Statement of Accounts 2020–2021 (Audited Version)

Audit Committee
1 March 2022

MID SUSSEX DISTRICT COUNCIL

Statement of Accounts for the Year Ended 31 March 2021

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Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The authority is required:

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

The Head of Corporate Resources' Responsibilities

The Head of Corporate Resources is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) 2020/21 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

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

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

The Head of Corporate Resources has also:

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

I declare that the Statement of Accounts presents a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2021. I confirm that the date of this declaration is the date up to which events have been considered for inclusion within the Authority's Statement of Accounts and are therefore authorised for issue.

P Stuart FCPFA
Head of Corporate Resources
1 March 2022

Approval for the Statement of Accounts

Cllr M Pulfer
Chairman Audit Committee
1 March 2022

Narrative Report by the Head of Corporate Resources

1. Introduction

The purpose of this report is to provide an effective guide to the most significant matters reported in the accounts. Its aim is to be fair, balanced and understandable for the users of the financial statements. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, supported by International Financial Reporting Standards (IFRS), and are in respect of the financial year ended 31 March 2021. 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 2020/21. These comprise:

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

Each of the main Financial Statements are explained further below:

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

Movement in Reserves Statement (MIRS*)* – This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

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

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

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

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

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

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

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

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

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

Revenue

The revenue and capital outturn for 2020/21 was reported to Cabinet on 7 June 2021. During the year, Cabinet received five Budget Management reports (including the Outturn Report). Over the year the budget has been adversely affected as a direct result of the Covid pandemic which severely reduced all sources of income and in some areas, such as Leisure, also increased costs. Whilst the MHCLG Emergency Covid19 grants and the Income Compensation scheme grant for lost sales, fees and charges has helped fund some of these losses, many financial targets were not able to be achieved as planned and service performance was unavoidably affected. However, although the first three quarters of the year showed a forecast overspend of £1,925,000, this position improved in the last quarter and the reported Outturn for 2020/21 was an overspend of £1,400,000. This overspend has been funded from General Reserve. Members should note that this Budget Outturn Report links with the Service Performance Outturn Report which was separately reported to Cabinet on 7 June 2021.

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 overspend total of £1,400,000 as an additional £4k expenditure has since been recoded to revenue relating to a Termination Benefits cost. This has been funded from General Reserve resulting in a reconciling item between the Outturn Report and the Statement of Accounts 2020/21.

Interest

Interest receipts for the year totalled £170,306; being £185,694 less than the original estimate. No interest was used to support the revenue budget overspend position. Therefore, a net total of £170,031 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 £11,181,000. Since reporting, this has increased to £11,397,000 due to the increase in the Revenue Overspend explained above and as a result of further adjustments that have been made to the Rate Retention Scheme Equalisation Specific Reserve as part of the completion of the NNDR3.

The largest utilisation of General Reserve amounted to £1,435,000 to finance the Capital Programme (including £449,000 for the financing of Revenue projects within the Programme). Following the post Outturn amendments to Specific Reserves outlined above, the largest utilisation of Specific Reserve amounted to £1,669,000 relating to the Rate Retention Scheme Equalisation Specific Reserve which included £214,000 for the current year NNDR3 levy adjustment and £1,455,000 for Revenue Budget financing.

After allowing for the post Outturn adjustments detailed above, the Statement of Accounts shows that just over £21,000,000 has been transferred into Reserves, (£15,365,000 to Specific Reserve and £5,818,000 to General Reserve). The largest contribution to Specific Reserves is £11,349,000 to the Rate Retention Scheme Equalisation of which £11,293,000 relates to MHCLG 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. 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:

- £3,267,000 grant relating to New Homes Bonus allocation.
- £1,851,000 transfer from Specific Reserves for monies no longer needed and available to support the Revenue overspend in 2020/21.
- £302,000 being the annual contribution budgeted to be paid to General Reserve, to fund the Authority's Major Capital Renewals programme.
- £171,000 interest receipts generated mainly from treasury management activity.

Overall, there has been a net increase of £9,786,000 in the level of the General Fund Reserves as at 31 March 2021.

	Outturn Summary				Reconciliation of Outturn to Statement of Accounts		
Revenue Expenditure 2020/21	**Estimate***	**Actual**	**Variation****		**Transfer to/from Reserves**	**Other Adjustments #**	**Total Net Cost of Services (CIES EFA Note 1)**
	2020/21	**2020/21**	**2020/21**		**2020/21**	**2020/21**	**2020/21**
Service Area	**£'000**	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
Housing	1,544	**1,514**	**(30)**		**(2)**	**380**	**1,892**
Planning Policy & Economic Development	1,154	**973**	**(181)**		**1,033**	**46**	**2,052**
Development Management	830	**1,114**	**284**		**(60)**	**(26)**	**1,028**
Cleansing Services	4,012	**4,041**	**29**		**(124)**	**(345)**	**3,572**
Parking Services	(1,196)	**78**	**1,274**		**75**	**68**	**221**
Landscapes and Leisure	1,254	**5,397**	**4,143**		**40**	**411**	**5,848**
Community Services Policy and Performance	1,486	**1,423**	**(63)**		**106**	**(3)**	**1,526**
Corporate Estates and Facilities	(2,673)	**(2,456)**	**217**		**(132)**	**2,619**	**31**
Finance Accountancy	0	**0**	**0**		**(13)**	**0**	**(13)**
Finance Corporate	1,119	**1,127**	**8**		**57**	**0**	**1,184**
Revenues & Benefits	2,492	**2,556**	**64**		**(395)**	**490**	**2,651**
Customer Services and Communications	0	**(36)**	**(36)**		**0**	**0**	**(36)**
Digital and Technology Services	(23)	**1**	**24**		**0**	**76**	**77**
Human Resources & Payroll	0	**(84)**	**(84)**		**0**	**0**	**(84)**
Legal Services	0	**(15)**	**(15)**		**0**	**0**	**(15)**
Democratic Services	1,013	**893**	**(120)**		**(15)**	**12**	**890**
Land Charges	156	**44**	**(112)**		**2**	**10**	**56**
Planning & Building Control Support	0	**(38)**	**(38)**		**0**	**38**	**0**
Environmental Health	1,156	**1,145**	**(11)**		**(141)**	**43**	**1,047**
Building Control	340	**388**	**48**		**0**	**(17)**	**371**
Strategic Core	1,319	**1,430**	**111**		**0**	**(7)**	**1,423**
Benefits	(119)	**(119)**	**0**		**8**	**0**	**(111)**
Drainage levies	1	**1**	**0**		**0**	**0**	**1**
Balance Unallocated	28	**0**	**(28)**		**0**	**0**	**0**
Corporate Pressures/savings:							
Covid 19 Emergency Funding	0	**(1,808)**	**(1,808)**		**38**	**1,770**	**0**
Income Compensation Scheme grant due (SFC)	0	**(2,161)**	**(2,161)**		**0**	**2,161**	**0**
Council Net Expenditure	13,893	**15,408**	**1,515**		**477**	**7,726**	**23,611**
less: Drainage levies					**0**	**(1)**	**(1)**
Total excluding drainage levies	13,893	**15,408**	**1,515**	***	**477**	**7,725**	**23,610**
Contribution to Development Plan Reserve	436	**365**	**(71)**				
Contribution to Job Evaluation Reserve	267	**267**	**0**				
Contribution to Waste Reserve	40	**0**	**(40)**				
Total	14,636	**16,040**	**1,404**	****			**23,610**

* Includes approved variations including utilisation of Balance Unallocated
** Variations are explained in Outturn Report to Cabinet 7 June 2021. Statement of Accounts includes an additional £4k cost in Corporate Finance compared to Outturn.
*** Before reductions in budgeted transfers to Specific Reserves approved during 20/21 (£40k & £71k).
**** Total overspend after reductions in transfers to Specific Reserves approved during 20/21 (£40k & £71k).
# 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 £11,419,000 with an additional £670,000 spent on Revenue Projects within the approved programme. The Capital Spending included £4,728,000 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 £12,089,000 which was £3,455,000 more than the updated 2020/21 programme of £8,634,000. Included in this year's variation, is slippage of projects totalling £1,556,000. Of this slippage, £98,000 relates to Corporate Estates and Facilities projects, £408,000 relates to Planning Policy for Burgess Hill Place and Connectivity Programme, £378,000 for Commercial Services and contracts - Landscapes and Leisure, £108,000 on Digital and Technology Services, £135,000 relates to Disabled Facilities Grants and £429,000 on Revenue Projects. These amounts have been rolled over and added to the Programme of Capital and Revenue Projects for 2021/22.

Capital Expenditure 2020/21

Property, Plant and Equipment	**2020/21**
Land and Buildings	**£000**
Temporary Accomodation Properties	**1,596**
Oaklands Office	**751**
Other Buildings	**240**
Leisure Centres	**3**
Land and Buildings	**2,590**
Asset Under Construction	**2,122**
Plant / Vehicles / Equipment	
Playground and Skatepark Equipment	**190**
Digital & Technology Hardware	**102**
Green Waste Wheeled Bins	**30**
Plant / Vehicles / Equipment	**322**
Total Property, Plant and Equipment, Asset Under Construction (Note 12)	**5,034**
Intangible Assets (Note 15)	
Software and software licences	**16**
Investment Property (Note 14)	**0**
Revenue Expenditure funded from Capital Under Statute	
Other expenditure	**5,239**
Housing - Disabled Facilities Grants (DFG)	**1,030**
Housing - Affordable Housing	**100**
Total REFCUS Expenditure	**6,369**
Total Capital Expenditure	**11,419**
Financed by:	
General Reserve	**986**
Earmarked Specific Reserve	**417**
Total General Fund Balances	**1,403**
Government Grants, Contributions & Section 106s RIA	**5,600**
Capital Grants Unapplied Account	**2,726**
Usable Capital Receipts	**1,690**
Total	**11,419**

Usable capital receipts for 2020/21 totalled £26,121,000 (Note 6). Other contributions receivable in 2020/21 totalled £9,645,000 (Note 11 Grant Income – Capital Grants and Contributions Receipts in Advance), as shown below:

Time Limited Section 106 agreements & Local Authority contributions	£8,419,000
Disabled Facilities Grant (contribution from WSCC)	£1,226,000

The available year-end balance of Usable Capital Receipts is £5,641,000 (MIRS), Capital Grants Unapplied Account is £5,635,000 (MIRS) and Section 106 Contributions and Capital Grants Receipts in Advance is £10,293,000 (Note 11).

3. The Performance of the Authority

Service Performance

The outturn 2020/21 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 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 in administering Test and Trace Support and Exceptional Hardship payments, as well as providing grants to local businesses. Environmental Health are involved in Local Outbreak Plans and have taken on additional responsibilities for COVID-19 preventative interventions.

Year	Green	Amber	Red	Health check	Total
2020/21	32 (74%)	7 (16%)	4 (9%)	23	66
2019/20	38 (70%)	12 (22%)	4 (7%)	19	60

Employees

The number of employees has remained stable compared to last year with 283 full time equivalents. Turnover reduced from 10% to 8% and was positive to the annual target. No particular trends emerged that required intervention. The pandemic required a large number of the workforce to work from home for the majority of the year, with a skeleton presence being represented in the office within socially distanced guidelines. Staff sickness reduced dramatically compared to previous years, which may be linked to more staff working at home and not travelling to the offices. A hybrid/blended working pattern is likely to be proposed in the future.

Strategic Risks

Each year the Cabinet agrees the risks that may prevent or slow the achievement of the strategic objectives. For 2020/21 these were agreed by Cabinet on 16 March 2020

1. Capacity of West Sussex County Council to support Mid Sussex District Council's ambitions.
2. Impact of Fair Funding Review

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

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

A great deal has been written about the effect of the pandemic on this and other councils' finances. It has been regularly described in every Budget Management report as 'unprecedented' and its impact will be felt for years to come.

In short, the effect has been to significantly reduce income across the business units, push up costs in some others, and temporarily eliminate some forms of income.

The government response has been to engage with the sector and offer support such the worst effects were mitigated. The "Income Compensation Scheme' replaced roughly 75% of that income so as to share the losses between central and local government. At the same time, lump sum grants went some way towards helping with the increased costs of operating, and a leisure-specific grant helped with the costs of reopening centres prior to the third lockdown.

However, the pandemic pushed the council into supporting its revenue budget with the use of general reserve as described above, and whilst the 2021/22 budget has managed to be balanced with no forecast use of reserves, the outlook over the medium term is difficult and unsustainable on current projections, i.e. if income does not return similar to previous levels.

The strategy proposed for the council having reviewed the Corporate Plan is to achieve efficiency savings from adopting new ways of working, targeted and tested changes in services and taking some restructure opportunities whilst filling the remaining deficit with some use of General Reserve over the medium term.

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 Fair Funding Review or any of the lump sum grants that were awarded for the 2021/22 Budget.

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

One area of cost where we remain most concerned is around our leisure offer where we contract with a private sector, albeit not for profit, partner. In addition to not being able to pay the contracted concession fee, the contractor was incurring significant costs in keeping centres open with very reduced income and those costs were being met by the Client under the terms of the contract, being a material change in law.

These costs are not compensated and it is therefore imperative that the position returns to some normality if we are not to perpetuate the financial deficit over the medium term. Modelling over the summer of 2021 should give us a view on this and other income streams to enable Cabinet to set budget guidelines.

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 to the year end, as the table below shows:

Revenue Grants Received	2020/21	2020/21	2020/21
	£000	£000	£000
	Grant Received	**Grant Paid to Business**	**Balance**
Grants for Businesses - acting as Principal			
BEIS Covid-19 Discretionary Grant	(1,454)	1,454	0
Track and Trace (Self Isolation) Discretionary	(67)	12	(55)
Grants for Businesses - acting as Agent for BEIS			
BEIS Covid-19 Discretionary Small Business Grant	(26,355)	26,355	0
Local Restrictions Support Grant (Closed) 2nd Tranche	(2,212)	1,159	(1,053)
Additional Restrictions Grant (Discretionary)	(4,362)	3,692	(670)
Tier 2 Local Restrictions Support Grant (Open)	(296)	53	(243)
Tier 2 Local Restrictions Support Grant (Wet Led Pubs)	(90)	30	(60)
LRSG Closed National 20/12/20 to 25/12/20	(9)	8	(1)
LRSG Open Local Restrictions Support Grant 20/12 to 04/01	(122)	22	(100)
LRSG Closed National Tier 4 26/12/20 to 4/01/21	(800)	377	(423)
Tier 5 Grants National 05/01/21 to 15/02/21	(3,317)	1,710	(1,607)
Closed Business Lockdown Payment Tier 4 from 05/01/21	(6,601)	3,419	(3,182)
Local Restrictions Support Grant (Closed) 16/2/21 to 31/3/21	(3,475)	1,787	(1,688)
Track and Trace (Self Isolation) National	(41)	25	(16)
Tier 2 Local Restrictions Support Grant (closed)	(22)	25	3
	(49,223)	40,128	(9,095)

We continue to pay grants in the 2021/22 financial year. Part of this sum could be repaid to Central Government in 2021/22 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 £116,798,000 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 £10,519,000 of this was passed on to the other authorities. The collection rate for the year was 98.0% of the total amount due and most of the remainder will be collected in the first few months of 2021/22.

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 increased to £21,247,000 as at 31 March 2021, from £15,081,000 the previous year. This is mainly due to the change in financial assumptions used by the actuary particularly the fall in the discount rate and the increase in the Pension Increase Rate (CPI) 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 34.

7. Other Significant items

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

8. Changes in accounting policy

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

9. Borrowing

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

While the actual loans were paid from working cashflow, the purchase was not adequately financed for the long term until £20m of the receipt from the sale of Hurst Farm was applied at 31 March 2021. The remaining £5m is being amortised over 46 years pending further receipts becoming available.

10. Provisions

NNDR Provision for Appeals

At 31 March 2021 there is a provision of £7,755,000 relating to outstanding appeals to the Rateable Value, as detailed in the Collection Fund Section 4. The Authority's share of this is £3,102,000 as detailed in Note 23.

Termination Benefits Provision

At 31 March 2021 a provision is not required, 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 2021 this amounts to a £289,000 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 2021, there is a remaining provision for £10,000.

11. Material Events after the reporting date

There are no such material events.

.

12. Level of Financial Reserves

The level of reserves increased during 2020/21. The Authority' level of General Fund Balances held at 31 March 2021 stands at £7,811,000, being an increase of £1,679,000 in 2020/21 which is largely due to the receipt of New Homes Bonus (NHB) grant (£3,267,000). The main utilisation relates to financing the Programme of Revenue and Capital Projects (£1,435,000), and the financing of the Revenue Overspend (£1,404,000).

The Authority's level of Specific Reserves held at 31 March 2021 stands at £23,816,000, being an increase of £8,107,000 in 2020/21. This was largely due to the s31 grants received for business rates reliefs in 2020/21 which were not anticipated when NNDR1 set business rate shares for 2020/21 but were paid to the General Fund later in the year as Government responded to Covid19 pandemic. These reliefs therefore sit in Earmarked Reserves at year end having been credited to the CIES. However, it should be noted that where Business Rates income has reduced giving rise to a deficit on the Collection Fund, the Collection Fund Adjustment Account carries authorities share of the deficit which will be funded from the s31 grants held in Reserve. Therefore, this increase in Reserves is expected to reduce next year due to the timing of the Collection Fund adjustments for 2020/21.

As stated above, it is felt that the authority has sufficient reserves to weather the financial storm created by the pandemic. While the use of General Reserve is not a long-term solution, it is felt that some temporary and prudent use of the reserve to fill the deficit is warranted and over the medium term. The reports mentioned above anticipate that up to £9.2m could be used over the next four years and until the economy recovers, although this will not be without its own impact on the capital programme which will need to be assessed at the appropriate time.

13. Business Rates Retention Scheme (RRS)

The income from Business Rates is part of our core funding and 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 £200 per claimant. This top-up was funded from MHCLG Covid-19 Council Tax Hardship Fund received of £696,000.

15. Further Information

Interested members of the public have a statutory right to inspect the accounts from 2 August 2021 to 13 September 2021. The Notice was placed on the MSDC website, under the Finance Publications section. Further information about any aspect of the accounts is available from both the Head of Corporate Resources, Peter Stuart 01444 477315 (Peter.Stuart@midsussex.gov.uk), and the Chief Accountant, Cathy Craigen 01444 477384 (Cathy.Craigen@midsussex.gov.uk), at Mid Sussex District Council, Oaklands Road, Haywards Heath, RH16 1SS. It is our intention to be open with the information that we hold and we encourage local stakeholder enquiries.

Financial Statements

Comprehensive Income and Expenditure Statement

2019/20 Gross Expenditure £000	2019/20 Gross Income £000	2019/20 Net Expenditure £000		2020/21 Gross Expenditure £000	2020/21 Gross Income £000	2020/21 Net Expenditure £000
			Business Unit Net Expenditure (Note 1)			
2,333	(465)	1,868	Housing	3,756	(733)	**3,023**
5,761	(4,755)	1,006	Planning Policy & Economic Development	6,845	(4,709)	**2,136**
2,453	(1,490)	963	Development Management	2,416	(1,249)	**1,167**
5,277	(2,305)	2,972	Cleansing Services	5,732	(1,699)	**4,033**
1,884	(2,877)	(993)	Parking Services	1,921	(1,574)	**347**
5,049	(2,283)	2,766	Landscapes & Leisure	7,493	(149)	**7,344**
2,068	(449)	1,619	Community Services, Policy & Performance	2,125	(517)	**1,608**
1,103	(515)	588	Corporate Estates & Facilities	1,903	(700)	**1,203**
91	0	91	Finance Accountancy	47	0	**47**
341	(8)	333	Finance Corporate	237	(3)	**234**
3,345	(497)	2,848	Revenues & Benefits	5,403	(2,588)	**2,815**
134	(5)	129	Customer Services & Communications	5	(2)	**3**
730	(5)	725	Digital & Technology Services	337	(3)	**334**
179	0	179	Human Resources & Payroll	(65)	0	**(65)**
254	(198)	56	Legal Services	176	(153)	**23**
1,379	(269)	1,110	Democratic Services	923	(2)	**921**
355	(194)	161	Land Charges	333	(230)	**103**
2,864	(1,530)	1,334	Environmental Health	2,692	(1,541)	**1,151**
964	(447)	517	Building Control	869	(442)	**427**
1,676	0	1,676	Strategic Core	1,538	0	**1,538**
28,759	(28,868)	(109)	Benefits	26,337	(26,448)	**(111)**
66,999	(47,160)	19,839	**Net Cost of Services**	71,023	(42,742)	**28,281**
4,081	0	4,081	**Other Operating Expenditure (Note 8)**	6,159	0	**6,159**
8,431	(4,762)	3,669	**Financing & Investment Income/Expenditure (Note 9)**	5,539	(4,383)	**1,156**
0	(23,067)	(23,067)	**Taxation & Non-Specific Grant Income (Note 10)**	0	(33,103)	**(33,103)**
79,511	(74,989)	4,522	**(Surplus) / Deficit on Provision of Services**	82,721	(80,228)	**2,493**
		787	(Surplus)/ Loss arising on revaluation of Property, Plant, Equipment assets (Note 25a)			**(5,307)**
		(23,008)	Actuarial (gains) / losses on pension fund assets and liabilities (Note 34)			**5,679**
		(22,221)	**Other Comprehensive Income and Expenditure**			**372**
		(17,699)	**Total Comprehensive Income and Expenditure**			**2,865**

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 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)**					

	General Fund Reserves	Usable Capital Receipts	Capital Grants Unapplied Account	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2019	**(19,938)**	**(1,061)**	**(5,674)**	**(26,673)**	**(112,528)**	**(139,201)**
Total Comprehensive Income and Expenditure	**4,522**	**0**	**0**	**4,522**	**(22,221)**	**(17,699)**
Adjustments between accounting basis and funding basis under regulation (Note 6)	(6,425)	(84)	5	(6,504)	6,504	**0**
Increase / Decrease in Year	(1,903)	(84)	5	(1,982)	(15,717)	(17,699)
Balance at 31 March 2020	**(21,841)**	**(1,145)**	**(5,669)**	**(28,655)**	**(128,245)**	**(156,900)**
General Fund Balances	**(6,132)**					
Earmarked Specific Reserves	**(15,709)**					
General Fund Reserves balance at 31 March 2020 (Note 7)	**(21,841)**					

Balance Sheet

31 March 2020 £000		Note	31 March 2021 £000
86,549	Land and Buildings		**91,543**
3,349	Vehicles, Plant & Equipment		**3,112**
2,022	Infrastructure Assets		**1,877**
20	Community Assets		**20**
0	Assets Under Construction		**2,122**
0	Surplus Assets		**0**
91,940	**Property, Plant & Equipment**	12, 17	**98,674**
825	Heritage Assets	13	**825**
50,779	Investment Properties	14	**47,094**
445	Intangible Assets	15	**299**
5,755	Long Term Investments	18	**5,714**
22	Long Term Debtors	18	**20**
149,766	**Long Term Assets**		**152,626**
19,171	Short Term Investments	18	**38,070**
3,778	Short Term Debtors	19	**16,878**
27,208	Assets Held For Sale	21	**0**
9,790	Cash & Cash Equivalents	20	**20,831**
59,947	**Current Assets**		**75,779**
0	Bank Overdraft	20	**0**
(17,066)	Creditors	22	**(31,834)**
(1,577)	Provisions	23	**(3,401)**
(283)	Finance Lease Payable Less 1 Year	33	**(288)**
(189)	Borrowing Payable Less 1 Year	18	**(5,185)**
(19,115)	**Current Liabilities**		**(40,708)**
(9,061)	Capital Grants & Contributions Receipts In Advance	11	**(10,293)**
(2,258)	Finance Lease Payable Longer 1 Year	33	**(1,970)**
(7,298)	Borrowing Payable Longer 1 Year	18	**(152)**
(15,081)	Liability related to Defined Benefit Pension Scheme	34	**(21,247)**
(33,698)	**Long Term Liabilities**		**(33,662)**
156,900	**Net Assets**		**154,035**
(6,132)	General Fund Balances	7	**(7,811)**
(15,709)	Earmarked Specific Reserve	7	**(23,816)**
(1,145)	Usable Capital Receipts Reserve	MIRS	**(5,641)**
(5,669)	Capital Grants Unapplied Account	MIRS	**(5,635)**
(28,655)	**Usable Reserves**	24	**(42,903)**
(71,898)	Revaluation Reserve		**(49,339)**
(71,721)	Capital Adjustment Account		**(90,218)**
(16)	Deferred Capital Receipts Reserve		**(15)**
271	Financial Instruments Revaluation Reserve		**311**
15,081	Pensions Reserve		**21,247**
(108)	Collection Fund Adjustment Account		**6,593**
146	Accumulated Absences Account		**289**
(128,245)	**Unusable Reserves**	25	**(111,132)**
(156,900)	**Total Reserves**		**(154,035)**

P Stuart, FCPFA
Head of Corporate Resources
1 March 2022

Cash Flow Statement

2019/20 £000		Note	2020/21 £000
(4,522)	**Net surplus / (deficit) on the provision of services**	CIES	**(2,493)**
13,787	Adjustments to net surplus or deficit on the provision of services for non cash movement	27	**39,737**
(6,368)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	27	**(35,817)**
2,897	**Net cash flows from Operating Activities**	27	**1,427**
	Investing Activities		
(3,814)	Purchase of property, plant and equipment, investment property and intangible assets		**(4,828)**
(24,000)	Purchase of short-term and long-term investments		**(65,005)**
208	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		**26,122**
25,000	Proceeds of short-term and long-term investments		**45,991**
7,268	Capital grants and S106 contributions received		**10,928**
4,662	**Net Cash flows from Investing Activities**		**13,208**
	Financing Activities		
0	Cash receipts of short-term and long-term borrowing		**0**
(277)	Cash payments for the reduction of the outstanding liabilities relating to finance leases		**(283)**
(6,133)	Repayments of short-term and long-term borrowing		**(2,139)**
3,443	Other payments for financing activities		**(1,172)**
(2,967)	**Net Cash flows from Financing Activities**		**(3,594)**
4,592	**Net increase / (decrease) in cash and cash equivalents**		**11,041**
5,198	Cash and cash equivalents at 1 April	20	**9,790**
9,790	Cash and cash equivalents at 31 March	20	**20,831**
4,592	Movement in year increase / (decrease)		**11,041**

MID SUSSEX
DISTRICT COUNCIL

Notes to the Accounts

1. Expenditure and Funding Analysis

	2020/21	2020/21	2020/21	2020/21	2020/21	2020/21
	Net Expenditure Chargeable to the General Fund Balances	Adjustments for Capital purposes (Note a)	Net change for the Pensions adjustments (Note b)	Other Differences (Note c)	**Total Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
Business Unit	£000	£000	£000	£000	£000	£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 &	**(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)**					

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

2. Expenditure and Income analysed by nature

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

	2020/21	2019/20
Expenditure	£000	£000
Employee benefits expenses (includes Pensions adjustments in Note 1)	**14,500**	16,594
Benefits (CIES)	**26,337**	28,759
Premises, Transport, Supplies & Services, Third Party Payments	**20,323**	14,186
REFCUS (Narrative Report Note 2) and Revenue Projects	**6,706**	6,150
Investment Property operating expenditure (Note 14)	**1,327**	1,423
Investment property revaluations (net decreases) (Note 14)	**3,685**	5,764
Financial Instrument Valuation Adjustment (Note 9)	**40**	213
Support service recharges	**(114)**	(86)
Depreciation, amortisation (Note 12, Note 15)	**2,056**	2,112
Impairment (Note 17)	**1,565**	159
Interest payments (Note 9)	**137**	156
Precepts and levies (Note 8)	**4,591**	4,213
Payments to Housing Capital Receipts Pool (Note 8)	**215**	38
Net (Gain)/Loss on the disposal of assets (Note 8)	**1,353**	(170)
Total Expenditure	**82,721**	79,511
Income		
Fees, charges and other service income	**(8,386)**	(12,370)
Interest and dividend income (Note 18)	**(419)**	(592)
Investment property income (Note 14)	**(3,963)**	(4,170)
Investment property revaluations (net increases) (Note 14)	**0**	0
Income from council tax and non-domestic rates (Note 10)	**(10,358)**	(16,972)
Housing Benefit Gross Income (CIES)	**(26,448)**	(28,868)
Government grants and contributions (Note 10, Note 11)	**(30,654)**	(12,017)
Total Income	**(80,228)**	(74,989)
(Surplus) / deficit on the Provision of Services	**2,493**	4,522

3. Material Items of Income and Expense

For the purposes of this note, the Authority considers materiality as £1,590,000, 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 2020/21 the material items are:

- The receipt of New Homes Bonus of £3,267,000, Business Rates Grant of £11,293,000, Sales, Fees and Charges Support Grant of £2,161,000 and Covid-19 Emergency Funding Grant of £1,941,000 as detailed in Note 10 Taxation and Non-Specific Grant Income and Expenditure.
- The receipt of Business Rates Renewable Energy Scheme of £2,552,000 is part of the Business Rates Income shown in Note 10.
- The receipt of £2,636,000 relating to the net rental income from Investment Property as detailed in Note14 Investment Properties.

4. Events After The Reporting Period

The Statement of Accounts was authorised for issue by the Head of Corporate Resources on 1 March 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 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Impact of Covid19

The Accounts and Audit (Coronavirus) Amendments Regulations 2020 (SI 2020/404) have extended the statutory audit deadline for 2020/21 for all local authorities, apart from health service bodies. The publication date for audited accounts will move from 30 November in 2019/20 to 30 September 2021.

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

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

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

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

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

5. Prior Period Adjustments

There are no prior period adjustments.

6. Adjustments between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure, as shown in the Movement In Reserves Statement.

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

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

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

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

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

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

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 2020/21. 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 2020/21, to Cabinet on 7 June 2021.

Specific Reserve	Balance at 1 April 2019 £000	Transfers In 2019/20 £000	Transfers Out 2019/20 £000	Balance at 31 March 2020 £000	Transfers In 2020/21 £000	Transfers Out 2020/21 £000	Balance at 31 March 2021 £000
Housing	(2,364)	(333)	1,687	(1,010)	(606)	1,008	**(608)**
Planning Policy & Economic Development	(3,202)	(673)	806	(3,069)	(831)	2,241	**(1,659)**
Development Management	(21)	0	0	(21)	0	21	**0**
Parking	(114)	0	20	(94)	0	74	**(20)**
Cleansing Services	(176)	0	35	(141)	(80)	173	**(48)**
Landscapes & Leisure	(425)	(278)	296	(407)	(518)	132	**(793)**
Community Services, Policy & Performance	(447)	(76)	148	(375)	(561)	155	**(781)**
Corporate Estates & Facilities	(5,345)	(738)	515	(5,568)	(93)	292	**(5,369)**
Finance Accountancy	(11)	(17)	14	(14)	(22)	2	**(34)**
Finance Corporate	(404)	(137)	408	(133)	(567)	259	**(441)**
Revenues & Benefits	(192)	(132)	40	(284)	(471)	376	**(379)**
Digital & Technology Services	(199)	(405)	530	(74)	0	23	**(51)**
Human Resources & Payroll	(2)	(6)	7	(1)	(6)	7	**0**
Democratic Services	(207)	(70)	129	(148)	(57)	119	**(86)**
Land Charges	(2)	0	0	(2)	0	2	**0**
Planning Service Support	(25)	0	25	0	0	0	**0**
Environmental Health	0	(5)	0	(5)	(204)	63	**(146)**
Corporate Funds	(3,704)	(1,415)	756	(4,363)	(11,349)	2,311	**(13,401)**
Specific Reserve Total	(16,840)	(4,285)	5,416	(15,709)	(15,365)	7,258	**(23,816)**
General Fund Balances	(3,098)	(4,636)	1,602	(6,132)	(5,818)	4,139	**(7,811)**
	(19,938)	(8,921)	7,018	(21,841)	(21,183)	11,397	**(31,627)**

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

- The transfers out of the Housing Specific Reserve included £346,000 utilised from the Temporary Accommodation Reserve to help secure better accommodation for vulnerable families and £387,000 spent from the Flexible Homelessness Specific Reserve to further support Temporary Accomodation associated costs.
- The transfers out of the Planning Policy and Economic Development Specific Reserve included £1,477,000 for the transfer to Wealden District Council of SAMM contributions as part of the Joint SAMM strategy and the pooled funding of the shared service this year.
- The transfers to Corporate Funds Specific Reserve included £11,349,000 to the Rate Retention Scheme Equalisation of which £11,293,000 relates to MHCLG 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. £1,669,000 has been utilised including £214,000 for current year NNDR3 levy adjustment and £1,455,000 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

	2020/21 £000	2019/20 £000
Town and Parish Council precepts	**4,590**	4,212
Levies	**1**	1
Payments to Government Housing Capital Receipts Pool (Note 6)	**215**	38
Net (gains)/losses on the disposal of non-current assets	**1,353**	(170)
Total	**6,159**	4,081

9. Financing and Investment Income and Expenditure

	2020/21 £000	2019/20 £000
Net interest on the net defined benefit liability/(asset) (Note 34)	**349**	875
Interest payable and similar charges (Note 18)	**137**	156
Interest receivable and similar income (Note 18)	**(419)**	(592)
Income and expenditure for Investment Properties (Note 14)	**(2,636)**	(2,747)
Movement in fair value of Investment Properties (Note 14)	**3,685**	5,764
Movement in valuation of Financial Instruments (Note 25(d))	**40**	213
Total	**1,156**	3,669

10. Taxation and Non-Specific Grant Income and Expenditure

	2020/21 £000	2019/20 £000
Housing Benefits Administration Grant	**(235)**	(224)
New Homes Bonus	**(3,267)**	(3,444)
Business Rate Relief Grants *	**(11,293)**	(1,179)
Covid-19 Emergency Funding Grant *	**(1,771)**	(38)
Sales, Fees and Charges Support Grant *	**(2,161)**	0
Sports England Leisure Recovery Fund	**(301)**	0
Discretionary Self Isolation Payments Funding *	**(67)**	0
Homelessness Grants	**(373)**	(309)
Various DWP New Burden Grants	**(89)**	(104)
New Burden Council Tax Reform & Business Rates Scheme	**(91)**	(99)
Local Council Tax New Burdens	**(23)**	(18)
Other New Burdens Grants	**(317)**	(29)
Neighbourhood Planning Grant	**(40)**	0
Individual Electoral Registration Grant	**(11)**	(25)
EU Exit Preparation Grant	**0**	(35)
Non-ringfenced government grants	**(20,039)**	(5,504)
Council Tax Income (Collection Fund)	**(15,183)**	(14,445)
Retained Business Rates (Collection Fund)	**4,825**	(2,527)
Capital Grants and S106 Receipts	**(2,706)**	(591)
Total credited to Taxation and Non Specific Grant Income	**(33,103)**	(23,067)

* 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 2020/21. 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.

	2020/21 £000	2019/20 £000
DWP Housing Benefit Subsidy	**(25,060)**	(27,266)
Disabled Facilities Grant Contribution from WSCC	**(1,226)**	(1,013)
DWP Employment Project Coordinator	**(106)**	(15)
Cabinet Office Voter Pilot ID	**0**	(267)
WSCC Contribution- Civil Parking Enforcement/Controlled Parking Zone	**(342)**	(200)
WSCC Contribution- Recycling Credits	**(2)**	(791)
WSCC Contribution - Microbusiness Grant	**(20)**	(46)
WSCC Partnerships	**(67)**	(78)
WSCC Sustainability	**(61)**	0
WSCC Public Health	**(379)**	(387)
WSCC Covid 19 Prevention	**(150)**	0
WSCC Flood Risk	**(13)**	(13)
BEIS Covid 19 Discretionary Grant	**(1,454)**	0
CDC Independence Retail Programme	**(80)**	0
MHCLG Reopening High Streets Safely	**(72)**	0
MHCLG Next Steps Accommodation	**(38)**	0
MHCLG Covid 19 Council Tax Hardship Fund	**(696)**	0
MHCLG Local Authority Compliance and Enforcement	**(49)**	0
NNDR Cost of Collection contribution	**(172)**	(172)
Other	**(3)**	(13)
Total Credited to Services	**(29,990)**	(30,261)

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: Mid Sussex Partnership £14,000 (£86,000 2019/20).

Additional grants of £47,701,000 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.

	2020/21 £000	2019/20 £000
Balance at 1 April	**(9,061)**	(7,954)
Received in year	**(9,645)**	(7,230)
Applied to Comprehensive Income and Expenditure Statement	**8,413**	6,123
Balance at 31 March	**(10,293)**	(9,061)

The year-end balance is for £9,994,000 Time Limited Section 106 receipts and £299,000 Local Authority contributions.

12. Property, Plant and Equipment

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

Depreciation

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

- Buildings: straight line allocation over the useful life of the property as estimated by the valuer
  Component Parts of the Leisure Centres, Council Offices, 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, £984,000 (£1,059,000 in 2019/20), for Other Buildings, £242,000 (£206,000 in 2019/20), and for Digital & Technology and Playground Equipment, £261,000 (£256,000 in 2019/20).

Capital Commitments

At 31 March 2021, the Authority has authorised expenditure for the construction or enhancement of Property, Plant and Equipment which in 2021/22 - 2024/25 is budgeted to cost £4,466,000. Similar commitments at 31 March 2020 were £2,721,000. The commitments are as follows:

Scheme	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
Temporary Accommodation	2,800	0	0	0	2,800
Oaklands Window Replacement	149	0	0	0	149
Heating works Phase 3	106	0	0	0	106
Major Capital Renewals	33	162	130	146	471
Digital and Technology	258	50	50	50	408
Other Schemes including playground equipment & infrastructure	532	0	0	0	532
Total	3,878	212	180	196	4,466

At 31 March 2021 the Authority's outstanding contractual commitments for the construction or enhancement of Property, Plant and Equipment were £131,000 (£134,000 at 31 March 2020).

Assets Under Construction

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

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**

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

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 2020 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 2021, by a RICS qualified chartered surveyor at Wilkes Head & Eve LLP, with no further adjustments needed to the asset values.

	Land and Buildings £000	Vehicles, Plant, Equipment £000	Infrastructure £000	Community Assets £000	Assets Under Construction £000	Surplus Assets £000	Total £000
Valued at historical cost	0	**7,700**	**4,083**	**20**	**2,122**	**0**	**13,925**
Valued at fair value in:							
2020/21	**70,818**	**0**	**17**	**0**	**0**	**0**	**70,835**
2019/20	2,976	0	0	0	0	0	2,976
2018/19	7,905	0	0	0	0	0	7,905
2017/18	8,519	0	0	0	0	0	8,519
2016/17	2,710	0	0	0	0	0	2,710
Cost or Valuation	92,928	7,700	4,100	20	2,122	0	106,870

The increases in valuation of £1,303,000 for Pavilions is due to the change in valuation method from EUV to DRC. Also, the War Memorial Playing Field, East Court has been increased in value by £2,685,000 and other recreation grounds increased by £1,769,000. The Triangle Leisure Centre has decreased in value by £1,509,000. 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, who have issued the following statement with their report:

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

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

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

13. Heritage Assets

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

	Historic Buildings £000	Art Collection and furniture £000	Civic Regalia £000	**Total Assets £000**
Cost or valuation				
At 1 April 2019	700	115	10	**825**
Additions	0	0	0	**0**
Disposals	0	0	0	**0**
Revaluations	0	0	0	**0**
Impairment Losses / (reversals) recognised in the Revaluation Reserve	0	0	0	**0**
Impairment Losses (reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	**0**
At 31 March 2020	700	115	10	**825**
Cost or valuation				
At 1 April 2020	700	115	10	**825**
Additions	0	0	0	**0**
Disposals	0	0	0	**0**
Revaluations	0	0	0	**0**
Impairment Losses / (reversals) recognised in the Revaluation Reserve	0	0	0	**0**
Impairment Losses (reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	**0**
At 31 March 2021	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 2020/21.

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.

	2020/21 £000	2019/20 £000
Rental income from investment property	**(3,963)**	(4,170)
Direct operating expenses arising from investment property	**1,327**	1,423
Net (gain) / loss	**(2,636)**	(2,747)

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:

	2020/21 £000	2019/20 £000
Balance at 1 April	**50,779**	55,446
Additions:		
Purchases	**0**	361
Subsequent expenditure	**0**	350
Disposals	**0**	0
Net gains/(losses) from fair value adjustments	**(3,685)**	(5,764)
Transfers to/from Property, Plant and Equipment	**0**	386
Balance at 31 March	**47,094**	50,779

Purchases and Subsequent Expenditure

There have been no purchases in 2020/21. In 2019/20 the main purchases made by the Authority were the leasehold interest in two Flats in The Orchards Shopping Centre for £177,000 and £181,000. The Authority is the freeholder of these properties.

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 2020 are set out in a valuation report. In estimating the fair value of the Authority's investment properties, the highest and best use is their current use. The impact of Covid-19 has led to the valuer including the following statement regarding the valuation techniques used during the year for investment properties.

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

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

The main downward revaluation changes are for The Orchards Shopping Centre, downwards by £2,890,000, which is mainly due to a decrease in reversion rent for a large unit. Other changes are for 255-269 London Road, Burgess Hill downwards by £331,000, The Martlets Shopping Centre downwards by £613,000 and the Market Place Car Park downwards by £1,079,000. The main upward revaluation changes are for 29 Paddockhall Road revalued upwards by £573,000 and Sheddingdean Industrial Estate by £940,000.

An impairment review was conducted for 31 March 2021, by Wilkes Head Eve LLP, with no further adjustments needed to the asset values.

There were no disposals recorded for 2020/21 or for 2019/20.

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 £141,000 charged to revenue in 2020/21 (£153,000 in 2019/20) 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:

	2020/21	2019/20
Balance at 1 April	£000	£000
Gross carrying amounts	**1,059**	880
Accumulated amortisation	**(614)**	(647)
Net carrying amount at 1 April	**445**	233
Purchases	**16**	365
Disposals (NBV)	**(21)**	0
Amortisation for the year	**(141)**	(153)
Net carrying amount at end of year	**299**	445
Comprising:		
Gross carrying amounts	**1,011**	1,059
Accumulated amortisation	**(712)**	(614)
Balance at 31 March	**299**	445

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.

	2020/21 £000	2019/20 £000
Opening Capital Financing Requirement	**27,438**	27,948
Capital Investment		
Operational Assets and Assets Under Construction (Note 12)	**5,034**	2,426
Investment Assets (Note 14)	**0**	711
Intangible Assets (Note 15)	**16**	365
Revenue expenditure funded from capital under statute (Note 6)	**6,369**	5,990
Source of Finance		
Capital Receipts (Note 6)	**(21,411)**	(86)
Government Grant, WSCC Contribution, Sect 106 receipts in advance (Note 6)	**(5,600)**	(5,602)
Capital Grants Unapplied Account (Note 6)	**(2,726)**	(563)
Capital expenditure financed from revenue balances (Note 6)	**(1,403)**	(3,241)
Statutory provision for the payment of debt-MRP from revenue (Note 6)	**(522)**	(510)
Closing Capital Financing Requirement	**7,195**	27,438
Explanation of Movement in Year		
Increase / (Decrease) in underlying need to borrow (unsupported by Government financial assistance)	**(20,243)**	(510)
Increase/ (Decrease) in Capital Financing Requirement	**(20,243)**	(510)

As part of the purchase of the head lease of The Orchards Shopping Centre the Authority entered into borrowing in November 2016. Further details are given in the Narrative Report Note 9. Following the capital receipt for sale of land at Hurst Farm on 31 March 2021, £19,722,000 has been utilised to show as financing for The Orchards, leaving £4,600,000 to be financed in the future.

Capitalisation of Borrowing Costs

At 31 March the Authority has no capitalised borrowing costs.

17. Impairment Losses

During 2020/21, the Authority has recognised impairment losses of £2,344,000 and credits of £779,000 to give a net loss of £1,565,000 as part of the revaluation for 1 April 2020, completed by the external valuer, Wilks Head & Eve LLP, RICS qualified chartered surveyors. The losses are mainly on Temporary Accomodation Buildings of £1,005,000 and £751,000 on Oaklands Offices.

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 2021 £000	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000
Investments at amortised cost	**25**	25	**38,070**	19,171
Fair value through profit or loss	**5,689**	5,730	**0**	0
Total Investments	**5,714**	5,755	**38,070**	19,171
Fair value through profit or loss	**0**	0	**20,831**	9,790
Total Cash and Cash Equivalents	**0**	0	**20,831**	9,790
Long Term Debtors at amortised Cost	**20**	22	**0**	0
Trade Debtors at amortised Cost	**0**	0	**1,370**	1,026
Total Financial Assets	**5,734**	5,777	**60,271**	29,987
Borrowing at amortised cost	**(152)**	(7,298)	**(5,185)**	(189)
Bank Overdraft	**0**	0	**0**	0
Total Borrowings	**(152)**	(7,298)	**(5,185)**	(189)
Creditors -Finance lease liabilities at amortised cost	**(1,970)**	(2,258)	**(288)**	(283)
Trade Creditors at amortised cost	**0**	0	**(4,221)**	(3,204)
Total Financial Liabilities	**(2,122)**	**(9,556)**	**(9,694)**	**(3,676)**

Borrowings

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

For the purchase of the head lease of The Orchards Shopping Centre, Haywards Heath, long term borrowing of £7,000,000 and short term borrowing of £15,000,000 was arranged at interest rates between 0.35% and 1.00% with other local authorities. The loans commenced on 21 November 2016. £2,000,000 of the long term borrowing matured on 20 November 2020. The remaining £5,000,000 matures on 22 November 2021 which is now shown as short term borrowing. Further detail is given in the Narrative Report Note 9.

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 2020/21 £000	Financial Assets: measured at Amortised Cost 2020/21 £000	Financial Assets: Fair Value through profit or loss 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)**
Surplus/deficit arising 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 Liabilities measured at Amortised Cost 2019/20 £000	Financial Assets: measured at Amortised Cost 2019/20 £000	Financial Assets: Available-for-Sale 2019/20 £000	Total 2019/20 £000
Interest expense (Note 9)	156	0	0	156
Total expense in Surplus or Deficit on the Provision of Services	156	0	0	156
Interest income, dividend income (Note 9)	0	(335)	(257)	(592)
(Gain)/Loss on revaluation of financial instrument (Note 25 (d))	0	0	213	213
Total income in Surplus or Deficit on the Provision of Services	0	(335)	(44)	(379)
Net (gain)/loss for the year	156	(335)	(44)	(223)
Surplus/deficit arisng on revaluation of financial assets in Other Comprehensive Income and Expenditure	0	0	0	0
Net (gain)/loss for the year	**156**	**(335)**	**(44)**	**(223)**

Financial 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 2021 £000	Fair Value 31 March 2021 £000	Amortised Cost 31 March 2020 £000	Fair Value 31 March 2020 £000
Borrowing	**(5,337)**	**(5,337)**	(7,487)	(7,410)
Other liabilities	**(6,480)**	**(6,480)**	(5,744)	(5,744)
Financial Assets				
Investments greater than 1 year	**25**	**25**	25	25
Fair value through profit & loss (CCLA Property Fund)	**5,689**	**5,689**	5,730	5,730
Money market investments less than 1 year	**38,070**	**38,070**	19,171	19,171
Cash Equivalents	**20,831**	**20,831**	9,790	9,790
Other assets	**3,001**	**3,001**	1,373	1,373

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

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

Nature and Extent of Risks Arising From Financial Instruments

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

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

Overall procedures for managing risk

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

Credit Risk

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

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

Credit Risk Management Practices

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

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

- Credit ratings of Short Term of F1, Long Term A-, (Fitch or equivalent rating), with the lowest available rating being applied to the criteria. Except for the UK, a minimum sovereign credit rating of AA- will be used
- UK institutions provided with support from the UK Government
- Building Societies with assets in excess of £1 billion

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

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

The full investment strategy for 2020/21 was approved by the Authority on 22 July 2020 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 £57,010,000 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 2021 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 2021:

Financial Institutions	**Credit Risk Rating**	**Gross Carrying Amount £000**
Money Market Funds	AAA	**15,000**
UK Banks	AA-	**4,000**
UK Banks	A+	**3,010**
UK Banks	A	**7,000**
UK Banks	A-	**4,000**
Building Societies	BBB	**3,000**
Building Societies	BB-	**3,000**
Building Societies	Unrated	**16,000**
Local Authorities	AA-	**2,000**
Total		**57,010**

During the year 2020/21 the Authority wrote off financial assets with a contractual amount outstanding of £127,000 (£27,000 in 2019/20).

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 2021 £ 000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2021 %	Estimated maximum exposure to default and uncollectability at 31 March 2021 £000	Estimated maximum exposure at 31 March 2020 £000
Customers *	**1,089**	**3**	**3**	**36**	**10**
Total	**1,089**	**3**	**3**	**36**	**10**

* excludes statutory debtors for Council Tax and NNDR

The Authorty received large Covid Business Support Grants on 1 April 2020, with additional funding received subsequently. It was necessary to keep these funds liquid in order to distribute them to local businesses as quickly as possible. Consequently the Authority's counterparty investment limits were breached on several occasions. The credit risk was mitigated by spreading the additional funds across counterparties with high ratings, using the usual criteria of "security, liquidity then yield". The breaches were reported to the Authority and no losses were incurred.

The Authority does not generally allow credit for customers, such that £1,070,000 is past its due date for payment (£1,009,000 at 31 March 2020) and is analysed by age as follows:

	31 March 2021 £000	31 March 2020 £000
Less than three months	**428**	520
Three to six months	**83**	122
Six months to one year	**175**	152
Greater than one year	**384**	215
Total	**1,070**	1,009

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

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

The Authority has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is, therefore, no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets, excluding sums due from customers, is as follows:

	31 March 2021 £ 000	31 March 2020 £ 000
Less than one year	**57,010**	28,465
Between one and two years	**0**	0
Between two and three years	**0**	0
Total	**57,010**	28,465
Local Authority Property Fund	**6,000**	6,000
Total	**63,010**	34,465

Refinancing and Maturity Risk

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

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

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

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

	Approved minimum limits %	Approved maximum limits %	Actual at 31 March 2021 %	Actual at 31 March 2021 £ 000	Actual at 31 March 2020 %	Actual at 31 March 2020 £ 000
Less than 1 year	0	80	72	**5,458**	25	2,462
Between 1 and 2 years	0	70	6	**447**	54	5,434
Between 2 and 5 years	0	80	12	**920**	10	1,054
Between 5 and 10 years	0	80	10	**756**	11	1,068
More than 10 years	0	60	0	**0**	0	0
Total			100	**7,581**	100	10,018

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 2021, if interest rates had been 1% higher with all other variable held constant, the financial effect would be:

	£000
Increase in Interest payable on variable borrowings	**n/a**
Increase in Interest receivable on variable investments	**170**
Impact on Surplus or defict on the Provision of Services	**170**
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)	**35**

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

	31 March 2021	31 March 2021	31 March 2020	31 March 2020
Amounts falling due within one year	£000	£000	£000	£000
Central Government Departments		**10,834**		633
Other Local Authorities		**3,197**		432
Other Entities and Individuals	**7,259**		6,110	
less Allowance for general Bad Debts	**(2,979)**		(2,747)	
less Allowance for Collection Fund Bad Debts	**(1,433)**		(650)	
Net Debtors for Other Entities and Individuals		**2,847**		2,713
Total		**16,878**		3,778

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 £7,397,000 as detailed in Section 4. The Other Local Authorities balance is mainly £2,407,000 due from West Sussex CC to fund a capital project.

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 2021 £000	31 March 2020 £000
Bank current accounts	**1,831**	325
Cash Equivalents	**19,000**	9,465
Cash & Cash Equivalents (Cashflow Statement)	**20,831**	9,790

21. Assets Held for Sale

A Community Asset, Hurst Farm, was transferred from Property, Plant and Equipment and classified as Asset Held for Sale at 31 March 2019 with a value of £27,208,000. 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 2021 £000	31 March 2020 £000
Balance outstanding at start of year	**27,208**	27,208
Assets newly classified as held for sale transferred from Property, Plant and Equipment		
Disposals	**(27,208)**	0
Balance outstanding at year-end	**0**	27,208

22. Creditors

	31 March 2021 £000	31 March 2020 £000
Government Departments	**(22,877)**	(4,053)
Other Local Authorities	**(2,626)**	(8,129)
Other entities and individuals	**(6,331)**	(4,884)
	(31,834)	(17,066)

The year end balance for outstanding payments due to Government Departments comprises the Business Rates Accounting adjustments for Covid-19 Business Rate Reliefs of £13,370,000. The grants were paid in advance during the year to assist the Authority's cashflow and are due to be repaid in 2021/22. Also in the Government Departments total is £9,041,000 for Receipts in Advance of additional Covid-19 grants. Part of this sum could be repaid to Central Government in 2021/22 following reconciliations of additional Covid-19 restriction grants that the Authority paid to businesses on behalf of Central Government.

23. Provisions

The provisions held at 31 March 2021 are as follows:

- £289,000 for Employee Benefits Accrual. Employees build up an entitlement to be paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Authority is required to accrue for any annual leave earned but not taken at 31 March each year.
- £10,000 is in relation to MMI, further details are set out in the Narrative Report.
- £0 for Termination Benefits Provision. Further details are set out in Note 30.
- £3,102,000 NNDR Appeals Outstanding Provision, MSDC share, further detail is in the Collection Fund Section 4.

	31 March 2019 £000	Movement in Year £000	31 March 2020 £000	Movement in Year £000	31 March 2021 £000
Employee Benefits Provision	(97)	(49)	(146)	(143)	**(289)**
MMI Provision	(10)	0	(10)	0	**(10)**
Termination Benefits Provision	0	(77)	(77)	77	**0**
Business Rates Appeals Provision	(2,216)	872	(1,344)	(1,758)	**(3,102)**
	(2,323)	746	(1,577)	(1,824)	**(3,401)**

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.

2019/20 £000	2019/20 £000	Revaluation Reserve	2020/21 £000	2020/21 £000
	(73,303)	**Balance at 1 April**		**(71,898)**
(512)		Upward revaluation of assets	**(8,354)**	
1,299		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	**3,047**	
	787	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		**(5,307)**
607		Difference between fair value depreciation and historical cost depreciation	**571**	
11		Accumulated gains on assets sold or scrapped	**27,295**	
	618	Amount written off to the Capital Adjustment Account		**27,866**
	(71,898)	**Balance at 31 March**		**(49,339)**

(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.

2019/20 £000	2019/20 £000	Capital Adjustment Account	2020/21 £000	2020/21 £000
	(75,162)	**Balance at 1 April**		**(71,721)**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
1,959		Charges for depreciation and impairment of non-current assets	**1,915**	
159		Revaluation losses/(gains) on Property, Plant and Equipment	**1,565**	
153		Amortisation of intangible assets	**141**	
5,990		Revenue expenditure funded from capital under statute	**6,369**	
36		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	**27,356**	
	8,297			**37,346**
	(618)	Adjusting amounts written out of the Revaluation Reserve		**(27,866)**
	7,679	Net written out amount of the cost of non-current assets consumed in the year		**9,480**
		Capital financing applied in the year:		
(86)		Use of the Capital Receipts Reserve to finance new capital expenditure	**(21,411)**	
(3,241)		Capital expenditure charged against the General Fund balances	**(1,403)**	
(5,602)		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	**(5,600)**	
(563)		Application of grants to capital financing from the Capital Grants Unapplied Account	**(2,726)**	
(510)		Statutory provision for the financing of capital investment charged against the General Fund balance	**(522)**	
	(10,002)			**(31,662)**
	5,764	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		**3,685**
	(71,721)	**Balance at 31 March**		**(90,218)**

(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.

2019/20 £000	2019/20 £000		2020/21 £000	2020/21 £000
	58	**Balance at 1 April**		**271**
0		Transfer from Available for Sale Financial Instruments Reseve	**0**	
213		Financial Instruments held under Fair Value through Profit & Loss subject to MHCLG Statutory over-ride*	**40**	
	213			**40**
	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**
	271	**Balance at 31 March**		**311**

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

(e) 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.

2019/20 £000	**Pensions Reserve**	2020/21 £000
35,546	**Balance at 1 April**	**15,081**
(23,008)	Actuarial gains or losses on pensions assets and liabilities	**5,679**
5,691	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	**3,677**
(3,148)	Employer's pensions contributions and direct payments to pensiors payable in the year	**(3,190)**
15,081	**Balance at 31 March**	**21,247**

(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.

2019/20 £000	Collection Fund Adjustment Account	2020/21 £000
253	**Balance at 1 April**	**(108)**
(82)	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.	**88**
(279)	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.	**6,613**
(108)	**Balance at 31 March**	**6,593**

The Business Rates Income adjustment amount comprises of the year end deficit of £9,165,000 and the Renewable Energy Scheme Income received of £2,552,000. The Renewable Energy Scheme Income amount will be transferred into the Business Rates Equalisation Reserve in 2021/22 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.

2019/20 £000	2019/20 £000	Accumulated Absences Account	2020/21 £000	2020/21 £000
	97	**Balance at 1 April**		**146**
(97)		Settlement or cancellation of accrual made at the end of the preceding year	**(146)**	
97		Amounts accrued at the end of the current year	**146**	
	49	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		**143**
	146	**Balance at 31 March**		**289**

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 21 £000	Trust Fund	2020/21 Gross Expenditure £000	2020/21 Gross Income £000	2020/21 Net Expenditure £000	2019/20 Net Expenditure £000
2,846	Beech Hurst Gardens	158	(130)	**28**	(47)
386	St.Johns Park	46	(41)	**5**	1
231	Fairfield Road Recreation Ground	9	(7)	**2**	2
162	Richard Worsley Recreation Ground	20	(19)	**1**	1
0	Lucastes Avenue Open Space	0	0	**0**	0
0	West Common Open Space	1	(1)	**0**	0
141	Ashurst Wood Recreation Ground	13	(11)	**2**	2
0	Brooklands Park	7	(7)	**0**	0
662	John Pears Recreation Ground	20	(8)	**12**	1
4,428		274	(224)	**50**	(40)

27. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2019/20 £000		2020/21 £000
(303)	Interest received	**(285)**
(258)	Dividends received	**(254)**
161	Interest paid	**148**

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

2019/20 £000		2020/21 £000
(1,959)	Depreciation	**(1,915)**
(159)	Impairment and downward valuations	**(1,565)**
(153)	Amortisation of Intangible Assets	**(141)**
70	(Increase) / decrease in impairment for bad debts	**(1,015)**
(213)	Adjustment for movements in fair value of investments classified as Fair Value through Profit and Loss Account	**(40)**
54	(Increase) / decrease in interest creditors	**49**
(2,243)	(Increase) / decrease in creditors	**(7,921)**
31	Increase / (decrease) in interest and dividend debtors	**(120)**
(1,570)	Increase / (decrease) in debtors	**6,321**
(48)	Adjustments for effective interest rates	**(38)**
(2,543)	Movement in pension liability	**(487)**
746	Contributions (to)/from Provisions	**(1,824)**
(36)	Carrying amount of non-current assets sold or de-recognised	**(27,356)**
(5,764)	Movement in Investment Property values	**(3,685)**
(13,787)		**(39,737)**

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

2019/20 £000		2020/21 £000
6,161	Capital grants credited to the surplus or deficit on the provision of services	**9,696**
207	Proceeds from the sale of non-current assets	**26,121**
6,368		**35,817**

28. Agency Services

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

The Authority, as the billing authority, also acts as agent for the Government in collecting National Non-Domestic Rates (NNDR). The Government paid an allowance for the cost of this collection of £172,000 in 2020/21 (£172,000 in 2019/20).

	2020/21 £000	2019/20 £000
Expenditure incurred in providing a CPE/CPZ service to WSCC	**768**	828
Fees and charges	**(309)**	(477)
Management fee payable by WSCC	**(343)**	(200)
Net (Surplus) / Deficit arising on the agency arrangement	**116**	151
Government contribution for cost of collection of NNDR	**172**	172
Net (Surplus) / Deficit arising on the agency arrangement	**172**	172

29. External Audit Costs

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

	2020/21 £000	2019/20 £000
Fees payable to Ernst & Young LLP with regard to external audit services carried out by the appointed auditor for the year	**39**	49
	39	49

30. Members' Allowances

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

	2020/21 £000	2019/20 £000
Allowances	**407**	394
Expenses	**1**	13
Total	**408**	407

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	2020/21	142,520	2,675	0	31,072	176,267
Chief Executive	2019/20	138,706	2,675	0	26,297	167,678
Assistant Chief Executive	2020/21	92,770	1,101	0	20,088	113,959
Assistant Chief Executive	2019/20	87,658	1,101	0	16,509	105,268
Head of Digital and Customer Services	2020/21	90,068	0	0	19,275	109,343
Head of Digital and Customer Services	2019/20	85,104	0	0	15,829	100,933
Head of Corporate Resources (and S151 Officer)	2020/21	90,188	2,081	0	19,746	112,015
Head of Corporate Resources (and S151 Officer)	2019/20	85,225	2,082	0	16,239	103,546
Head of Regulatory Services (and Monitoring Officer)	2020/21	80,084	0	0	17,138	97,222
Head of Regulatory Services (and Monitoring Officer)	2019/20	75,674	0	0	14,075	89,749

(Expenses allowances comprise BUPA Medical Insurance payments only)

Banding Note

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

Remuneration Band	Number of Employees 2020/21	2019/20
£145,000 - £149,999	1	0
£140,000 - £144,999	0	1
£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	1	0
£100,000 - £104,999	0	0
£95,000 - £99,999	0	0
£90,000 - £94,999	3	0
£85,000 - £89,999	0	3
£80,000 - £84,999	1	0
£75,000 - £79,999	2	1
£70,000 - £74,999	0	3
£65,000 - £69,999	0	1
£60,000 - £64,999	5	1
£55,000 - £59,999	2	5
£50,000 - £54,999	6	7

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)			
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21 £000	2019/20 £000
£100,001 - £150,000	**-**	1	**-**	-	**-**	1	**0**	100
£80,001 - £100,000	**-**	-	**-**	-	**-**	-	**0**	0
£60,001 - £80,000	**-**	-	**1**	2	**1**	2	**61**	142
£40,001 - £60,000	**-**	-	**-**	-	**-**	-	**0**	0
£20,001 - £40,000	**-**	1	**3**	2	**3**	3	**94**	92
£0,000 - £20,000*	**1**	2	**6**	4	**7**	6	**34**	38
	1	4	**10**	8	**11**	12	**189**	372
Provision	**-**	1	**-**	-	**-**	1	**0**	77
Total	**1**	5	**10**	8	**11**	13	**189**	449

‘ * For 19/20, this banding only totals £38,000 as it contains a credit of £16,000 that relates to 1 employee who left in 2018/19, but whose cost was adjusted in 2019/20. Therefore, a cost of £53,000 within this net total of £38,000, relates to the remaining 5 officers who left in 2019/20. 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 £189,000 (£449,000 in 2019/20) for exit packages in the current year. For 2019/20 this includes a provision £77,000 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 is no provision for 2020/21.

Termination Benefits

The Authority terminated the contracts of a number of employees in 2020/21, incurring gross liabilities of £189,000 (compared to £449,000 in 2019/20).

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 but two 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 2021 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 2020/21 is shown in Note 30. A list of organisations that have received grant funding has also been reviewed. Discounting town and parish councils, only minor (<£500) sums have been advanced to any that have a Councillor interest. No disclosures have been received for the larger grants and there is no reason to suspect that any individual has failed to declare the appropriate interest. A review of the Register of Members’ Interests has been undertaken to ascertain if any related party interests exist. No material disclosures have been identified. The Register of Members’ Interest is open to public inspection at the council office during office hours, on application, and is also available on the Council’s website.

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

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 2021	31 March 2020
	£000	£000
Vehicles, Plant, Equipment	**2,258**	**2,541**
	2,258	**2,541**

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 2021 £000	31 March 2020 £000
Current	**332**	**332**
Non- current	**2,102**	**2,434**
Less finance costs payable in future years	**(176)**	**(225)**
Minimum lease payments	**2,258**	**2,541**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2020/21	2019/20	2020/21	2019/20
	£000	£000	£000	£000
Not later than one year	**288**	283	**288**	283
Later than one year and not later than five years	**1,214**	1,190	**1,214**	1,190
Later than five years	**756**	1,068	**756**	1,068
	2,258	2,541	**2,258**	2,541

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 £43,000 (£25,000 in 2019/20) and the total commitments at 31 March 2021 amounted to £113,000 (£63,000 in 2019/20).

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

	2020/21	2019/20
	£000	£000
Not later than one year	**35**	20
Later than one year and not later than five years	**74**	43
Later than five years	**4**	0
	113	63

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:

	2020/21	2019/20
	£000	£000
Not later than one year	**3,711**	3,752
Later than one year and not later than five years	**12,482**	11,965
Later than five years	**64,739**	67,355
	80,932	83,072

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 £211,000 in 2020/21 (£259,000 in 2019/20).

34. Defined Benefit Pension Schemes

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

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

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

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

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

Transactions relating to Post-employment Benefits
We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge we are required to make against council tax is based on cash payable in year, so the real cost of post employments/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	2020/21 £000	2019/20 £000
Cost of Services:		
Current Service Cost	**3,328**	4,778
Past Service Cost/Gain	**0**	53
Losses/(Gains) on Curtailment and Settlements	**0**	(15)
Effect of Business Combinations and Disposals	**0**	0
Financing and Investment Income and Expenditure:		
Net Interest Expense (Note 9)	**349**	875
Total Post Employment Benefit Charges to the Surplus or Deficit on the Provision of Services	**3,677**	5,691
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)	**(27,658)**	3,643
Actuarial (Gains)/Losses arising on changes in demographic assumptions	**159**	(7,262)
Actuarial (Gains)/Losses arising on changes in financial assumptions	**34,702**	(13,099)
Other experience (Gains)/Losses	**(1,524)**	(6,290)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**5,679**	(23,008)
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	**3,677**	5,691

	2020/21 £000	2019/20 £000
Actual amount charged to the General Fund Balance for pensions in the year:		
Employers' contributions payable to the scheme	**3,190**	3,148

The total contributions expected to be paid to the Local Government Pension Scheme by the Authority in the year to 31 March 2022 is £2,793,000.

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 2021 £ 000	31 March 2020 £ 000
Present value of defined benefit obligation	**(165,791)**	(129,356)
Fair value of plan assets	**144,544**	114,275
Net Liability arising from defined benefit obligation	**(21,247)**	(15,081)

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

Year ended:	31 March 2021 £ 000	31 March 2020 £ 000
Opening Defined Benefit Obligation	**129,356**	150,936
Current service Cost*	**3,328**	4,778
Interest Cost	**2,975**	3,647
Contributions by Members	**687**	588
Remeasurement		
Actuarial Gains/(Losses) arising on changes in demographic assumptions	**159**	(7,262)
Actuarial Gains/(Losses) arising on changes in financial assumptions	**34,702**	(13,099)
Other experience	**(1,524)**	(6,290)
Past Service Costs/(Gains)	**0**	53
Liabilities Extinguished on Settlements	**0**	0
Liabilities Assumed in a Business Combination	**0**	0
Estimated Unfunded Benefits Paid	**(107)**	(123)
Estimated Benefits Paid	**(3,785)**	(3,872)
Closing Defined Benefit Obligation	**165,791**	129,356

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

Year ended:	31 March 2021 £ 000	31 March 2020 £ 000
Opening Fair Value of Employer Assets	**114,275**	115,390
Interest income	**2,626**	2,772
Effect of Settlements	**0**	15
Remeasurement		
Return on plan assets (excluding the amount included in the net interest expense)	**27,658**	(3,643)
Contributions by Members	**687**	588
Contributions by the Employer	**3,083**	3,025
Contributions in respect of Unfunded Benefits	**107**	123
Assets Distributed on Settlements	**0**	0
Assets Acquired in a Business Combination	**0**	0
Benefits Paid	**(3,785)**	(3,872)
Unfunded Benefits Paid	**(107)**	(123)
Closing Fair Value of Employer Assets	**144,544**	114,275

*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 MHCLG 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 2020/21(or projected service cost for 2021/22).

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:

	Fair value of scheme assets	Percentage of Total Assets	Fair value of scheme assets	Percentage of Total Assets
Year ended:	31 March 2021	31 March 2021	31 March 2020	31 March 2020
	£ 000	%	£ 000	%
Cash and cash equivalents	**6,408**	**4%**	4,531	4%
Equity Instruments:				
By industry type:				
Consumer	**15,016**	**10%**	10,150	9%
Manufacturing	**8,438**	**6%**	7,838	7%
Energy and Utilities	**2,214**	**2%**	2,778	2%
Financial Institutions	**13,096**	**9%**	12,711	11%
Health and Care	**9,666**	**7%**	7,667	7%
Information Technology	**20,060**	**14%**	12,189	11%
Other	**4,790**	**3%**	3,157	3%
Sub-total equity	**73,280**		56,490	
Bonds:				
Government	**1,836**	**1%**	2,594	2%
Sub-total Bonds	**1,836**		2,594	
Private Equity:				
All*	**2,303**	**2%**	2,615	2%
Sub-total private Equity	**2,303**		2,615	
Property:				
Uk Property	**9,808**	**7%**	8,832	8%
Overseas property	**0**	**0%**	0	0%
Sub-total Property	**9,808**		8,832	
Investment funds and Unit Trusts:				
Bonds	**48,642**	**33%**	37,848	33%
Other	**2,267**	**2%**	1,365	1%
Sub-total Investment Funds	**50,909**		39,213	
Totals	**144,544**	**100%**	114,275	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:

	MSDC	MSDC
Year ended:	31 March 2021	31 March 2020
Pension Increase Rate	**2.9%**	1.9%
Salary Increase Rate	**3.4%**	2.3%
Discount rate	**2.0%**	2.3%

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	22.1 years	24.4 years
Future Pensioners	23.1 years	26.1 years

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

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

35. Contingent Liabilities

A contingent liability is a potential liability which depends on the occurrence or non-occurrence of one or more uncertain future events. The Council has identified the following contingent liabilities as at 31 March 2021 that might result in an obligation on the Council.

There are no contingent liabilities as at 31 March 2021.

36. Contingent Assets

There are no contingent assets as at 31 March 2021.

37. Accounting Policies

(a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. 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 2020/21.

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 is difficult having reported an overspend for 2020/21, but this deterioration is only due to the impact of Covid-19 on income, and expenditure on support to the leisure contract.

Impact of Covid

The 2020/21 budget was set in March 2020 and set a balanced budget after transfers to specific reserves. The Medium Term Financial Plan (MTFP) at that time showed modest savings being necessary to 2023/24.

However, since the budget was set, and as amply described elsewhere, the emergence of Covid-19 fundamentally changed the financial regime for the sector for some time to come. Mid Sussex is as affected as any other body but does have adequate reserves to enable it cope with the downturn over a period beyond the financial year. However 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.

The Corporate Plan was recast in September 2020 and an outline plan (within Appendix C of the report) put in place to identify savings across the Business Units although it is recognised that this is inadequate to deal with savings needed in the £millions in the worst case.

There are a number of factors that have yet to be finalised when preparing the corporate plan over the medium term; Business Rate income and the Fair Funding Review being the two most important, but subject to these being resolved the authority continues to be solvent and capable of being described as a going concern.

Cash position
The Council had a general reserve cash balance of £7.811m at the end of March 2021. Whilst there is uncertainty on income, the Council remains confident in its ability to maintain sufficient cash for its services throughout the medium term. The Council is of course also able to borrow short term for cash management purposes if ever needed.

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

Furthermore, the Council has a modest capital programme and could postpone non-essential capital projects that would further protect the levels of cash and useable reserves. The programme focuses on projects that produce a positive financial revenue return as well as those where there are health and safety requirements or were already in progress and could not be postponed without incurring significant costs.

Conclusion
These accounts have been confidently prepared on a going concern basis, following an overspend in 2020/21 that is 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 2020 to February 2021 rather than April 2020 to March 2021.
- Refunds relating to Sports pitch bookings fee income for the year are accounted for in May of the following year, being the end of the season.
- Council tax and Non Domestic Rate billing and the associated housing benefit and CTRS notifications where although the printing and despatch of bills is carried out within the accounting year, the cost clearly relates to the billing year and is matched thereto.
- Car park income is recorded as income on the date the cash is banked, not the date it is collected by the third party.

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

(c) Cash and Cash Equivalents

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

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

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

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

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

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

(e) Charges to Revenue for Non- Current Assets

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

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

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

(f) Employee Benefits

Benefits Payable During Employment

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

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

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

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

The West Sussex Local Government Pension Scheme

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

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

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

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

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

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year –allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - Past service costs – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - Net interest on the net defined benefit (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Re-measurements comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the West Sussex pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

(g) Events After the Reporting Period

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

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

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

(h) Financial Instruments

Financial Liabilities

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

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

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

Any gains and losses that arise on derecognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model

Expected credit losses for all of financial assets held at amortised cost are recognised either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables, and contract assets and trade receivables.

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

Financial Assets Measured at Fair Value through Profit or Loss

Fair values are shown in Note 18 Financial Instruments. The measurement techniques are detailed in Note 37 (y).

Fair Value Through Other Comprehensive Income

The Authority has no Financial Assets classed as FVOCI.

(i) Government Grants and Contributions

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

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

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

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

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

(j) Heritage Assets

Tangible and intangible Heritage Assets (described in this summary as heritage assets)

The Authority's Heritage Assets are held in the Council offices, and on the South Downs at Clayton, West Sussex. These heritage assets are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the Authority's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The Authority's heritage assets are accounted for as follows:

- **Historical Buildings**

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

- **Art Collection and Civic Regalia**

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

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

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

(k) Intangible Assets

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

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

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

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

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

(l) Inventories and Long Term Contract

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

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

(m) Investment Property

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

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

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

(n) Jointly Controlled Operations and Jointly Controlled Assets

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

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

(o) Leases

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between

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

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

Operating Leases

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

The Authority as Lessor

Finance Leases

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

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

(p) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principle of the CIPFA Service Reporting Code of Practice 2020/21 (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 2020, 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 2021. 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 2020/21 (the Code) requires an authority to disclose information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, and this would result in an impact on disclosures spanning two financial years.

Accounting changes that are introduced by the 2021/22 code are:

- Definition of a Business: Amndments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7;
- Interest Rate Benchmark Reform -Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

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

Adoption of IFRS 16 Leases has been postponed until at least the 2022/23 CIPFA Accounting Code of Practice. Where the Authority is a lessee it will require the majority of leases to be recognised on the balance sheet as right-of-use assets with corresponding lease liabilities.

39. Critical Judgements in Applying Accounting Policies

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

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

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

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

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

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

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

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

The items in the Authority's Balance Sheet at 31 March 2021 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 £38,000 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 £3,102,000 (2019/20 £1,344,000) has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2021. 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 2021.

Pension Liability: Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. The effects on the net pension liability of changes in individual assumptions can be measured. For instance a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £16,748,000. In addition, a 0.5% increase in the Pension Increase Rate would increase liabilities by £14,870,000. However, the assumptions interact in complex ways. During 2020/21, the Authority's actuaries advised that the net pension liability had decreased by £27,171,000, as a result of estimates being corrected as a result of experience and increased by £33,337,000 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 £4,412,000 (2019/20 £3,397,000) 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

2019/20 £000 Council Tax	2019/20 £000 Business Rates	2019/20 £000 Total		Note	2020/21 £000 Council Tax	2020/21 £000 Business Rates	2020/21 £000 Total
			Income				
			Council Tax				
(111,478)	0	(111,478)	Council Tax Receivable	2	**(116,798)**	**0**	**(116,798)**
0	0	0	Council Tax Hardship Grant		**(651)**	**0**	**(651)**
			Business Rates				
0	(48,966)	(48,966)	Business Rates Receivable	3	**0**	**(27,127)**	**(27,127)**
(111,478)	(48,966)	(160,444)	Total Income		**(117,449)**	**(27,127)**	**(144,576)**
			Expenditure				
			Apportionment of Previous Year Estimated Surplus / (Deficit)				
593	112	705	West Sussex County Council		**953**	**590**	**1,543**
75	0	75	Sussex Police & Crime Commissioner		**131**	**0**	**131**
103	446	549	Mid Sussex District Council		**162**	**(581)**	**(419)**
0	558	558	Central Government		**0**	**(727)**	**(727)**
771	1,116	1,887			**1,246**	**(718)**	**528**
			Precepts, Demands and Shares				
83,993	24,526	108,519	West Sussex County Council		**88,787**	**4,641**	**93,428**
11,529	0	11,529	Sussex Police & Crime Commissioner		**12,337**	**0**	**12,337**
14,260	8,918	23,178	Mid Sussex District Council		**15,109**	**18,565**	**33,674**
0	11,148	11,148	Central Government		**0**	**23,207**	**23,207**
109,782	44,592	154,374			**116,233**	**46,413**	**162,646**
			Charges to Collection Fund				
71	250	321	Write Offs of uncollectable amounts	4	**22**	**135**	**157**
199	(232)	(33)	Increase/(decrease)in bad debt allowance	4	**627**	**1,186**	**1,813**
0	1,179	1,179	Increase/(decrease) provision for appeals	4	**0**	**1,036**	**1,036**
0	0	0	Renewable Energy Scheme	3	**0**	**2,552**	**2,552**
0	172	172	Cost of Collection Allowance		**0**	**172**	**172**
270	1,369	1,639			**649**	**5,081**	**5,730**
110,823	47,077	157,900	Total Expenditure		**118,128**	**50,776**	**168,904**
(655)	(1,889)	(2,544)	**(Surplus)/Deficit arising in the year**		**679**	**23,649**	**24,328**
			Collection Fund Balance				
(1,328)	1,073	(255)	(Surplus)/Deficit at 1 April 2020		**(1,983)**	**(1,439)**	**(3,422)**
(655)	(2,512)	(3,167)	Movement on Fund Balance		**679**	**23,649**	**24,328**
(1,983)	**(1,439)**	**(3,422)**	**(Surplus) / Deficit at 31 March 2021**		**(1,304)**	**22,210**	**20,906**
			Shares of (Surplus)/Deficit at 31 March 2021				
(1,517)	(1,776)	(3,293)	West Sussex County Council		**(996)**	**1,251**	**255**
(208)	0	(208)	Sussex Police & Crime Commissioner		**(138)**	**0**	**(138)**
(258)	150	(108)	Mid Sussex District Council		**(170)**	**9,315**	**9,145**
0	187	187	Central Government		**0**	**11,644**	**11,644**
(1,983)	**(1,439)**	**(3,422)**			**(1,304)**	**22,210**	**20,906**

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 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. For 2019/20 all of the 7 Districts were part of the West Sussex Pool, with the shares of 20% retained by the Authority, 55% share paid to West Sussex County Council and 25% share paid to Central Government.

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 is 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 MHCLG through Section 31 Grants. These grants have been received in 2020/21 and have been transferred to the Authority's earmarked reserve. This reserve will be 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 4 March 2020, 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	1,456.89	6/9	971.3		
between £40,001 & £52,000	4,641.13	7/9	3,609.8		
between £52,001 & £68,000	11,461.25	8/9	10,187.8		
between £68,001 & £88,000	14,941.19	9/9	14,941.2		
between £88,001 & £120,000	10,462.70	11/9	12,787.7		
between £120,001 & £160,000	7,968.56	13/9	11,510.1		
between £161,001 & £320,000	4,411.34	15/9	7,352.2		
over £320,000	362.01	18/9	724.0		
			62,084.1	(372.5)	**61,711.6**

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 £1,814.37 to £1,944.17.

Authority	Demand or Precept £000		Council Tax Base		Band D Council Tax £	
West Sussex County Council	**88,787**	÷	61,711.6	=	**1,438.74**	
Sussex Police & Crime Commissioner	**12,337**	÷	61,711.6	=	**199.91**	
Mid Sussex District Council	**15,109**	÷	61,711.6	=	**244.83**	(average)
Average Band D Council Tax Charge For 2020/21					**1,883.48**	

For 2020/21 Central Government paid a Covid-19 Council Tax Hardship Fund Grant to compensate billing authorities for the council tax foregone in 2020/21 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 amount of £651,000 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 2021 was £126,230,000 (£124,324,000 at 31 March 2020). The standard multiplier for 2020/21 was 51.2p (50.4p in 2019/20) and the Small Business Rate Relief Multiplier for the year was 49.9p (49.1p in 2019/20).

The business rates shares payable for 2020/21 were estimated before the start of the year as £23,206,000 (50%) (£11,148,000 in 2019/20, 25%) to Central Government, £18,565,000 (40%) (£8,918,000 in 2019/20, 20%) for the Authority and £4,641,000, 10% (£24,526,000 in 2019/20, 55%) for WSCC. These amounts have been charged to the Collection Fund in year. For the previous year, 2019/20, the Authority was part of the WSCC Business Rates Pool. In the pool, the net yield is paid 25% to central government, 55% to WSCC leaving 20% as the Authority's share.

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 £16,253,000 was made in 2020/21 from the Authority's General Fund to Central Government. The Authority was not required to make a tariff payment in year 2019/20 due to being part of the WSCC Business Rates Pool.

The total income from business ratepayers collected in 2020/21 was £27,127,000 (£48,966,000 in 2019/20), net of transitional protection payments for ratepayers of £14,000 (£622,000 in 2019/20). The Renewable Energy Scheme allows the Authority to soley retain the income for a site that it has granted planning permission for, and in 2020/21 the income received totalled £2,552,000 payable to the Authority. The Renewable Energy Scheme income will be transferred to the Business Rates Equalisation Reserve in 2021/22.

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 2021. A total of £3,690,000 (£3,112,000 in 2019/20) has been allowed against debts of £5,732,000 (£4,567,000 in 2019/20) outstanding as at 31 March 2021. The Authority's share of the allowance is £468,000 (£404,000 in 2019/20).

In year, £22,000 of uncollectable amounts has been written off (£71,000 in 2019/20).

Business Rates An allowance of £2,414,000 (£1,228,000 in 2019/20) has been made for Business Ratepayers' Bad Debts using an analysis of the recovery position of the debts outstanding as at 31 March 2021 against debts outstanding of £3,591,000 (£4,156,000 in 2019/20). The Authority's share of the allowance is £966,000 (£246,000 in 2019/20).

In year, £135,000 of uncollectable amounts has been written off (£250,000 in 2019/20).

A provision for appeals made against the rateable value not settled as at 31 March 2021 has been made of £7,755,000 (£6,719,000 in 2019/20). The Authority's share is £3,102,000 (£1,344,000 in 2019/20).

MID SUSSEX
DISTRICT COUNCIL

Annual Governance Statement

ANNUAL GOVERNANCE STATEMENT 2020/21

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 2021 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 annually (and last updated 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.

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 and this has been enacted once 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 Customer Services, Service Delivery and Community; the last instance being in February 2021. 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 (see below) 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.

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 accordance with its Action Plan.

- 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 oversight of the Department for Business, Energy and Industrial Strategy (BEIS) of our processes in administering and awarding some £40m of Covid grants, delivered at pace and against a changing suite of guidance.

- The work of the corporate Joint Procurement Board partnered with Horsham DC and Crawley BC;

- The Council's internal audit coverage (purchased from Crawley BC under a shared service arrangement), which is planned using a risk based approach. The outcome from the internal audit coverage helps form the Chief Internal Auditor's opinion on the overall adequacy of the 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;

- An annual review of the constitution by the Constitutional Review Group, which recommends amendments to the Constitution, where appropriate, for agreement by the Council. The last review, reported to, and agreed by, Council in May 2020 reduced the number of planning committees to two per month on regular Thursdays to align better with the level of business and the number of meetings held at similar District Councils. This change has worked well to date.

- Work of the Standards Committee, which includes monitoring the operation of the Members' Code of Conduct and the Member and Officer Protocol.

5. Significant governance issues

The Covid-19 pandemic has provided the context within which all business at the authority has been conducted during 2020/21. It has necessitated working at speed to provide new services, such as national grant schemes, as well as provide extended services in areas of higher demand such as Housing and Homelessness. Remote working has been instituted and adopted very quickly and staff teams have had to adapt to this new way of working without recourse to physical resources such as paper files and meeting spaces.

Similarly, Members have adapted to virtual meetings throughout the year, which has enabled scrutiny and decision making to continue to a high standard.

Importantly, an independent Governance Review has been undertaken during this year and it provides a helpful, external perspective on the Council's Governance arrangements.

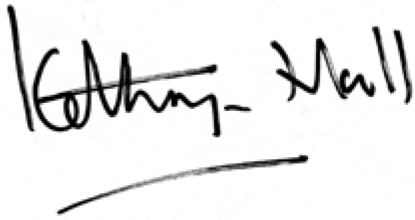
The Review has confirmed that the Council's formal governance meets statutory requirements. It also makes some helpful recommendations. They are in two phases; the first focussing on improving cross party working within the Council and the knowledge and familiarity of all members with the Council's governance arrangements. The second phase recommends a review of the Scrutiny, Council and working group arrangements with a view to reducing cost and increasing impact. The Review also made a number of minor suggestions to strengthen the Council's Governance. The Review's Action Plan allocates clear responsibilities for implementing all the changes recommended.

The report of the external reviewer has been shared with all members and discussed at a private workshop. A report on the Review will be considered by Council at its meeting in September.

There was one call in during the year concerning a decision of Cabinet to close Clair Hall in Haywards Heath. The Scrutiny Committee decided that no further consideration by the Cabinet was necessary. However, subsequently a judicial review was issued by a local resident against the Council regarding the decision to close Clair Hall which resulted in a consent order being agreed by the parties to conclude the proceedings ahead of a preliminary court hearing and in accordance with that consent order the Council is now undertaking consultation and engagement regarding the future of Clair Hall.

This started in June 2021 and will run for 12 weeks after which Cabinet will reconsider the future of the Clair Hall site.

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



Cllr Jonathan Ash-Edwards
Leader of Council
July 2021

Kathryn Hall
Chief Executive
July 2021

MID SUSSEX
DISTRICT COUNCIL

Glossary of Terms

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DWP – Department for Work and Pensions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Reserves - See Provisions and Reserves.

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

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

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

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

Revenue Expenditure Funded From Capital Under Statute (REFCUS) – Expenditure that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the Comprehensive Income & Expenditure Statement.

Service Reporting Code of Practice (SeRCOP) – This is Cifpa's authoritive guide that establishes proper practices with regard to consistent financial reporting for services in local authorities.

Surplus – is where income exceeds expenditure.

Transitional Relief – Scheme whereby the Council Tax is reduced for properties which would otherwise have seen a large increase in the Council Tax bill in comparisons with the actual 1992/93 community charge bill for the particular property.