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Three assets valued at £0.367m were transferred from Other Land and Buildings during the year.

### Capital Commitments

At 31 March 2019, the Council was committed to the following significant capital works contracts (£5.9m in 2018):

Capital scheme	£000
Pirie's Place Car Park	3,272
Temporary accommodation - Rowan Drive and Peary Close	1,545
<b>Total</b>	<b>4,817</b>

### Effects of Changes in Estimates

#### Revaluations

The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years. Valuations are carried out externally. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Total £000
Carried at historical cost		3,774	3,774
Valued at fair value as at			
31 March 2019	80,906		80,906
31 March 2018	10,999		10,999
31 March 2017	3,752		3,752
31 March 2016	3,466		3,466
31 March 2015	22		22
	<b>99,145</b>	<b>3,774</b>	<b>102,919</b>

## 13 INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2018/19 £000	2017/18 £000
Income from investment property	(4,402)	(3,374)
Direct operating expenses arising from investment property	536	299
Net (gains)/losses from fair value adjustments	(3,762)	1,080
<b>Net (gain)/loss</b>	<b>(7,628)</b>	<b>(1,995)</b>

There are no restrictions to the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of the disposal. In estimating the fair value of the Council's investment properties, the highest and best use of the properties is deemed to be their current use. All the Council's investment property portfolio has been assessed as Level 2 for valuation purposes (see note 1 for explanation of fair value levels).

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

	2018/19 £000	2017/18 £000
<b>Balance at start of year</b>	<b>46,600</b>	<b>35,461</b>
Additions	541	12,300
Net gains/(losses) from fair value adjustments	3,766	(1,161)
Transfers	2	0
<b>Balance at end of the year</b>	<b>50,909</b>	<b>46,600</b>

## 14 FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants do not give rise to financial instruments. Financial instruments are recognised in the Balance Sheet when the authority becomes a party to the contractual provisions of the instrument.

At 1 April 2018 the standard that covers how financial instruments are accounted for changed. An additional table has been added to the accounts to show how financial assets have been re-categorised on transition to this new accounting standard.

### Financial assets

Financial assets are classified into one of three categories dependent on both:

- the reason the authority is holding the asset (e.g. to collect the contractual cash flows until maturity and / or to sell before maturity); and
- the nature of the asset's contractual cash flows (e.g. just principal and interest or something more complicated).

Reason for holding the asset	Nature of the contractual cash flows	Classification category
Holding assets in order to collect contractual cashflows	Solely payments of principal and interest	Amortised Cost
Holding assets in order to collect contractual cashflows as well as selling the assets	Solely payments of principal and interest	Fair value through other comprehensive income
Holding assets that do not fall into either of the above categories	Not solely payments of principal and interest	Fair value through profit and loss

As an exception to the above, at initial recognition an authority may make an irrevocable election to present changes in the fair value of investments in equity instruments through other comprehensive income rather than through profit and loss. This is dependant on these investments being held for strategic rather than trading purposes. Such investments are then classified as Fair value through other comprehensive income.

All financial assets are initially measured at fair value and recognised on the balance sheet. How the financial assets are subsequently measured, and how unrealised gains or losses are shown in the accounts is dependent on what category the asset has been classified as.

Classification category	Subsequent measurement basis	Presentation of unrealised gains and losses
Amortised cost	Amortised cost	A disclosure note
Fair Value through Other Comprehensive Income (FVOCI)	Fair Value	The 'Other comprehensive income' section of the Comprehensive Income & Expenditure Statement (CIES)
Fair Value through Profit & Loss (FVPL)	Fair Value	The 'Financing and investment income & expenditure' section of the CIES.

A financial asset is derecognised from the Balance Sheet when the contractual rights to the cash flows expire, or the financial asset is transferred.

Interest or dividends are credited to the Financing and Investment Income and Expenditure line in the CIES. Dividends are credited when they become receivable by the authority. Interest income is credited based on the amortised cost of the asset multiplied by its effective interest rate.

### Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The Council's financial liabilities held during the year are measured at amortised cost and comprised loan from Public Works Loan Board repayable at the end of 2018/19 and trade payables for goods and services received.

**Amortised cost** (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:

- cash in hand,
- bank current and deposit accounts with NatWest bank,
- fixed term deposits with banks and building societies,
- loans to other local authorities,
- loans to local leisure facility provider made for service purposes,
- receivables for rent and services provided.

Financial assets held at amortised cost are shown net of a loss allowance (where material) reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.



## Financial Instruments - Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Financial Liabilities	Long Term		Short Term	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	£000	£000	£000	£000
Loans at amortised cost:				
- PWLB borrowing*			(4,067)	(4,000)
<b>Total Borrowing</b>	<b>0</b>	<b>0</b>	<b>(4,067)</b>	<b>(4,000)</b>
Liabilities at amortised cost:				
- Trade payables			(12,426)	(14,272)
<b>Included in Creditors **</b>	<b>0</b>	<b>0</b>	<b>(12,426)</b>	<b>(14,272)</b>
<b>Total Financial Liabilities</b>	<b>0</b>	<b>0</b>	<b>(16,493)</b>	<b>(18,272)</b>

\* Includes accrued Interest on £4m loan

\*\* The various liabilities lines on the Balance Sheet include £8.9m (2018: £11.0m) short-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions.

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

Financial Assets	Long Term		Short Term	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	£000	£000	£000	£000
<i>At amortised cost:</i>				
- Principal including accruals		2,000	4,014	4,814
<i>At fair value through profit &amp; loss:</i>				
- Fair value	16,747	15,632	9,367	9,382
<b>Total Investments *</b>	<b>16,747</b>	<b>17,632</b>	<b>13,381</b>	<b>14,196</b>
<i>At amortised cost:</i>				
- Principal incl accruals			1,294	537
<i>At fair value through profit &amp; loss:</i>				
- Fair value			4,003	5,000
<b>Total Cash and Cash Equivalents</b>	<b>0</b>	<b>0</b>	<b>5,297</b>	<b>5,537</b>
<i>At amortised cost:</i>				
- Receivables			3,372	3,889
- Loans made for service purposes	248	282		
- Loss allowance	(7)	(7)	(233)	(230)
<b>Included in Debtors **</b>	<b>241</b>	<b>275</b>	<b>3,139</b>	<b>3,659</b>
<b>Total Financial Assets</b>	<b>16,988</b>	<b>17,907</b>	<b>21,810</b>	<b>23,385</b>

\* The total short-term investments includes £0.006m (2018: £0.075m representing accrued interest

\*\* The debtors lines on the Balance Sheet include £2.8m (2018: £3m) short-term debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions.

## Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

	Financial Liabilities		Financial Assets		2018/19 Total	2017/18 Total
	Amortised Cost	Amortised Cost	Fair Value through Profit & Loss	Fair Value through Profit & Loss		
	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	135				135	140
Impairment Loss						
		4			4	7
<b>Interest payable and similar charges</b>	<b>135</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>139</b>	<b>147</b>
Interest income		(96)			(96)	(327)
Dividend income				(791)	(791)	(512)

Gains on de-recognition					(72)
Gains from changes in fair value			(149)	(149)	50
Impairment loss reversals		(1)		(1)	
<b>Interest and investment income</b>	<b>0</b>	<b>(97)</b>	<b>(940)</b>	<b>(1,037)</b>	<b>(861)</b>
<b>Net impact on surplus/deficit on provision of services</b>	<b>135</b>	<b>(93)</b>	<b>(940)</b>	<b>(898)</b>	<b>(714)</b>
Gains on revaluation					(90)
Losses on revaluation					362
<b>Impact on other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>(272)</b>
<b>Net (Gain)/Loss for the Year</b>	<b>135</b>	<b>(93)</b>	<b>(940)</b>	<b>(898)</b>	<b>(442)</b>

### Financial Instruments - Fair Values

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including shares in money market funds and other pooled funds, the fair value is taken from the market price

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2019, using the following methods and assumptions:

- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

### Financial Liabilities

The fair value of short-term financial liabilities held at amortised cost, including short term borrowing and trade payables, is assumed to approximate to the carrying amount. The valuations are deemed as level 2 in the fair value hierarchy.

### Financial assets

For financial assets the balance sheet figure is equivalent to the fair value. In the fair value hierarchy the levels for the instruments which are subject to a valuation technique (this excludes short term trade payables and receivables) are shown below. The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

Category	IFRS9	Fair value level	31.03.2019 £000	31.03.2018 £000
Pooled funds	FVPL	1	16,747	15,632
Money market funds	FVPL	1	13,374	14,189

### (E) Financial Instruments - Risks

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- **Credit Risk:** The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- **Liquidity Risk:** The possibility that the Council might not have the cash available to make contracted payments on time.
- **Market Risk:** The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

#### Credit Risk: Treasury Investments

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of £5m is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a smaller limit of £2.5m. The Council also sets limits on investments in certain sectors. No more than £12m in total can be invested for a period longer than one year.

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity

Credit Rating	31.03.2019		31.03.2018	
	Long-term	Short-term	Long-term	Short-term
	£000	£000	£000	£000
AAA				1,780
A-		1,978		
BBB+				747
Unrated local authorities		4,000	2,000	3,011
<b>Total</b>	<b>0</b>	<b>5,978</b>	<b>2,000</b>	<b>5,538</b>

Loss allowances on treasury investments would be calculated by reference to historic default data published by credit rating agencies, adjusted for any extraordinary economic conditions. There is no material loss allowance applicable to treasury investments.

#### Credit Risk: Trade and Lease Receivables

The Council has both trade and lease receivables. The Council's credit risk on lease receivables is to some extent mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

The following analysis summarises the Council's trade and lease receivables, by due date. Only those receivables meeting the definition of a financial asset are included.

	£ 000	
	31.03.2019 Trade Receivables	31.03.2018 Trade Receivables
Neither past due nor impaired	1,276	742
Past due < 3 months	549	797
Past due 3-6 months	117	33
Past due 6-12 months	145	93
Past due 12+ months	253	235
<b>TOTAL RECEIVABLES</b>	<b>2,340</b>	<b>1,900</b>

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

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

#### Credit Risk: Loans, Financial Guarantees and Loan Commitments

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

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

Borrower	Exposure type	Balance Sheet	Risk exposure	Balance Sheet	Risk exposure
		31.03.2019 £'000s	31.03.2019 £'000s	31.03.2018 £'000s	31.03.2018 £'000s
Henfield leisure centre	Loans at market rates	241	241	275	275

The Council manages the credit risk inherent in its loans for service purposes, in line with its published Investment Strategy.

Loss allowances on loans for service purposes have been assessed with reference to expected failures of comparable organisations. They are determined to have suffered a significant increase in credit risk where there is significant increased risk that the business model of the organisation may not be able to sustain interest payments and they are determined to be credit-impaired where there it is deemed probable the organisation's business model is not sustainable. Loans are written off to the Surplus or Deficit on the Provision of Services when they are deemed irrecoverable, but steps are still taken to collect sums owing when it is judged that the borrower still has the potential to repay.

### Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments

### Market Risks: Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income will rise
- investments at fixed rates – the fair value of the assets will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. To gauge the sensitivity of the Council to interest rate changes if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	31.03.2019 £000	31.03.2018 £000
Increase in interest receivable on variable rate investments	(99)	(178)
Decrease in fair value of investments held at FVPL	229	89
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>130</b>	<b>(89)</b>
Decrease in fair value of investments held at FVOCI	0	163
<b>Impact on Comprehensive Income and Expenditure</b>	<b>130</b>	<b>74</b>
Decrease in fair value of loans and investments at amortised cost *	12	31
Decrease in fair value of fixed rate borrowing *	0	(40)

\*No impact on Comprehensive Income and Expenditure.

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

### Market Risks: Price Risk

The market prices of the Council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk.

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £5m. A 5% fall in commercial property prices at 31 March 2019 would result in a £0.26m (2018: £0.20m) charge to Other Comprehensive Income and Expenditure.

The Council's investment in a pooled equity funds is subject to the risk of falling share prices. This risk is limited by the Council's maximum exposure to pooled funds that include equity investments of £12m. A 5% fall in share prices at 31 March 2019 would result in a £0.25m (2018: £0.25m) charge to Other Comprehensive Income and Expenditure.

### Transition to IFRS 9 Financial Instruments

The Council adopted the IFRS 9 Financial Instruments accounting standard with effect from 1st April 2018. The main changes include the reclassification of financial assets and the earlier recognition of the impairment of financial assets

The Council has made use of the transitional provisions in IFRS 9 to not restate the prior year's financial statements, and the effect of the transition is instead shown as an additional line in the Movement in Reserves Statement. The changes made on transition to the balance sheet are summarised below:

	<b>IAS 39</b> <b>31.03.18</b>	<b>Reclassification</b>	<b>Impairment</b>	<b>IFRS 9</b> <b>01.04.18</b>
<b>FINANCIAL ASSETS</b>				
<b>Investments</b>				
L&R /Amortised cost	6,814			6,814
Available for sale / FVOCI	25,015	(25,015)		0
FVPL	0	25,015		25,015
Total investments	31,829			31,829
<b>Debtors</b>				
L&R /Amortised cost	4,071		(7)	4,064
Total debtors	4,071		(7)	4,064
<b>Cash &amp; cash equivalents</b>				
L&R /Amortised cost	5,537			5,537
Total cash & equivalents	5,537			5,537
<b>TOTAL FINANCIAL ASSETS</b>	<b>41,437</b>		<b>(7)</b>	<b>41,430</b>
<b>FINANCIAL LIABILITIES</b>				
<b>Borrowing</b>				
Amortised cost	(4,000)			(4,000)
<b>Creditors</b>				
Amortised cost	(14,272)			(14,272)
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>(18,272)</b>			<b>(18,272)</b>
<b>NET FINANCIAL ASSETS</b>	<b>23,165</b>	<b>0</b>	<b>(7)</b>	<b>23,158</b>
	<b>IAS 39</b> <b>31.03.18</b>	<b>Reclassification</b>	<b>Impairment</b>	<b>IFRS 9</b> <b>01.04.18</b>
<b>RESERVES</b>				
<b>Unusable Reserves</b>				
Available for sale reserve	295	(295)		(0)
Capital adjustment account	(88,646)		7	(88,639)
Pooled fund adjustment account		295		296
<b>TOTAL RESERVES</b>	<b>(88,351)</b>	<b>0</b>	<b>7</b>	<b>(88,344)</b>

## 15 CASH AND CASH EQUIVALENTS

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

	<b>31.03.2019</b>	<b>31.03.2018</b>
	<b>£000</b>	<b>£000</b>
Cash held by Council	7	6
Money market Funds	4,003	5,000
Short-term deposits	1,978	747
Cash in transit	(691)	(216)
<b>Total Cash and Cash Equivalents</b>	<b>5,297</b>	<b>5,537</b>

## 16 SHORT-TERM DEBTORS

	<b>31.03.2019</b>	<b>31.03.2018</b>
	<b>£000</b>	<b>£000</b>
Sundry Debtors	3,333	4,097
Central government bodies	949	966
Payments in advance	451	382
Council Tax debtors	403	438
NNDR Debtors	1,028	776

Housing benefit overpayments	2,740	2,981
Other local authorities	0	24
	<u>8,904</u>	<u>9,664</u>
Allowance for doubtful debts	<u>(2,965)</u>	<u>(2,945)</u>
	<u><b>5,939</b></u>	<u><b>6,719</b></u>

## 17 SHORT-TERM CREDITORS

	31.03.2019	31.03.2018
	£000	£000
Sundry Creditors	(4,581)	(5,747)
Prepayment of NNDR	(902)	(1,000)
Prepayment of Council Tax	(275)	(269)
WSCC Council Tax creditors	(2,494)	(3,158)
SPA Council Tax creditors	(314)	(387)
Central Government – Grants, Reliefs and Levy	(402)	(1,464)
Central Government - NNDR creditors	(2,253)	(1,903)
WSCC NNDR Creditors	<u>(451)</u>	<u>(416)</u>
Total	<u><b>(11,672)</b></u>	<u><b>(14,344)</b></u>

## 18 PROVISIONS AND OTHER LONG TERM LIABILITIES

	Provision for NNDR appeals	Provision for corporate restructure	Provision for Accumulated Absences	Total
	£000	£000	£000	£000
<b>Balance at 1 April 2017</b>	(2,128)	(233)	(148)	(2,509)
Additional provisions made in 2017/18	(598)	(71)	(7)	(676)
Amounts used in 2017/18	882	233		1,115
Unused amounts reversed in 2017/18	0	0	0	0
<b>Balance at 31 March 2018</b>	<u>(1,844)</u>	<u>(71)</u>	<u>(155)</u>	<u>(2,070)</u>
Additional provisions made in 2018/19	(825)	0	(6)	(831)
Amounts used in 2018/19	177	71	0	248
Unused amounts reversed in 2018/19	0	0	0	0
<b>Balance at 31 March 2019</b>	<u><b>(2,493)</b></u>	<u><b>0</b></u>	<u><b>(161)</b></u>	<u><b>(2,653)</b></u>

### Provision for NNDR Appeals

Estimate of rates potentially overcharged to businesses repayable on appeal.

### Provision for Accumulated Absences

Established in 2009/10 to cover employees' leave that was not taken at the end of each year.

### Other long term liabilities:

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

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

The movements in both are show below

	S106 Contributions		Capital Grants Rec'd in Advance	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	£000	£000	£000	£000
<b>Opening balance</b>	<b>(10,071)</b>	<b>(7,308)</b>	<b>(15,659)</b>	<b>(11,560)</b>
Grants/Contributions in	(3,744)	(2,804)	(815)	(5,010)
Grants/Contributions out	5,078	41	2,437	911
<b>Closing balance</b>	<u><b>(8,737)</b></u>	<u><b>(10,071)</b></u>	<u><b>(14,037)</b></u>	<u><b>(15,659)</b></u>

## 19 USABLE RESERVES

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2018/19

Useable Revenue Reserves	Balance at 31.03.17 £000	Income / Expenditure 2017/18 £000	Transfer to / from other reserves 2017/18 £000	Balance at 31.03.18 £000	Income / Expenditure 2018/19 £000	Transfer to / from other reserves 2018/19 £000	Balance at 31.03.19 £000
<b>General Fund Balance</b>	<b>(9,480)</b>	<b>(6,278)</b>	<b>4,100</b>	<b>(11,658)</b>	<b>(7,976)</b>	<b>5,405</b>	<b>(14,229)</b>
New Homes Reserve	(4,933)	0	885	(4,048)	0	30	(4,018)
NHB - BBH Leisure Centre	(1,383)	5,001	(5,000)	(1,382)	5,894	(4,827)	(314)
Health and Wellbeing	(177)	0	(20)	(197)	0	(13)	(210)
Council tax localism	(293)	0	0	(293)	0	0	(293)
Neighbourhood Planning Grant	(278)	0	0	(278)	0	0	(278)
s106 Reserves	(1,184)	432	0	(752)	0	166	(586)
NNDR Provision	(1,435)	0	0	(1,435)	0	0	(1,435)
Homelessness Prevention	0	0	0	0	0	(82)	(82)
Revenues & Benefits	0	0	0	0	0	(318)	(318)
Transformation fund	(113)	0	19	(94)	0	(261)	(355)
Other	(718)	(84)	16	(786)	0	(100)	(885)
<b>Other Earmarked Reserves</b>	<b>(10,514)</b>	<b>5,350</b>	<b>(4,100)</b>	<b>(9,264)</b>	<b>5,894</b>	<b>(5,405)</b>	<b>(8,774)</b>
<b>Sub-total</b>	<b>(19,994)</b>			<b>(20,923)</b>			<b>(23,003)</b>
<b>Useable Capital Reserves</b>							
<b>Capital Receipts Reserve</b>	<b>(5,282)</b>	<b>4,249</b>		<b>(1,033)</b>	<b>(294)</b>		<b>(1,327)</b>
<b>Capital Grants unapplied</b>	<b>(5,281)</b>	<b>(1,171)</b>		<b>(6,452)</b>	<b>(2,694)</b>		<b>(9,145)</b>
<b>Total Useable Revenue Reserves</b>	<b>(30,557)</b>			<b>(28,408)</b>			<b>(33,475)</b>

## 20 UNUSABLE RESERVES

### Revaluation Reserve

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

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

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

	31.03.2019 £000	31.03.2018 £000
Balance at 1 April	(33,517)	(29,298)
(Upward)/downward revaluation of assets	(5,329)	(6,767)
Downward revaluation of assets and impairment losses not charged to the Surplus/deficit on the Provision of Services	3,778	1,911
Difference between fair value depreciation and historical cost depreciation	551	520
Amount written off to the Capital Adjustment Account	0	117
<b>Balance at 31 March</b>	<b>(34,517)</b>	<b>(33,517)</b>

### Pension Reserve

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

	<b>2018/19</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	(10,314)	(2,045)
Actuarial gains or losses on pensions assets and liabilities	4,688	(10,046)
Reversal of items relating to retirement benefits debited or credited to the surplus of Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	5,147	4,467
Employers pensions contributions and direct payments to pensioners payable in the year	<u>(2,482)</u>	<u>(2,690)</u>
<b>Balance at 31 March</b>	<u><b>(2,961)</b></u>	<u><b>(10,314)</b></u>

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The account contains accumulated gains and losses in investment properties and revaluation gains and losses accumulated on property, plant and equipment before 1 April 2007, the date the Revaluation Reserve was created.

	<b>2018/19</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	<b>(88,638)</b>	<b>(83,858)</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
- Charges for depreciation and impairment of non-current assets	2,396	2,003
- Revaluation gains / losses on Property, Plant and Equipment	7,026	4,939
- Depreciation of intangible assets	3	3
- Revenue expenditure funded from capital under statute	1,941	1,098
- 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	0	484
Movements in the market value of Investment Property	(3,766)	1,081
Adjusting amounts written out of the Revaluation Reserve	(551)	(637)
write out prior year unfinanced capital expenditure derecognised		15
Service loan principal reversing previous year's financing	53	
Service loan movement in expected credit losses	(1)	
Capital financing applied in the year:		
- Use of the Capital Receipts Reserve to finance new capital expenditure	(984)	(5,968)
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(3,462)	(1,518)
- Application of grants to capital financing from the Capital Grants Unapplied Account	(108)	(170)
Statutory provision for the financing of capital investment charged against the General Fund	(870)	(924)
Use of general revenue reserves for the financing of capital investment	<u>(6,418)</u>	<u>(5,193)</u>
<b>Balance at 31 March</b>	<u><b>(93,379)</b></u>	<u><b>(88,645)</b></u>



## Collection Fund Adjustment Account

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

	2018/19	2017/18
	£000	£000
<b>Balance at 1 April - Council Tax</b>	<b>(369)</b>	<b>(385)</b>
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	108	16
<b>Balance at 31 March</b>	<b>(261)</b>	<b>(369)</b>
<b>Balance at 1 April – NNDR</b>	<b>815</b>	<b>(36)</b>
Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements	279	851
<b>Balance at 31 March</b>	<b>1,094</b>	<b>815</b>
<b>Total</b>	<b>833</b>	<b>446</b>

## 21 CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

### a) Adjust net surplus or deficit on the provision of services for non-cash movements

	2018/19	2017/18
	£000	£000
Depreciation and Impairments	(2,399)	(2,006)
Impairments	(3,260)	(6,019)
Pensions Liability	(2,665)	(1,777)
(Increase)/decrease in debtors	(878)	561
(Increase)/decrease in creditors	8,017	1,866
Movement in provisions	(399)	(893)
Movement in Reserves	0	97
(Increase)/decrease in inventories	16	33
Other non-cash adjustments	0	449
<b>Total</b>	<b>(1,568)</b>	<b>(7,689)</b>

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

	2018/19	2017/18
	£000	£000
Capital grants credited to the surplus or deficit on the provision of services	6,264	2,757
Proceeds from the sale of non-current assets	1,225	1,241
Council Tax and NDR adjustment	180	180
<b>Total</b>	<b>7,669</b>	<b>4,178</b>

### c) Interest received, interest paid and dividends received

	2018/19	2017/18
	£000	£000
Interest received	(882)	(960)
Interest paid	135	139
<b>Total</b>	<b>(747)</b>	<b>(821)</b>

## 22 EXTERNAL AUDIT COSTS

	2018/19 £000	2017/18 £000
Fees payable with regard to external audit services carried out by the appointed auditors for the year	39	50
Fees payable for the certification of grant claims and returns for the year	11	12
Fees payable in respect of other services relating to previous year	8	0
<b>Total</b>	<b>58</b>	<b>62</b>

The costs for the 2018/19 audit above are based on the indicative scale fees. It does not include any fee variation for additional audit work that may be required to complete the audit.

Fees payable in respect of other services relate to additional work on the 2017/18 main audit and Pension Fund, only recently agreed by Public Sector Audit Appointments.

## 23 MEMBERS ALLOWANCES

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

	2018/19 £000	2017/18 £000
Attendance Allowances	321	326
Expenses	24	18
<b>Total</b>	<b>345</b>	<b>344</b>

## 24 LEASES

### Operating Leases

#### Council as a Lessee

The Council leases its main office and a small number of vehicles with charge of £0.24m

#### Council as Lessor

The Council leases out a range of properties under operating leases for community services and commercial rents.

#### Future minimum lease payments

The future minimum lease payments receivable/payable under non-cancellable leases in future years are:

	Receivable as Lessor		Payable as Lessee	
	31.03.2019 £000	31.03.2018 £000	31.03.2019 £000	31.03.2018 £000
Not later than one year	2,765	2,911	242	230
Later than one year and not later than five years	7,813	7,848	956	920
Later than five years	8,656	9,440	268	498
	<b>19,234</b>	<b>20,199</b>	<b>1,466</b>	<b>1,648</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as rent reviews. The Council received contingent rent of £0.22m in 2018/19 (£0.28m in 2017/18).

**Finance Leases** - The Council has no material investment in finance leases as lessee or lessor.

## 25 SENIOR OFFICER'S REMUNERATION

<b>Corporate Post Holder Title</b>	<b>Total Remuneration excluding pension contributions</b>	<b>Employer Pension Contributions</b>	<b>Total Remuneration including pension contributions</b>	<b>Note</b>
<b>2018/19</b>	<b>£</b>	<b>£</b>	<b>£</b>	
Chief Executive	112,967	23,516	136,483	a
Director of Community Services	92,563	18,820	111,383	b
Director of Corporate Resources (Section 151 Officer)	95,959	19,516	115,475	a
Director of Place	76,055	15,493	91,548	c
Head of Legal and Democratic Services (Monitoring Officer)	67,214	13,779	80,993	d

2017/18	£	£	£	
Chief Executive	125,460	23,217	148,677	a
Director of Community Services	73,340	14,954	88,294	b
Director of Corporate Resources (Section 151 Officer)	96,306	19,133	115,439	a
Director of Place	92,694	19,133	111,827	
Head of Legal and Democratic Services (Monitoring Officer)	17,386	3,776	21,162	d

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

Note:

a. Senior officers are remunerated for returning officer duties during elections. The amount of remuneration varies according to the type and number of elections. In 2017/18 the amount payable for returning officer duties was greater than the 2018/19 amount paid, as there was a general election in June 2017. Following the retirement of the previous Chief Executive, the new Chief Executive started on 10 April 2018.

b. In 2017/18, the previous Director of Community Services left post in June 2017 and the current Director did not start until September 2017, so 2017/18 comparator does not include a full year of costs.

c. In 2018/19, the previous Director of Place left post in June 2018 and the current Director of Place started in post on 28 August 2018, so 2018/19 does not include a full year of costs.

d. In 2017/18, the previous Head of Legal and Democratic Services (Monitoring officer) left post at the end of June 2017 so 2017/18 does not include a full year of costs. The current Head of Legal and Democratic Services post did not start until 9 April 2018. In the interim period, the monitoring officer role was undertaken by the monitoring officer at Crawley Borough Council. The spend on this interim role is not included in the salary expenditure totals as this was paid through creditors as the monitoring officer was not an employee of the Council.

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

Remuneration Band	Number of Employees 2018/19	Number of Employees 2017/18
£50,000 - £54,999	4	6
£55,000 - £59,999	7	9
£60,000 - £64,999	2	1
£65,000 - £69,999	3	1
£70,000 - £74,999	0	1
£75,000 - £79,999	1	1
£80,000 - £84,999	0	0
£85,000 - £89,999	0	0
£90,000 - £94,999	1	1
£95,000 - £99,999	1	1
£100,000 - £104,999	0	0
£105,000 - £109,999	0	0
£110,000 - £114,999	1	0
£115,000 - £119,999	0	0
£120,000 - £124,999	0	0
£125,000 - £129,999	0	1
<b>Total number</b>	<b>20</b>	<b>22</b>

## 26 EXIT PACKAGES

The number of exit packages with total cost per band and total cost of the redundancies are as follows:

Exit package cost band	Number of Compulsory redundancies		Number of other agreed departures		Total number of exit packages by exit band		Total cost of exit packages in each band	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19 £000	2017/18 £000
£0 - £20,000	3	3	6	2	9	5	51	36
£20,001 - £40,000	2	4	0	0	2	4	62	124
£40,001 - £60,000	0	1	0	0	0	1	0	59

£60,001 - £80,000	0	2	0	0	0	2	0	149
£80,001 - £100,000	0	1	0	0	0	1	0	81
£100,001 - £150,000	1	0	0	0	1	0	105	0
<b>Total</b>	<b>6</b>	<b>11</b>	<b>6</b>	<b>2</b>	<b>12</b>	<b>13</b>	<b>218</b>	<b>449</b>
Provision	0	2	0	0	0	2	0	71
<b>Total</b>	<b>6</b>	<b>13</b>	<b>6</b>	<b>2</b>	<b>12</b>	<b>15</b>	<b>218</b>	<b>520</b>

## 27 TERMINATION BENEFITS

During 2018/19 the Council terminated 12 posts at a total cost of £218k which was made up of redundancy payments of £118k and other termination costs of £100k.

The Council's share of redundancy for two officers from Census Revenues and Benefits (hosted by Mid Sussex) are included in the figures in 2018/19. This share is set at 50% of the redundancy costs and totals £62k for two officers.

The Council employed the Director of the Rural West Sussex Partnership who was made redundant during 2018/19. The table includes the gross cost of £10k but Horsham District Council received contributions from the other Rural West Sussex partners of £9k, resulting in a net cost of £1k.

In 2017/18, the statement included a provision of £71k, relating to two Council officers. The actual costs for these two officers are not included again in the 2018/19 bands.

## 28 RELATED PARTIES

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

**Central Government** - has effective control over the general operations of the Council, it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grant receipts outstanding at 31 March 2019 are shown in note 10 (Grant income).

**Local Government** - West Sussex County Council, Sussex Police Authority and Parish Councils within Horsham District for precepts (details contained within the Collection Fund Account);

West Sussex County Pension Fund for pension from and on behalf of Horsham District Council employees (details contained within the Income and Expenditure Account)

**Council Members** - Councillors have direct control over the council's financial and operating policies. The total of members allowances paid in 2018/19 is shown in note 23.

**Senior Officers** - are defined as the Chief Executive together with the Directors which together make up the Senior Leadership Team. These Officers have the responsibility of managing the Council and have power to direct or control the major activities of the Council, in particular those involving the expenditure of money. Details of senior officer remuneration are shown in note 25. There were no related party disclosures by senior officers in 2018/19.

### Building Control

Horsham District Council provides the Building Control service for Crawley Borough Council. Crawley discharged this function under an agreement pursuant to sections 101 and 111 of the Local Government Act 1972, section 3 of the Local Government Act 1999 and the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2000/2851. The total contribution paid by Crawley for 2018/19 amounted to £329k (£309k in 2017/18) and £66k (£52k in 2017/18) was outstanding as at 31 March 2019.

## 29 CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2018/19	2017/18
	£000	£000
<b>Opening Capital Financing Requirement</b>	<b>30,388</b>	<b>15,992</b>
<b>Capital Investment</b>		
Property, Plant & Equipment	12,130	14,839
Investment Properties	541	12,300
Intangible Assets	24	0
Revenue Expenditure Funded from Capital Under Statute	1,941	1,098
<b>Sources of finance</b>		
Capital receipts	(984)	(5,968)
Government grants and other contributions	(3,571)	(1,688)
Direct revenue contributions	(6,418)	(5,194)
Minimum Revenue Provision	(870)	(924)
write out prior year unfinanced capital expenditure derecognised	0	(67)
Closing Capital Financing Requirement	<u><b>33,181</b></u>	<u><b>30,388</b></u>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrowing	3,663	15,387
Minimum Revenue Provision	(870)	(924)
write out prior year unfinanced capital expenditure derecognised		(81)
write back revenue provision on unfinanced capital expenditure derecognised		15
Increase/ (decrease) in Capital Financing Requirement	<u><b>2,793</b></u>	<u><b>14,397</b></u>

### 30 DEFINED BENEFIT PENSION SCHEMES

#### Participation in Pension Schemes

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

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

In addition, the Council is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases and early access pension costs. In 2018/19 these amounted to £98k (£101k in 2017/18) representing 1% of pensionable pay (1% in 2017/18).

#### Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund via the Movements in Reserves Statement.

At the start of 2017/18, the Council had a shared service arrangement with Mid Sussex and Adur District Councils for the Revenues and Benefits service and with the same authorities and Worthing Borough Council for Census information technology service.

At 31 March 2018, all employees from Census Revenues and Benefits transferred to Mid Sussex District Council as the partnership finished on 31 March 2018 and the Joint Committee ceased.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

<u>Comprehensive Income and Expenditure Statement</u>	2018/19	2017/18
	£000	£000
<u>Cost of Services</u>		
- current service cost	(4,568)	(4,688)
- past service costs	(818)	(342)
- effect of settlements	0	(1,534)
<b>Total Service Cost</b>	<u><b>(5,386)</b></u>	<u><b>(6,564)</b></u>
<u>Financing and Investment Income and Expenditure</u>		

Interest income on planned assets	4,543	4,225
Interest cost on defined benefit obligation	(4,304)	(4,212)
<b>Total Net Interest</b>	<b>239</b>	<b>13</b>
<b>Effect of Business Combinations – cessation surplus</b>	<b>0</b>	<b>2,084</b>
<b>Total Post Employment Benefit Charged to the Surplus or deficit on the provision of services</b>	<b>(5,147)</b>	<b>(4,467)</b>

#### Re-measurements of the Net Defined Liability

Actuarial gains arising from changes in demographic assumptions	0	0
Actuarial gains / (losses) arising from changes in financial assumptions	(12,094)	2,734
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	43	94
Return on assets excluding amounts included in net interest	7,364	7,217
<b>Total re-measurements recognised in other comprehensive income</b>	<b>(4,687)</b>	<b>10,045</b>
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(9,834)</b>	<b>5,578</b>

#### 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	<b>(5,147)</b>	<b>(4,467)</b>
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#### Actual amounts charged to the General fund balance for pensions in the year

Employers contributions payable to the scheme	(2,482)	(2,690)
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#### Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	2018/19	2017/18
	£000	£000
Present value of liabilities - Funded	(175,117)	(157,145)
Present value of liabilities - Un funded	(1,520)	(1,600)
Fair value of plan assets	179,598	169,058
Net asset (liability) arising from defined benefit obligation	<b>2,961</b>	<b>10,313</b>

The surplus on the balance sheet reduced in 2018/19. This is a result of Corporate bonds yields being lower, which serves to increase the value placed on the obligations. The effect of this is partially offset by investment returns being greater than the 31 March 2018 discount rate. The balance sheet position for a 'typical' LGPS employer is likely to have worsened as a result.

Funded Liabilities - LGPS	2018/19	2017/18	2017/18	2017/18
		Census new	Census old	HDC
Reconciliation of present value of the scheme liabilities:	£000	£000	£000	£000
Balance at 1 April	(158,745)	0	(7,747)	(155,199)
Adjustment to Census partnership	0	204	(118)	0
Current service cost	(4,568)	(127)	(114)	(4,447)
Interest cost	(4,304)	(56)	(84)	(4,072)
Contributions by scheme participants	(794)	(21)	(22)	(751)
Actuarial gains and losses	(12,051)	0	38	2,791

Benefits paid	4,643	(0)	39	4,461
Past service costs	(818)		(64)	(278)
Liabilities distributed on settlements	0	0	8,072	0
Liabilities assumed in a business combination	0	0	0	(1,250)
<b>Balance at 31 March</b>	<b>(176,637)</b>	<b>0</b>	<b>0</b>	<b>(158,745)</b>
<b>Reconciliation of fair value of the scheme assets:</b>				
Balance at 1 April	169,058	0	8,153	156,838
Adjustment to Census partnership	0	(205)	101	0
Interest income on planned assets	4,543	47	91	4,087
Return on planned assets (excluding amounts in net interest)	7,364	(24)	226	7,015
Employer contributions	2,482	64	93	2,533
Contributions by scheme participants	794	21	22	751
Benefits paid	(4,643)	0	(39)	(4,461)
Assets distributed on settlements	0	96	(8,646)	(1,039)
Assets acquired in a business combination	0	0	0	3,334
<b>Balance at 31 March</b>	<b>179,598</b>	<b>0</b>	<b>0</b>	<b>169,058</b>

LGPS Assets comprised:

	2019		2018	
	£000	% of assets	£000	% of assets
<b>Equity Securities:</b>				
Consumer	17,494.6	9.7%	24,050.60	14.2%
Manufacturing	10,321.7	5.7%	15,452.00	9.1%
Energy & Utilities	5,467.6	3.0%	8,164.40	4.8%
Financial Institutions	21,547.5	12.0%	27,535.60	16.3%
Health & Care	8,643.7	4.8%	11,713.70	6.9%
Information Technology	11,629.8	6.5%	23,102.20	13.7%
Other	10,262.1	5.7%	7,789.00	4.6%
<b>Debt Securities:</b>				
UK Government	5,096.1	2.8%	3,134.80	1.9%
<b>Private Equity:</b>				
All	4,989.6	2.8%	7,267.60	4.3%
<b>Real Estate:</b>				
UK Property	16,720.7	9.3%	13,332.10	7.9%
<b>Investment Funds &amp; Unit Trusts:</b>				
Bonds	60,557.6	33.7%	21,183.50	12.5%
Other	1,916.6	1.1%	1,981.60	1.2%
<b>Cash &amp; cash Equivalents: All</b>	<b>4,950.4</b>	<b>2.8%</b>	<b>4,350.90</b>	<b>2.6%</b>
	<b>179,598</b>	<b>100%</b>	<b>169,058</b>	<b>100%</b>

All scheme assets except private equity are quoted prices in active markets.

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The current position is a surplus of £2.9m (£10.3m surplus at 31 March 2018) which has an impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of £163.2m.

Statutory arrangements for funding mean that the financial position remains healthy as contributions continue to be made over the working life of current employees. The total contributions expected by Hymans Robertson LLP the scheme's actuaries that are to be made to the Local Government Pension scheme by the Council in the year to 31 March 2019 is £2.34m (£2.2m at 31 March 2018).

### Basis for estimating assets and liabilities

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

The principal assumptions used by the actuary have been:

		<u>2018/19</u>	<u>2017/18</u>
Long term expected rate of return on assets in the scheme:			
Mortality assumptions:			
Longevity at 65 for current pensioners:	Men	23.6	23.6
	Women	25.0	25.0
Longevity at 65 for future pensioners:	Men	26.0	26.0
	Women	27.8	27.8
Rate of inflation / pension		2.5%	2.4%
Rate of increase in salaries		3.2%	3.1%
Rate of discounting scheme liabilities		2.4%	2.7%

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

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

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the Supreme Court but this was denied at the end of June 2019. Therefore, LGPS benefits accrued from 2014 may need to be enhanced so that all eligible members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections.

Quantifying the impact of the judgement at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

The West Sussex County Council Pension Fund's actuary has adjusted GAD's estimate to better reflect the Fund's local assumptions, particularly those for salary increases and withdrawal rates. The revised estimate results in around a 1% increase in active member liabilities as at 31 March 2019 which results in an increase of approximately £0.8m.

## 31 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

In 2017/18 the Census Revenues and Benefits Partnership, hosted by Mid Sussex ended. The break up incurred costs, including cost of redundancies. Mid Sussex has yet to provide information that supports all the redundancies relating to staff that were categorised by MSDC as Horsham District Council 'based'. The Council has therefore reserved its position on these costs.



## COLLECTION FUND

2018-19			2017-18		
Business Rates £000	Council Tax £000	Total £000	Business Rates £000	Council Tax £000	Total £000
			<b>INCOME</b>		
0	(103,806)	(103,806)	0	(97,167)	(97,167)
(43,359)	0	(43,359)	(39,527)	0	(39,527)
			<b>Transfers from General Fund</b>		
0	(1)	(1)	0	(1)	(1)
(839)	0	(839)	(668)	0	(668)
<u>(44,198)</u>	<u>(103,807)</u>	<u>(148,006)</u>	<u>(40,195)</u>	<u>(97,168)</u>	<u>(137,363)</u>
			<b>Total Income</b>		
			<b>EXPENDITURE</b>		
			<b>Apportionment of Previous Year Surplus / (Deficit)</b>		
(129)	212	82	280	182	462
(32)	1,370	1,338	70	1,173	1,243
0	168	168		145	145
(162)	0	(162)	350		350
(323)	1,750	1,427	700	1,500	2,200
			<b>Precepts, Demands and Shares</b>		
17,070	12,368	29,438	16,817	11,555	28,372
4,268	80,182	84,450	4,204	74,871	79,075
0	10,095	10,095		9,178	9,178
21,338	0	21,338	21,021	0	21,021
42,675	102,645	145,321	42,043	95,604	137,646
			<b>Charges to Collection Fund</b>		
441	310	751	667	389	1,056
303	(1)	302	(555)	(201)	(756)
1,621	0	1,621	(708)	0	(708)
180	0	180	180	0	180
<u>2,544</u>	<u>309</u>	<u>2,853</u>	<u>(417)</u>	<u>188</u>	<u>(229)</u>
<b><u>44,896</u></b>	<b><u>104,704</u></b>	<b><u>149,601</u></b>	<b><u>42,326</u></b>	<b><u>97,291</u></b>	<b><u>139,617</u></b>
698	897	1,595	2,131	123	2,254
<u>2,041</u>	<u>(3,042)</u>	<u>(1,001)</u>	<u>(90)</u>	<u>(3,166)</u>	<u>(3,256)</u>
			<b>(Surplus) / Deficit carried forward 31 March</b>		
<b><u>2,739</u></b>	<b><u>(2,145)</u></b>	<b><u>594</u></b>	<b><u>2,041</u></b>	<b><u>(3,042)</u></b>	<b><u>(1,001)</u></b>

## NOTES TO THE COLLECTION FUND

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

The accounts have been prepared on an accruals basis.

### 1 COUNCIL TAX

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

BAND	VALUE RANGE	PROPORTION OF BAND "D"	BAND "D" EQUIVALENT NO. OF PROPERTIES
	£		
Reduced A	up to 40,000	5/9	2
A	up to 40,000	6/9	935
B	40,001-52,000	7/9	3,143
C	52,001-68,000	8/9	9,370
D	68,001-88,000	1	11,769
E	88,001-120,000	11/9	12,153
F	120,001-160,000	13/9	10,862
G	160,001-320,000	15/9	11,888
H	over 320,000	2	1,487
COUNCIL TAX BASE			61,608

The reduced Band a charge is applied to those residents entitled to a disabled relief reduction.

### 2 INCOME FROM BUSINESS RATES

Under the revised arrangements for uniform business rates, the Council collects Non-Domestic Rates for its area which are based on local rateable values multiplied by a uniform rate. The total Non-Domestic Rateable Value at 31 March 2019 was £112.064m and the standard National Non-Domestic Rate multiplier for the year was £0.493

### 3 COUNCIL TAX AND BUSINESS RATES PRECEPTS AND DEMANDS

In accordance with the accounting code of practice surpluses and deficits arising from the Collection of Council Tax are to be apportioned between respective authorities on the basis of their precepts or demands on the Collection Fund.

31 March 2019			
£000			
Accumulated (Surplus) / deficit at 31 March 2019			594
Apportionment based on 2018/19 precepts and demands:			
Deficit / (surplus)			
	<u>Business Rates</u>	<u>Council Tax</u>	Total
	£000	£000	£000
Horsham District Council	1,096	(258)	837
West Sussex County Council	274	(1,676)	(1,402)
Sussex Police Authority	-	(211)	(211)
Central Government	1,370	-	1,370
	<b>2,740</b>	<b>(2,146)</b>	<b>594</b>

## GLOSSARY

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