is based on the rolling four-year cycle and sets out the likely envelope of resources available to the Council over the following four years for both revenue and capital spending (see section above on MTFS). This strategy is approved by Council, having first been considered by Cabinet. After considering the financial strategy and the Council's priorities, the draft budget is prepared and is approved by Council, having been recommended by Cabinet. The Council will consider the proposals of the Cabinet and may adopt them, amend them, refer them back to the Cabinet for further considerations, or substitute its own proposals in their place. Each of the Council's budgets are delegated to a designated budget manager. Budget managers have the responsibility to: • Only incur expenditure or vire budget provision for which they have approved budgets or specific authority. • Monitor and control revenue and capital expenditure and income under their control. • Submit periodic capital and revenue monitoring reports to members. • On becoming aware of a potential overspend either take remedial action to prevent such an overspend or submit a virement proposal prior to the overspend occurring. • Should a need to incur unavoidable or non-controllable expenditure be identified, a proposal for a supplementary estimate shall be submitted to Cabinet. (continued..)

Appendix A – Summary of arrangements (continued)

Governance (Continued)

Reporting Sub-Criteria	Findings
How the body approaches and carries out its annual budget setting process (continued)	In relation to Financial Planning, the CFO has a responsibility of: • Ensuring lawfulness and financial prudence of decision making. • Administration of financial affairs. • Contributing to corporate management. • Advising whether executive decisions are within the budget. • Providing advice. • Giving financial information. • Supporting the Audit Committee.
How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed	Each of the Council's budgets are delegated to a designated budget manager. Budget managers have the responsibility to: • Only incur expenditure or vire budget provision for which they have approved budgets or specific authority. • Monitor and control revenue and capital expenditure and income under their control. • Submit periodic capital and revenue monitoring reports to members. • On becoming aware of a potential overspend either take remedial action to prevent such an overspend or submit a virement proposal prior to the overspend occurring. • Should a need to incur unavoidable or non-controllable expenditure be identified, a proposal for a supplementary estimate shall be submitted to Cabinet. Both revenue and capital monitoring take place regularly in periods 2, 4, 6, 9 and 12 of the financial year. All budget managers have access to the Council's GL system in order to review actual performance against budget. The queries outlined below can be produced as and when required to help with budget monitoring: Compare the annual budget with all posted income and expenditure, including commitments. The query will show the total remaining uncommitted budget. Compare the profiled budget to show all income, expenditure, and commitments as at the end of the last completed month. This query will show the variance to date for budget monitoring purposes. Compare the annual budget with the full year income and expenditure for the last complete financial year. The Council also reviews its Treasury Management performance. In 2021/22, the Council continued to receive large grant payments which they were required to keep liquid. However, no such breaches of counter-party limits were made, as reported in the previous year to manage those funds. This demonstrates the Council's ongoing arrangement to monitor its Treasury Management functions.

Appendix A – Summary of arrangements (continued)

Governance (Continued)

Reporting Sub-Criteria	Findings
How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee	The Council has a number of arrangements in place to ensure that appropriate decisions are made. The decision-making process is detailed within the Council's Constitution and sets out how different decisions are made. The Constitution states that all decisions should be made in accordance with the following principles: • There should be clarity of aims and desired outcomes • Proper regard should be paid to professional advice from officers • Proper regard should be paid to internal and external consultation according to the decision in question • There should be respect for human rights • There should be a presumption in favour of openness • There should be proportionality (i.e. the action should be proportionate to the desired outcome) • There should be an explanation of the alternative options considered • There should be proper reasons for the decision which are documented *The Full Council* The Constitution sets out the role of the Full Council and explains that the Council is the policy making body from which the Policy Framework will be established. *Cabinet* The cabinet is the part of the Council which is responsible for operational decisions. When major decisions ('key decisions') are to be discussed or made, these are published in the Forward Plan in so far as they can be anticipated. If these major decisions are to be discussed at the meeting of the Cabinet, this will be open for the public to attend except where personal, exempt or confidential matters are being discussed. The Cabinet has to make decisions which are in line with the Council's overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this must be referred to the Council as a whole to decide. Cabinet is currently made up of seven councillors, including the Leader and Deputy Leader. It is responsible for almost all the functions and services of the Council but is not allowed to deal with certain matters like planning and licensing applications. These are dealt with by other Committees. Each member of the Executive has responsibility for a specific range of Council activities (portfolios) and will act as the Council's spokesman for those functions. There are five portfolio areas: Whilst some decision-making powers are delegated to individual Executive members, generally the Executive makes decisions as a Committee.

Appendix A – Summary of arrangements (continued)

Governance (Continued)

Reporting Sub-Criteria	Findings
How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee (continued)	1. Economic Growth and Net Zero 2. Leisure and Parking 3. Community 4. Planning 5. Housing and Customer Services Whilst some decision-making powers are delegated to individual Executive members, generally the Executive makes decisions as a Committee. *Scrutiny Committee* The roles and responsibilities of the three Scrutiny Committees are set out within the Constitution and are to: • Review and/or scrutinise decisions made or actions taken in connection with the discharge of relevant functions of the Council; • Make reports and/or recommendations to the full Council and/or the Cabinet and/or any joint committee in connection with the discharge of any functions; and • Exercise the right to call-in, for reconsideration, decisions made but not yet implemented by the Cabinet and/or any joint committee, where this is necessary and having regard to the call-in procedures as set out in the Scrutiny Procedure Rules in Part 4 of the Constitution. The Council has reviewed it's scrutiny arrangements, which was considered by the Full Council during September 2021 as part of a Governance Review. The review identified scope for efficiency and improvement in the scrutiny arrangements, but in our interpretation of the review were points for improvement and not significant weaknesses in the arrangements. *Audit Committee* The Audit Committee is independent of the Executive and Scrutiny functions and embedded as a key part of the Council's overall governance framework. Its terms of reference are aligned to CIPFA's best practice standards for audit committees. This Committee ensures that the Council is managing risks properly and that proper audit arrangements are in place.

Appendix A – Summary of arrangements (continued)

Governance (Continued)

Reporting Sub-Criteria	Findings
How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee	*Transparency* To allow for transparency, the Council also ensures that it publishes relevant information relating to salaries, contracts and performance data on its website (https://www.midsussex.gov.uk/about-us/open-data/). This includes: • Budget reports • A Medium-Term Financial Strategy • A Corporate Plan • Statement of Accounts • Annual Governance Statement
How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)	We have inspected the website of Mid Sussex District Council and identified the various policies in place regarding the integrity, ethical values and behaviour of key executives. Mid Sussex District Council have adopted a number of codes and protocols that govern the standards of behaviour expected of members and officers, including a Code of Conduct for Councillors and a separate one for staff. These Codes of Conduct form part of the Constitution and are updated on a regular basis. The Code of Conduct has been created to assist individuals with understanding the behaviour that is expected of them. Included within this Code of Conduct is a section on “gifts and hospitality”. This guidance sets out the members’ obligations to declare gifts and hospitality received in their official capacity as members of the Councill. Officers also have to declare any gifts and hospitality offered and approval should be sought prior to acceptance if deemed appropriate.

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria	Findings
How financial and performance information has been used to assess performance to identify areas for improvement How the body evaluates the services it provides to assess performance and identify areas for improvement	Mid Sussex District Council implement a Corporate Plan which sets out the Council's future priorities and objectives. This helps to ensure that: • The Council manages its resources effectively • Projects can be delivered by the Council's services and that enough capacity is available to deliver them • The Council's Cabinet can plan its work • A framework is provided for evaluating the Council's performance The Council's Cabinet monitor progress against the key projects, budgets and performance measures on a regular basis and take action where any activities are behind schedule. The priorities as set out within the Corporate Plan are: • Effective and responsive services • Sustainable economic growth • Strong and resilient communities • Financial independence As noted above, the Financial Strategy and Plan has regard to the Corporate Plan, therefore ensuring the consistency of financial strategy with the corporate strategy. *Performance Information* To track performance and judge how well the Council are delivering their services to customers, they measure their key activities and set performance targets using performance indicators. These performance measures are split by service area and show indicators such as target, status and comparison to other periods.
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	The Constitution states that the Council is able to: Enter into arrangements or agreements with any person or body; Co-operate with, or facilitate or co-ordinate the activities of, any person or body; and Exercise on behalf of that person or body any functions of that person or body. To manage these arrangements, the Council may appoint joint committees with the other party to oversee and make decisions in relation to the arrangement.

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness (Continued)

Reporting Sub-Criteria	Findings
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve (continued)	In the ordinary business of Council meetings, Council is to receive reports, and receive questions and answers, on the business of any joint arrangements. This enables the effective monitoring of these arrangements and ensures that Council are held accountable by any stakeholders.
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	Mid Sussex District Council has in place a “procurement code”. This information was laid out within the Constitution and sets out the procedures that must be followed in relation to the procurement and award of a contract. These are intended to promote good purchasing practice and public accountability and deter corruption. Following the year-end the procurement code has been taken out of the constitution to present a stand alone document. The Standing Orders go through each step of the contract process, detailing the minimum requirements for all contracts taken out by the Council. Officers undertaking procurement exercises on behalf of the Council are supported by the Procurement Service to aid compliance. In addition to this, any necessary training, including updates or refresher training, is given to these Officers to ensure that these individuals have up to date skills and knowledge to perform these procurement exercises.

Appendix B – Summary of all recommendations

Recommendations

The table below sets out all the recommendations arising from the financial statements and value for money audits in 2021/22. All recommendations have been agreed by management.

Issue	Recommendation	Management Response
Financial statements: We have continued to identify errors in property valuations. The issues identified have included; the valuer not being able to support assumptions on yield or market rents; the valuer not explicitly stating their assumptions on voids & purchase costs; the nature of the asset not being correctly reflect in the valuation and the valuation not reflecting ongoing rent reviews.	In our view, management should put into place the following controls: • Personnel at the Council, who have sufficient knowledge of the asset, should review the information provided to the valuer to ensure the information up to date, relevant, and accurate. Management should consider the need to perform the asset valuations closer to the 31 March year-end date to ensure that this updated information is utilised, and the resulting asset valuation quantified. • Management should ensure that the valuer explicitly states, and be able to support, all their assumptions in the valuation • Personnel at the Council, who have sufficient knowledge of the asset, should review the valuations performed by the valuer.	Management agreed the recommendation, and committed to the Finance and Estates teams agreeing a workflow to prepare and check the valuations performed by the Council's external valuer.
Value for Money: None noted		

Appendix C – Fees

Fees

We carried out our audit of the Council's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)".

Our proposed fees for 2021/22 are set out within Section 08 of the Audit Results Report presented to the Audit Committee on 18 September 2023.

Appendix D – Fees
Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members 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 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity

As at the date of this report, the only non-audit service is the review of the Council's Housing Benefit Subsidy claim. This is a permitted service under the NAO's auditor guidance.

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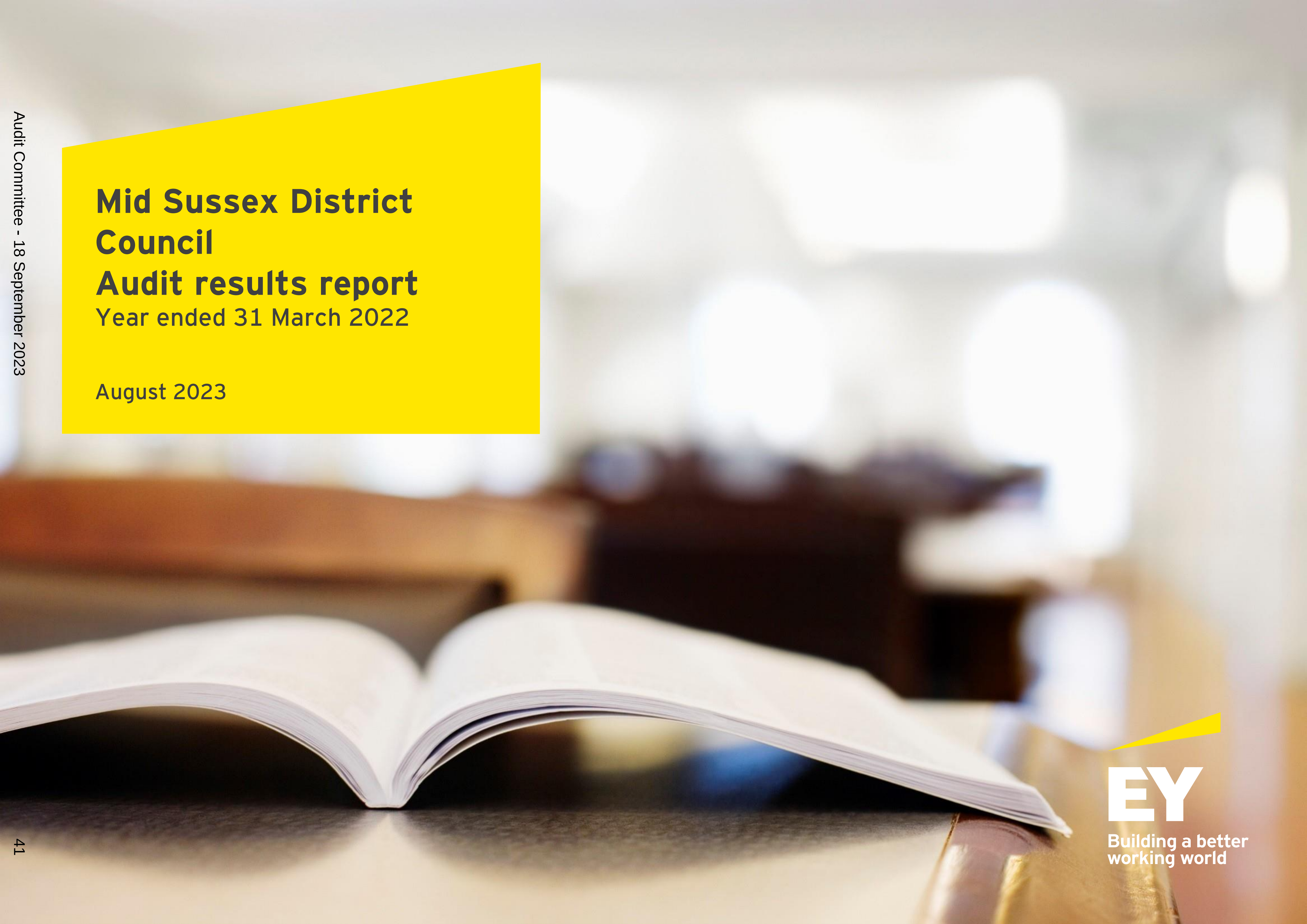


Mid Sussex District Council
Audit results report
Year ended 31 March 2022

August 2023

Building a better working world

0o9 August 2023

Mid Sussex District Council
Oaklands
Oaklands Road
Haywards Heath
West Sussex
RH16 1SS

Dear Audit Committee Members

2021/22 Audit results report

We are pleased to attach our audit results report, summarising the status of our audit for the forthcoming meeting of the Audit Committee. We will update the Audit Committee at its meeting scheduled for 18 September 2023 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2021/22 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Mid Sussex District Council's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on value for money arrangements.

This report is intended solely for the information and use of the Audit Committee, other members of the Council and senior management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 18 September 2023.

Yours faithfully

Kevin Suter

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 26 July 2022 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exception:

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 operating expenditure, 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 misstatements of £74k.

Additional work performed on Pensions/IAS 19

We note that during the audit, additional information has come to light in relation to the Triennial Valuation for West Sussex Pension Fund. We have had to perform additional procedures over the valuation which has involved testing membership data at the pension fund level and re-running the IAS 19 results report from the actuary.

Status of the audit

Our audit work in respect of the Council opinion is substantially complete and we have performed the procedures outlined in our Audit Planning Report. The remaining areas to complete on the audit are those associated with the final presentation of this report, and approval of the accounts by the Council:

- Completion of the subsequent events review up to the date of signing the audit report;
- Receipt of approved and signed accounts; and
- Receipt of the signed management representation letter.

We do not expect to issue the audit certificate at the same time as the audit opinion as we are awaiting for the NAO as group auditor to confirm whether any further assurances are required from us as component auditor. The audit certificate will be issued once this confirmation is received and any requested work completed, however, we cannot be definitive when certification the audit is complete will occur, as similar to the 2020/21 position it will depend on the NAO timetable.

Executive Summary

Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 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. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability
  How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance
  How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:
  How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Status of the audit – Value for Money

In the Audit Plan, we reported that we had yet to complete our value for money (VFM) risk assessment. We have completed our planning procedures in relation to VFM and have not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code. As a result, we have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03). We plan to issue the VFM commentary as part of issuing the Auditor's Annual Report.

We include further details in Section 05.

Executive Summary

Audit differences

We have identified five adjusted and one unadjusted audit differences.

The unadjusted misstatement relates to a value recorded as a contingent liability which meets the criteria for recognition as a provision. This results in an understatement of the provision balance by £250k.

Two of the adjusted misstatements relate to the valuation of the property, plant and equipment and investment property. The first related to an item of property, plant and equipment which was understated by £224k and the other related to an item of investment property which was understated by £229k.

A further adjusted misstatement relates to the creditors included in the financial statements. We have identified one transaction which has been included within the 2021/22 financial statements which relates to 2022/23 financial year. This error totals £117k.

We also identified a grant incorrectly accounted as agent which should have been accounted as principal. Management updated the accounts, increasing income and expenditure by £2.238m.

In addition to the above, a revised triennial valuation has been issued, resulting in an adjustment being required to the pension liability values. This has also been adjusted by management, decreasing the pension liability by £2,969k.

Minor disclosure changes have been made throughout the financial statements in response to auditor queries.

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 will perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission following the completion of the financial statements audit. The NAO have released their group instructions for 2021/22, and the Council remains below the threshold for detailed procedures.

We have no other matters to report.

Objections

We have received an objection to the 2021/22 accounts from a member of the public. In our discretion we declined to accept the objection.

We have considered this objection and concluded that it did not impact on our financial statement opinion or value for money conclusion.

Executive Summary

Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of Mid Sussex District Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Fraud Risk	Findings & Conclusions
Misstatements due to fraud or error	We have not identified any material weaknesses in controls or evidence of material management override, instances of inappropriate judgements being applied; or any other transactions during our audit which appear unusual or outside the Council's normal course of business.
Risk of fraud in revenue recognition - inappropriate capitalisation of revenue expenditure	From the work performed, we have not identified any evidence of manipulation of expenditure through inappropriate capitalisation of revenue expenditure within either the Revenue Expenditure Funded from Capital Under Statute or Property, Plant and Equipment additions balances.

Significant Risk	Findings & Conclusions
Valuation of Investment Property	We employed the use of our expert to support the work in relation to the valuation of investment properties. This work has been completed and we have confirmed that issues presented within the 2020/21 Audit Results Report to the March 2022 Audit Committee and within the updated 2020/21 Audit Results Report to the April 2023 Audit Committee have recurred. We have identified one misstatement where an asset was understated by £229k.

Inherent Risk	Findings & Conclusions
Valuation of Land and Buildings	We employed the use of our expert to support the work in relation to the valuation of land and buildings. This work has been completed and we have identified one misstatement where an asset was understated by £224k.
Pension Liability Valuation	We tested the Council's pensions liability valuation and assessed the work of the Council's actuary, Hymans Robertson. We have undertaken additional audit procedures in response to ISA540 regarding accounting estimates. These have included the production of a parallel IAS 19 report by an EY pensions expert which was then compared to the report prepared by Hymans Robertson. Due to the updated information available for the 2022 triennial valuation becoming available, additional work has also been performed on this area as detailed on page 17.

Executive Summary

Areas of audit focus

We request that you review these areas of audit focus included on the previous page and other matters set out in this report to ensure:

- There are no residual further considerations or matters that could impact these issues
- You concur with the resolution of the issue
- There are no further significant issues you are aware of to be considered before the financial report is finalised

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

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our work was not designed to express and opinion on the effectiveness of internal control, we are required to communicate to you sufficient deficiencies in internal control identified during our audit.

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.

Independence

Please refer to Section 08 for our update on Independence. We have no matters to draw to your attention.

02 Areas of Audit Focus

Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

As identified in ISA 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 would otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

We have considered the areas in which management could seek to override controls at Mid Sussex District Council, and this has fed into our consideration of the risk of fraud in revenue recognition as set out on page 13.

What judgements are we focused on?

Our assessment of risk led us to create a series of criteria for the testing of journals, focusing specifically on areas that could be open to management manipulation. We have also focused specifically on capitalisation of assets and classification of Revenue Expenditure Funded from Capital Under Statute spend, which is recorded as a separately identified fraud risk.

Our work on estimates focused on the valuation of Investment Properties as an area of significant risk and the valuation of Land and Buildings in PPE and IAS 19 pension liability valuation estimates as areas of higher inherent risk and are reported further in this report.

What did we do?

Please see the following page for full details.

What is the status of our work?

Our audit work has not identified any material issues, inappropriate judgements or unusual transactions which indicated that there had been any misreporting of the Council's financial position, or that management had overridden controls.

Our work in these areas has not resulted in amendment to the financial statements. Although three unadjusted misstatements have been identified in relation to the valuation of property, plant and equipment, investment properties and pension liabilities, there is no indication of fraud or management bias identified.

There were no unusual transactions identified outside the normal course of the Council's business.

Areas of Audit Focus

Significant risk

Further details on procedures / work performed

We carried out the following procedures:

- Identified fraud risks during the planning stages.
- 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 the effectiveness of management's controls designed to address those identified risks of fraud.
- Determined an appropriate strategy to address those identified risks of fraud.
- Performed mandatory procedures regardless of specifically identified fraud risks, including:
    - Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
    - Assessing accounting estimates for evidence of management bias, include estimates with a significant risk or higher level of inherent risk relating to the valuation of IP, PPE and pension liability and asset valuation.
    - Evaluating the business rationale for significant unusual transactions.

We utilised our data analytics capabilities to assist with our work.

Having re-evaluated this risk, we have considered whether we need to perform other audit procedures not referred to above. We continued to conclude that only those procedures included under 'Risk of fraud in revenue recognition – inappropriate capitalisation of revenue expenditure' were required – see the next page for further details.

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 judgements are we focused on?

We focused on the Council's judgements to classify expenditure as either revenue or capital in nature. We tested a sample of items to confirm that the Council's judgement was supported by sufficient evidence and was genuinely capital in nature.

What did we do?

In response to this risk, we:

- Tested a sample of PPE additions to ensure that the expenditure incurred and capitalised is clearly capital in nature. We also ensured the transaction was supported by sufficient evidence to verify its value and the period to which it related. We note that no testing was carried out on IP additions as the value was nil.
- Tested as sample of REFCUS, to ensure that it is appropriate for the revenue incurred to be financed from ring fenced capital resources. As with PPE additions, we also ensured these items were supported by sufficient evidence to verify the value and period to which it related.
- Performed an analytical review comparing the actual capital expenditure spend to the original budget.
- Used our analytics tools to identify and understand the basis for any significant journals transferring expenditure from non-capital codes to PPE additions or REFCUS, or from revenue to capital codes on the general ledger at the end of the year.

What is the status of our work?

We found no evidence of incorrect capitalisation of revenue expenditure within either the PPE additions or REFCUS balance. We are satisfied that the transactions tested were supported by evidence which confirmed the valuation, nature of the expenditure, period to which it related to and confirmed that it was correctly classified.

Areas of Audit Focus

Significant risk

Valuation of Investment Property

What is the risk?

Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes. Material judgemental inputs and estimation techniques are required to calculate the year-end IP balances held in the balance sheet.

The risk is heightened for traditional retail assets due to market difficulties, partly arising from the advent of Covid-19, such as reduced consumer confidence and competition from internet based retailers with lower cost bases. Errors have been identified in the valuations for the past two years.

What judgements are we focused on?

We focused on those assumptions that directly impact the valuation of these assets – such as the yield adopted and the forecast future income.

What did we do?

We:

- Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Challenged the assumptions used by the Council's valuers by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuation. Additional work has been completed in this area, included a detailed review of a sample of assets by our own valuation specialist.
- Sample tested key asset information used by the valuers in performing their valuation (e.g. yield adopted and forecast future income has been agreed to external sources).
- Considered the annual cycle of valuations, ensuring that the IP assets have been valued annually as required by the Code. We also considered whether there are any specific changes to assets that have occurred and confirmed that these have been communicated to the valuers.
- Tested that accounting entries have been correctly processed in the financial statements.

Significant risk

What are our conclusions?

The investment property population totalled £46.782m at 31 March 2022, made up of 14 different assets.

We selected a sample of this population, identifying 10 assets for testing for a total value of £44.863m.

We employed the use of our own expert to support the work in relation to the valuation of investment properties on a fair value basis, obtaining their support and input over 3 of these assets totalling £22.476m. These assets were specifically selected for two reasons. Two assets are complex in nature, being multi-tenanted and having experienced errors within prior year valuations. The remaining asset experienced an unusual movement in the current year compared to prior year when reviewed against other assets of a similar nature.

We have received this report and incorporated the findings within our testing of the remaining sample of assets which have not been selected for review by our own expert.

Our work identified one asset which has been understated by £229k. This misstatement was caused by the valuer not being provided with the updated tenancy schedule in relation to one of the multi-tenancy assets.

The review by our own expert also highlighted that the valuer's valuation date of 1 April 2021 is different to the Council's financial year-end of 31 March 2022. Whilst such a valuation date is technically compliant with accounting standards, the substantial difference in these two dates increases the likelihood of material movements occurring, such as updates to tenancy details, which has the potential to have a material impact on the underlying asset valuation at the balance sheet date.

We were disappointed to note similar issues raised by our experts regarding the valuations, as reported in our prior year report. No clear evidence has been provided how our recommendation, made and agreed in prior years, has been actioned.

We note that the prior year recommendation was made when work on the 2021/22 valuation had already been started, however, we are of the opinion that management checks on the valuations could have been made before the audit commenced.

Areas of Audit Focus

Our response to areas of audit focus

Further details on procedures/work performed

What is the risk / area of focus?	What did we do?
Valuation of Land and Buildings Property, Plant and Equipment Land and Buildings represent significant balances in the Council's accounts and are subject to valuations changes, impairment reviews and depreciation charges. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.	We: • Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work. • Challenged the assumptions used by the Council's valuers by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuation. Additional work has been completed in this area, included a detailed review of a sample of assets by our own valuation specialist. • Sample tested key asset information used by the valuers in performing their valuation (e.g. yield adopted and forecast future income has been agreed to external sources). • Considered the annual cycle of valuations, ensuring that EUV assets have been valued within a 5 year rolling programme as required by the Code for PPE. We also considered whether there are any specific changes to assets that have occurred and confirmed that these have been communicated to the valuers. • Reviewed any EUV and FV properties not subject to valuation in 2021/22 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 that accounting entries have been correctly processed in the financial statements.

What are our findings and conclusions?

The property, plant and equipment population valued in year totalled £61.903m at 31 March 2022, made up of 42 different assets. We selected a sample over this population, identifying 7 assets for testing for a total value of £58.149m.

We employed the use of our own expert to support the work in relation to the valuation of Land and Buildings for one specific asset. This asset (totalling £986k) was selected for review by our own expert as it experienced an unusual movement in the current year compared to prior year when reviewed against other assets of a similar nature.

The report from our expert has been received and reviewed and we have completed our testing over the remaining sample of assets which have not been selected for review by our own expert.

We have identified one misstatement within this population with one asset being understated by £224k due to an incorrect area being utilised within the valuation calculation. We assessed the impact of this over the remaining population and determined this to be isolated to this asset.

Our response to areas of audit focus

Further details on procedures/work performed

What is the risk / area of focus?	What did we do?
Pension Liability Valuation 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 asset is a material estimated balance and the Code requires that this asset be disclosed on the Council's balance sheet. 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.	We: • Liaised with the auditors of West Sussex County Council Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Mid Sussex District Council. • Assessed 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 the National Audit Office for all local government sector auditors, and considered any relevant reviews by the EY actuarial team. • Evaluated the reasonableness of the Pension Fund actuary's gross liability calculations by comparing them to the outputs of our own auditor's actuarial model. • Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS 19. We also considered outturn information available at the time we undertook our work after production of the Council's draft financial statements, for example the year-end actuarial valuation of pension fund assets. We used this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments were required.

What are our findings and conclusions?

In response to the requirements of ISA540, the auditing standard on accounting estimates, we based our audit approach on procedures to evaluate management's process. We employed the services of an EY pensions specialist to review the Council's IAS 19 reports and run a parallel actuarial model which was compared to that produced by Hymans Robertson. This confirmed there was no material misstatement arising from those estimation procedures undertaken by Hymans Robertson.

Due to the overall delays in the audit compared to the usual timescales, the Council is now in receipt of further information from the Triennial Valuation as at 31 March 2022. The Council are required to consider the potential impact of this, and commissioned an updated IAS 19 report from their actuary. Management have processed this change within the financial statements, being a decrease in the pension liability of £2,969k.

Due to the material movement these figures we have had to perform additional procedures. This work included additional membership testing (completed at the Pension Fund level) and obtaining updated assurances from PWC as the consulting actuaries. We have received the updated assurances, and are satisfied that the updated assumptions within the revised report are supportable.

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 ('the Council') for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The financial statements comprise the:

- Comprehensive Income and Expenditure Statement,
- Movement in Reserves Statement,
- Balance Sheet,
- Cash Flow Statement,
- the related notes 1 to 40, and
- 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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

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 2022 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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

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. We are independent of the Council 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 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

In auditing the financial statements, we have concluded that the Assistant Director for Corporate Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Assistant Director for Corporate Resources with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Council's ability to continue as a going concern.

Draft audit report

Our opinion on the financial statements

Other information

The other information comprises the information included in the Statement of Accounts for the Financial Year 2021/22, other than the financial statements and our auditor's report thereon. The Assistant Director for 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.

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 course of 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 themselves. 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.

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 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- 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 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in these respects

Responsibility of the Assistant Director for Corporate Resources

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on pages 4, the Assistant Director for 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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Assistant Director for Corporate Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Assistant Director for Corporate Resources is responsible for assessing the Council'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 Council either intends to cease operations, or has no realistic alternative but to do so.

Audit Report

Draft audit report

Our opinion on the financial statements

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Council and determined that the most significant are:

- Local Government Act 1972,
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018, 2020, and 2022,
- Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948),
- The Public Contract Regulations 2015,
- The Localism Act 2011
- Local Government & Housing Act 1989
- The Local Audit and Accountability Act 2014 (as amended),
- The Localism Act 2022,
- The Local Government Act 1999, and
- The Accounts and Audit Regulations 2015.

In addition, the Council has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

We understood how Mid Sussex District Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Council's committee minutes, through enquiry of employees to confirm Council policies, and through the inspection of other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

Draft audit report

Our opinion on the financial statements

We assessed the susceptibility of the Council's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Council's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine. We also tested a sample of revenue expenditure financed from capital under statute (REFCUS) items to confirm they were appropriately classified.

To address our fraud risk of management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business.

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 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 2021, as to whether Mid Sussex District Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those 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 2022.

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 (as amended) to satisfy ourselves that the Authority has made 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.

Draft audit report

Our opinion on the financial statements

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until the NAO as group auditor has confirmed that no further assurances will be required from us as component auditors of Mid Sussex District Council. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

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 (as amended) 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 Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 adjusted differences

At the time of writing, we have identified five adjusted misstatements.

- The first related to the Creditors balance included in the financial statements. One transaction was identified which has been included within the 2021/22 financial statements which relates to 2022/23 financial year. This error totals £117k.

- Two of the relate to the valuation of the property, plant and equipment and investment property. The first related to an item of property, plant and equipment which was understated by £224k and the other related to an item of investment property which was understated by £229k.

- We also identified a grant incorrectly accounted as agent which should have been accounted as principal. Management updated the accounts, increasing income and expenditure by £2.238m.

- A revised triennial valuation has also been issued, resulting in an adjustment being required to the pension liability values (see page 16). Management have processed this amendment in the revised financial statements.

Minor disclosure changes have been made throughout the financial statements in response to audit queries.

Audit Differences

Summary of unadjusted differences

We highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit Committee and provided within the Letter of Representation:

Uncorrected misstatements 2021/22 (£'000)	Effect on the current period:		Net assets (Decrease)/Increase				
	OCI Debit/(Credit)	Comprehensive Income and Expenditure Statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non-current Debit/ (Credit)	Equity Components
Errors							
Judgemental differences:							
▸ Provisions – Understatement of Provisions Balance (see below)		250			(250)		
Cumulative effect of uncorrected misstatements		**250**			**(250)**		

There are no amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the financial statements for the year ended 31 March 2022.

Understated provision: The Council disclosed a contingent liability, which we believe should be a provision. In our judgement the key criteria under IAS37 were known at the time of preparing the accounts, supported by an internal briefing note. The briefing note set out the basis which in our judgement demonstrated that it was (i) a present liability from a past event, (ii) it was probable payment (or a transfer of economic benefit) would be made, and (iii) it could be reliably quantified. Management judged it not to be probable, but possible, and therefore viewed it as a contingent liability.

05 Value for Money

Value for money

The Council's responsibilities for value for money (VFM)

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

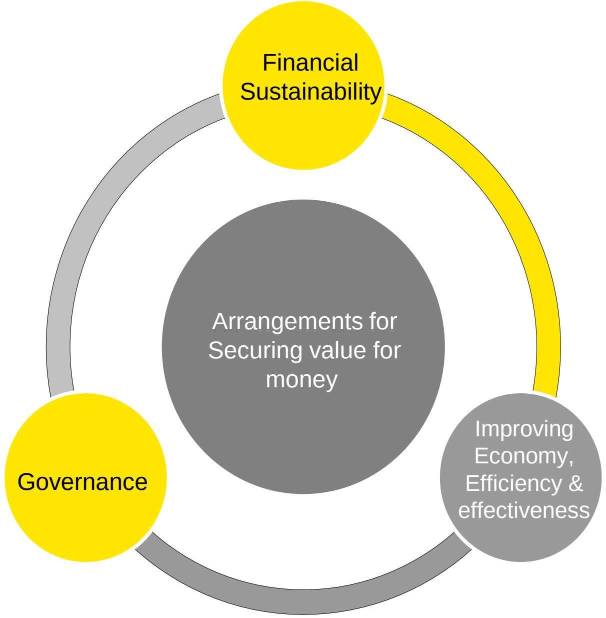
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the Cipfa code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment

We previously reported to the Audit Committee on 26 July 2022 that our risk assessment was not yet complete. We have since completed our assessment of the risk of significant weaknesses in the Council's VFM arrangements and have not identified any risks of significant weaknesses.

Status of our VFM work

We have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03). Our full VFM commentary will be issued within our Auditor's Annual Report.



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 2021/22 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 2021/22 and published within 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 do not expect to issue the audit certificate at the same time as the audit opinion as we are awaiting for the NAO as group auditor to confirm whether any further assurances are required from us as component auditor. The audit certificate will be issued once this confirmation is received and any requested work completed, however, we cannot be definitive when certification the audit is complete will occur, as similar to the 2020/21 position it will depend on the NAO timetable.

Other reporting issues

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 Authority 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.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have no further matters to report in these areas.

Other Powers and duties

Objection to the accounts

We received an objection to the 2021/22 financial statements.

The objection asked for a public interest report into payments made to a supplier in respect on compliance with the Public Contracts Regulations 2015.

As part of the contract was a secondment, the objection also asked us to consider compliance with other laws regarding employment and its taxation.

Having made initial enquiries of the Council, we established that the payments were beneath the Public Contract Regulations 2015 thresholds relevant to the year of £189,330. The Council also set out its consideration of IR35 in the matter of employment taxes.

Therefore, we decided not to accept the objection for consideration.

Information provided to the auditor

During the 2021/22 audit we were provided with information from a member of the public in relation to the severance payments to the former s151 officer. We determined to consider the matter as information brought to the auditor's attention, under paragraph 5.3 of the Code of Audit Practice 2020

The information covered three areas:

1. No report was made to Full Council to be considered under section 4 of the Local Government & Housing Act 1989
2. Allegations of unlawfulness of the severance payment
3. The Council had not approved the appointment of the new s151 officer.

We reviewed each of the matters, and determined the following:

1. No report was required under section 4 of the Local Government & Housing Act 1989. The Chief Executive (Head of Paid Service) had no concerns to bring to the attention of council members requiring them to consider such a report.
2. We investigated the payments to the s151 officer, including their compliance with the Constitution, the Council's pay policy, and relevant legislation and guidance. We obtained the Council's legal advice, and also took our own legal advice. We concluded that we did not wish to further challenge the Council's payments.
3. We identified that the Council would receive a report on the appointment of the new s151 officer at its May 2022 meeting, and reviewed the meeting agenda confirming that this did occur.

07 Assessment of Control Environment

Assessment of Control Environment

Financial controls

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.

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.

The matters reported on the next slide are limited to those that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

Assessment of Control Environment

Area	**Property Valuations**
Rating	**Moderate** - Matters are considered to be of moderate importance to maintenance of internal control. Action should be taken within six months.

Observation

In the last thee financial years (2019/20 through to 2021/22) we have identified errors in property valuations. The issues identified have included; the valuer not being able to support assumptions on yield or market rents; the valuer not explicitly stating their assumptions on voids & purchase costs; the nature of the asset not being correctly reflect in the valuation and the valuation not reflecting ongoing rent reviews.

In our view, management should put into place the following controls:

- Personnel at the Council, who have sufficient knowledge of the asset, should review the information provided to the valuer to ensure the information up to date, relevant, and accurate. Management should consider the need to perform the asset valuations closer to the 31 March year-end date to ensure that this updated information is utilised, and the resulting asset valuation quantified.

- Management should ensure that the valuer explicitly states, and be able to support, all their assumptions in the valuation

- Personnel at the Council, who have sufficient knowledge of the asset, should review the valuations performed by the valuer.

Impact

Mid Sussex District Council have a significant property portfolio include ~£47m classified as investment property

Where the value of the property is materially mistated it could undermine ongoing decision making in relation to the current asset portfolio and any future transaction

Management comment

The recommendation is agreed. The Finance and Estates teams will agree a workflow to prepare and check the valuations performed by the Council's external valuer

08 Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council/Authority, its members 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 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The next page includes a summary of the fees that you have paid to us in the year ended 31 March 2022 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown below.

As at the date of this report, the only non-audit service is the review of the Council's Housing Benefit Subsidy claim. This is a permitted service under the NAO's auditor guidance.

EY Transparency Report 2022

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 2022:

EY UK 2022 Transparency Report | EY UK

Independence

Relationships, services and related threats and safeguards

Services provided by Ernst & Young

Description	Final Fee 2021/22 £	Planned Fee 2020/21 £	Scale Fee 2020/21 £
Total Fee – Code work	38,917	38,917	38,917
Scale fee Rebasing: Changes in the work required to address professional and regulatory standards (1)	31,671	31,643	31,643
Revised proposed scale fee	70,588	70,560	70,560
Objection and other legal matters (2)	12,502	30,471	-
Change in audit requirements (3)	8,500	8,678	-
Change in risks, errors and other additional time incurred (4)	3,063	3,821	-
Scale fee variation – triennial pensions (5)	1,413	-	-
Total audit fee	96,066	113,530	70,560
Non-audit services (Housing Benefit subsidy certification) (6)	51,922	51,922	N/A
Total fees	147,988	165,452	70,560

All figures exclude VAT

1. As detailed in the our 2020/21 Audit Results Report, we submitted a proposed rebasing of the scale fee to reflect changes in work required to address professional and regulatory requirements and scope associated with risk. We have rolled this forwards for the purposes of the 2021/22 planned fee.
2. The work on the objection to the accounts and other information brought to the attention of the audit has been completed (See Section 6). The charge includes time incurred, and fees for legal advice.
3. Starting from the 2020/21 audit, there were two new audit requirements which are not included in the initial scale fee. These were:
   (a) the introduction of the 2020 Code of Audit Practice and it's updated requirements for our Value for Money assessment.
   (b) ISA540 (revised) audit of accounting estimates – introducing updated requirements.

   PSAA communicated an expected range of fees for these new areas, and our work at Mid Sussex District Council is at the bottom of that range.
4. As noted in the main section of this report, we have incurred additional time through internal specialists in areas of property and pension valuations.
   - £2,234 – use of internal experts to verify property valuations
   - £829 – use of internal experts to review the IAS 19 pension liability
5. As explained in Section 2 of this report, we have had to perform additional work over the Pension balance within the Accounts. This is due to an updated triennial valuation of the Pension Fund. This work is ongoing at the time of this report.
6. The work to certify the 2021/22 Housing Benefit claim is ongoing and therefore, we have rolled this value forwards for the purposes of the 2021/22 fee reporting as the volume of work is similar to the previous year.

09 Appendices

Appendix A

Required communications with the Audit Committee

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

Required communications	What is reported?	Our Reporting to you 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 - 26 July 2022
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit planning report - 26 July 2022
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 - 18 September 2023
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 related to going concern ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The appropriateness of related disclosures in the financial statements	Audit results report - 18 September 2023

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▸ 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 – 18 September 2023
Subsequent events	▸ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Audit results report – 18 September 2023
Fraud	▸ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▸ 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 entity, 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 – 18 September 2023
Related parties	Significant matters arising during the audit in connection with the entity'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 entity	Audit results report – 18 September 2023

Appendix A

Required communications	What is reported?	Our Reporting to you When and where
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 judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit planning report – 26 July 2022 Audit results report – 18 September 2023
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	Audit results report – 18 September 2023
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	Audit results report – 18 September 2023
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Audit results report – 18 September 2023

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**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 – 18 September 2023
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 – 18 September 2023
Auditors report	▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report	Audit results report – 18 September 2023
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 – 26 July 2022 Audit results report – 18 September 2023

Appendix B

Management representation letter

Management Rep Letter

Ernst & Young
Grosvenor House
Grosvenor Square
Southampton
SO15 2BE

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 2022. 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 2022 and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

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:

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 2021/22.
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 2021/22, 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 2021/22, 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 and the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus 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 [specify reasons for not correcting misstatement].
6. We confirm the Council does not have securities (debt or equity) listed on a recognized exchange.

Management representation letter

Management Rep Letter

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.

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 matters:

- involving financial improprieties;
- 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. and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.
3. We have made available to you all minutes of the meetings of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: [list date].
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 methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

Management representation letter

Management Rep Letter

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 (17 November 2020) through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) 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, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

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 to litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

E. 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.

F. Subsequent Events

1. Other than as described in Note 4 to the financial statements, there have been no events, including events related to the COVID-19 pandemic,, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

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

H. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered.
2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, aligned with the statements we have made in the other information or other public communications made by us.

Management representation letter

Management Rep Letter

I. 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 liability 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.

J. Estimates

1. We confirm that the significant judgments made in making the valuation of land and buildings and investment property, in the calculation of the NDR appeals provision, and in generating the IAS19 pension liability (the accounting estimates) have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the accounting estimates.
3. We confirm that the significant assumptions used in making the accounting estimates appropriately reflect our intent and ability to carry out the specific courses of action on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
5. We confirm that appropriate specialized skills or expertise has been applied in making the accounting estimates.

1. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements, including due to the COVID-19 pandemic.

K. 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.

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ED None

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MID SUSSEX
DISTRICT COUNCIL

Statement of Accounts
2021– 2022
(Audited Version)

18 September 2023

Statement of Accounts for the Year Ended 31 March 2022

Contents

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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 Assistant Director, 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 Assistant Director, Corporate Resources' Responsibilities

The Assistant Director, 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) 2021/22 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Assistant Director, 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 Assistant Director, 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 2022. 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.

R Jarvis CPFA
Assistant Director, Corporate Resources
18 September 2023

Approval for the Statement of Accounts

Cllr S Hicks
Chairman Audit Committee
18 September 2023

Narrative Report by the Assistant Director, 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 2021/22, supported by International Financial Reporting Standards (IFRS), and are in respect of the financial year ended 31 March 2022. 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 2021/22. 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, and 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 2021/22 was reported to Cabinet on 6 June 2022. During the year, Cabinet received five Budget Management reports (including the Outturn Report). Over the year the budget has continued to be affected as a direct result of the Covid pandemic which reduced all sources of income and in some areas, such as Leisure, also increased costs. However, although the first three quarters of the year showed a forecast overspend of £314,000, after the use of the Leisure Covid Support Specific Reserve and support from the Income Compensation scheme grant, this position improved in the last quarter and the reported Outturn for 2021/22 was an underspend of £144,000. This underspend has been transferred to General Reserve. Members should note that this Budget Outturn Report links with the Service Performance Outturn Report which was separately reported to Cabinet on 6 June 2022.

The Outturn position is set out in the table overleaf. However, it should also be noted that this table includes a slight adjustment to the reported Outturn underspend total of £144,000 as it was determined that £117,000 expenditure related to 2022/23 and has been recoded accordingly. This has been transferred to General Reserve resulting in a reconciling item between the Outturn Report and the Statement of Accounts 2021/22.

Interest

Interest receipts for the year totalled £174,818; being £1,818 more than the original estimate. No interest was used to support the revenue budget overspend position. Therefore, a net total of £174,111 was transferred to General Reserve, after allowing for the annual transfer to Specific Reserve in line with existing practice to part-pay employees' professional qualification subscriptions.

Specific Items and Reserves

At Outturn it was reported that Specific items financed from the Specific Reserves and General Reserve totalled £14,493,000.

The largest utilisation of General Reserve amounted to £741,000 to finance the Capital Programme (including £435,000 for the financing of Revenue projects within the Programme). There were also transfers to Specific Reserves totalling £800,000 that were approved through the Budget Management reports in the year. This included £100,000 for Specialist Advice studies – Gatwick Airport, £500,000 for the Management Restructure costs and £200,000 for the Efficiency Reserve top up. In addition, there was a further transfer to Specific Reserve of £100,000 for the Clair Hall feasibility and appraisal studies as reported to Cabinet 20 December 2021.

At Outturn it was reported that the largest contribution to Specific Reserves is £22,146,000 to the Rate Retention Scheme Equalisation of which £14,233,000 relates to Covid-19 additional in year s31 grants and £3,444,000 related to CARF Covid additional reliefs also paid by Central Government. This has now been adjusted to £8,074,000 due to the transfer of s31 grants to creditors following the completion of the NNDR3 for 2021/22. Further details are contained within the Transfers to /from Earmarked Specific Reserves, Note 7 to the accounts. The largest contributions to General Reserve in the year include:

- £2,311,000 grant relating to New Homes Bonus allocation.
- £285,000 being the annual contribution budgeted to be paid to General Reserve, to fund the Authority's Major Capital Renewals programme.
- £175,000 interest receipts generated mainly from treasury management activity.
- £144,000 transfer to General Reserve arising from the Revenue underspend in 2021/22.

Overall, there has been a net increase of £1,691,000 in the level of the General Fund Reserves as at 31 March 2022.

Revenue Expenditure 2021/22	Outturn Summary			Reconciliation of Outturn to Statement of Accounts		
	Estimate*	Actual	Variation**	Transfer to/from Reserves	Other Adjustments #	Total Net Cost of Services (CIES EFA Note 1)
	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22
Service Area	£'000	£'000	£'000	£'000	£'000	£'000
Housing	1,821	**1,828**	**7**	**(54)**	**440**	**2,214**
Planning Policy & Economic Development	1,197	**1,126**	**(71)**	**(732)**	**3**	**397**
Development Management	1,058	**993**	**(65)**	**14**	**(31)**	**976**
Cleansing Services	4,044	**3,928**	**(116)**	**(137)**	**(338)**	**3,453**
Parking Services	(427)	**(682)**	**(255)**	**2**	**66**	**(614)**
Landscapes and Leisure	2,673	**3,522**	**849**	**607**	**131**	**4,260**
Community Services Policy and Performance	1,387	**1,326**	**(61)**	**338**	**1**	**1,665**
Corporate Estates and Facilities	(2,343)	**(2,390)**	**(47)**	**(220)**	**2,825**	**215**
Finance Accountancy	0	**(22)**	**(22)**	**(20)**	**0**	**(42)**
Finance Corporate	1,055	**1,224**	**169**	**336**	**0**	**1,560**
Revenues & Benefits	2,554	**2,344**	**(210)**	**(253)**	**592**	**2,683**
Customer Services and Communications	0	**(8)**	**(8)**	**7**	**0**	**(1)**
Digital and Technology Services	(2)	**(76)**	**(74)**	**5**	**4**	**(67)**
Human Resources & Payroll	0	**9**	**9**	**1**	**0**	**10**
Legal Services	0	**(2)**	**(2)**	**0**	**0**	**(2)**
Democratic Services	974	**956**	**(18)**	**(46)**	**0**	**910**
Land Charges	156	**61**	**(95)**	**(23)**	**0**	**38**
Planning & Building Control Support	0	**(31)**	**(31)**	**0**	**31**	**0**
Environmental Health	1,192	**1,144**	**(48)**	**(444)**	**28**	**728**
Building Control	406	**418**	**12**	**0**	**(11)**	**407**
Strategic Core	1,320	**1,568**	**248**	**122**	**8**	**1,698**
Benefits	(119)	**(119)**	**0**	**(98)**	**0**	**(217)**
Drainage levies	1	**1**	**0**	**0**	**0**	**1**
Balance Unallocated	20	**0**	**(20)**	**0**	**0**	**0**
Corporate Pressures/savings:						
Income Compensation Scheme grant received (SFC)	0	**(377)**	**(377)**	**0**	**377**	**0**
Council Net Expenditure	16,967	**16,741**	**(226)**	**(595)**	**4,126**	**20,272**
less: Drainage levies				**0**	**(1)**	**(1)**
Total excluding drainage levies	16,967	**16,741**	**(226)** ***	**(595)**	**4,125**	**20,271**
Contribution to Development Plan Reserve	243	**243**	**0**			
Contribution to Job Evaluation Reserve	392	**392**	**0**			
Contribution to Waste Reserve	35	**0**	**(35)**			
Total	17,637	**17,376**	**(261)** ****			**20,271**

* Includes approved variations including utilisation of Balance Unallocated

** Variations are explained in Outturn Report to Cabinet 6 June 2022. Statement of Accounts includes an adjustment of £117k in Cleansing Services compared to Outturn.

*** Before reductions in budgeted transfers to Specific Reserves approved during 21/22,

**** Total overspend after reductions in transfers to Specific Reserves approved during 21/22

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 £10,842,000 with an additional £576,000 spent on Revenue Projects within the approved programme. The Capital Spending included £3,813,000 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 £11,418,000 which was £1,459,000 less than the updated 2021/22 programme of £12,877,000. Included in this year's variation, is slippage of projects totalling £5,215,000. Of this slippage, £63,000 relates to Corporate Estates and Facilities projects, including Major Capital Renewals schemes, £1,223,000 relates to the Planning Policy for Burgess Hill Place and Connectivity Programme, £1,770,000 was for Housing (Temporary Accommodation and Affordable), £86,000 relates to Commercial Services and contracts- Landscapes and Leisure and Cleansing Services, £1,441,000 was for Digital and Technology Services, £559,000 relates to Environmental Health including £541,000 relating to Disabled Facilities Grants and £73,000 was for Revenue Projects. These amounts have been rolled over and added to the Programme of Capital and Revenue Projects for 2022/23.

Capital Expenditure 2021/22

Property, Plant and Equipment	**2021/22**
Land and Buildings	**£000**
Temporary Accomodation Properties	1,069
Oaklands Office	326
Other Buildings	2
Land and Buildings	**1,397**
Asset Under Construction	**2,188**
Plant / Vehicles / Equipment	
Playground and Skatepark Equipment	181
Digital & Technology Hardware	132
Green Waste Wheeled Bins	19
Plant / Vehicles / Equipment	**332**
Total Property, Plant and Equipment, Asset Under Construction (Note 12)	**3,917**
Revenue Expenditure funded from Capital Under Statute	
Other expenditure	5,657
Housing - Disabled Facilities Grants (DFG)	868
Housing - Affordable Housing	400
Total REFCUS Expenditure	**6,925**
Total Capital Expenditure	**10,842**
Financed by:	
General Reserve	306
Earmarked Specific Reserve	89
Total General Fund Balances	**395**
Government Grants, Contributions & Section 106s RIA	**8,374**
Capital Grants Unapplied Account	**821**
Usable Capital Receipts	**1,252**
Total	**10,842**

Usable capital receipts for 2021/22 totalled £1,342,000 (Note 6). Other contributions receivable in 2021/22 totalled £19,401,000 (Note 11 Grant Income – Capital Grants and Contributions Receipts in Advance), as shown below:

Time Limited Section 106 agreements	£3,678,000
Disabled Facilities Grant (contribution from WSCC)	£1,109,000
Other Contributions	£14,614,000

The available year-end balance of Usable Capital Receipts is £5,732,000 (MIRS), Capital Grants Unapplied Account is £5,185,000 (MIRS) and Section 106 Contributions and Capital Grants Receipts in Advance is £20,911,000 (Note 11).

3. The Performance of the Authority

Service Performance

The outturn 2021/22 report to Cabinet shows that performance has continued to be good across the Council, with a small number of exceptions. The outturn position in comparison with the previous financial year is summarised below. This level of performance is particularly noteworthy given the continuing challenges arising in the last year from the pandemic in the delivery of Council services and contributing to the District's recovery. These include the changes to working arrangements required to allow Council staff and contractors to carry out their roles safely and in line with government guidance. Some parts of the Council have also had to take on additional responsibilities arising from the pandemic, while continuing to deliver their day-to-day services. These include Revenues and Benefits, Environmental Health and Housing.

Year	Green	Amber	Red	Health check	Total
2021/22	30 (71%)	7 (17%)	5 (12%)	25	67
2020/21	32 (74%)	7 (16%)	4 (9%)	23	66

Employees

The number of employees has remained stable compared to last year with 283 full time equivalents. Turnover increased from 8% to 13.5%, which was not unexpected due to a more active employment market during the second half of the year, as the country came out of lockdown. No particular trends emerged that required intervention. The pandemic resulted in a requirement for large numbers of the workforce to work from home for the majority of the year, but there has been more of an office presence during recent months. Staff continue to be advised to exercise social responsibility and common sense by not coming into the office if they feel unwell in any way. When in the office the Council also encourages colleagues to give others space; ventilate all rooms where possible and continue with robust hygiene methods. Staff sickness increased slightly, but this was also expected following a record low figure in the previous year. A hybrid/blended working pattern is being carried out by a number of staff while others work the majority of the time in the office or at home dependent on theirs and the Council's requirements.

Strategic Risks

Each year the Cabinet agrees the risks that may prevent or slow the achievement of the strategic objectives. For 2021/22 these were agreed by Cabinet on 7 June 2021

1. Reserves are needed to balance annual budgets.
2. Operational Resilience: Cyber Security
3. Operational Resilience: Business Continuity

These were monitored through the year by both Management Team and Cabinet and controlled such that the risks did not materialise although the need to use reserves to balance the budget over the medium term is acknowledged if not accepted.

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

As has been written before the most immediate effect of the pandemic on the finances of the Council was the acute reduction in income across a number of key services. As the year went on, some elements of this income returned and we have seen recovery in estates, parking, building control and the planning-based services. Thus a prudent budget was able to be met without drawing on the General Reserve at outturn.

Where costs have been incurred, for example in Revenues (in administering grants) and Housing (in dealing with increasing homelessness) these have largely been met from increased central government funding including the use of New Burdens grant. Our cost base has therefore largely been revenue neutral

However, taking a longer term view would be most welcome but this is simply not possible at the present time with so many variables still not able to be firmed up. We have no clear trajectory for Business Rates Reform, or its simpler to action Reset, the Funding Review or any of the lump sum grants that were awarded for the 2021/22 Budget. Our best estimate is that the major reviews will take place in 24/25.

That being so we are remaining cautious and prudent in our outlook and reporting regularly on finance matters to the Cabinet.

The main area of uncertainty remains the operation of our leisure centres where the return to a £1.4m pa income payment remains nebulous over the medium term. Any adjustment of that figure will leave a gap between overall income and expenditure again at a time when inflation is also greatly affecting costs.

Administration of various grants and reliefs

The authority in common with all others has taken an active role in the payment of grants in order to inject finance into the economy. This was all financed from central government, with the first receipt being £26m on 6 April 2020. Since that time we have paid some £40m of grants during 2020/21 and a further £10m in 2021/22 as the table below shows:

Revenue Grants Received	2021/22 £000	2021/22 £000	2021/22 £000	2021/22 £000	2021/22 £000
	Balance at 01/04/2021	**Grant Received**	**Grant Paid to Business**	**Grant Repaid to Central Gov**	**Balance at 31/03/2022**
Grants for Businesses - acting as Principal					
BEIS Covid-19 Discretionary Grant	**0**	**0**	**0**	**0**	**0**
Track and Trace (Self Isolation) Discretionary	**(55)**	**(101)**	**68**	**0**	**(88)**
Additional Restrictions Grant (Discretionary)	**(670)**	**(1,590)**	**2,238**	**0**	**(22)**
Grants for Businesses - acting as Agent for BEIS					
BEIS Covid-19 Discretionary Small Business Grant	**0**	**0**	**0**	**0**	**0**
Local Restrictions Support Grant (Closed) 2nd Tranche	**(1,053)**	**0**	**99**	**954**	**0**
Tier 2 Local Restrictions Support Grant (Open)	**(243)**	**0**	**32**	**211**	**0**
Tier 2 Local Restrictions Support Grant (Wet Led Pubs)	**(60)**	**32**	**0**	**28**	**0**
LRSG Closed National 20/12/20 to 25/12/20	**(1)**	**0**	**3**	**(2)**	**0**
LRSG Open Local Restrictions Support Grant 20/12 to 04/01	**(100)**	**0**	**10**	**90**	**0**
LRSG Closed National Tier 4 26/12/20 to 4/01/21	**(423)**	**0**	**48**	**375**	**0**
Tier 5 Grants National 05/01/21 to 15/02/21	**(1,607)**	**0**	**262**	**1,342**	**(3)**
Closed Business Lockdown Payment Tier 4 from 05/01/21	**(3,182)**	**(32)**	**524**	**2,684**	**(6)**
Local Restrictions Support Grant (Closed) 16/2/21 to 31/3/21	**(1,688)**	**0**	**316**	**1,372**	**0**
Track and Trace (Self Isolation) National	**(16)**	**(68)**	**126**	**0**	**42**
Tier 2 Local Restrictions Support Grant (closed)	**3**	**0**	**8**	**(11)**	**0**
Restart Grant	**0**	**(7,302)**	**5,233**	**0**	**(2,069)**
Omicron Hospitality and Leisure Grant	**0**	**(1,206)**	**803**	**0**	**(403)**
	(9,095)	**(10,267)**	**9,770**	**7,043**	**(2,549)**

We continue to pay grants in the 2021/22 financial year. Part of this sum could be repaid to Central Government in 2022/23 following reconciliations of additional Covid-19 restriction grants that the Authority paid to businesses on behalf of Central Government.

5. Local Taxpayers

During the year, the Authority collected £124,699,000 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 £10,915,000 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 2022/23.

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 decreased to £12,182,000 as at 31 March 2022, from £21,247,000 the previous year. This is mainly due to the change in financial assumptions used by the actuary particularly the increase in the discount rate and salary increase rate impacting liabilities. 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 4 and 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

The Council has no outstanding borrowing at the start of the year save for a loan with the PWLB that was originally used to finance the purchase of the district's wheelie bins. This is due to be finally repaid in March 2023.

10. Provisions

NNDR Provision for Appeals
At 31 March 2022 there is a provision of £7,167,000 relating to outstanding appeals to the Rateable Value, as detailed in the Collection Fund Section 4. The Authority's share of this is £2,867,000 as detailed in Note 23.

Termination Benefits Provision

At 31 March 2022 a provision of £339,000 has been included in the accounts , 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 2022 this amounts to a £203,000 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 2022, there is a remaining provision for £10,000.

11. Material Events after the reporting date

Triennial Pension Valuation adjustment
Following the release of an updated triennial pension valuation since the closure of 2021/22 accounts, we were required to adjust for any material change to our balance sheet as at 31st March 2022. An updated actuarial results report as at 31st March 2022 was subsequently requested showing a reduction in our closing net liability by £2,969,000, due to actuarial remeasurements, based on financial, demographic and other experience assumptions at the point of the updated triennial pension valuation.

12. Level of Financial Reserves

The level of reserves increased during 2021/22. The Authority' level of General Fund Balances held at 31 March 2022 stands at £9,502,000, being an increase of £1,691,000 in 2021/22 which is largely due to the receipt of New Homes Bonus (NHB) grant (£2,311,000). The main utilisation relates to financing the Programme of Revenue and Capital Projects (£741,000), and the transfers to Specific Reserves approved in the year totalling £900,000.

The Authority's level of Specific Reserves held at 31 March 2022 stands at £22,333,000, being a decrease of £1,483,000 in 2021/22. Further details are set out in Statement Note 7 of this document.

As stated above, it is felt that the authority has sufficient reserves to weather the temporary 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 over the medium term. The Corporate Plan 22/23 anticipates that up to £4.2m could be used over the next four years and until the economy recovers, although more recent updates reduce this markedly, subject to the fundamental reviews taking place in 24/25.

13. Business Rates Retention Scheme (RRS)

The income from Business Rates is part of our core funding and while there are signs that the scheme will change in the future, it is presently a reliable source of finance. The authority has also benefitted from the Rampion Windfarm substation being situated in Bolney as this rateable income is kept directly by Mid Sussex (by way of it being derived from renewable energy) rather than being shared with either the government or the other preceptors. This position should not change even when the system is reset to remove the rates growth and distribute that to other parts of the sector.

14. Council Tax Support Scheme (CTSS)

This has become business as usual now and has been updated to be administratively less cumbersome. During Covid there has been some increased uptake but not to a significant degree. We have also been able to offer a one-off top up through the year amounting to £150 per claimant. This top-up was funded from a combination of WSCC and MSDC cash.

15. Further Information

Interested members of the public have a statutory right to inspect the accounts from 1 August 2022 to 12 September 2022. The Notice is placed on the MSDC website, under the Finance Publications section. Further information about any aspect of the accounts is available from both the Assistant Director, Corporate Resources, Rachel Jarvis 01444 477064 (Rachel.Jarvis@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

2020/21 Gross Expenditure £000	2020/21 Gross Income £000	2020/21 Net Expenditure £000		2021/22 Gross Expenditure £000	2021/22 Gross Income £000	2021/22 Net Expenditure £000
			Business Unit Net Expenditure (Note 1)			
3,756	(733)	3,023	Housing	3,719	(818)	**2,901**
6,845	(4,709)	2,136	Planning Policy & Economic Development	7,059	(6,214)	**845**
2,416	(1,249)	1,167	Development Management	2,590	(1,320)	**1,270**
5,732	(1,699)	4,033	Cleansing Services	5,579	(1,755)	**3,824**
1,921	(1,574)	347	Parking Services	2,028	(2,356)	**(328)**
7,493	(149)	7,344	Landscapes & Leisure	6,099	(440)	**5,659**
2,125	(517)	1,608	Community Services, Policy & Performance	2,283	(430)	**1,853**
1,903	(700)	1,203	Corporate Estates & Facilities	1,553	(524)	**1,029**
47	0	47	Finance Accountancy	69	0	**69**
237	(3)	234	Finance Corporate	1,028	(266)	**762**
9,095	(6,280)	2,815	Revenues & Benefits	6,227	(3,201)	**3,026**
5	(2)	3	Customer Services & Communications	109	(6)	**103**
337	(3)	334	Digital & Technology Services	507	(212)	**295**
(65)	0	(65)	Human Resources & Payroll	62	0	**62**
176	(153)	23	Legal Services	254	(186)	**68**
923	(2)	921	Democratic Services	976	(1)	**975**
333	(230)	103	Land Charges	363	(264)	**99**
2,692	(1,541)	1,151	Environmental Health	2,807	(1,849)	**958**
869	(442)	427	Building Control	960	(413)	**547**
1,538	0	1,538	Strategic Core	2,019	0	**2,019**
26,337	(26,448)	(111)	Benefits	24,424	(24,641)	**(217)**
74,715	(46,434)	28,281	**Net Cost of Services**	70,715	(44,896)	**25,819**
6,159	0	6,159	**Other Operating Expenditure (Note 8)**	4,210	0	**4,210**
5,539	(4,383)	1,156	**Financing & Investment Income/Expenditure (Note 9)**	1,394	(5,568)	**(4,174)**
0	(33,103)	(33,103)	**Taxation & Non-Specific Grant Income (Note 10)**	0	(28,904)	**(28,904)**
86,413	(83,920)	2,493	**(Surplus) / Deficit on Provision of Services**	76,319	(79,368)	**(3,049)**
		(5,307)	(Surplus)/ Loss arising on revaluation of Property, Plant, Equipment assets (Note 25a)			**(4,285)**
		5,679	Actuarial (gains) / losses on pension fund assets and liabilities (Note 34)			**(11,671)**
		372	**Other Comprehensive Income and Expenditure**			**(15,956)**
		2,865	**Total Comprehensive Income and Expenditure**			**(19,005)**

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 2021	**(31,627)**	**(5,641)**	**(5,635)**	**(42,903)**	**(111,132)**	**(154,035)**
Total Comprehensive Income and Expenditure	**(3,049)**	**0**	**0**	**(3,049)**	**(15,956)**	**(19,005)**
Adjustments between accounting basis and funding basis under regulation (Note 6)	2,841	(91)	450	3,200	(3,200)	**0**
Increase / Decrease in Year	(208)	(91)	450	151	(19,156)	(19,005)
Balance at 31 March 2022	**(31,835)**	**(5,732)**	**(5,185)**	**(42,752)**	**(130,288)**	**(173,040)**
General Fund Balances	**(9,502)**					
Earmarked Specific Reserves	**(22,333)**					
General Fund Reserves balance at 31 March 2022 (Note 7)	**(31,835)**					

	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 2020	**(21,841)**	**(1,145)**	**(5,669)**	**(28,655)**	**(128,245)**	**(156,900)**
Total Comprehensive Income and Expenditure	**2,493**	**0**	**0**	**2,493**	**372**	**2,865**
Adjustments between accounting basis and funding basis under regulation (Note 6)	(12,279)	(4,496)	34	(16,741)	16,741	**0**
Increase / Decrease in Year	(9,786)	(4,496)	34	(14,248)	17,113	2,865
Balance at 31 March 2021	**(31,627)**	**(5,641)**	**(5,635)**	**(42,903)**	**(111,132)**	**(154,035)**
General Fund Balances	**(7,811)**					
Earmarked Specific Reserves	**(23,816)**					
General Fund Reserves balance at 31 March 2021 (Note 7)	**(31,627)**					

Balance Sheet

31 March 2021 £000		Note	31 March 2022 £000
91,543	Land and Buildings		**96,077**
3,112	Vehicles, Plant & Equipment		**2,870**
1,877	Infrastructure Assets		**1,737**
20	Community Assets		**20**
2,122	Assets Under Construction		**4,310**
0	Surplus Assets		**0**
98,674	**Property, Plant & Equipment**	12, 17	**105,014**
825	Heritage Assets	13	**825**
47,094	Investment Properties	14	**47,011**
299	Intangible Assets	15	**159**
5,714	Long Term Investments	18	**12,713**
20	Long Term Debtors	18	**42**
152,626	**Long Term Assets**		**165,764**
38,070	Short Term Investments	18	**63,604**
16,878	Short Term Debtors	19	**8,252**
0	Assets Held For Sale	21	**0**
20,831	Cash & Cash Equivalents	20	**8,110**
75,779	**Current Assets**		**79,966**
0	Bank Overdraft	20	**(115)**
(31,834)	Creditors	22	**(33,940)**
(3,401)	Provisions	23	**(3,419)**
(288)	Finance Lease Payable Less 1 Year	33	**(294)**
(5,185)	Borrowing Payable Less 1 Year	18	**(153)**
(40,708)	**Current Liabilities**		**(37,921)**
(10,293)	Capital Grants & Contributions Receipts In Advance	11	**(20,911)**
(1,970)	Finance Lease Payable Longer 1 Year	33	**(1,676)**
(152)	Borrowing Payable Longer 1 Year	18	**0**
(21,247)	Liability related to Defined Benefit Pension Scheme	34	**(12,182)**
(33,662)	**Long Term Liabilities**		**(34,769)**
154,035	**Net Assets**		**173,040**
(7,811)	General Fund Balances	7	**(9,502)**
(23,816)	Earmarked Specific Reserve	7	**(22,333)**
(5,641)	Usable Capital Receipts Reserve	MIRS	**(5,732)**
(5,635)	Capital Grants Unapplied Account	MIRS	**(5,185)**
(42,903)	**Usable Reserves**	24	**(42,752)**
(49,339)	Revaluation Reserve		**(53,045)**
(90,218)	Capital Adjustment Account		**(93,162)**
(15)	Deferred Capital Receipts Reserve		**(14)**
311	Financial Instruments Revaluation Reserve		**(687)**
21,247	Pensions Reserve		**12,182**
6,593	Collection Fund Adjustment Account		**4,235**
289	Accumulated Absences Account		**203**
(111,132)	**Unusable Reserves**	25	**(130,288)**
(154,035)	**Total Reserves**		**(173,040)**

R Jarvis CPFA
Assistant Director, Corporate Resources
18 September 2023

Cash Flow Statement

2020/21 £000		Note	2021/22 £000
(2,493)	**Net surplus / (deficit) on the provision of services**	CIES	**3,049**
39,737	Adjustments to net surplus or deficit on the provision of services for non cash movement	27	**6,763**
(35,817)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	27	**(10,482)**
1,427	**Net cash flows from Operating Activities**	27	**(670)**
	Investing Activities		
(4,828)	Purchase of property, plant and equipment, investment property and intangible assets		**(5,771)**
(65,005)	Purchase of short-term and long-term investments		**(98,502)**
26,122	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		**1,342**
45,991	Proceeds of short-term and long-term investments		**66,990**
10,928	Capital grants and S106 contributions received		**19,758**
13,208	**Net Cash flows from Investing Activities**		**(16,183)**
	Financing Activities		
0	Cash receipts of short-term and long-term borrowing		**0**
(283)	Cash payments for the reduction of the outstanding liabilities relating to finance leases		**(288)**
(2,139)	Repayments of short-term and long-term borrowing		**(5,146)**
(1,172)	Other payments for financing activities		**9,451**
(3,594)	**Net Cash flows from Financing Activities**		**4,017**
11,041	**Net increase / (decrease) in cash and cash equivalents**		**(12,836)**
9,790	Cash and cash equivalents at 1 April	20	**20,831**
20,831	Cash and cash equivalents at 31 March	20	**7,995**
11,041	Movement in year increase / (decrease)		**(12,836)**

Notes to the Accounts

1. Expenditure and Funding Analysis

Business Unit	2021/22 **Net Expenditure Chargeable to the General Fund Balances** £000	2021/22 Adjustments for Capital purposes (Note a) £000	2021/22 Net change for the Pensions adjustments (Note b) £000	2021/22 Other Differences (Note c) £000	2021/22 **Total Adjustments between the Funding and Accounting Basis** £000	2021/22 **Net Expenditure in the Comprehensive Income and Expenditure Statement** £000
Housing	**2,214**	539	156	(8)	**687**	**2,901**
Planning Policy & Economic Development	**397**	309	144	(5)	**448**	**845**
Development Management	**976**	0	309	(15)	**294**	**1,270**
Cleansing Services	**3,453**	297	75	(1)	**371**	**3,824**
Parking Services	**(614)**	129	159	(2)	**286**	**(328)**
Landscapes & Leisure	**4,260**	1,262	142	(5)	**1,399**	**5,659**
Community Services, Policy & Performance	**1,665**	0	191	(3)	**188**	**1,853**
Corporate Estates & Facilities	**215**	712	107	(5)	**814**	**1,029**
Finance Accountancy	**(42)**	0	121	(10)	**111**	**69**
Finance Corporate	**1,560**	0	(798)	0	**(798)**	**762**
Revenues & Benefits	**2,683**	16	343	(16)	**343**	**3,026**
Customer Services &	**(1)**	0	105	(1)	**104**	**103**
Digital & Technology Services	**(67)**	177	194	(9)	**362**	**295**
Human Resources & Payroll	**10**	0	55	(3)	**52**	**62**
Legal Services	**(2)**	0	72	(2)	**70**	**68**
Democratic Services	**910**	0	67	(2)	**65**	**975**
Land Charges	**38**	33	28	0	**61**	**99**
Environmental Health	**728**	0	243	(13)	**230**	**958**
Building Control	**407**	0	143	(3)	**140**	**547**
Strategic Core	**1,698**	0	304	17	**321**	**2,019**
Benefits	**(217)**	0	0	0	**0**	**(217)**
Net Cost of Services	**20,271**	3,474	2,160	(86)	**5,548**	**25,819**
Town & Parish Precepts and Levies	4,671	0	0	0	**0**	**4,671**
Net (gain)/loss on disposal of non current assets	15	(476)	0	0	**(476)**	**(461)**
Payment to Housing Capital Receipts Pool	0	0	0	0	**0**	**0**
Net interest receivable	(314)	0	0	0	**0**	**(314)**
Net interest on pension net defined benefit liability	0	0	446	0	**446**	**446**
Investment Properties	(2,566)	(742)	0	0	**(742)**	**(3,308)**
Financial Instruments Valuation Adjustment	0	0	0	(998)	**(998)**	**(998)**
Capital grants and contributions unapplied credited to the CIES	(27)	(3,332)	0	0	**(3,332)**	**(3,359)**
Council Tax Income	(15,753)	0	0	(25)	**(25)**	**(15,778)**
Business Rates Income	3,331	0	0	(2,333)	**(2,333)**	**998**
Non-ringfenced government grants	(10,765)	0	0	0	**0**	**(10,765)**
Capital Expenditure financed from revenue balances	395	(395)	0	0	**(395)**	**0**
Statutory provision for payment of debt, Minimum Revenue Provision	534	(534)	0	0	**(534)**	**0**
Other Income and Expenditure (Notes 8, 9, 10)	**(20,479)**	(5,479)	446	(3,356)	**(8,389)**	**(28,868)**
(Surplus)/Deficit for year	**(208)**	(2,005)	2,606	(3,442)	**(2,841)**	**(3,049)**
Opening General Fund Reserves	**(31,627)**					
Plus/ less Surplus or Deficit on General Fund Balance in Year	**(208)**					
Closing General Fund Reserves	**(31,835)**					

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 7 June 2021 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	2020/21 Net Expenditure Chargeable to the General Fund Balances £000	2020/21 Adjustments for Capital purposes (Note a) £000	2020/21 Net change for the Pensions adjustments (Note b) £000	2020/21 Other Differences (Note c) £000	2020/21 Total Adjustments between the Funding and Accounting Basis £000	2020/21 Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Housing	**1,892**	1,060	58	13	**1,131**	**3,023**
Planning Policy & Economic Development	**2,052**	33	47	4	**84**	**2,136**
Development Management	**1,028**	0	115	24	**139**	**1,167**
Cleansing Services	**3,572**	434	25	2	**461**	**4,033**
Parking Services	**221**	64	60	2	**126**	**347**
Landscapes & Leisure	**5,848**	1,435	55	6	**1,496**	**7,344**
Community Services, Policy & Performance	**1,526**	0	72	10	**82**	**1,608**
Corporate Estates & Facilities	**31**	1,130	37	5	**1,172**	**1,203**
Finance Accountancy	**(13)**	0	47	13	**60**	**47**
Finance Corporate	**1,184**	0	(950)	0	**(950)**	**234**
Revenues & Benefits	**2,651**	13	124	27	**164**	**2,815**
Customer Services & Communications	**(36)**	0	36	3	**39**	**3**
Digital & Technology Services	**77**	181	71	5	**257**	**334**
Human Resources & Payroll	**(84)**	0	20	(1)	**19**	**(65)**
Legal Services	**(15)**	0	35	3	**38**	**23**
Democratic Services	**890**	3	23	5	**31**	**921**
Land Charges	**56**	37	9	1	**47**	**103**
Environmental Health	**1,047**	0	87	17	**104**	**1,151**
Building Control	**371**	0	52	4	**56**	**427**
Strategic Core	**1,423**	0	115	0	**115**	**1,538**
Benefits	**(111)**	0	0	0	**0**	**(111)**
Net Cost of Services	**23,610**	4,390	138	143	**4,671**	**28,281**
Town & Parish Precepts and Levies	4,591	0	0	0	**0**	**4,591**
Net (gain)/loss on disposal of non current assets	118	1,235	0	0	**1,235**	**1,353**
Payment to Housing Capital Receipts Pool	0	215	0	0	**215**	**215**
Net interest receivable	(282)	0	0	0	**0**	**(282)**
Net interest on pension net defined benefit liability	0	0	349	0	**349**	**349**
Investment Properties	(2,636)	3,685	0	0	**3,685**	**1,049**
Financial Instruments Valuation Adjustment	0	0	0	40	**40**	**40**
Capital grants and contributions unapplied credited to the CIES	(14)	(2,692)	0	0	**(2,692)**	**(2,706)**
Council Tax Income	(15,271)	0	0	88	**88**	**(15,183)**
Business Rates Income	(1,788)	0	0	6,613	**6,613**	**4,825**
Non-ringfenced government grants	(20,039)	0	0	0	**0**	**(20,039)**
Capital Expenditure financed from revenue balances	1,403	(1,403)	0	0	**(1,403)**	**0**
Statutory provision for payment of debt, Minimum Revenue Provision	522	(522)	0	0	**(522)**	**0**
Other Income and Expenditure (Notes 8, 9, 10)	**(33,396)**	518	349	6,741	**7,608**	**(25,788)**
(Surplus)/Deficit for year	**(9,786)**	4,908	487	6,884	**12,279**	**2,493**
Opening General Fund Reserves	**(21,841)**					
Plus/ less Surplus or Deficit on General Fund Balance in Year	**(9,786)**					
Closing General Fund Reserves	**(31,627)**					

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2. Expenditure and Income analysed by nature

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

Expenditure	2021/22 £000	2020/21 £000
Employee benefits expenses (includes Pensions adjustments in Note 1)	**17,535**	14,500
Benefits (CIES)	**24,424**	26,337
Premises, Transport, Supplies & Services, Third Party Payments	**19,259**	24,015
REFCUS (Narrative Report Note 2) and Revenue Projects	**7,485**	6,706
Investment Property operating expenditure (Note 14)	**865**	1,327
Investment property revaluations (net decreases) (Note 14)	**0**	3,685
Financial Instrument Valuation Adjustment Decrease (Note 9)	**0**	40
Support service recharges	**(128)**	(114)
Depreciation, amortisation (Note 12, Note 15)	**2,083**	2,056
Impairment (Note 17)	**504**	1,565
Interest payments (Note 9)	**82**	137
Precepts and levies (Note 8)	**4,671**	4,591
Payments to Housing Capital Receipts Pool (Note 8)	**0**	215
Net (Gain)/Loss on the disposal of assets (Note 8)	**(461)**	1,353
Total Expenditure	**76,319**	86,413
Income		
Fees, charges and other service income	**(11,012)**	(8,386)
Interest and dividend income (Note 18)	**(396)**	(419)
Investment property income (Note 14)	**(3,431)**	(3,963)
Investment property disposals (Note 14)	**0**	0
Investment property revaluations (net increases) (Note 14)	**(742)**	0
Financial Instrument Valuation Increase Adjustment (Note 9)	**(998)**	0
Income from council tax and non-domestic rates (Note 10)	**(14,780)**	(10,358)
Housing Benefit Gross Income (CIES)	**(24,641)**	(26,448)
Government grants and contributions (Note 10, Note 11)	**(23,368)**	(34,346)
Total Income	**(79,368)**	(83,920)
(Surplus) / deficit on the Provision of Services	**(3,049)**	2,493

3. Material Items of Income and Expense

For the purposes of this note, the Authority considers materiality as £1,654,000, 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 2021/22 the material items are:

- The receipt of New Homes Bonus of £2,311,000 and Business Rates Grants of £5,522,000, as detailed in Note 10 Taxation and Non-Specific Grant Income and Expenditure.
- The receipt of £2,566,000 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 Interim Head of Corporate Resources on 29 July 2022. 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 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Triennial Pension Valuation adjustment

Following the release of an updated triennial pension valuation since the closure of 2021/22 accounts, we were required to adjust for any material change to our balance sheet as at 31st March 2022. An updated actuarial results report as at 31st March 2022 was subsequently requested showing a reduction in our closing net liability by £2,969,000, due to actuarial remeasurements, based on financial, demographic and other experience assumptions at the point of the updated triennial pension valuation.

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.

2021/22	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))	(2,606)	0	0
Council tax and NDR (transfers to or from Collection Fund Adjustment Account (Note 25(g))	2,358	0	0
Holiday pay (transferred to the Accumulated Absences Account (Note 25 (h))	86	0	0
Financial Instruments Valuation Adjustments (transferred to the Financial Instruments Valuation Reserve (Note 25 (d))	998	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	(1,943)	0	0
Revaluation losses on Property Plant and Equipment, and Heritage Assets	(504)	0	0
Movements in the fair value of Investment Properties	742	0	0
Amortisation of intangible assets	(140)	0	0
Capital grants and contributions applied for REFCUS	6,039	0	0
Revenue expenditure funded from capital under statute	(6,925)	0	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(866)	0	0
Donated Assets Account	625	0	0
Capital grants and contributions unapplied credited to the CIES	2,706	0	(2,706)
Total Adjustments to Revenue Resources	570	0	(2,706)
Adjustments between Revenue and Capital Resouces			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,342	(1,342)	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)	534	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	395	0	0
Total Adjustments between Revenue and Capital Resources	2,271	(1,342)	0
Adjustments to Capital Resouces			
Use of the Capital Receipts Reserve to finance capital expenditure	0	1,252	0
Application of capital grants to finance capital expenditure	0	0	3,156
Cash payments in relation to deferred capital receipts	0	(1)	0
Total Adjustments to Capital Resources	0	1,251	3,156
Total Adjustments on MIRS	2,841	(91)	450

2020/21	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))	(487)	0	0
Council tax and NDR (transfers to or from Collection Fund Adjustment Account (Note 25(g))	(6,701)	0	0
Holiday pay (transferred to the Accumulated Absences Account (Note 25 (h))	(143)	0	0
Financial Instruments Valuation Adjustments (transferred to the Financial Instruments Valuation Reserve (Note 25 (d))	(40)	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	(1,915)	0	0
Revaluation losses on Property Plant and Equipment, and Heritage Assets	(1,565)	0	0
Movements in the fair value of Investment Properties	(3,685)	0	0
Amortisation of intangible assets	(141)	0	0
Capital grants and contributions applied for REFCUS	5,600	0	0
Revenue expenditure funded from capital under statute	(6,369)	0	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(27,356)	0	0
Capital grants and contributions unapplied credited to the CIES	2,692	0	(2,692)
Total Adjustments to Revenue Resources	(40,110)	0	(2,692)
Adjustments between Revenue and Capital Resouces			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	26,121	(26,121)	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(215)	215	0
Statutory provision for the payment of debt (transfer to the Capital Adjustment Account)	522	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,403	0	0
Total Adjustments between Revenue and Capital Resources	27,831	(25,906)	0
Adjustments to Capital Resouces			
Use of the Capital Receipts Reserve to finance capital expenditure	0	21,411	0
Application of capital grants to finance capital expenditure	0	0	2,726
Cash payments in relation to deferred capital receipts	0	(1)	0
Total Adjustments to Capital Resources	0	21,410	2,726
Total Adjustments on MIRS	(12,279)	(4,496)	34

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 2021/22. 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 2021/22, to Cabinet on 6 June 2022.

Specific Reserve	Balance at 1 April 2020 £000	Transfers In 2020/21 £000	Transfers Out 2020/21 £000	Balance at 31 March 2021 £000	Transfers In 2021/22 £000	Transfers Out 2021/22 £000	Balance at 31 March 2022 £000
Housing	(1,010)	(606)	1,008	(608)	(315)	75	**(848)**
Planning Policy & Economic Development	(3,069)	(831)	2,241	(1,659)	(1,230)	479	**(2,410)**
Development Management	(21)	0	21	0	(10)	0	**(10)**
Parking	(94)	0	74	(20)	0	3	**(17)**
Cleansing Services	(141)	(80)	173	(48)	0	20	**(28)**
Landscapes & Leisure	(407)	(518)	132	(793)	(23)	597	**(219)**
Community Services, Policy & Performance	(375)	(561)	155	(781)	0	272	**(509)**
Corporate Estates & Facilities	(5,568)	(93)	292	(5,369)	(113)	241	**(5,241)**
Finance Accountancy	(14)	(22)	2	(34)	(7)	29	**(12)**
Finance Corporate	(133)	(567)	259	(441)	(2,269)	1,409	**(1,301)**
Revenues & Benefits	(284)	(471)	376	(379)	(755)	395	**(739)**
Digital & Technology Services	(74)	0	23	(51)	0	5	**(46)**
Human Resources & Payroll	(1)	(6)	7	0	(7)	7	**0**
Democratic Services	(148)	(57)	119	(86)	(46)	0	**(132)**
Land Charges	(2)	0	2	0	(25)	2	**(23)**
Planning Service Support	0	0	0	0	0	0	**0**
Environmental Health	(5)	(204)	63	(146)	(16)	135	**(27)**
Corporate Funds	(4,363)	(11,349)	2,311	(13,401)	(8,172)	10,802	**(10,771)**
Specific Reserve Total	(15,709)	(15,365)	7,258	(23,816)	(12,988)	14,471	**(22,333)**
General Fund Balances	(6,132)	(5,818)	4,139	(7,811)	(3,352)	1,661	**(9,502)**
	(21,841)	(21,183)	11,397	(31,627)	(16,340)	16,132	**(31,835)**

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 into the Planning Policy and Economic Development Specific Reserve totalling £1,230,000 included £750,000 for SAMM fees which are due to be transferred to Wealden District Council as part of the Joint SAMM strategy and the pooled funding of the shared service this year. In addtion, £243,000 relates to the 2021/22 Corporate Plan budgeted contribution to the Development Plan Reserve.
- The transfers into the Finance Corporate Specific Reserve totalling £2,269,000 included the 2021/22 Corporate Plan budgeted contribution to the Job Evaluation Reserve of £352,000, as well as transfers from General Reserve as reported in the Budget Management Reports to Cabinet during 2021/22 to support the Management Restructure implementation and efficiency programme. Lastly, £484,000 relates to monies received from WSCC relating to the Covid-19 Test and Trace Contain Management Outbreak Fund (COMF).
- The transfers to Corporate Funds Specific Reserve included £8,074,000 to the Rate Retention Scheme Equalisation of which £2,552,000 relates to NNDR Renewable Income transferred from the CFAA. £5,522,000 relates to DLUHC grants for Business Rates Reliefs that were paid by Central Government as compensation for the loss of Business Rates Income that would have been received as part of the Collection Fund accounting (refer to Section 4), due to the COVID-19 pandemic. The year end balance of this reserve will be used to fund the Authority's Collection Fund deficit in future years. £10,802,000 has been utilised including £1,640,000 for current year NNDR3 levy adjustment and £8,349,000 for 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

	2021/22 £000	2020/21 £000
Town and Parish Council precepts	**4,670**	4,590
Levies	**1**	1
Payments to Government Housing Capital Receipts Pool (Note 6)	**0**	215
Net (gains)/losses on the disposal of non-current assets	**(461)**	1,353
Total	**4,210**	6,159

9. Financing and Investment Income and Expenditure

	2021/22 £000	2020/21 £000
Net interest on the net defined benefit liability/(asset) (Note 34)	**446**	349
Interest payable and similar charges (Note 18)	**82**	137
Interest receivable and similar income (Note 18)	**(396)**	(419)
Income and expenditure for Investment Properties (Note 14)	**(2,566)**	(2,636)
Movement in fair value of Investment Properties (Note 14)	**(742)**	3,685
Movement in valuation of Financial Instruments (Note 25(d))	**(998)**	40
Total	**(4,174)**	1,156

10. Taxation and Non-Specific Grant Income and Expenditure

	2021/22 £000	2020/21 £000
Housing Benefits Administration Grant	**(224)**	(235)
Lower Tier Support Grant	**(451)**	0
Covid-19 Support Grant	**(536)**	0
Council Tax Support Grant	**(185)**	0
New Homes Bonus	**(2,311)**	(3,267)
Business Rate Relief Grants *	**(5,522)**	(11,293)
Covid-19 Emergency Funding Grant *	**0**	(1,771)
Sales, Fees and Charges Support Grant *	**(377)**	(2,161)
Sports England Leisure Recovery Fund	**0**	(301)
Discretionary Self Isolation Payments Funding *	**(101)**	(67)
Self Isolation Administration Grant	**(63)**	0
Homelessness Grants	**(359)**	(373)
DWP New Burden Grants	**(76)**	(89)
New Burden Council Tax Reform & Business Rates Scheme	**(267)**	(91)
Local Council Tax New Burdens	**(133)**	(23)
Other New Burdens Grants	**(140)**	(317)
Redmond Review Implementation Grant	**(20)**	0
Neighbourhood Planning Grant	**0**	(40)
Individual Electoral Registration Grant	**0**	(11)
Non-ringfenced government grants	**(10,765)**	(20,039)
Council Tax Income (Collection Fund)	**(15,778)**	(15,183)
Retained Business Rates (Collection Fund)	**998**	4,825
Donated Assets Account	**(625)**	0
Capital Grants and S106 Receipts	**(2,734)**	(2,706)
Total credited to Taxation and Non Specific Grant Income	**(28,904)**	(33,103)

* Further information detailing the Covid-19 grants received is explained in the Narrative Report, Note 4.

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 2021/22. 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.

	2021/22 £000	2020/21 £000
DWP Housing Benefit Subsidy	**(23,229)**	(25,060)
Disabled Facilities Grant Contribution from WSCC	**(1,109)**	(1,226)
DWP Employment Project Coordinator	**0**	(106)
WSCC Contribution- Civil Parking Enforcement/Controlled Parking Zone	**(226)**	(342)
WSCC Contribution- Recycling Credits	**0**	(2)
WSCC Contribution - Microbusiness Grant	**(41)**	(20)
WSCC Partnerships	**(54)**	(67)
WSCC Sustainability	**0**	(61)
WSCC Public Health	**(358)**	(379)
WSCC Test & Trace Contain Outbreak Management Fund	**(579)**	0
WSCC Covid 19 Prevention	**0**	(150)
WSCC Covid 19 Council Tax Hardship Fund	**(352)**	0
WSCC Economic Recovery Fund - High Streets	**(70)**	0
WSCC Flood Risk	**(13)**	(13)
BEIS Covid 19 Discretionary Grant	**0**	(1,454)
BEIS Additional Restrictions Grant (Discretionary)	**(2,238)**	(3,692)
CDC Independence Retail Programme	**0**	(80)
MHSC Test & Trace Contain Outbreak Management Fund	**(139)**	0
DLUHC Reopening High Streets Safely	**(177)**	(72)
DLUHC Next Steps Accommodation	**0**	(38)
DLUHC Covid 19 Council Tax Hardship Fund	**0**	(696)
DLUHC Local Authority Compliance and Enforcement	**0**	(49)
DEFRA - Biodiversity net gain	**(10)**	0
HM Land Registry	**(25)**	0
LTA Trust - Gate Access	**(13)**	0
NNDR Cost of Collection contribution	**(175)**	(172)
Other	**(12)**	(3)
Total Credited to Services	**(28,820)**	(33,682)

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: Additional Restrictions Grant £22,000 (£670,000 2020/21), Mid Sussex Partnership £14,000 (£14,000 2020/21).

Additional grants of £8,576,000 were received from the Government as part of their response to the Covid-19 pandemic, where the Authority was deemed to be acting as an agent and so passing these funds onto the eventual beneficiaries. These transactions do not have an impact on the Statement of Accounts, except where they pass through the Cash Flow Statement. Further details are given in the Narrative Report, Note 4.

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.

	2021/22	2020/21
	£000	£000
Balance at 1 April	**(10,293)**	(9,061)
Received in year	**(19,402)**	(9,645)
Applied to Comprehensive Income and Expenditure Statement	**8,784**	8,413
Balance at 31 March	**(20,911)**	(10,293)

The year-end balance comprises £12,706,000 Time Limited Section 106 receipts and £8,205,000 Other Capital 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) or the current cost of replacing an asset with its modern equivalent asset less relelvant deductions (direct replacement cost-DRC), 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, Woodside Pavilion and East Court 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, £975,000 (£984,000 in 2020/21), for Other Buildings, £258,000 (£242,000 in 2020/21), and for Digital & Technology and Playground Equipment, £276,000 (£261,000 in 2020/21).

Capital Commitments

At 31 March 2022, the Authority has authorised expenditure for the construction or enhancement of Property, Plant and Equipment which in 2022/23 - 2025/26 is budgeted to cost £4,947,000. Similar commitments at 31 March 2021 were £4,466,000. The commitments are as follows:

	2022/23	2023/24	2024/25	2025/26	Total
Scheme	**£000**	**£000**	**£000**	**£000**	**£000**
Temporary Accommodation	1,730	0	0	0	1,730
Replacement Wheelie Bin Purchase	117	117	0	0	234
Oaklands Replacement Windows Phase V	95	0	0	0	95
Heating works Phase IV	65	0	0	0	65
Oaklands Staff Room Remodeling and Refurbishmen	44	0	0	0	44
The Orchards - Changing Place Toilet	190	0	0	0	190
Hickman's Lane Pavilion Refurbishment	255	0	0	0	255
Major Capital Renewals	118	130	146	133	527
Digital and Technology	1,491	50	50	50	1,641
Other Schemes including playground equipment & infrastructure	166	0	0	0	166
Total	4,271	297	196	183	4,947

At 31 March 2022 the Authority's outstanding contractual commitments for the construction or enhancement of Property, Plant and Equipment were £22,000 (£131,000 at 31 March 2021).

Assets Under Construction

The Assets Under Construction are for the Local Full Fibre Scheme and the Rural Connectivity Programme.

2021/22	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 2021	92,928	7,700	4,100	20	2,122	0	**106,870**	3,089
Additions	1,397	332	0	0	2,188	0	**3,917**	0
Donations	625	0	0	0	0	0	**625**	0
Revaluation increase/(decrease) recognised in the Revaluation Reserve	3,282	0	0	0	0	0	**3,282**	0
Revaluation increase/(decrease) recognised in the Surplus/Deficit on the Provision of Services	(539)	0	0	0	0	0	**(539)**	0
Derecognition - disposals	(31)	(25)	0	0	0	0	**(56)**	0
Other movements in cost or valuation	0	0	0	0	0	0	**0**	0
At 31 March 2022	97,662	8,007	4,100	20	4,310	0	**114,099**	3,089
Accumulated Depreciation and Impairment								
At 1 April 2021	(1,385)	(4,588)	(2,223)	0	0	0	**(8,196)**	(831)
Depreciation Charge	(1,239)	(564)	(140)	0	0	0	**(1,943)**	(288)
Depreciation written out to the Revaluation Reserve	1,003	0	0	0	0	0	**1,003**	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	35	0	0	0	0	0	**35**	0
Derecognition - disposals	1	15	0	0	0	0	**16**	0
At 31 March 2022	(1,585)	(5,137)	(2,363)	0	0	0	**(9,085)**	(1,119)
Net Book Value At 31 March 2022	**96,077**	**2,870**	**1,737**	**20**	**4,310**	**0**	**105,014**	**1,970**
Net Book Value At 31 March 2021	**91,543**	**3,112**	**1,877**	**20**	**2,122**	**0**	**98,674**	**2,258**

2020/21	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 2020	88,175	7,707	4,100	20	0	0	**100,002**	3,089
Additions	2,590	322	0	0	2,122	0	**5,034**	0
Revaluation increase/(decrease) recognised in the Revaluation Reserve	3,881	0	0	0	0	0	**3,881**	0
Revaluation increase/(decrease) recognised in the Surplus/Deficit on the Provision of Services	(1,602)	0	0	0	0	0	**(1,602)**	0
Derecognition - disposals	(116)	(329)	0	0	0	0	**(445)**	0
Other movements in cost or valuation	0	0	0	0	0	0	**0**	0
At 31 March 2021	92,928	7,700	4,100	20	2,122	0	**106,870**	3,089
Accumulated Depreciation and Impairment								
At 1 April 2020	(1,626)	(4,358)	(2,078)	0	0	0	**(8,062)**	(548)
Depreciation Charge	(1,227)	(543)	(145)	0	0	0	**(1,915)**	(283)
Depreciation written out to the Revaluation Reserve	1,426	0	0	0	0	0	**1,426**	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	37	0	0	0	0	0	**37**	0
Derecognition - disposals	5	313	0	0	0	0	**318**	0
At 31 March 2021	(1,385)	(4,588)	(2,223)	0	0	0	**(8,196)**	(831)
Net Book Value At 31 March 2021	**91,543**	**3,112**	**1,877**	**20**	**2,122**	**0**	**98,674**	**2,258**
Net Book Value At 31 March 2020	**86,549**	**3,349**	**2,022**	**20**	**0**	**0**	**91,940**	**2,541**

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 2021 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 2022, 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	**8,007**	**4,083**	**20**	**4,310**	**0**	**16,420**
Valued at fair value in:							
2021/22	**62,127**	**0**	**0**	**0**	**0**	**0**	**62,127**
2020/21	16,743	0	0	0	0	0	16,743
2019/20	2,976	0	0	0	0	0	2,976
2018/19	7,297	0	0	0	0	0	7,297
2017/18	8,519	0	17	0	0	0	8,536
Cost or Valuation	97,662	8,007	4,100	20	4,310	0	114,099

The increases in valuation relate to the leisure centres which have increased in value by £3,380,000 and other recreation grounds which increased by £874,000. The Orchards car park has decreased in value by £451,000. These movements are shown in the Unusable Reserves Note 25 (a) Revaluation Reserve.

Impact of Covid-19

The valuations that are detailed in this Note and Note 14 have been provided by Wilkes Head Eve LLP. Their report for the comparative prior year, included 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 2020	700	115	10	**825**
In Year Movements	0	0	0	**0**
At 31 March 2021	700	115	10	**825**
Cost or valuation				
At 1 April 2021	700	115	10	**825**
In Year Movements	0	0	0	**0**
At 31 March 2022	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 2021/22.

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.

	2021/22 £000	2020/21 £000
Rental income from investment property	**(3,431)**	(3,963)
Direct operating expenses arising from investment property	**865**	1,327
Net (gain) / loss	**(2,566)**	(2,636)

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:

	2021/22 £000	2020/21 £000
Balance at 1 April	**47,094**	50,779
Additions:		
Purchases and subsequent expenditure	**0**	0
Disposals	**(825)**	0
Net gains/(losses) from fair value adjustments	**742**	(3,685)
Transfers to/from Property, Plant and Equipment	**0**	0
Balance at 31 March	**47,011**	47,094

Purchases and Subsequent Expenditure

There have been no purchases in the current year or in 2020/21.

Disposals

In the year the disposal of 29 Paddockhall Road, Haywards Heath was completed for £825,000 (nil for 2020/21).

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 2021 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.

In their report for 2020/21, the impact of Covid-19 led to the valuer including the following statement regarding the valuation techniques used 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.”

For 2021/22, the Valuers included the following statement regarding the valuation technique.

- “The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the commentary date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, our commentary is not reported as being subject to ‘material valuation uncertainty’ as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.”

The main downward revaluation change is for the Market Place Car Park downwards by £388,000. The main upward revaluation is for Victoria Road Industrial Estate revalued upwards by £557,000.

An impairment review was conducted for 31 March 2022, by Wilkes Head Eve LLP, with no further adjustments needed to the asset values.

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 £140,000 charged to revenue in 2021/22 (£141,000 in 2020/21) 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:

	2021/22	2020/21
Balance at 1 April	£000	£000
Gross carrying amounts	**1,011**	1,059
Accumulated amortisation	**(712)**	(614)
Net carrying amount at 1 April	**299**	445
Purchases	**0**	16
Disposals (NBV)	**0**	(21)
Amortisation for the year	**(140)**	(141)
Net carrying amount at end of year	**159**	299
Comprising:		
Gross carrying amounts	**775**	1,011
Accumulated amortisation	**(616)**	(712)
Balance at 31 March	**159**	299

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.

	2021/22 £000	2020/21 £000
Opening Capital Financing Requirement	**7,195**	27,438
Capital Investment		
Operational Assets and Assets Under Construction (Note 12)	**3,917**	5,034
Intangible Assets (Note 15)	**0**	16
Revenue expenditure funded from capital under statute (Note 6)	**6,925**	6,369
Source of Finance		
Capital Receipts (Note 6)	**(1,252)**	(21,411)
Government Grant, WSCC Contribution, Sect 106 receipts in advance (Note 6)	**(8,374)**	(5,600)
Capital Grants Unapplied Account (Note 6)	**(821)**	(2,726)
Capital expenditure financed from revenue balances (Note 6)	**(395)**	(1,403)
Statutory provision for the payment of debt-MRP from revenue (Note 6)	**(534)**	(522)
Closing Capital Financing Requirement	**6,661**	7,195
Explanation of Movement in Year		
Increase / (Decrease) in underlying need to borrow (unsupported by Government financial assistance)	**(534)**	(20,243)
Increase/ (Decrease) in Capital Financing Requirement	**(534)**	(20,243)

As part of the purchase of the head lease of The Orchards Shopping Centre the Authority entered into borrowing in November 2016. This has been repaid in the current year (Note 18). Following the capital receipt for sale of land at Hurst Farm on 31 March 2021, £19,722,000 was utilised to show as financing for The Orchards. As at 31 March 2022 £4,500,000 is to be financed in the future.

Capitalisation of Borrowing Costs

At 31 March the Authority has no capitalised borrowing costs.

17. Impairment Losses

During 2021/22, the Authority has recognised impairment losses of £753,000 and credits of £134,000 to give a net loss of £619,000 as part of the revaluation for 1 April 2021, completed by the external valuer, Wilks Head & Eve LLP, RICS qualified chartered surveyors. The losses are mainly on Kings Weald Community Centre of £418,000 and £210,000 on The Orchards Car Park.

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 2022 £000	31 March 2021 £000	31 March 2022 £000	31 March 2021 £000
Investments at amortised cost	**6,025**	25	**63,604**	38,070
Fair value through profit or loss	**6,687**	5,689	**0**	0
Total Investments	**12,712**	5,714	**63,604**	38,070
Fair value through profit or loss	**0**	0	**8,110**	20,831
Total Cash and Cash Equivalents	**0**	0	**8,110**	20,831
Long Term Debtors at amortised Cost	**42**	20	**0**	0
Trade Debtors at amortised Cost	**0**	0	**1,228**	1,370
Total Financial Assets	**12,754**	5,734	**72,942**	60,271
Borrowing at amortised cost	**0**	(152)	**(153)**	(5,185)
Bank Overdraft	**0**	0	**(115)**	0
Total Borrowings	**0**	(152)	**(268)**	(5,185)
Creditors -Finance lease liabilities at amortised cost	**(1,676)**	(1,970)	**(294)**	(288)
Trade Creditors at amortised cost	**0**	0	**(3,051)**	(4,221)
Total Financial Liabilities	**(1,676)**	**(2,122)**	**(3,613)**	**(9,694)**

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. The final £5,000,000 borrowing was repaid on 22 November 2021.

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 2021/22 £000	Financial Assets: measured at Amortised Cost 2021/22 £000	Financial Assets: Fair Value through profit or loss 2021/22 £000	Total 2021/22 £000
Interest expense (Note 9)	82	0	0	82
Total expense in Surplus or Deficit on the Provision of Services	82	0	0	82
Interest income, dividend income (Note 9)	0	(175)	(221)	(396)
(Gain)/Loss on revaluation of financial instrument (Note 25 (d))	0	0	(998)	(998)
Total income in Surplus or Deficit on the Provision of Services	0	(175)	(1,219)	(1,394)
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	0	0	0	0
Net (gain)/loss for the year	82	(175)	(1,219)	(1,312)

	Financial Liabilities measured at Amortised Cost 2020/21 £000	Financial Assets: measured at Amortised Cost 2020/21 £000	Financial Assets: Available-for-Sale 2020/21 £000	Total 2020/21 £000
Interest expense (Note 9)	137	0	0	137
Total expense in Surplus or Deficit on the Provision of Services	137	0	0	137
Interest income, dividend income (Note 9)	0	(170)	(249)	(419)
(Gain)/Loss on revaluation of financial instrument (Note 25 (d))	0	0	40	40
Total income in Surplus or Deficit on the Provision of Services	0	(170)	(209)	(379)
Net (gain)/loss for the year	137	(170)	(209)	(242)
Surplus/deficit arisng on revaluation of financial assets in Other Comprehensive Income and Expenditure	0	0	0	0
Net (gain)/loss for the year	**137**	**(170)**	**(209)**	**(242)**

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 2022 £000	Fair Value 31 March 2022 £000	Amortised Cost 31 March 2021 £000	Fair Value 31 March 2021 £000
Borrowing	**(153)**	**(153)**	(5,337)	(5,337)
Other liabilities	**(5,137)**	**(5,137)**	(6,480)	(6,480)
Financial Assets				
Investments greater than 1 year	**6,025**	**6,025**	25	25
Fair value through profit & loss (CCLA Property Fund)	**6,687**	**6,687**	5,689	5,689
Money market investments less than 1 year	**63,604**	**63,604**	38,070	38,070
Cash Equivalents	**8,110**	**8,110**	20,831	20,831
Other assets	**1,270**	**1,270**	3,001	3,001

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 cash equivalents is in the category, Level 1, the CCLA Property Fund is in the category, Level 2, 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 2021/22 was approved by the Authority on 31 March 2021 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 £77,636,000 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 2022 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 2022:

Financial Institutions	**Credit Risk Rating**	**Gross Carrying Amount £000**
Money Market Funds	AAA	**3,595**
UK Banks	AA-	**5**
UK Banks	A+	**7,020**
UK Banks	A	**10,016**
UK Banks	A-	**4,000**
Building Societies	A	**4,000**
Building Societies	A-	**11,000**
Building Societies	BBB	**3,000**
Building Societies	BB-	**3,000**
Building Societies	Unrated	**18,000**
Debt Management Office	AA-	**8,000**
Local Authorities	AA-	**6,000**
Total		**77,636**

During the year 2021/22 the Authority wrote off financial assets with a contractual amount outstanding of £108,000 (£127,000 in 2020/21).

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 2022	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2022	Estimated maximum exposure to default and uncollectability at 31 March 2022	Estimated maximum exposure at 31 March 2021
	£ 000	%	%	£000	£000
Customers *	**1,158**	**4**	**4**	**50**	**36**
Total	**1,158**	**4**	**4**	**50**	**36**

* excludes statutory debtors for Council Tax and NNDR

The Authorty continued to receive large Covid Business Support Grants and other grants associated with Covid-19. It was necessary to keep these funds liquid in order to distribute them to local businesses as quickly as possible.

The Authority does not generally allow credit for customers, such that £1,004,000 is past its due date for payment (£1,070,000 at 31 March 2021) and is analysed by age as follows:

	31 March 2022 £000	31 March 2021 £000
Less than three months	**582**	428
Three to six months	**31**	83
Six months to one year	**45**	175
Greater than one year	**346**	384
Total	**1,004**	1,070

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 and the long term investment in the Local Authorities' Property Fund, is as follows:

	31 March 2022 £ 000	31 March 2021 £ 000
Less than one year	**71,636**	57,010
Between one and two years	**6,000**	0
Between two and three years	**0**	0
Total	**77,636**	57,010

Refinancing and Maturity Risk

The Authority maintains a very small debt 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 2022 %	Actual at 31 March 2022 £ 000	Actual at 31 March 2021 %	Actual at 31 March 2021 £ 000
Less than 1 year	0	80	21	**447**	72	5,458
Between 1 and 2 years	0	70	14	**300**	6	447
Between 2 and 5 years	0	80	44	**939**	12	920
Between 5 and 10 years	0	80	21	**436**	10	756
More than 10 years	0	60	0	**0**	0	0
Total			100	**2,122**	100	7,581

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 2022, if all 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	**n/a**
Increase in Interest receivable on variable investments	**187**
Impact on Surplus or defict on the Provision of Services	**187**
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)	**1**

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 2022 £000	31 March 2022 £000	31 March 2021 £000	31 March 2021 £000
Central Government Departments		**2,155**		10,834
Other Local Authorities		**3,280**		3,197
Other Entities and Individuals	**6,986**		7,259	
less Allowance for general Bad Debts	**(2,623)**		(2,979)	
less Allowance for Collection Fund Bad Debts	**(1,546)**		(1,433)	
Net Debtors for Other Entities and Individuals		**2,817**		2,847
Total		**8,252**		16,878

The year end balance of Central Government Department Debtors is mainly for the year end deficit balance of the Collection Fund accounting for Business Rates of £932,000 (£7,397,000 at 31 March 2021) as detailed in Section 4. The Other Local Authorities balance is mainly £1,920,000 due to fund capital projects.

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 2022 £000	31 March 2021 £000
Bank current accounts	**(115)**	1,831
Cash Equivalents	**8,110**	19,000
Cash & Cash Equivalents (Cashflow Statement)	**7,995**	20,831

21. Assets Held for Sale

There are no Assets Held for Sale at 31 March 2022.

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. This asset was sold on 31 March 2021 to Homes England for £30,250,000 with the Authority's share being 81.982% of this sum, £24,799,555. This was subject to a Red Book Valuation by Carter Jonas LLP. The decrease in book value from that held previously arises because the early figure reflected a previous offer which failed to materialise at that higher sum.

	31 March 2022 £000	31 March 2021 £000
Balance outstanding at start of year	**0**	27,208
Assets newly classified as held for sale transferred from Property, Plant and Equipment	**0**	0
Disposals	**0**	(27,208)
Balance outstanding at year-end	**0**	0

22. Creditors

	31 March 2022 £000	31 March 2021 £000
Government Departments	**(25,289)**	(22,877)
Other Local Authorities	**(3,286)**	(2,626)
Other entities and individuals	**(5,365)**	(6,331)
	(33,940)	(31,834)

The year end balance for outstanding payments due to Government Departments comprises the Business Rates Accounting adjustments for Covid-19 Business Rate Reliefs of £14,072,000. The grants were paid in advance to assist the Authority's cashflow and the reconciled balance is due to be repaid in 2022/23. Also in the total are additional Covid-19 Restart Grants (BEIS) of £2,069,000 and £6,194,000 of Receipts in Advance for Council Tax Rebate Grant that will be paid in 2022/23. Part of this sum could be repaid to Central Government in 2022/23 following reconciliations of additional Covid-19 restriction grants that the Authority has paid to businesses and Council Tax payers on behalf of Central Government.

23. Provisions

The provisions held at 31 March 2022 are as follows:

- £203,000 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. This will be taken by the following 31 March.
- £10,000 is in relation to MMI, further details are set out in the Narrative Report.
- £339,000 for Termination Benefits Provision. Further details are set out in Note 30.
- £2,867,000 NNDR Appeals Outstanding Provision, MSDC share, further detail is in the Collection Fund Section 4. The outstanding appeals will be settled via Valuation Office Agency (VOA) in future years.

	31 March 2020 £000	Movement in Year £000	31 March 2021 £000	Movement in Year £000	31 March 2022 £000
Employee Benefits Provision	(146)	(143)	(289)	86	**(203)**
MMI Provision	(10)	0	(10)	0	**(10)**
Termination Benefits Provision	(77)	77	0	(339)	**(339)**
Business Rates Appeals Provision	(1,344)	(1,758)	(3,102)	235	**(2,867)**
	(1,577)	(1,824)	(3,401)	(18)	**(3,419)**

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.

2020/21 £000	2020/21 £000	Revaluation Reserve	2021/22 £000	2021/22 £000
	(71,898)	**Balance at 1 April**		**(49,339)**
(8,354)		Upward revaluation of assets	**(6,355)**	
3,047		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	**2,070**	
	(5,307)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		**(4,285)**
571		Difference between fair value depreciation and historical cost depreciation	**578**	
27,295		Accumulated gains on assets sold or scrapped	**1**	
	27,866	Amount written off to the Capital Adjustment Account		**579**
	(49,339)	**Balance at 31 March**		**(53,045)**

(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.

2020/21 £000	2020/21 £000	Capital Adjustment Account	2021/22 £000	2021/22 £000
	(71,721)	**Balance at 1 April**		**(90,218)**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
1,915		Charges for depreciation and impairment of non-current assets	**1,943**	
1,565		Revaluation losses/(gains) on Property, Plant and Equipment	**504**	
141		Amortisation of intangible assets	**140**	
6,369		Revenue expenditure funded from capital under statute	**6,925**	
27,356		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	**865**	
	37,346			**10,377**
	(27,866)	Adjusting amounts written out of the Revaluation Reserve		**(578)**
	9,480	Net written out amount of the cost of non-current assets consumed in the year		**9,799**
		Capital financing applied in the year:		
(21,411)		Use of the Capital Receipts Reserve to finance new capital expenditure	**(1,252)**	
(1,403)		Capital expenditure charged against the General Fund balances	**(395)**	
(5,600)		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	**(6,039)**	
(2,726)		Application of grants to capital financing from the Capital Grants Unapplied Account	**(3,156)**	
(522)		Statutory provision for the financing of capital investment charged against the General Fund balance	**(534)**	
	(31,662)			**(11,376)**
	3,685	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		**(742)**
	0	Movements in the donated assets accounts credited to the Comprehensive Income and Expenditure Statement		**(625)**
	(90,218)	**Balance at 31 March**		**(93,162)**

(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.

2020/21 £000	2020/21 £000		2021/22 £000	2021/22 £000
	271	**Balance at 1 April**		**311**
40		Financial Instruments held under Fair Value through Profit & Loss subject to DLUHC Statutory over-ride*	**(998)**	
	40			**(998)**
	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**
	311	**Balance at 31 March**		**(687)**

* The Department for Levelling Up,Housing and Communities (DLUHC) 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) 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.

2020/21 £000	**Pensions Reserve**	2021/22 £000
15,081	**Balance at 1 April**	**21,247**
5,679	Actuarial gains or losses on pensions assets and liabilities	**(11,671)**
3,677	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	**5,767**
(3,190)	Employer's pensions contributions and direct payments to pensiors payable in the year	**(3,161)**
21,247	**Balance at 31 March**	**12,182**

(f) 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.

2020/21 £000	Collection Fund Adjustment Account	2021/22 £000
(108)	**Balance at 1 April**	**6,593**
88	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.	**(25)**
6,613	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.	**(2,333)**
6,593	**Balance at 31 March**	**4,235**

The Business Rates Income adjustment amount comprises of the year end deficit of £4,853,000 less the Renewable Energy Scheme Income received in 2020/21of £2,552,000 transferred to Specific Reserve and Income received in 2021/22 of £32,000. The 2021/22 Renewable Energy Scheme Income amount will be transferred into the Business Rates Equalisation Reserve in 2022/23 and used to finance the deficit in future years.

(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.

2020/21 £000	2020/21 £000	Accumulated Absences Account	2021/22 £000	2021/22 £000
	146	**Balance at 1 April**		**289**
(146)		Settlement or cancellation of accrual made at the end of the preceding year	**(289)**	
289		Amounts accrued at the end of the current year	**203**	
	143	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		**(86)**
	289	**Balance at 31 March**		**203**

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 22 £000	Trust Fund	2021/22 Gross Expenditure £000	2021/22 Gross Income £000	2021/22 Net Expenditure £000	2020/21 Net Expenditure £000
2,878	Beech Hurst Gardens	97	(128)	**(31)**	28
381	St.Johns Park	47	(42)	**5**	5
229	Fairfield Road Recreation Ground	12	(10)	**2**	2
161	Richard Worsley Recreation Ground	49	(48)	**1**	1
0	Lucastes Avenue Open Space	0	0	**0**	0
0	West Common Open Space	1	1	**2**	0
281	Ashurst Wood Recreation Ground	12	(11)	**1**	2
0	Brooklands Park	8	(8)	**0**	0
641	John Pears Recreation Ground	36	(15)	**21**	12
4,571		262	(261)	**1**	50

27. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2020/21 £000		2021/22 £000
(285)	Interest received	**(153)**
(254)	Dividends received	**(225)**
148	Interest paid	**121**

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

2020/21 £000		2021/22 £000
(1,915)	Depreciation	**(1,943)**
(1,565)	Impairment and downward valuations	**(504)**
(141)	Amortisation of Intangible Assets	**(140)**
(1,015)	(Increase) / decrease in impairment for bad debts	**243**
(40)	Adjustment for movements in fair value of investments classified as Fair Value through Profit and Loss Account	**998**
49	(Increase) / decrease in interest creditors	**39**
(7,921)	(Increase) / decrease in creditors	**(565)**
(120)	Increase / (decrease) in interest and dividend debtors	**18**
6,321	Increase / (decrease) in debtors	**(2,162)**
(38)	Adjustments for effective interest rates	
(487)	Movement in pension liability	**(2,606)**
(1,824)	Contributions (to)/from Provisions	**(18)**
(27,356)	Carrying amount of non-current assets sold or de-recognised	**(865)**
(3,685)	Movement in Investment Property values	**742**
(39,737)		**(6,763)**

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

2020/21 £000		2021/22 £000
9,696	Capital grants credited to the surplus or deficit on the provision of services	**9,140**
26,121	Proceeds from the sale of non-current assets	**1,342**
35,817		**10,482**

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 £175,000 in 2021/22 (£172,000 in 2020/21).

	2021/22 £000	2020/21 £000
Expenditure incurred in providing a CPE/CPZ service to WSCC	**840**	768
Fees and charges	**(459)**	(309)
Management fee payable by WSCC	**(226)**	(343)
Net (Surplus) / Deficit arising on the agency arrangement	**155**	116
Government contribution for cost of collection of NNDR	**175**	172
Net (Surplus) / Deficit arising on the agency arrangement	**175**	172

29. External Audit Costs

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

	2021/22 £000	2020/21 £000
Fees payable to Ernst & Young LLP with regard to external audit services carried out by the appointed auditor for the year	**39**	39
Fees payable to Ernst & Young LLP for the certification of grant claims and returns for the year	**52**	52
	91	91

30. Members' Allowances

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

	2021/22 £000	2020/21 £000
Allowances	**404**	407
Expenses	**3**	1
Total	**407**	408

31. 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	2021/22	144,658	2,863	0	31,569	179,090
Chief Executive	2020/21	142,520	2,675	0	31,072	176,267
Assistant Chief Executive	2021/22	94,161	1,179	0	20,403	115,743
Assistant Chief Executive	2020/21	92,770	1,101	0	20,088	113,959
Head of Digital and Customer Services	2021/22	91,419	0	0	19,564	110,983
Head of Digital and Customer Services	2020/21	90,068	0	0	19,275	109,343
Head of Corporate Resources (and S151 Officer)	2021/22	91,539	2,267	0	20,066	113,872
Head of Corporate Resources (and S151 Officer)	2020/21	90,188	2,081	0	19,746	112,015
Head of Regulatory Services (and Monitoring Officer)	2021/22	81,284	0	0	17,395	98,679
Head of Regulatory Services (and Monitoring Officer)	2020/21	80,084	0	0	17,138	97,222

(Expenses allowances include BUPA Medical Insurance payments.

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	2021/22	2020/21
£145,000 - £149,999	**1**	1
£140,000 - £144,999	**0**	0
£135,000 - £139,999	**0**	0
£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**	1
£100,000 - £104,999	**0**	0
£95,000 - £99,999	**1**	0
£90,000 - £94,999	**2**	3
£85,000 - £89,999	**0**	0
£80,000 - £84,999	**1**	1
£75,000 - £79,999	**2**	2
£70,000 - £74,999	**0**	0
£65,000 - £69,999	**1**	0
£60,000 - £64,999	**5**	5
£55,000 - £59,999	**5**	2
£50,000 - £54,999	**18**	6

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		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	(a)		(b)		(a + b)			
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22 £000	2020/21 £000
£100,001 - £150,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	1	-	1	-	61
£40,001 - £60,000	-	-	-	-	-	-	-	-
£20,001 - £40,000	-	-	-	3	-	3	-	94
£0,000 - £20,000*	-	1	2	6	2	7	13	34
	-	1	2	10	2	11	13	189
Provision	1	-	-	-	1	-	339	-
Total	1	1	2	10	3	11	352	189

' * For 20/21, this banding totals £34,000 as it contains costs totalling £10,000 that relate to 2 employees who were included as 19/20 exit packages/ provisions, but whose costs have since been adjusted in 2020/21. Therefore, the balance of £24,000 relates to the 5 employees who left in 2020/21.

The table above includes £352,000 (£189,000 in 2020/21) for exit packages in the current year. For 2021/22 this includes a provision £339,000 for 1 officer who was 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 was no provision for 2020/21.

Termination Benefits

The Authority terminated the contracts of a number of employees in 2021/22, incurring gross liabilities of £352,000 (compared to £189,000 in 2020/21).

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 2022 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 2021/22 is shown in Note 30. A list of organisations that have received grant funding has also been reviewed. This year, no sums have been advanced to any that have a Councillor 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.

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 2022	31 March 2021
	£000	£000
Vehicles, Plant, Equipment	**1,970**	2,258
	1,970	2,258

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 2022 £000	31 March 2021 £000
Current	**332**	332
Non- current	**1,770**	2,102
Less finance costs payable in future years	**(132)**	(176)
Minimum lease payments	**1,970**	2,258

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

	Minimum Lease Payments		**Finance Lease Liabilities**	
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
Not later than one year	**294**	288	**294**	288
Later than one year and not later than five years	**1,240**	1,214	**1,240**	1,214
Later than five years	**436**	756	**436**	756
	1,970	2,258	**1,970**	2,258

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 £55,000 (£43,000 in 2020/21) and the total commitments at 31 March 2022 amounted to £82,000 (£113,000 in 2020/21).

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

	2021/22	2020/21
	£000	£000
Not later than one year	**39**	35
Later than one year and not later than five years	**43**	74
Later than five years	**0**	4
	82	113

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:

	2021/22	2020/21
	£000	£000
Not later than one year	**3,704**	3,711
Later than one year and not later than five years	**13,608**	12,482
Later than five years	**63,670**	64,739
	80,982	80,932

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 £194,000 in 2021/22 (£211,000 in 2020/21).

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 £289,000 are included within the total Employers' contribution estimated by the actuary for 2021/22.
- 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:

	2021/22	2020/21
Cost of Services:	£000	£000
Current Service Cost	**5,295**	3,328
Past Service Cost/Gain	**26**	0
Losses/(Gains) on Curtailment and Settlements	**0**	0
Effect of Business Combinations and Disposals	**0**	0
Financing and Investment Income and Expenditure:		
Net Interest Expense (Note 9)	**446**	349
Total Post Employment Benefit Charges to the Surplus or Deficit on the Provision of Services	**5,767**	3,677
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)	**3,281**	(27,658)
Actuarial (Gains)/Losses arising on changes in demographic assumptions	**(5,099)**	159
Actuarial (Gains)/Losses arising on changes in financial assumptions	**(7,302)**	34,702
Other experience (Gains)/Losses	**(2,551)**	(1,524)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(11,671)**	5,679
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	**5,767**	3,677

	2021/22	2020/21
	£000	£000
Actual amount charged to the General Fund Balance for pensions in the year:		
Employers' contributions payable to the scheme	**3,161**	3,190

The total contributions expected to be paid to the Local Government Pension Scheme by the Authority in the year to 31 March 2023 is £2,675,000.

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 2022 £ 000	31 March 2021 £ 000
Present value of defined benefit obligation	**(157,730)**	(165,791)
Fair value of plan assets	**145,548**	144,544
Net Liability arising from defined benefit obligation	**(12,182)**	(21,247)

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

Year ended:	31 March 2022 £ 000	31 March 2021 £ 000
Opening Defined Benefit Obligation	**165,791**	129,356
Current service Cost*	**5,295**	3,328
Interest Cost	**3,335**	2,975
Contributions by Members	**711**	687
Remeasurement		
Actuarial Gains/(Losses) arising on changes in demographic assumptions	**(5,099)**	159
Actuarial Gains/(Losses) arising on changes in financial assumptions	**(7,302)**	34,702
Other experience	**(1,147)**	(1,524)
Past Service Costs/(Gains)	**0**	0
Liabilities Extinguished on Settlements	**26**	0
Liabilities Assumed in a Business Combination	**0**	0
Estimated Unfunded Benefits Paid	**(105)**	(107)
Estimated Benefits Paid	**(3,775)**	(3,785)
Closing Defined Benefit Obligation	**157,730**	165,791

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

Year ended:	31 March 2022 £ 000	31 March 2021 £ 000
Opening Fair Value of Employer Assets	**144,544**	114,275
Interest income	**2,889**	2,626
Effect of Settlements	**0**	0
Remeasurement		
Return on plan assets (excluding the amount included in the net interest expense)	**(3,281)**	27,658
Other experience	**1,404**	0
Contributions by Members	**711**	687
Contributions by the Employer	**3,056**	3,083
Contributions in respect of Unfunded Benefits	**105**	107
Assets Distributed on Settlements	**0**	0
Assets Acquired in a Business Combination	**0**	0
Benefits Paid	**(3,775)**	(3,785)
Unfunded Benefits Paid	**(105)**	(107)
Closing Fair Value of Employer Assets	**145,548**	144,544

*The service cost figures include an allowance for administration expenses of 0.5% of payroll. This is recognised within Cost of services along with other Current Service costs.

McCloud Judgement:

IAS19 values were updated in the Accounts to 31 March 2019 to reflect the actuarial assumptions following the Judgement on McCloud. The ruling, made on 20 December 2018, found that when public service pension schemes changed in 2014 and 2015, they had discriminated on the grounds of age, by only providing protection for older members. In the LGPS, these protections were applied in 2014 when the scheme changed from a Final Salary scheme to a Career Average Revalued Earnings (CARE) scheme. All members were automatically moved across to the new scheme, but older members, closer to retirement, were given additional protections, called the Underpin. These protections were set up to ensure members do not receive less pension in the new scheme, than they would have in the old scheme. As the protections were only applied to members of a certain age, the court decided that it was 'unlawful on the grounds of age discrimination'. The West Sussex County Council Pension Fund's actuary estimated this would result in around a 1% increase in active member liabilities as at 31 March 2019, an increase of approximately £658,000.

On 16th July 2020 DLUHC published consultations to remedy the age discrimination in schemes. The proposed remedy intended to limit protections to all individuals who were members of the legacy scheme immediately prior to 1st April 2012 and to close legacy schemes to future accrual on 31st March 2022. Those members remaining in service from 1st April 2022 would do so as members of the respective reformed scheme. A further report produced by our actuaries in September 2020 following the consultation, identified a betterment on the net liability, as a result of these limitations of £157,000 at 31st March 2020, including a past service gain of £173,000, however, due to the value being less that 1% of net liabilities, the accounts for 2019/20 were not amended on the basis of materiality. The change is instead reflected in the service costs for 2020/21. No explicit further additional adjustment for Mccloud has been added to the current service cost for 2021/22(or projected service cost for 2022/23).

Guaranteed minimum pension (GMP):

IAS19 values were updated in the Accounts to 31st March 2019 to reflect actuarial assumptions in respect of Guaranteed minimum pension (GMP). 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 carried out calculations in order to estimate the impact that the GMP indexation changes would have on the pension fund liabilities. The estimate assumed that the permanent solution eventually agreed would 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 was to increase the total liabilities by approximately £43,000.

Local Government Pension Scheme Assets comprised:

Year ended:	Fair value of scheme assets 31 March 2022 £ 000	Percentage of Total Assets 31 March 2022 %	Fair value of scheme assets 31 March 2021 £ 000	Percentage of Total Assets 31 March 2021 %
Cash and cash equivalents	525	0%	6,408	4%
Equity Instruments:				
By industry type:				
Consumer	0	0%	15,016	10%
Manufacturing	0	0%	8,438	6%
Energy and Utilities	0	0%	2,214	2%
Financial Institutions	0	0%	13,096	9%
Health and Care	0	0%	9,666	7%
Information Technology	0	0%	20,060	14%
Other	0	0%	4,790	3%
Sub-total equity	0		73,280	
Bonds:				
Government	0	0%	1,836	1%
Sub-total Bonds	0		1,836	
Private Equity:				
All*	2,974	2%	2,303	2%
Sub-total private Equity	2,974		2,303	
Property:				
Uk Property	14,204	10%	9,808	7%
Overseas property	0	0%	0	0%
Sub-total Property	14,204		9,808	
Investment funds and Unit Trusts:				
Equities	68,107	47%	0	0%
Bonds	50,309	35%	48,642	33%
Infrastructure	6,257	4%	0	0%
Other	3,172	2%	2,267	2%
Sub-total Investment Funds	127,845		50,909	
Totals	145,548	100%	144,544	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 2022	MSDC 31 March 2021
Pension Increase Rate	**3.2%**	2.9%
Salary Increase Rate	**4.7%**	3.4%
Discount rate	**2.7%**	2.0%

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	22.3 years	24.7 years
Future Pensioners	23.2 years	26.5 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 2014 service and 50% of the maximum tax free cash for post-April 2014 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 2022 that might result in an obligation on the Council.

In 2021/22 a contract liability is being claimed for past years but this is disputed and is being discussed with the contractor utilising specialist advice.

36. Contingent Assets

There are no contingent assets as at 31 March 2022.

37. Accounting Policies

(a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. 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 2021/22.

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 over the medium term continues to be difficult. Although having reported an small underspend for 2021/22, the impact of Covid-19 on income, and expenditure on support to the leisure contract continued in 2021/22.

Impact of Covid
The most immediate effect of the pandemic on the finances of the Council was the acute reduction in income across a number of key services. As the year went on, some elements of this income returned and we have seen recovery in estates, parking, building control and the planning-based services. Thus a prudent budget set in March 2021 was able to be met without drawing on the General Reserve at outturn.

Where costs have been incurred, for example in Revenues (in administering grants) and Housing (in dealing with increasing homelessness) these have largely been met from increased central government funding including the use of New Burdens grant. Our cost base has therefore largely been revenue neutral.

However, taking a longer term view would be most welcome but this is simply not possible at the present time with so many variables still not able to be firmed up. We have no clear trajectory for Business Rates Reform, or its simpler to action Reset, the Funding Review or any of the lump sum grants that were awarded for the 2021/22 Budget. Our best estimate is that the major reviews will take place in 24/25. but subject to these being resolved the authority continues to be solvent and capable of being described as a going concern.

That being so we are remaining cautious and prudent in our outlook and reporting regularly on finance matters to the Cabinet. The main area of uncertainty remains the operation of our leisure centres where the return to a £1.4m pa income payment remains nebulous over the medium term. Any adjustment of that figure will leave a gap between overall income and expenditure again at a time when inflation is also greatly affecting costs

However, whilst Mid Sussex continues to be as affected as any other body it does have adequate reserves to enable it to cope with the continued downturn or extended slow income recovery over a period beyond the financial year. Although, without some means to either reduce expenditure or increase income, the position will be unsustainable over the medium term and reserves will be reduced to below minimum acceptable levels.

Cash position
The Council had a cash balance of £8.110m at the end of March 2022 (£20.831m at 31 March 2021). Whilst there is still some 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 recovering only very slowly, the Council has sufficient levels of reserves and investments that it would not run out of cash. The going concern assessment has been performed for the period up to 30 September 2024.

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 confidently prepared on a going concern basis, following a small underspend in 2021/22, any draws on Reserves in-year being well within the level of general useable reserves and a plan to produce a balanced budget over the medium term.

(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 2021 to February 2022 rather than April 2021 to March 2022.
- 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 2.7% (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 2021/22 (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 1 April 2021, 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, Woodside Pavilion and East Court Pavilion. These 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 and Padel Tennis court 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 or DRC 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 and East Court Pavilion, the remaining Pavilions are valued less than £500,000, and therefore fall 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 2022. 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 2021/22 (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 in the code.

Accounting changes that are introduced by the 2022/23 code are:

- IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2022/23 year).
- Annual Improvements to IFRS Standards 2018-2020. The annual IFRS improvement programme notes 4 changed standards:
  - IFRS 1 (First time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
  - IAS 37 (Onerous contracts) – clarifies the intention of the standard
  - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
  - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances

  None of the matters covered in the annual improvements are dealt with in detail in the 2022/23 Code. During the consultation process on the 2022/23 Code CIPFA/LASAAC did not envisage them having a significant effect on local authority financial statements.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS16)

  These changes are not expected to have a material impact on the Council's Statement of Accounts. Note that this is based ib the current position as agreed by CIPFA/LASAAC but the Code has not yet been subject to full due process so this might be subject to change.

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.

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 2022 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 £36,000 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 £2,867,000 (2020/21 £3,102,000) has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2022. 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 2022.

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 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £3,115,000. In addition, a 0.1% increase in the Pension Increase Rate would increase liabilities by £2,881,000. However, the assumptions interact in complex ways. During 2021/22, the Authority's actuaries advised that the net pension liability had decreased by £18,079,000, as a result of estimates being corrected as a result of experience and increased by £11,983,000 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 £4,169,000 (2020/21 £4,412,000) 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.

MID SUSSEX DISTRICT COUNCIL

Collection Fund Statement

Collection Fund Statement

Income and Expenditure Account

2020/21 £000 Council Tax	2020/21 £000 Business Rates	2020/21 £000 Total		Note	2021/22 £000 Council Tax	2021/22 £000 Business Rates	2021/22 £000 Total
			Income				
			Council Tax				
(116,798)	0	(116,798)	Council Tax Receivable	2	**(124,699)**	**0**	**(124,699)**
(651)	0	(651)	Council Tax Hardship Grant		**(460)**	**0**	**(460)**
			Business Rates				
0	(27,127)	(27,127)	Business Rates Receivable	3	**0**	**(41,481)**	**(41,481)**
(117,449)	(27,127)	(144,576)	Total Income		**(125,159)**	**(41,481)**	**(166,640)**
			Expenditure				
			Apportionment of Previous Year Estimated Surplus / (Deficit)				
953	590	1,543	West Sussex County Council		**984**	**(1,080)**	**(96)**
131	0	131	Sussex Police & Crime Commissioner		**137**	**0**	**137**
162	(581)	(419)	Mid Sussex District Council		**167**	**(8,632)**	**(8,465)**
0	(727)	(727)	Central Government		**0**	**(10,791)**	**(10,791)**
1,246	(718)	528			**1,288**	**(20,503)**	**(19,215)**
			Precepts, Demands and Shares				
88,787	4,641	93,428	West Sussex County Council		**93,993**	**5,015**	**99,008**
12,337	0	12,337	Sussex Police & Crime Commissioner		**13,373**	**0**	**13,373**
15,109	18,565	33,674	Mid Sussex District Council		**15,585**	**20,059**	**35,644**
0	23,207	23,207	Central Government		**0**	**25,074**	**25,074**
116,233	46,413	162,646			**122,951**	**50,148**	**173,099**
			Charges to Collection Fund				
22	135	157	Write Offs of uncollectable amounts	4	**75**	**68**	**143**
627	1,186	1,813	Increase/(decrease)in bad debt allowance	4	**613**	**101**	**714**
0	1,036	1,036	Increase/(decrease) provision for appeals	4	**0**	**(588)**	**(588)**
0	2,552	2,552	Renewable Energy Scheme	3	**0**	**1,025**	**1,025**
0	172	172	Cost of Collection Allowance		**0**	**175**	**175**
649	5,081	5,730			**688**	**781**	**1,469**
118,128	50,776	168,904	Total Expenditure		**124,927**	**30,426**	**155,353**
679	23,649	24,328	**(Surplus)/Deficit arising in the year**		**(232)**	**(11,055)**	**(11,287)**
			Collection Fund Balance				
(1,983)	(1,439)	(3,422)	(Surplus)/Deficit at 1 April 2021		**(1,304)**	**22,210**	**20,906**
679	23,649	24,328	In Year Movement on Fund Balance		**(232)**	**(11,055)**	**(11,287)**
(1,304)	**22,210**	**20,906**	**(Surplus) / Deficit at 31 March 2022**		**(1,536)**	**11,155**	**9,619**
			Shares of (Surplus)/Deficit at 31 March 2022				
(996)	1,251	255	West Sussex County Council		**(1,174)**	**1,115**	**(59)**
(138)	0	(138)	Sussex Police & Crime Commissioner		**(167)**	**0**	**(167)**
(170)	9,315	9,145	Mid Sussex District Council		**(195)**	**4,462**	**4,267**
0	11,644	11,644	Central Government		**0**	**5,578**	**5,578**
(1,304)	**22,210**	**20,906**			**(1,536)**	**11,155**	**9,619**

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 NNDR base. For 2021/22 and 2020/21 the scheme shares are 40% retained by the Authority, 50% share paid to Central Government and 10% share paid to West Sussex County Council.

The NNDR 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.

The Collection Fund deficit for 2020/21 was much larger than in previous years for Business Rates. This is primarily as a result of businesses being awarded expanded retail and nursery reliefs in 2020/21 totalling £23,333,000, as a part of the Governments response to the COVID-19 pandemic. These reliefs were not anticipated on the 2020/21 NNDR1 Government return submitted to Central Government in January 2020. This Government return informed the Authority’s Budget setting for 2020/21.

The reliefs effectively reduce the net amount the Authority can collect from businesses, and as the precept amounts cannot be changed the result is a considerable deficit. However, these reliefs are funded by DLUHC through Section 31 Grants. These grants were received in 2020/21 and then transferred to the Authority’s earmarked reserve. This reserve has been used to offset the Collection Fund deficit when it is charged to the Authority’s General Fund in 2021/22.

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 3 March 2021, 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	1,468.78	6/9	979.2		
between £40,001 & £52,000	4,619.54	7/9	3,593.0		
between £52,001 & £68,000	11,498.39	8/9	10,220.8		
between £68,001 & £88,000	15,000.34	9/9	15,000.3		
between £88,001 & £120,000	10,586.64	11/9	12,939.2		
between £120,001 & £160,000	8,044.55	13/9	11,619.9		
between £161,001 & £320,000	4,506.82	15/9	7,511.4		
over £320,000	367.82	18/9	735.6		
			62,599.4	(375.6)	**62,223.8**

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. 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, as shown in the table below. There were 24 actual Council Taxes levied for band D properties for each parish area in the district and these ranged from £1,906.48 to £2,039.67.

Authority	Demand or Precept £000		Council Tax Base		Band D Council Tax £	
West Sussex County Council	**93,993**	÷	62,223.8	=	**1,510.56**	
Sussex Police & Crime Commissioner	**13,373**	÷	62,223.8	=	**214.91**	
Mid Sussex District Council	**15,585**	÷	62,223.8	=	**250.47**	(average)
Average Band D Council Tax Charge For 2021/22					**1,975.94**	

For 2021/22 West Sussex County Council paid a Covid-19 Council Tax Hardship Fund contribution of £352,000 to compensate billing authorities for its share of council tax foregone in 2021/22 due to additional council tax reliefs that may be provided to recipients of working age local council tax support schemes during the Covid-19 emergency. The Authority has contributed £108,000 from General Fund Balances to meet the remainder of the cost. The total amount of £460,000 (£651,000 in 2020/21) has been transferred into the Collection Fund.

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 2022 was £126,585,000 (£126,230,000 at 31 March 2021). The standard multiplier for 2021/22 was 51.2p (51.2p in 2020/21) and the Small Business Rate Relief Multiplier for the year was 49.9p (49.9p in 2020/21).

The business rates shares payable for 2021/22 were estimated before the start of the year as £25,074,000 (50%) (£23,206,000 in 2020/21) to Central Government, £20,059,000 (40%) (£18,565,000 in 2020/21) for the Authority and £5,015,000, 10% (£4,641,000 in 2020/21) 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. A tariff payment of £16,040,000 was made in 2021/22 (£16,253,000 in 2020/21) from the Authority’s General Fund to Central Government.

The total income from business ratepayers collected in 2021/22 was £41,481,000 (£27,127,000 in 2020/21), net of transitional protection payments for ratepayers of £56,000 (£14,000 in 2020/21). The Renewable Energy Scheme allows the Authority to soley retain the income for a site that it has granted planning permission for, and in 2021/22 the income received totalled £1,025,000 (£2,552,000 in 2020/21) payable to the Authority. The additional Renewable Energy Scheme income greater than retained from NNDR1 for 2021/22 of £32,000 will be transferred to the Business Rates Equalisation Reserve in 2022/23.

Successful appeals against the NNDR 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 2022. A total of £4,277,000 (£3,690,000 in 2020/21) has been allowed against debts of £6,091,000 (£5,732,000 in 2020/21) outstanding as at 31 March 2022. The Authority’s share of the allowance is £541,000 (£468,000 in 2020/21).

In year, £75,000 of uncollectable amounts has been written off (£22,000 in 2020/21).

Business Rates An allowance of £2,514,000 (£2,414,000 in 2020/21) has been made for Business Ratepayers’ Bad Debts using an analysis of the recovery position of the debts outstanding as at 31 March 2022 against debts outstanding of £3,416,000 (£3,591,000 in 2020/21). The Authority’s share of the allowance is £1,006,000 (£966,000 in 2020/21).

In year, £68,000 of uncollectable amounts has been written off (£135,000 in 2020/21).

A provision for appeals made against the rateable value not settled as at 31 March 2022 has been made of £7,167,000 (£7,755,000 in 2020/21). The Authority’s share is £2,867,000 (£3,102,000 in 2020/21).

Annual Governance Statement

ANNUAL GOVERNANCE STATEMENT 2021/22

1. Scope of responsibility

Mid Sussex District Council (“the Council”) 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 Council 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 Council 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 ongoing process designed to identify and prioritise the risks, the achievement of the Council’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 Council for the year ending 31 March 2022 and up to the date of approval of the Statement of Accounts.

3. The Council’s governance framework

The Council’s Constitution, which is updated as required and was last fully considered in May 2020, sets out how the Council 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. In January 2022 the Council adopted the Local Government Association Members Code of Conduct with that decision taking effect on 1st March 2022. Training is being organised for all members starting with the Standards Committee itself.

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. Call-ins can be made on these decisions although none has been enacted in the last year.

The overall budget and policy framework of the Council is set by the Council and all decisions are made within this framework. The Council'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 Council 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 Council 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 Council also monitors its performance through feedback from its residents and service users. An analysis of complaints raised under the Council's Corporate Complaints Policy is regularly reported and considered by the Scrutiny Committee for Community, Customer Services and Service Delivery ; the last instance being in February 2022. The Council 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 Council'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 Council'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 Council's Risk Management Strategy ensures proper management of the risks to the achievement of the Council's priorities and helps decision-making. In the Council'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 Council's legal services and procurement teams ensure that all are fit for purpose and the Council's interests are protected.

The Audit Committee is responsible for monitoring the effective development and operation of corporate governance in the Council. It provides independent assurance of the adequacy of the Council'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.

It is planned as part of the action plan arising from the governance review to further align the Audit Committees' general oversight with the guidance from Cipfa on the 'Role of the Audit Committee in Local Government' and allow it to review the management of Strategic Risks on an annual basis. This is subject to an amendment to the constitution to follow in the year, which was not actioned last year.

4. Review of effectiveness

The Council 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 Council 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 in the last year:

- A review of governance across the authority during late winter and early spring 2021 by a respected and expert independent third party, the report from which has been positively received and is being implemented in a structured and incremental way although this has yet to fulfil the promise which was expected;

- The Council'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 DC, Crawley BC and Mole Valley DC which is working to update the procurement processes as the legislative framework changes following the departure of the UK from the EU;

- The Council's internal audit coverage (purchased from Mazars via a Croydon LBC framework), 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 Council's internal control framework, which is reported in their 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;

- The changes made to the Planning Committees in 2020 to reduce the number of meetings have bedded in well.

- Work of the Standards Committee to deal with Code of Conduct complaints and promoting the adoption of the Local Government Association Members Code of Conduct following the report of the Committee for Standards in Public Life from January 2019.

5. Significant governance issues

Once again, the Covid-19 pandemic has provided the context within which all business at the authority has been conducted during 2021/22. Further national grant schemes have been introduced and the increase in demand for some services such as homelessness has not abated. Remote working has become the norm and 'new ways of working' with increased dependence on digital solutions has been widely adopted both at Mid Sussex and across the sector.

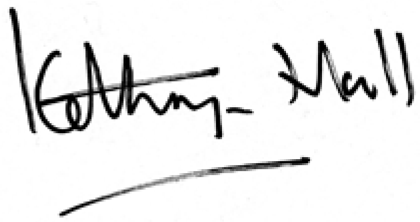
Members have continued with virtual meetings throughout the year where legally possible, which has enabled scrutiny and decision making to continue to a high standard, although as may be expected, there is now an appetite to return to the more established face to face ways of working. With new equipment installed in the refurbished Council Chamber all our meetings are now live streamed.

In that context, which may have increased the possibility of risk of governance issues, there do not appear to be systemic governance issues on which to report. There are however two specific areas where governance has been tested through the year, and which represent issues to be addressed for the future.

Firstly, as with all local authorities, the departure of the United Kingdom from the European Union will have a particular impact on the procurement regime for local government. Previously the EU procurement regime had set rules that impacted on public procurement across all member states. In the UK these arrangements are now being dismantled in areas such as "state aid". Once the new domestic arrangements are fully established staff will need to have comprehensive training on the implications of the changes to the Councils approach to procurement.

Secondly, as mentioned elsewhere, we must take seriously the growing threat of cybercrime given our increasing reliance on Cloud- based line of business systems; and a programme of training and risk assessment is to be undertaken in the coming year.

These specific issues 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 2022

Kathryn Hall
Chief Executive
July 2022

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.

Department for Levelling Up, Housing and Communities – DLUHC.

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.

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

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.

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 DLUHC.

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.

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MID SUSSEX DISTRICT COUNCIL

Oaklands Road
Haywards Heath
West Sussex
RH16 1SS

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DX 300320 Haywards Heath 1
www.midsussex.gov.uk

Contact:
Mrs Rachel Jarvis
E-Mail: rachel.jarvis@midsussex.gov.uk

Date:
18th September 2023

Ernst & Young
Grosvenor House
Grosvenor Square
Southampton
SO15 2BE

This letter of representation is provided in connection with your audit of the financial statements of Mid Sussex District Council ("the Council") for the year ended 31 March 2022. 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 2022 and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

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:

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 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

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 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), 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 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), 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 and the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus 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.

6. We confirm the Council does not have securities (debt or equity) listed on a recognized exchange.

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 matters:

    - involving financial improprieties;
    - 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. and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

3. We have made available to you all minutes of the meetings of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: 19 September 2023

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 methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

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 (19 April 2023) through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) 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, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

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 to litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

E. 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.

F. Subsequent Events

1. Other than as described in Note 4 to the financial statements, there have been no events, including events related to the COVID-19 pandemic,, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and the Annual Governance Statement.

2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Climate-related matters

1. We confirm that to the best of our knowledge, all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered.

2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), aligned with the statements we have made in the other information or other public communications made by us.

I. 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 liability 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.

J. Estimates

1. We confirm that the significant judgments made in making the valuation of land and buildings and investment property, in the calculation of the NDR appeals provision, and in generating the IAS19 pension liability (the accounting estimates) have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.

2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the accounting estimates.

3. We confirm that the significant assumptions used in making the accounting estimates appropriately reflect our intent and ability to carry out the specific courses of action on behalf of the entity.

4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

5. We confirm that appropriate specialized skills or expertise has been applied in making the accounting estimates.

6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements, including due to the COVID-19 pandemic.

K. 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,

____

(Assistant Director for Corporate Resources/S151 Officer)

____

(Chairman of the Audit Committee)

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REVIEW OF TREASURY MANAGEMENT ACTIVITY 2022/23

REPORT OF:	DIRECTOR OF RESOUCES AND ORGANISATIONAL DEVELOPMENT
Contact Officer:	Rachel Jarvis, Assistant Director of Corporate Resources and S151 Officer, Email: rachel.jarvis@midsussex.gov.uk
Wards Affected:	All
Key Decision:	No
Report to:	Audit Committee 18 September 2023

Purpose of Report

1. This report sets out the Council's Treasury Management activity for the year ended 31 March 2023.

Summary

2. The report confirms that all transactions are in order and the performance of the service has been in keeping with the requirements of the Service Level Agreement (SLA) with our shared services provider.

Recommendations

3. The Audit Committee is requested to:
   - **i. Note the contents of the report.**
   - **ii. Recommend to propose that Council agree the 2022/23 prudential indicators; and**
   - **iii. Note the Treasury Management Annual Report at Appendix A.**

Background

4. The Treasury Management function of this Council has been provided by Adur and Worthing Councils as a shared service since October 2010. This has enabled the cost of the service to be affordable whilst giving access to specialist advice and the administration skills of a larger authority. The SLA was extended for a further three years from October 2022.

5. The outturn performance for investment income was a return of £1.465m. The shared service will continue to monitor the market carefully for the best possible interest rates. All counterparty lending limits approved at the start of the year were met, and all prudential limits were adhered to.

Policy Context

6. The presentation of this report is part of the requirements under the Council's Treasury Management policy to produce an annual report. This reporting regime Provides Audit Committee, the opportunity for the oversight and review of Treasury Management activities for 2022/23.

Other Options Considered

7. N/A

Financial Implications

8. None

Risk Management Implications

9. This report has no specific implications for the risk profile of the Council.

Equality and Customer Service Implications

10. None

Other Material Implications

11. None

Sustainability Implications

12. None

Appendices

- Treasury Management Annual Report

Background Papers

- Treasury Management Strategy Statement & Annual Investment Strategy 2022/23 to 2024/25 (Council on 11th May 2022), and Review of Treasury Management Activity 1 April – 30 September 2022.
- The CIPFA code of Practice on Treasury Management (the code).
- CIPFA Prudential code for Capital Finance in Local Authorities (the Prudential Code)
- Link Asset Services Report Template (April 2023)

1. SUMMARY

1.1 This report summarises the outcome of the operation of the treasury management service for the financial year 2022/23.

2. INTRODUCTION AND BACKGROUND

2.1 Treasury management is defined as: "The management of the local authority's cash flows and investments, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks"

2.2 The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities including the actual prudential and treasury indicators for 2022/23. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

2.3 This report provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

2.4 For 2022/23 the minimum reporting requirements were that full Council should receive the following reports, which incorporate a variety of policies, estimates and actuals:

1. The Annual Treasury Management Strategy Statement and Annual Investment Strategy approved by full Council in advance of the year on 11 May 2022.

2. The mid-year treasury management operations update report.

3. An annual review (this report) to be presented to the Audit Committee following the end of the year, describing the activity compared to the strategy.

2.5 The Council has complied with these requirements. In addition, training was also supplied to members by Link Asset Services on the 13 December 2022.

3. THE COUNCIL'S CAPITAL FINANCING AND EXPENDITURE

3.1 The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

3.2 The actual capital expenditure forms one of the required prudential indicators, because the Council must ensure that capital expenditure is affordable, approved and monitored. The table below shows the actual capital expenditure and how this was financed.

£m	2021/22 Actual	2022/23 Strategy	2022/23 Actual
Capital expenditure	**10.842**	**2.038**	**04.633**
Financed in year	**10.842**	**2.038**	**4.633**
Unfinanced capital expenditure	**0.000**	**0.000**	**0.000**

4. THE COUNCIL'S OVERALL BORROWING NEED

4.1 A Council's capital expenditure is funded immediately by, for example, capital grants, capital receipts from the sale of assets, or from contributions from the revenue budget (capital funded by revenue as approved by statute). Capital expenditure that is not funded by any of these means is described as "the underlying need to borrow" and is termed the Capital Financing Requirement (CFR). A Council decides to borrow these amounts externally, or alternatively to use cash that would otherwise be invested (internal borrowing). This decision is based on a number of factors, including the prevailing interest rates for borrowing compared to those for investing, the likelihood of a capital receipt or return on investment in the near future or a forecast of additional capital grants.

4.2 **Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2022/23) plus the estimates of any additional capital financing requirement for the current (2023/24) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs to take advantage of, say, low interest rates. The table below highlights the Council's gross borrowing position against the CFR.

	31 March 2022 Actual	31 March 2023 Strategy	31 March 2023 Actual
CFR (£m)	**6.661**	**6.114**	**6.114**
External Debt	**(0.153)**	**(0.000)**	**(0.000)**
Finance Lease *	**(1.970)**	**(1.676)**	**(1.676)**
Total Borrowing	**(2.123)**	**(1.676)**	**(1.676)**
Under borrowing	**4.538**	**4.438**	**4.438**

*The Authority has a contract with SERCO for the provision of waste collection. The fleet of vehicles used to provide the service is shown as Property, Plant and Equipment in the Balance Sheet, with a vehicle life of 10 years 4 months which ends 30 July 2028. Accordingly, this is recognised as a Finance Lease.

4.3 The difference between the CFR and the gross borrowing position is termed under or over-borrowing. If a Council is under borrowed, it is using some of its internal cash that could otherwise be invested. It can therefore choose to borrow externally up to the CFR to take advantage of favourable interest rates. If a Council is over-borrowed, it needs to ensure that this position is remedied over a two-year period. The Council was under borrowed by £4.438m at the 31 March 2023, and repaid the final instalment of PWLB debt in March 2023.

4.4 **The authorised limit** is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2022/23 the Council has maintained gross borrowing within its authorised limit.

4.5 **The operational boundary** is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached. The Council did not breach the operational boundary during the year.

4.6 **Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. The costs incurred through capital expenditure are the interest payable on money borrowed and the Minimum Revenue Provision (MRP see section 9), which is a statutory annual revenue charge to reduce the indebtedness of a Council, based on the amount of unfunded capital expenditure.

4.7 Investment income is deducted from the costs and the net figure is then compared to the Council's net revenue stream – the income received from grants and taxation as shown in the Statement of Accounts. Consequently, if only the costs of the capital programme increase or the investment income decreases, the proportion of financing costs to net revenue stream will increase. If only the net revenue stream increases, then the proportion will reduce. Usually there will be a combination of both factors.

	2022/23
Authorised limit	£34.000m
Maximum gross borrowing position during the year	£2.123m
Operational boundary	£32.000m
Average gross borrowing position	£1.062
Financing costs as a proportion of net revenue stream	N/A

5. THE COUNCIL'S TREASURY POSITION 31 MARCH 2023

5.1 The Council's treasury position at the beginning and end of the year was as follows: -

	Principal at 31.03.22 £m	Average Interest Rate	Average Life in Years	Principal at 31.03.23 £m	Average Interest Rate	Average Life in Years
Borrowing						
PWLB	(0.153)	4.55%	0.92	0	0	0
Other Borrowing	0	0	0	0	0	0
Finance lease	(1.970)			(1.676)		
TOTAL BORROWING	**(2.123)**			**(1.676)**		
CFR	**6.661**			**6.114**		
(Over)/under borrowing	**4.540**			**4.438**		
Investments:						
Local Authority Property Fund	6.687	3.98%	n/a	5.584	4.13%	n/a
In-house:						
Long Term	6.025	0.38%	1.29	2.000	1.20%	1.57
Short Term	63.604	0.23%	< 1 year	66.730	1.71%	< 1 year
TOTAL INVESTMENTS	**76.316**			**74.315**		
NET INVESTMENTS	**74.193**			**72.639**		

5.2 The maturity structure of debt table that follows demonstrates that procedures are in place to prevent the maturity of too much debt in a single period, when only high interest rates may be available for refinancing the debt, if required.

	31 March 22 actual	2022/23 original limits	31 March 2023 actual
Under 12 months	0.447	80%	0.300
12 months and within 24 months	0.300	70%	0.307
2 year to 5 years	0.939	80%	0.958
Over 5 Years	0.436	80%	0.110

5.3 **Investments held at 31 March 2023 (excluding the Local Authority Property Fund):**

Counterparty	Issue Date	Maturity Date	Principal	Current Interest Rate	Long Term Rating
CAMBRIDGE BUILDING SOCIETY	09/07/2021	05/07/2023	£1,000,000.00	0.4000	*
CAMBRIDGE BUILDING SOCIETY	05/07/2021	05/07/2023	£2,000,000.00	0.4000	*
CCLA Investment Management Limited	06/02/2020	n/a	£1,420,000.00	4.1223	AAA
CHESHIIRE EAST COUNCIL	23/03/2023	26/09/2023	£2,000,000.00	4.3000	AA-
CLOSE BROTHERS LIMITED	05/09/2022	05/09/2023	£2,000,000.00	2.8000	A-
CLOSE BROTHERS LIMITED	08/09/2022	11/09/2023	£1,000,000.00	3.9000	A-
CLOSE BROTHERS LIMITED	30/03/2023	30/09/2024	£2,000,000.00	4.7500	A-
CLYDESDALE BANK GLASGOW	10/08/2022	11/08/2023	£4,000,000.00	2.8200	A-
Coventry Building Society	10/08/2022	09/08/2023	£1,000,000.00	2.3200	A-
Coventry Building Society	18/08/2022	18/08/2023	£1,000,000.00	2.7000	A-
GLOUCESTER POLICE	28/03/2023	28/06/2023	£1,000,000.00	4.6000	AA-
Goldman Sachs International Bank	06/04/2022	06/04/2023	£1,000,000.00	1.9550	A+
Goldman Sachs International Bank	02/03/2023	01/03/2024	£1,500,000.00	4.6500	A+
Goldman Sachs International Bank	06/03/2023	05/03/2024	£1,000,000.00	4.6850	A+
Goldman Sachs International Bank	31/03/2023	28/03/2024	£1,500,000.00	4.9550	A+
Handles fixed term deposit	08/08/2022	08/08/2023	£3,000,000.00	2.4800	AA
HSBC ESG MMF	14/04/2022	n/a	£2,810,000.00	4.1000	AAA
LEEDS BUILDING SOCIETY	05/04/2022	05/04/2023	£3,000,000.00	1.5400	A-
Lloyds Call Account	31/03/2023	n/a	£2,500,000.00	4.1600	A+
MONMOUTHSHIRE BUILDING SOCIETY	02/08/2021	07/08/2023	£3,000,000.00	0.3500	*
NATIONAL COUNTIES B SOC	05/05/2022	05/05/2023	£1,000,000.00	1.7800	*
National Westminster Bank	29/06/2022	29/06/2023	£3,000,000.00	2.5500	A+
National Westminster Bank	30/06/2022	30/06/2023	£1,000,000.00	2.5500	A+
NATIONWIDE BLDG SOCIETY	30/06/2022	30/06/2023	£1,000,000.00	2.3400	A
NATIONWIDE BLDG SOCIETY	08/08/2022	08/08/2023	£3,000,000.00	2.4300	A
Newcastle Building Soc.	07/04/2022	06/04/2023	£3,000,000.00	1.2500	*
Principality Building Soc	09/06/2022	09/06/2023	£3,000,000.00	1.7800	BBB
Progressive Building Society	05/07/2022	05/07/2023	£1,000,000.00	2.4000	*
STANDARD CHARTERED BANK	29/07/2022	28/07/2023	£1,000,000.00	2.7900	A+
STANDARD CHARTERED BANK	31/03/2023	29/12/2023	£1,000,000.00	4.8200	A+
STANDARD CHARTERED BANK	31/03/2023	28/03/2024	£2,000,000.00	4.9000	A+
Surrey Heath Borough Council	26/09/2022	26/09/2023	£3,000,000.00	2.7000	AA-
THURROCK BOROUGH COUNCIL	25/05/2022	24/05/2023	£2,000,000.00	1.7000	AA-
West Bromwich Building So	05/07/2022	05/07/2023	£2,000,000.00	2.1000	BB-
West Bromwich Building So	05/07/2022	05/07/2023	£1,000,000.00	2.1000	BB-
Yorkshire Building Society	26/07/2022	26/07/2023	£3,000,000.00	2.5200	A-

TOTAL			£68,730,000.00		

* - Not on credit list

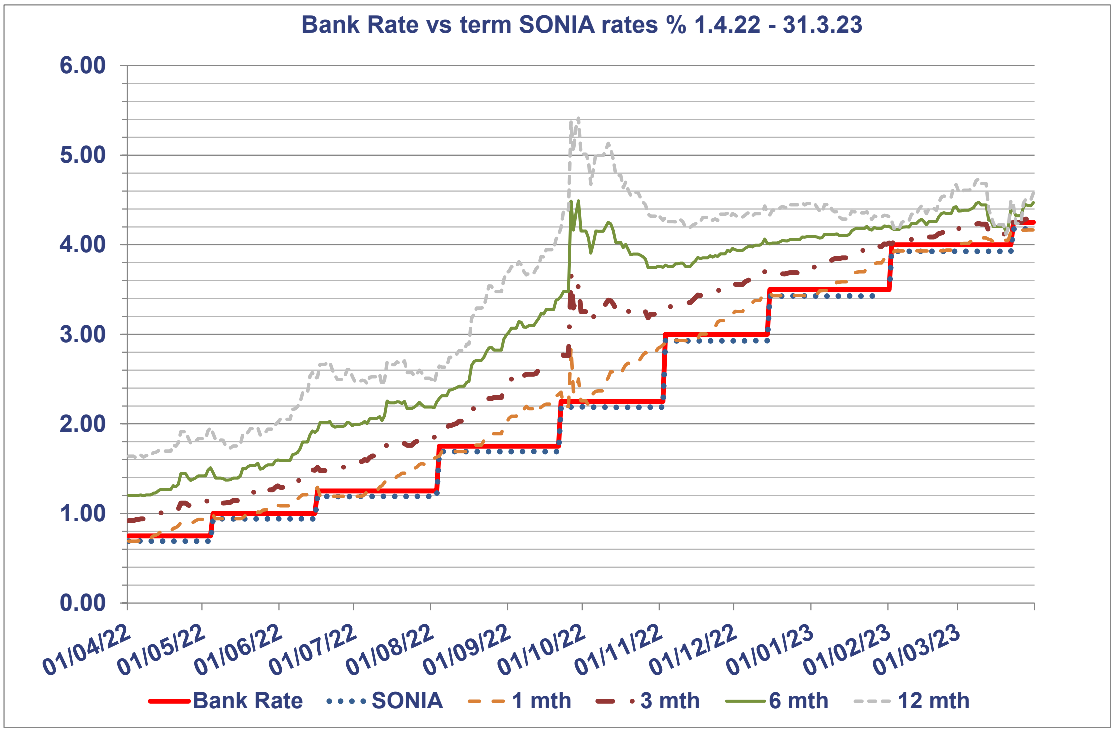
5.4 **Local Authority Property Fund** – the Council has also invested £6m with the Local Authorities' Property Fund.

6. THE STRATEGY FOR 2022/23

6.1 Some of the information and tables in the following paragraphs are supplied by the shared service provider's treasury advisors, Link Asset Services and consist of detailed economic and market information which informed the Council's treasury management decisions throughout the year.

6.2 Investment strategy and control of interest rate risk

SONIA: the Sterling Overnight Index Average, a replacement set of indices (for LIBID)



6.3 Investment returns picked up throughout the course of 2022/23 as central banks, including the Bank of England, realised that inflationary pressures were not transitory, and that tighter monetary policy was called for. Starting April at 0.75%, Bank Rate moved up in stepped increases of either 0.25% or 0.5%, reaching 4.25% by the end of the financial year, with the potential for a further one or two increases in 2023/24.

6.4 The sea-change in investment rates meant local authorities were faced with the challenge of pro-active investment of surplus cash for the first time in over a decade, and this emphasised the need for a detailed working knowledge of cashflow projections so that the appropriate balance between maintaining cash for liquidity purposes, and "laddering" deposits on a rolling basis to lock in the increase in investment rates as duration was extended, became an on-going feature of the investment landscape.

6.5 With bond markets selling off, equity valuations struggling to make progress and, latterly, property funds enduring a wretched Q4 2022, the more traditional investment options, such as specified investments (simple to understand, and less than a year in duration) became more actively used.

6.6 Meantime, through the autumn, and then in March 2023, the Bank of England maintained various monetary policy easing measures as required to ensure specific markets, the banking system and the economy had appropriate levels of liquidity at times of stress.

6.7 Nonetheless, while the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the Great Financial Crisis of 2008/9. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

6.8 Borrowing strategy and control of interest rate risk

6.9 During 2022/23, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were initially low and minimising counterparty risk on placing investments also needed to be considered.

6.10 A cost of carry generally remained in place during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns. As the cost of carry dissipated, the Council sought to avoid taking on long-term borrowing at elevated levels (>4%) and has focused on a policy of internal and temporary borrowing, supplemented by short-dated borrowing (<3 years) as appropriate.

6.11 The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this has been kept under review to avoid incurring higher borrowing costs in the future when this Authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

6.12 Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Director of Finance therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks (please adapt this outline to what you actually did in the year):

- if it had been felt that there was a significant risk of a sharp FALL in long and short-term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.

- if it had been felt that there was a significant risk of a much sharper RISE in long and short-term rates than initially expected, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

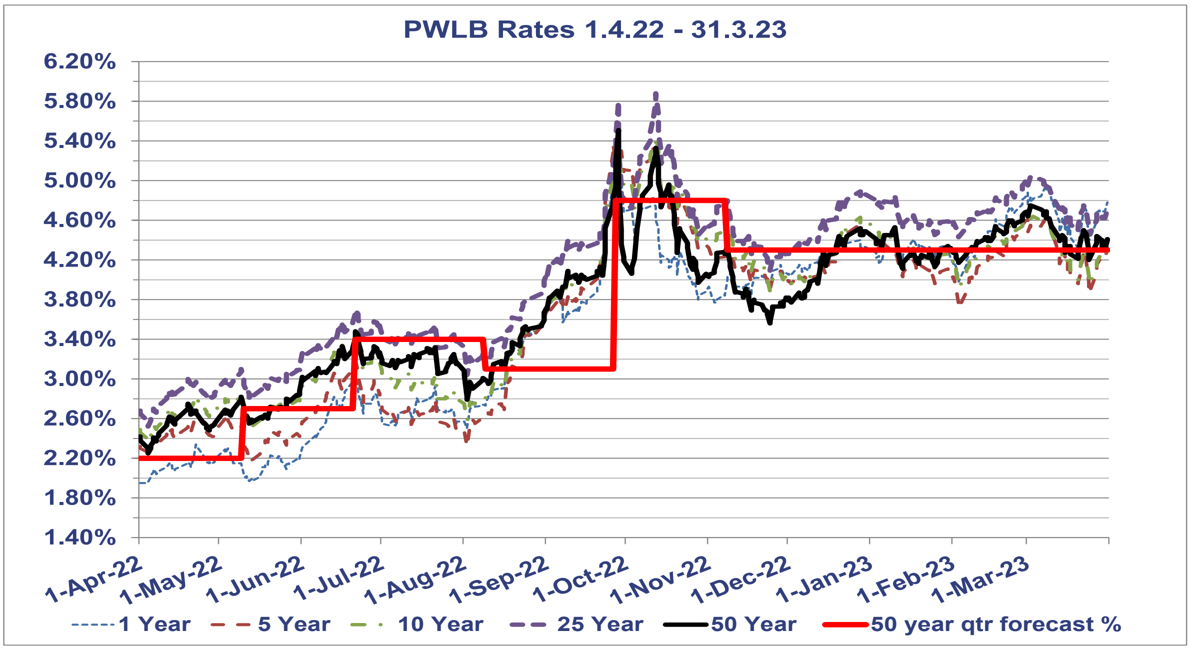
6.13 Interest rate forecasts were initially suggesting only gradual rises in short, medium and longer-term fixed borrowing rates during 2022/23 but by August it had become clear that inflation was moving up towards 40-year highs, and the Bank of England engaged in monetary policy tightening at every Monetary Policy Committee meeting during 2022, and into 2023, either by increasing Bank Rate by 0.25% or 0.5% each time. Currently the CPI measure of inflation is still above 10% in the UK but is expected to fall back towards 4% by year end. Nonetheless, there remain significant risks to that central forecast.

6.14 Interest rate forecasts were initially suggesting only gradual rises in short, medium and longer-term fixed borrowing rates during 2022/23 but by August it had become clear that inflation was moving up towards 40-year highs, and the Bank of England engaged in monetary policy tightening at every Monetary Policy Committee meeting during 2022, and into 2023, either by increasing Bank Rate by 0.25% or 0.5% each time. Currently the CPI measure of inflation is still above 10% in the UK but is expected to fall back towards 4% by year end. Nonetheless, there remain significant risks to that central forecast.

Link Group Interest Rate View	7.2.22											
	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
3 month ave earnings	1.00	1.00	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
6 month ave earnings	1.10	1.20	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30
12 month ave earnings	1.50	1.60	1.70	1.70	1.60	1.60	1.50	1.40	1.40	1.40	1.40	1.40
5 yr PWLB	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30
10 yr PWLB	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
25 yr PWLB	2.50	2.50	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60
50 yr PWLB	2.30	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40

6.15 PWLB rates are based on gilt (UK Government bonds) yields through HM Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. Indeed, in recent years many bonds yield up to 10 years in the Eurozone turned negative on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a recession.

6.16 However, since early 2022, yields have risen dramatically in all the major developed economies, first as economies opened post-Covid; then because of the inflationary impact of the war in Ukraine in respect of the supply side of many goods. In particular, rising cost pressures emanating from shortages of energy and some food categories have been central to inflation rising rapidly. Furthermore, at present the FOMC, ECB and Bank of England are all being challenged by persistent inflation that is exacerbated by very tight labour markets and high wage increases relative to what central banks believe to be sustainable.



6.18 Gilt yields have been on a continual rise since the start of 2021, peaking in the autumn of 2022. Currently, yields are broadly range bound between 3% and 4.25%. At the close of the day on 31 March 2023, all gilt yields from 1 to 50 years were between 3.64% and 4.18%, with the 1 year being the highest and 6-7.5 years being the lowest yield. Regarding PWLB borrowing rates, the various margins attributed to their pricing are as follows: -

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

6.19 There is likely to be a fall in gilt yields and PWLB rates across the whole curve over the next one to two years as Bank Rate first rises to dampen inflationary pressures and a tight labour market, and is then cut as the economy slows, unemployment rises, and inflation (on the Consumer Price Index measure) moves closer to the Bank of England's 2% target.

7 BORROWING OUTTURN for 2022/23

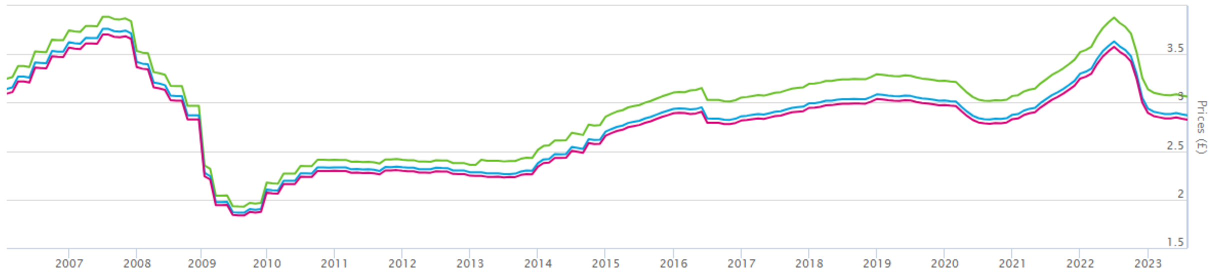
7.1 The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

7.3 The Council's debt at 31 March 2023 comprises solely of the Finance Lease with SERCO, which is recognised in the Council's accounts. The final instalment of PWLB borrowing was repaid in March 2023.

8 INVESTMENT OUTTURN FOR 2022/23

8.1 **Investment Policy** – the Council's investment policy is governed by DLUHC investment guidance, which has been implemented in the annual investment strategy approved by the Council on 11 May 2022. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.). The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

8.2 **Local Authorities' Property Fund** – the Council has invested £6m with the Local Authorities' Property Fund. Since 2020/21 and during the Cost-of-Living crisis the Property Fund has declined in value. This reflects the general decline in property prices in the UK. The fund should be viewed as long term. Similar losses occurred in 2008 from which the fund recovered. The fund has consistently provided good dividends and earned £242k in dividend income in 2022/23.



8.3 **Investments held by the Council (excluding the Local Authorities' Property Fund)**

- The internally managed funds earned an average rate of return of 1.65%
- This compares with a previous average rate of 0.5%.
- Total investment income was £1.465m.

8.4 **Resources** – The Council's cash balances comprise revenue and capital resources and cash flow monies. The Council's core cash resources comprised as follows:

Balance Sheet Resources	31 March 2022 £'000s	31 March 2023 £'000s
Balances	**9.502**	**12.359**
Earmarked Reserves	**22.333**	**20.012**
Provisions	**3.419**	**2.186**
Usable Capital Receipts	**5.731**	**5.122**
Capital Grants Unapplied	**5.185**	**6.781**
Amount available for investment	**46.170**	**46.460**

9. MINIMUM REVENUE PROVISIONS (MRP) FOR REPAYMENT OF DEBT

9.1 The Council, in accordance with legislation, makes a provision from revenue to enable the repayment of borrowing that has been undertaken to fund the capital programme. This provision is known as the Minimum Revenue Provision (MRP) and is charged to the General Fund Revenue Account each year. MRP is set aside each year at an amount equivalent to the value of debt repaid in the year.

9.2 For 2022/23 an amount of £547k has been set aside in the annual accounts as the MRP for repayment of debt.

10. OTHER ISSUES AND MATTERS

Shared Services Arrangements

10.1 The Council's treasury management services are provided under a shared services arrangement (SSA) performed by the in-house treasury management team formed out of partnership working between Adur District Council and Worthing Borough Council. The treasury management team is based at Worthing Town Hall, but services all three Councils' treasury management operations from this location utilising similar banking arrangements.
The SSA is provided under a Service Level Agreement that was renewed from October 2022, and which defines the respective roles of the client and provider authorities for a period of three years.

10.2 **Statutory override**

Following the consultation undertaken by the Department of Levelling Up, Housing and Communities [DLUHC] on IFRS 9, the Government has extended the mandatory statutory override for local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds to 31st March 2025. Local authorities are required to disclose the net impact of the unrealised fair value movements in a separate unusable reserve throughout the duration of the override in order for the Government to keep the override under review and to maintain a form of transparency.

11. CONCLUSION

11.1 This report fulfils the requirements of the CIPFA Codes as well as the Council's own treasury management practices to present an annual outturn report on treasury management activity.

11.2 Interest rate forecasts were initially suggesting only gradual rises in short, medium and longer-term fixed borrowing rates during 2022/23 but by August it had become clear that inflation was moving up towards 40-year highs, and the Bank of England engaged in monetary policy tightening at every Monetary Policy Committee meeting during 2022, and into 2023, either by increasing Bank Rate by 0.25% or 0.5% each time, which accounts for considerable overachievement of the budget. The shared service will continue to monitor the market carefully for the best possible interest rates.

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AUDIT COMMITTEE WORK PROGRAMME 2023/24

REPORT OF:	DIRECTOR OF RESOURCES AND ORGANISATIONAL DEVELOPMENT
Contact Officer:	Rachel Jarvis, Assistant Director of Corporate Resources Email: rachel.jarvis@midsussex.gov.uk
Wards Affected:	N/A
Key Decision:	No
Report to:	Audit Committee 18 September 2023

Purpose of Report

The purpose of the report is to provide Members of the Audit Committee with a proposed programme of work in line with its responsibilities for the remainder of the Municipal Year 2023/24.

Recommendations

1. The Committee is recommended to note the contents of the report and approve the Work Programme as set out in paragraph 7 of this report.

Background

2. Audit Committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.

3. The purpose of the Audit Committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place. Providing independent scrutiny of the authority's financial performance to help guard against adverse consequences.

4. Audit Committees are an important source of assurance about an organisation's arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance.

5. It is usual practice for the Audit Committee to agree its Work Programme at the first meeting of a new Council and review the programme at each subsequent meeting to allow for the Scrutiny of emerging issues during the year.

Policy Context

6. The committee will carry out all the functions required of an Audit Committee in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2003 (and as amended from time to time) and is a committee that reports to council. The Work Programme

7. The Audit Committee Work Programme is set out below:

Meeting Date	Item
28th November 2023	Strategic Risks Internal Audit Annual Report 2022/23 Capital Strategy Treasury Management Strategy and Policy External Audit Plan 2022/23
19th March 2024	Strategic Risks Annual Governance Statement Review of Treasury Management Activity 2022/23

Financial Implications

8. There are no financial implications affecting this report.

Risk Management Implications

9. none

Equality and Customer Service Implications

10. There are no specific equality or diversity issues arising from this report.

Legal Implications

11. The Accounts and Audit Regulations 2015 requires the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

Sustainability Implications

12. There are no specific climate change or health issues arising from this report.

Background Papers

- None.