

West Sussex County Council

Statement of Accounts 2020/21

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Narrative Report 2020/21

West Sussex County Council

Introduction to West Sussex

West Sussex County Council covers an area of around 768 square miles, with a population of around 870,000, comprising 70 electoral divisions. It is bordered by Hampshire to the west, East Sussex to the east, Surrey to the north and the English Channel to the south. It is a significant rural county, with urban centres and most people living in one of the four largest towns: Crawley and Horsham in the north and Bognor Regis and Worthing in the coastal areas. West Sussex has a range of scenery, and the highest point of the county is Blackdown in the Western Weald. It has over 300 square miles of national park and 100 square miles of Areas of Outstanding Natural Beauty including the South Downs National Park and the Sussex Downs. It has over 200 conservation areas and over 7,000 listed buildings. There are a number of stately homes in the county, including Goodwood, Petworth House and Uppark, along with both Arundel Castle and Bramber Castle.

The Council forms the upper tier of local government within West Sussex, providing a wide range of services such as social care, education, planning, libraries, waste management and trading standards to residents in the county. There are seven districts and boroughs and 159 parish and town councils, providing a further range of services to both businesses and residents.

West Sussex County Council's vision

Our Council Plan (originally known as the Reset Plan), which was approved in February 2021 alongside the Council's budget, sets out our shared priorities for the next four years, and has been built with significant input from members, residents, staff and a number of our partners. As we developed the plan, we spoke to community groups and residents to understand the effects of Covid-19, and what they need from us going forward. The plan is the way our County Council's decision making and planning will happen from now. We will ensure we are making the very best use of the resources available.

Our Council Plan priorities are:

- Keeping people safe from vulnerable situations
- A sustainable and prosperous economy
- Helping people and communities fulfil their potential
- Making the best use of resources

All are underpinned by the cross-cutting theme of climate change.

Our Council Plan is designed to make sure we meet the challenges facing local government today. There are tough choices and challenges facing us around meeting the huge demand on our services with limited resources in a continued uncertain future. Our Council Plan is a living document. It will be reviewed on an annual basis to make sure that we are delivering what we said we would do and that we stay focused on the right outcomes.

You can read the plan in full [here](#).

Political and Democratic Structures

At the end of March 2021, the County Council was made up of 70 councillors (known as members), controlled by the Conservatives. The political composition was:

- Conservative: 50
- Liberal Democrat: 8
- Labour: 4
- Independent Conservative: 2
- Independent: 4
- Vacancies: 2

The Council follows the Leader and Cabinet model as its democratic structure, with functions allocated across the full Council itself, the Cabinet and a range of committees. Many functions are delegated from the Cabinet and committees to officers. The Council's Constitution explains how the County Council operates, how decisions are made and the procedures which are followed to make sure that these are efficient, transparent and accountable to local people. Further details can be found on the [Council's website](#).

In April 2020, in response to the Covid-19 emergency, the Government passed new Regulations enabling formal local authority meetings to be held virtually. Prior to this, committee members were required to be physically present. All public meetings, including full Council, Cabinet, non-executive and scrutiny committees have continued to conduct business throughout 2020/21. In order to do so, the Council has produced new Standing Orders to cover the requirements for virtual meetings, which include that public meetings must be capable of being heard or viewed via the internet. These new Standing Orders are part of the Constitution and are available online [here](#).

Management Structure

In support of the democratic structure, the officer management structure of the Council is headed by an Executive Leadership Team (ELT), led by the interim Chief Executive, Becky Shaw. The role of ELT is to work closely with the Leader and Cabinet to ensure the delivery of public services for the residents of West Sussex. ELT is comprised of:

- Chief Executive
- Chief Fire Officer
- Executive Director of Adults and Health
- Executive Director of Children, Young People and Learning
- Executive Director of Place Services
- Director of Finance and Support Services
- Director of Human Resources and Organisational Development
- Director of Law and Assurance

Council Employees

At the end of March 2021, the Council employed 4,733 full time equivalents (5,322 people), excluding school-based employees, in both full and part time contracts. Key facts about our workforce include:

- Gender – Across the Council, 68.4% of employees are female and 31.6% are male.
- Age – The Council has an older age profile than the working age population of West Sussex, with 27% of employees aged 55+ and those aged 16–24 are particularly under-represented at only 3.1% of the workforce.
- Ethnicity – 2.2% of the workforce are recorded as belonging to black and minority ethnic groups. However, 45% of employees are of unknown ethnicity, so the actual proportion could be higher or lower.

In line with the Government guidance in relation to Covid-19, the Council adopted a policy of advising employees to work from home throughout 2020/21, where possible. This way of working was already within the Council's flexible working policies and an established way of working for many staff, albeit not to the level that was experienced from March 2020.

The top overall reason for sickness absence for each quarter during 2020/21 has been Anxiety, Stress, Depressions & Mental Health, with Musculoskeletal the second highest reason for sickness absence. For Quarter 4, the top reason for short-term sickness absence was Covid-19 which reflects the level of positive Covid-19 cases experienced across the county during the winter months of 2020/21.

West Sussex Plan Performance for 2020/21

The Council measured its performance for 2020/21 against the West Sussex Plan, which was approved in October 2017 and replaced by Our Council Plan from April 2021. The Performance Framework supports this plan and sets out 68 measures to monitor performance against the five priority areas within the plan: Best Start in Life; A Prosperous Place; A Strong, Safe and Sustainable Place; Independence for Later Life and A Council that works for the Community.

This year, 21 measures had no data to report as a result of the Covid-19 pandemic. Central bodies such as the NHS and the Department of Education made the decision early in 2020 to suspend monitoring.

Against the remaining 47 measures we have successfully exceeded or met 29 targets (62%), with a further 10 (21%) being close to meeting the target, giving an overall total of 83%. There were 8 (17%) measures however which did not meet the target. Some key highlights and challenges are summarised below.

Best Start in Life

Our key successes this year include exceeding our target for healthy weight in 10-11-year olds. Although performance has slightly fallen compared to last year to 69.8%, West Sussex ranks 7th best of all 151 Local Authorities. England average is now 63.4% and we remain in the top quartile of all Local Authorities.

As part of the Troubled Families programme, we achieved 4,600 families turned around by December 2020, ahead of the target deadline of March 2021. The quarterly publication of national results continues to show West Sussex as one of the foremost authorities in the local delivery of the government's ambitions for families.

The number of West Sussex children looked after per 10,000 remains in line with national average, at 50.4 against a milestone target of 52 per 10,000 and we have also performed consistently well this year to keep the number of children, subject to a Child Protection Plan for two years or more, low. We exceeded our target of 1.35% and are currently performing at 0.95% for March 2021, remaining in the top quartile for statistical neighbours.

Challenges remain for children looked after with three or more placements. Latest performance is 13.5% against a target of 10.5%. However, performance will improve with the introduction of the entry to care panel aimed at ensuring children are in the right placement to meet their needs from the earliest possible point.

A Prosperous Place

It is important that we continue to support businesses, tourism and local people and provide a place that is attractive to business with the necessary infrastructure in place. This year we installed a further 5km of new cycle path installations, totalling 33.7km since 2017, which exceeded the target of 25.53km by March 2021. We have also continued to maintain our A-Roads to ensure we have 5% or less considered poor and requiring maintenance. Additionally, access to superfast fibre broadband remains above target at 96.7%.

Economically active 16-64-year olds who are employed also remains higher than the England and the South East average. Latest available data (to December 2020) show West Sussex in the top quartile of our statistical neighbours, ranking 2nd out of 15 at 79.7% compared to the regional (78.3%) and national (75.7%) averages. However, all three areas have seen a downturn in the employment rate over the year – presumably an impact of Covid-19. There has also been a significant improvement in the number of 16-17-year olds who are not in education, employment, or training. The current figure is 7.3%, compared to 11.1% at the end of February 2020, an improvement of 3.8% and the best result for the last four years.

Challenges remain with the numbers of apprentices across West Sussex, although this year we saw growth both locally and nationally. The number of new starts (to Quarter 3) in West Sussex was 3,670. It is likely that this is due to employers and training providers becoming more familiar with the apprenticeship levy and the significant development of new apprenticeship standards, meaning they more readily meet the need of employers. However, the target to achieve 5% year-on-year increase against a baseline of 5,790 in 2017, remained too ambitious in light of the changes to the Government framework.

Performance for adults with learning disabilities in paid employment remained static this year at 2.1% against a target of 6%. It is recognised that more work needs to be undertaken to improve the number of people with a learning disability in work within West Sussex. There are a wide range of initiatives in progress which will take some time to have an impact but will change the attitude to employment from young people, parents and schools.

A Strong, Safe Sustainable Place

For the last two years the Council has exceeded the target to generate renewable energy of 9,141 MWh per year and this year has generated over 16,000 MWh. We continue to invest in new solar systems where feasible, such as a newly designed system on the County Records building in Chichester. We also reduced our carbon emissions by 52.9% by March 2020, which means we halved our carbon emissions three years ahead of schedule.

Safety within the county remains good with the latest data showing crime rate at 66.5 per 1,000 population, well below the national average of 80.5. Safe and well visits to those at highest risk were lower than in previous years, but it is anticipated that they will increase again over the forthcoming months, however this is dependent on the number of referrals received and the impact of any further Covid-19 restrictions.

Ongoing challenges remain with permanency planning for children looked after, emergency hospital admissions for self-harm and killed and seriously injured on our roads.

The average time between a child entering care and moving in with their adoptive family has remained stable at 500.48 days, higher than our target of 426 days. This is still a positive position in light of the ongoing court related delays in care proceedings which have led to children being the subject of interim placements for longer periods which is out of the control of the local authority. Children's matches are progressing more quickly once orders are made as the interface between West Sussex and Adoption South East continues to improve.

Emergency hospital admissions for intentional self-harm has increased from 235 to 247.5 per 100,000 population. There are a number of actions that have taken place to reduce the incidence of self-harm emergency admissions. These include the recruitment of a Schools and Colleges Programme Manager for Self-Harm, who has developed a number of resources and ensures that self-harm prevention and improved response is at the core of WSCC children and young people's mental health and wellbeing offer. A Pan-Sussex self-harm learning network aims to increase knowledge and skills amongst different stakeholder groups and for learning to take place both within and across Local Authority areas.

The number of people killed or seriously injured (KSI) in road traffic accidents per billion vehicle miles is currently 118, above the milestone target of 68. The latest published results (November 2020) show that the total number of reported injury collisions in West Sussex dropped by 22% against the same period in 2019. The decrease in collisions led to a 27% reduction in the number of casualties, mainly a result of Covid-19 related travel restrictions. KSIs are down 10% on 2019 and while car-occupants have seen a large drop, pedal cyclists KSI increased by 34%. The increase in cycling KSIs appears to correspond with an uptake of cycling beginning in the spring of 2020, at the time of the first pandemic lockdown. Our on-going road safety engineering schemes, education, training, and publicity will continue to improve road safety.

Independent for Longer in Later Life

Although hip fractures in people aged 65+ increased to 571 per 100,000 population for 2019/20 (from 560 previously), we still remain better than target (612). In light of the Covid-19 recovery response taking place at present, there is currently a concerted effort to identify and mitigate any deviance from the original target set for this measure in order to sustain the most positive outcome as the pandemic pathway progresses during the remainder of the year.

Performance continues to improve against the measure 'people who use services who say that those services have made them feel safe and secure', to 93% for 2019/20 compared to 91.9% for the previous period. We continue to perform better than the England average at 86.8% and South East average at 88.1%. 2020/21 results are not yet published.

Some performance measures have no updates this year due to the Covid-19 pandemic, such as delayed transfers of care, whilst other measures remain relatively static, such as quality of care in care homes, with very few inspections taking place this year.

A Council that works for the Community

This year we greatly exceeded our target to webcast our formal member meetings. Performance rose from 61.4% in 2019/20 to 100%. Due to the continuing public health restrictions there is a requirement for all formal member meetings to be webcast in order to qualify as valid meetings. This means that in addition to the Council's usual practice of webcasting all meetings of the Cabinet, the Full Council, the Planning and Rights of Way Committee and all Scrutiny Committees, all other formal committee meetings were also webcast. We also exceeded our targets for the number of Facebook fans, currently at 13,700 fans against the target of just over 8,000 fans and compared to approximately 3,986 fans since the start of the West Sussex Plan in 2017. Subscribers to online updates is also up to 38,300 compared to 25,600 last year.

In contrast, response times to Freedom of Information requests remains below the target of 95%, with average performance at 86% for 2020/21. We also remain below target to ensure 72.5% of decisions have been in the Forward Plan for two months or more before being published. Figures for 2020/21 show an average of 66%. There will always be the challenge of urgent decisions - exacerbated this year by the ongoing effect of the Covid-19 pandemic, which will have an impact on the overall figure.

Full details of the outcomes against all 68 of the targets can be found on the [West Sussex Performance Dashboard](#).

External Performance Assessment and Review

Two key service areas were initially subject to independent external assessment during 2018/19 with improvements noted during 2019/20. Further updates on the progress made in each of these areas during 2020/21, all of which have been achieved whilst in the pandemic, are set out below:

Fire and Rescue Service

In November 2018, Her Majesty's Inspectorate of Constabulary and Fire and Rescue Service (HMICFRS) undertook an inspection of our Fire and Rescue Service. The report was published on 20 June 2019 and rated the service as requiring improvement in areas of service effectiveness and efficiency and as inadequate in relation to supporting its people.

The Council continues to invest in the improvement needed and as at 31 March 2021 the Council has spent £2.9m in total addressing the areas of concern raised by HMICFRS in their original report with further investment planned for 2021/22.

The third HMICFRS service reinspection report, which was carried out in February 2021, acknowledged that the Fire & Rescue Improvement Plan project has made tangible progress, and the Inspectorate concluded that:

- The amount of improvement work and change in the service continues to be significant. Since our last revisit, extra funding has been used to create an appropriately skilled and dedicated programme management team, which has since evolved into the organisational assurance and governance team. This has brought an increased level of co-ordination and supports organisation-wide improvement.
- The service has used the extra funding from West Sussex County Council to increase capacity in its prevention and protection teams. This has contributed to the improvements that are being made.
- The increased capacity in prevention and protection teams has been used to improve how resources are targeted towards risk and quality assurance processes. The new IT system is supporting these improvements, and there are plans for further progress when the system is fully operational.

Full detail on how the service has addressed the original four areas of concern can be read in the [letter](#) to the Chief Fire Officer.

Children's Services

Since Ofsted judged Children's Services in West Sussex to be inadequate in May 2019 and the Secretary of State for Education's statutory direction that children's services be moved out of Council control and into a Children's Trust, significant investment has been allocated to the Children First Improvement Plan. Progress in terms of improving services and the wider corporate culture has been such that in December 2020 the Secretary of State agreed to pause the Children's Trust process, with direct control of Children's Services remaining with the County Council for a further year. The Council has achieved this result in two key areas: first, it has made the necessary constitutional changes and adopted appropriate corporate practice to give assurance of sound and compliant governance; and second, based on the opinions of Ofsted and the Commissioner, it has made enough progress against a trajectory of improvement, together with its declared forward intentions to transform its Children's Services, to justify retaining direct control of them.

These events mark a change from normal DfE practice of imposing an alternative delivery model on inadequate authorities, although it should be noted that this new situation formally marks only a suspension of the Trust process. Despite the positive indications, the Minister states: 'it is clear that there is still much work to do to address the weaknesses identified in 2019, and bring the standard of service up to the quality that children and families in West Sussex deserve.'

This means that the imperative to make continuous positive change, as set out within the Children First programme is as strong as ever. The Minister's letter concludes: 'There therefore needs to be, over the next twelve months, real determination, effort and energy put into achieving the Council's improvement plan and demonstrating a tangible and lasting impact on social work practice and outcomes.' The Council remains committed to achieving this.

The Commissioner has established a framework with DfE and the Council through which continued progress can be assessed. The framework document will be used to take a mid-year review, at around July 2021, and then a final review by January 2022. It is anticipated that at that point it will be clear if the Trust proposal can be fully discounted or if moves should be made directly to establish the Trust. In his March 2021 update, the Commissioner stated "Without pre-judging that July review, it should be noted that the corporate progress has continued unabated, and it is also fair to note that the political and officer leadership of WSCC have rightly received the news of the suspension as a significant expression of confidence in their achievements to date, but with no complacency. In the meantime, WSCC has approved its budgets and, particularly, approved the "Reset Plan" which represents the cultural change programme identified as Recommendation 10 in the original Commissioner's report."

Financial Performance

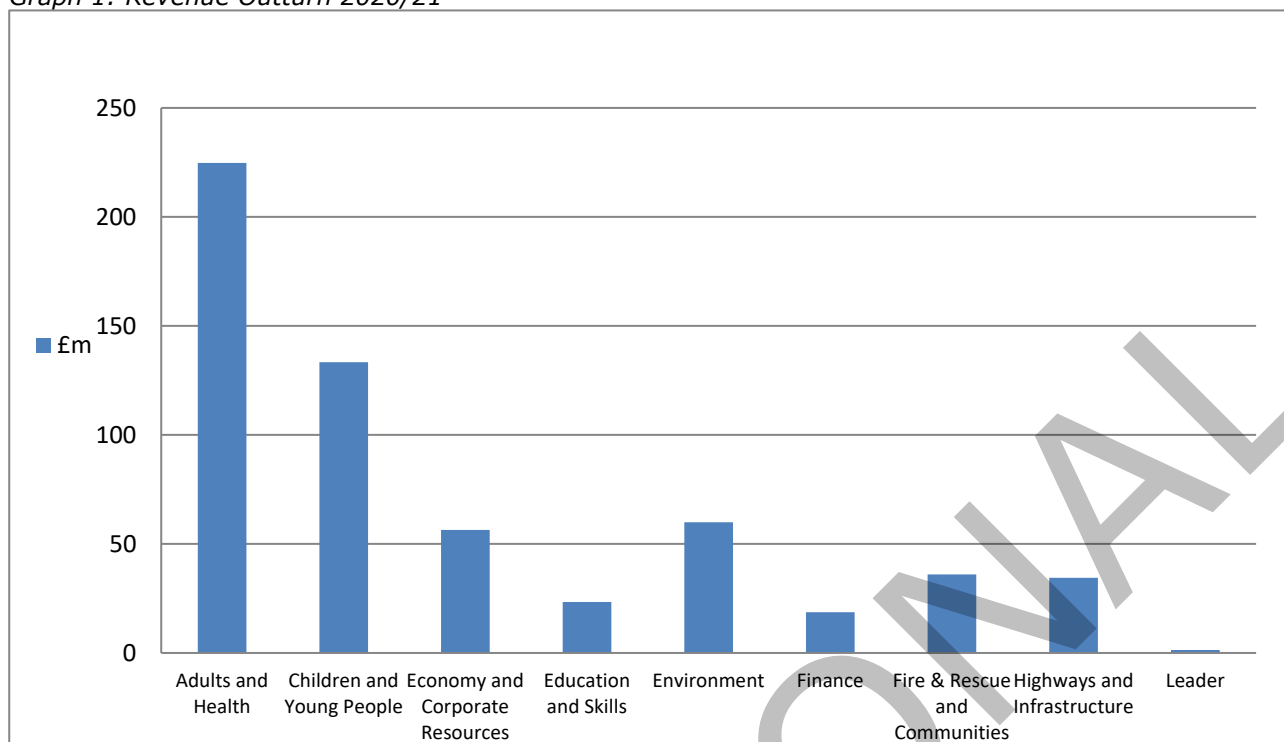
The budget for 2020/21, agreed by County Council in February 2020, supported the objectives of the West Sussex Plan and was set against the background of continuing austerity in public finances. The budget aimed to support the delivery of members' vision and deliver the priorities of the plan. The budget for the year was set ahead of the start of the pandemic, whereas the whole of the financial year was dominated by Covid-19.

Measures to balance the portfolio budgets for both 2020/21 and 2021/22 were developed as part of the budget process, on the basis of maximising efficiency, finding new ways of service provision and engaging partners in collaboration. The budget for 2020/21 assumed savings of £18.4m and by the year end, £12.0m was achieved as originally envisaged or was delivered by other means. The balance, £6.4m, was not delivered in the financial year and of this, £6.1m was undelivered due to the Covid-19 pandemic, therefore these savings have been mitigated by the use of Covid-19 grant funding. The remaining £0.3m of savings not delivered are reported as part of the portfolio position.

As part of the budget approved in February 2020, the County Council approved the use of £5.3m of capital receipts in 2020/21 to fund specific transformation projects. Due to the pandemic, a number of projects have been delayed or paused which has led to only £1.2m of capital receipts being utilised in year.

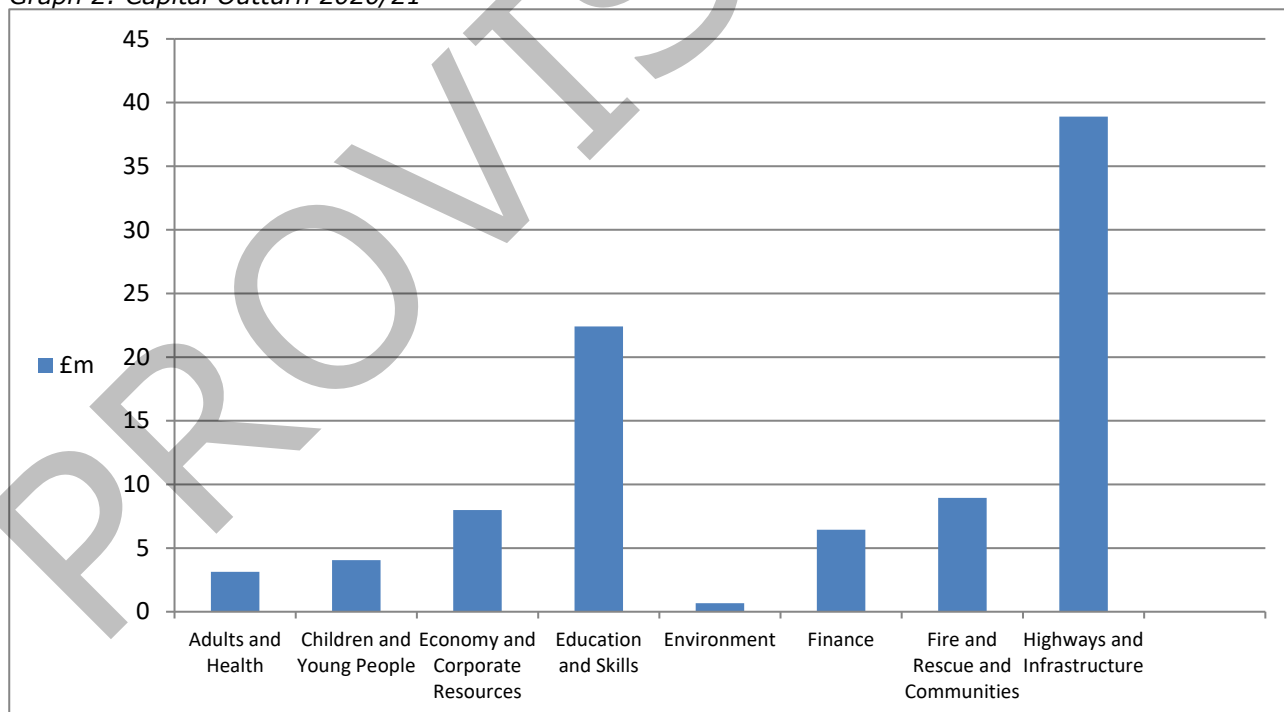
The revenue spending for 2020/21 on portfolio budgets is £588.4m, an underspend of £3.1m within the portfolio budgets. This includes underspendings within the Adults and Health (£5.2m) and Highways and Infrastructure (£2.5m) portfolios offset by overspendings within the Children and Young People (£1.5m), Economy and Corporate Resources (£1.8m) and Finance (£1.7m) portfolios. In addition to this, there was an underspend on the contingency budget of £5.7m along with additional s31 business rates grant of £0.1m, with an overall underspending of £8.9m. This underspending has been transferred to three reserves – £4.7m to the Adults and Health Pressures and Recovery reserve to fund anticipated pandemic rebound pressures in 2021/22; £1.2m to the Ash Dieback reserve to fund critical tree felling work that needs to be accelerated in 2021/22 and £3.0m, arising from savings from homeworking and change in service delivery savings as a result of the pandemic, to the Service Transformation reserve to fund future innovative projects. Full details are set out in the outturn Quarterly Performance Monitor (QPM). The QPM is the Council's monitoring and reporting mechanism for finance performance (revenue and capital), savings delivery, and business performance. It is regularly scrutinised by the Performance and Finance Scrutiny Committee and available from Committee papers on the Council's website. Graph 1 below illustrates the net outturn spend for the year, by portfolio:

Graph 1: Revenue Outturn 2020/21



The delivery of the capital programme has been affected by the pandemic with spending totalling £92.5m for the year, against the capital programme of £103.4m (as approved at County Council in February 2021), a total variation of £10.9m or 10.5%. Graph 2 below sets out the capital outturn for 2020/21, by portfolio:

Graph 2: Capital Outturn 2020/21



During the year, despite the pandemic, a number of capital projects were completed across the county. The most noteworthy include:

Project	Location	Description
April		
Downslink	Various	Programme of improvements to the Public Rights of Way network
June		
SEND Strategy – Herons Dale	Adur	Development of courtyard area to provide facilities enabling additional five pupils
September		
Ifield Community College	Crawley	Provision of additional equipment to enable additional places to be taken up to cover a one-year bulge class
December		
Manor Green SEND Strategy	Crawley	Extension to provide 36 additional SEND primary places
January		
Bognor Regis Creative Hub	Arun	Creative digital hub at Bognor Railway Station to support economic outcomes
February		
Felpham Community College	Arun	Basic Need increase by two forms of entry (300 places by year 5)
March		
Shelly Primary School	Horsham	4-class Basic Need increase of school capacity to 2.5 forms of entry

In 2020/21 a further seven schools obtained Academy status, at which point the building ceased to be a County Council asset (resulting in assets to the value of £46.4m being removed from the Balance Sheet). Furthermore, the Council has revalued the land that these Academies occupy to reflect the restricted use to the authority (resulting in a further reduction of £28.2m to the Balance Sheet). As of March 2021, there are 78 schools with Academy status in the County, with a further 207 schools remaining under local authority control.

Reserves and Balances

The Balance Sheet distinguishes between “usable” and “unusable” reserves. An analysis of the movement in reserve balances during 2020/21 is provided by the Movement in Reserves Statement, and is summarised below:

Table 1: Movement in Reserve Balances 2020/21

	Balance at 1 April 2020 £000	2020/21 Movement £000	Balance at 31 March 2021 £000
General Fund	20,286	0	20,286
Earmarked Reserves	181,716	34,530	216,246
Capital Grants Unapplied Account	55,587	-556	55,031
Capital Receipts Reserve	3,959	830	4,789
Total Usable Reserves	261,548	34,804	296,352
Unusable Reserves	976,235	-696,026	280,209
Total Authority Reserves	1,237,783	-661,222	576,561

Unusable reserves are held to offset the impact of accounting adjustments required by International Accounting Standards; for example, charges to the Comprehensive Income and Expenditure Statement in relation to depreciation, asset revaluation and the accrued pension liability. These reserves are not cash-backed and therefore are not available to finance the provision of services. Furthermore, with the exception of the General Fund the usable reserves are earmarked for specific purposes and are not available to support general revenue spending. The General Fund balance at 31 March 2021 is £20.3m, which (at 3.2% of the net expenditure budget for 2021/22) is considered to be a prudent buffer against the significant financial pressures affecting the Council, although this does not include funding for any impact that Covid-19 may have on the Council's financial position. The General Fund would provide some additional means for the County Council to protect itself from future demand pressures that could adversely impact on our financial position and strengthen the Council's financial resilience. Earmarked reserves totalling £216.2m are held as at 31 March 2021; this includes the Budget Management reserve of £54.4m, £21.9m one-off business rates pilot funding that the Council is committed to spending in conjunction with the districts and boroughs and £7.0m of Covid-19 Emergency Fund grant which was received during 2020/21. A detailed analysis of this balance is provided in Note 3 to the accounts.

Under International Accounting Standard 19, the Council shows the total future costs of pension liabilities for both the Local Government Pension Scheme and Firefighters. This is a purely notional figure, as the County's budget is constructed on the basis of actual contributions payable. The IAS19 notional liability of £666.0m is offset by a matching notional reserve ensuring there is no impact on the local taxpayer.

Future Capital Programme and Borrowing

The Council's Capital Strategy for the period 2021 to 2041 was approved by full Council in February 2021 and within that sets out the five-year capital programme. The strategy is the foundation for proper long-term planning of capital investment and how this links into the Council's overall corporate objectives and strategic priorities. The total value of schemes in the 2021/22 to 2025/26 capital programme is £666.5m.

The authority borrows prudentially for capital investment purposes. The Council did not undertake any external borrowing during 2020/21, but £7.0m of debt was repaid during the year. Outstanding Public Works Loans Board borrowing as at 31 March 2021 was £474.8m (excluding accrued interest), with an average interest rate of 4.1%. This borrowing should be seen in the context of the long-term assets valued at £1.7billion on the Balance Sheet.

Performance and Financial Monitoring

Financial performance, workforce information and service performance are presented in the Quarterly Performance Monitor and reported to Cabinet. Scrutiny Committees also consider this and the Leader and the Cabinet Member for Finance ultimately approve any decisions sought as part of the Quarterly Performance Monitor. This process provides a regular challenge relating to the Council's performance.

The impact of Covid-19 on the provision of Council services

The year has been dominated by the Covid-19 pandemic and the impact of this national health emergency on our County. Throughout this unprecedented period, the Government has enforced restrictions on social interaction, including three national lockdown periods. This has inevitably affected the day-to-day services the County Council provides to its residents, with temporary closures of public buildings and the suspension of services. However, staff and partners have strived to continue and deliver vital services where possible and have found innovative ways to reach residents.

At the start of the pandemic, the Covid-19 Community Hub (in partnership with District and Borough Councils) was launched to focus on ensuring that the most vulnerable people in the community were supported. This has been a crucial lifeline to many residents who have needed help and support during the last year. The Community Hub is still in operation and continues to assist residents at this time.

As part of the response to the national health emergency, social care have been working with NHS colleagues and other partners to help alleviate pressure on hospitals, including collaborative working on the County's Hospital Discharge Scheme which included the use of contracted County Council bed provision.

During the early stages of the pandemic, the Council committed to supporting suppliers and the local economy during the time of economic uncertainty, including paying supplier invoices as quickly as possible to support their cashflows. This support continued until the autumn when suppliers moved back to their normal payment terms.

As we move forward with the easing of lockdown restrictions the future remains uncertain as the longer-term impact of the pandemic becomes clearer on the services the Council provides to residents as well as the impact on businesses and individuals' livelihoods in the County.

Financial impact of Covid-19

The Covid-19 pandemic has had a significant impact on the national and local economy and affected the day-to-day services the County Council provides to its residents, with temporary closures of public buildings and the suspension of services. Many service areas have had to adapt to different ways of working to enable the business to continue in an efficient and effective manner. In response to the pandemic, the Government made a number of funding streams available to local authorities to address budget pressures. Since the onset of the pandemic, the total revenue grant funding received by West Sussex is £113.4m (excluding amounts passported through to schools), of which £85.2m has been spent to date, with £28.2m carried forward into 2021/22 to fund the continuing pandemic costs.

Of the total £113.4m grant funding received to date, £85.6m was awarded directly to West Sussex, acting as the principal, and £27.8m was passed through the Authority on behalf of the Government, where in this instance the Council acted as the agent. Full details of the split between principal and agent are set out in Appendix 2 in the Outturn Quarterly Performance Monitor.

There are a number of different categories of expenditure or loss of income that the funding has supported. The £85.6m directly for West Sussex is categorised as:

- **Additional costs (£36.8m):** increased costs as a result of Covid-19 activities and additional pressure on services, examples being increased Adult Social Care costs including: supporting the care sector markets, cost associated with Children's Social care as a result of increased vulnerable children, test and trace activities, supporting the vulnerable with food, energy and other essentials, additional costs within the home to school transport area to maintain appropriate distancing, cost of personal protective equipment and a hospital discharge programme
- **Loss of income (£9.1m):** fees and charges and commercial income losses as a result of the lockdowns and restrictions on social interaction (for example, social care contributions, library fees, ceremony fees, highways charges)
- **Cost of delayed projects (£11.5m):** the impact on the Council's planned activities (for example, highways schemes and non-delivery of savings plans as efforts have been refocused on Covid-19 measures)
- **Carry forward (£28.2m):** funds were carried forward into 2021/22 to fund the continuing pandemic costs

A further £2.4m of capital grant funding was provided in the form of 'Emergency Active Travel Fund', of which £0.5m has been spent on the installation of temporary cycle lane provision and the remainder will be held for longer term projects.

In addition to the spend detailed above, there has also been a significant impact on the local economy and employment levels, consequently income levels for both business rates and council tax have reduced. To compensate, the government has provided funding to meet 75% of the irrecoverable losses for Council Tax and Business Rates in 2020/21. In line with Government guidance, £4m for Local Tax Income Guarantee has been included in the Council's accounts and has been transferred to the Budget Management reserve.

While the pandemic has created significant budget pressures, the Council has, on the other hand, seen some financial benefits associated with home working. In line with government guidelines, the Council has asked its employees to work from home where possible which has resulted in £3.0m of savings predominantly as a result of reduced staff travel/vehicle mileage and reduction in utility expenditure due to the reduced occupancy in the majority of council buildings. These savings have been transferred to the Service Transformation reserve.

The future remains uncertain with rapidly changing circumstances. However, the impact of the pandemic on the demand for council services continues to be assessed as the longer-term economic impacts are better understood and financial projections for future years will be adjusted accordingly.

Planning for the future

Alongside the budget and Medium-Term Financial Strategy (MTFS) sits the Council's new corporate plan – Our Council Plan (2021/22 to 2024/25). The plan has been developed collaboratively with elected Members, West Sussex County Council staff, partners and communities to prioritise the most important areas that the Council needs to focus on going forward, in order for the Council's limited resources to be spent and focused on the areas that it is needed most.

Our Council Plan has been developed in parallel with the budget for 2021/22 and is fully funded. As it is aligned to the budget and medium-term financial strategy, it acts as the framework in which investment decisions can be made based on the priorities of the Council and the outcomes we want to achieve for people in West Sussex. An integrated business and financial planning cycle, based on a good understanding of the factors that drive high quality financial management and service delivery, reflecting the national and local policy context, a comprehensive understanding of the financial position (revenue and capital) and the service challenges in supporting the needs of residents, businesses and communities is a key factor in achieving value for money and a sustainable and resilient financial framework.

The process brings together our business planning, financial planning and risk management processes. It provides the framework for the County Council's decision making and planning to ensure we are making the very best use of the resources available, understanding the value for money we deliver and at the same time remaining focussed on our priority outcomes. It will also ensure we understand the implications of the tough choices that will need to be made in the face of huge resource and demand challenges, as well as the on-going uncertainties arising from the pandemic, Brexit and outstanding questions about the future of local government funding.

Financial Outlook

The pandemic has and will continue to have a significant impact on local government finances. In February 2020, when the Council set the budget for 2020/21, it was anticipated that there would be a three-year Comprehensive Spending Review undertaken by the Government ahead of 2021/22. However, due to the Covid-19 pandemic, the Government deferred this review for a further year and the Chancellor of the Exchequer announced a one-year Spending Review for 2021/22 on 25 November 2020. Also as a consequence of the impact of the Covid-19 pandemic, further delays have been experienced in undertaking national reviews that will have significant impacts upon the future of local government funding, specifically the Fair Funding and Business Rates Review and the long awaited reform of Adult Social Care.

The Spring 2021 budget focused primarily on jobs and livelihoods, support for businesses to recover from the pandemic and supporting the UK's long-term economic recovery, leaving the allocations and funding streams set out for local government in the November Spending Review largely unchanged.

The County Council's budget for 2021/22 utilises the flexibilities announced in the November 2020 Spending Review which keeps within the 2% threshold for core council tax rises and uses the flexibility to raise a further 3% precept for Adult Social Care. The announcements also confirmed funds for the Improved Better Care Fund (iBCF), the Social Care Support Grant and the New Homes Bonus would continue to be available.

The Government also pledged to continue to provide funding for costs associated with the pandemic and the Local Government Covid-19 Support Package for 2021/22 comprised of £1.55bn of un-ringfenced grant to manage both the immediate and the long term impacts of the pandemic, £670m to enable councils to continue reducing council tax bills for the least able to pay and an extension of the sales, fees and charges income support scheme to June 2021. The allocations provide West Sussex with £15.6m un-ringfenced Covid-19 emergency pressures grant and £6.6m Local Council Tax Support Grant, as well as subsequent announcements of additional funding streams for Infection Control and Contain Outbreak Management Fund (COMF).

Throughout 2020/21 a programme of work was undertaken to review the MTFS and set a balanced budget for 2021/22, in accordance with statutory responsibilities and for 2022/23, the MTFS published as part of the Budget Book in February 2021, assumes the national reviews for Fair Funding and Business Rates (increasing the local share of business rates from 50% to 75%) are implemented and the impact is currently reflected in the budget gap of £35.8m. Whether government meets this timetable will become clearer as the year progresses.

Given the extraordinary level of uncertainty facing the Council and the country, it is vitally important we draw on our good track record of delivering even more sustainable efficiencies and respond innovatively to the challenges we face. As always there is a risk that the savings levels needed will not be achieved or will be delivered late. That risk is magnified by a variety of factors, including the continuation of the pandemic, competing priorities, and organisational capacity.

In addition, given the continuing uncertainty and volatility of public funding expected in the coming years, as well as the aftermath of the Covid-19 pandemic on the Council's finances, it is more important than ever that the County Council holds adequate reserves for the future. Due to the Government's intervention and the allocation of Covid-19 grants during the year, the County Council has not, so far, needed to use any of the reserves, however it should be noted that the County Council has spent £85.2m more than it had planned in 2020/21. Had the Government not provided a national funding response to the pandemic, the County Council would have been at serious financial risk.

As at the end of March 2021, the total earmarked reserves (excluding schools) is £191.5m, with full details set out in the Reserves and Balances section above. The majority of the reserves are held within earmarked reserves to fund future commitments that the County Council has entered into. These relate to large programmes of work which include the Service Transformation reserve and reserves for specific long-term contracts (e.g. Waste Management MRMC, Street Lighting PFI Reserve and Waste Management PFI Reserve). Two new reserves have been created as part of the outturn position; £4.7m has been allocated to the Adults and Health Pressures and Recovery reserve and £1.2m has been allocated to the Ash Dieback reserve.

The Council is currently in a solvent position; however, the impact of the pandemic has not diminished, and the long-term impact continues to remain uncertain. A number of areas are being monitored, including pent-up demand in social care and the impact of business rates as the normalisation of the business sector begins; however it is likely that the effects will be longer-lasting and will have a significant financial impact. The financial resilience of the Council will need continued vigilance and resourcefulness to provide the strengthening it will need in future years, in the face of the on-going financial challenges reflected within the MTFS and emerging through the Covid-19 pandemic.

Future Opportunities

Our Council Plan includes the priority – making the best use of resources. The Council is committed to achieving the best value for residents which means that we must work better, be more efficient and get the best from what we have to manage increasing demand in a different way. To achieve this, the Council will focus activity in the following areas – to act on the findings of the good governance review to remove silos and work across team boundaries; to ensure staff have the confidence and support to deliver change and continuous improvement in line with the People Framework; to maximise the use of our assets by disposing of surplus assets and looking creatively at how we might use our assets to support economic growth and for retained assets, to reduce our overall energy consumption to meet our ambition of being a net carbon zero organisation by 2030; to benchmark the unit costs of our services and maximise every pound spent and achieve value for money and to combine or share approaches and services to achieve greater efficiency.

Corporate Risks

The Risk Management Strategy has been reviewed and updated to ensure it continues to provide coherent and robust governance to support risk management across the Council. Corporate and Directorate risk registers are reviewed and updated at least quarterly, with a clear mechanism for escalation and de-escalation provided.

The current key corporate risks and summary mitigating actions that are captured within the Corporate Risk Register are as follows:

Risk	Mitigation
Cyber-security – Loss of data and system failure	Robust IT governance and education of staff, collaborative working and periodic testing.
Social care provisions – Failure leading to personal and/or reputational harm	Improvement/development of current governance arrangements and stakeholder groups.
Children's services will fail to deliver an acceptable provision to the community.	Deliver Children First Improvement Plan. Continued work with partner in practice (Hampshire County Council).

All risks detailed above have been assessed by a suitably experienced person as having at least a high likelihood of occurring, and a major impact should it happen. These risks and their mitigating actions are reviewed and updated at least quarterly by the risk owner and Corporate Risk Manager. In addition, ELT and Cabinet review the key corporate risks monthly, with the Regulation, Audit and Accounts Committee receiving quarterly updates on any risk developments.

West Sussex Statement of Accounts

The Statement of Accounts on the following pages sets out the Council's income and expenditure for the year, and its financial position at 31 March 2021. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, which in turn is underpinned by International Financial Reporting Standards. It comprises core and supplementary statements. The Core Statements are as follows:

Movement in Reserves Statement	Sets out the change in the authority's "net worth" over the year
Balance Sheet	Shows the value of the County's assets and liabilities at the year end, and how they are financed
Comprehensive Income & Expenditure Statement	Shows all the financial gains and losses experienced by the County over the year
Cash Flow Statement	Summarises movements of cash into and out of the authority over the year

The Expenditure and Funding Analysis is a note to the financial statements. However, it is positioned with the core statements as it provides a link from the portfolio-based analysis of the revenue outturn presented in the Narrative Report to the analysis within the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

A glossary of key terms is provided at the end of this publication.

Provisions and contingencies

The Council continues to hold both short and long term provisions which total £9.7m at 31 March 2021, of which £5.0m relates to the insurance provision and £4.0m relates to the Non- Domestic Rates (NDR) Appeals provision.

Changes to accounting policies

The County Council accounting policies have been updated, to streamline the policies to reflect the recommended format in the Code and to update them to reflect feedback from last year's audit and other minor changes. The Pension Fund policies have also been updated to reflect minor changes.

Conclusion

Through careful planning and management, West Sussex County Council has been able to close its accounts showing a relatively strong financial position, which will support the Council in meeting its future challenges.

PROVISIONAL

West Sussex Pension Fund

The Local Government Pension Scheme (LGPS) is a national defined benefit pension scheme administered by West Sussex County Council on behalf of 207 active employers and 80,806 members (contributors, pensioners and deferred).

The Annual Report and Financial Statements for the Pension Fund set out the benefit arrangements for the LGPS, the details of the governance structure in which it operates and the investment and administrative performance of the West Sussex LGPS. The report also sets out in detail the mandates which the third-party investment managers have been awarded and their short, medium and long-term performance. It further considers the Fund's approach to Responsible Investment.

Administration

The provision of administration services has been provided by Hampshire County Council since 6 March 2019. The team have made substantial progress on the Data Improvement Plan and met all their key performance indicators during 2020/21.

Funding

Every three years the Fund is required to undertake a full actuarial valuation of its assets and liabilities. The latest full valuation showed the Fund to be 112% funded, and this set employer contributions from 1 April 2020 to 31 March 2023. The funding position has increased to 123% as at the end of 31 March 2021.

Assets

The Pension Fund invests in equities, bonds, property, private equity and private debt as summarised below. The Fund has also made a commitment to an infrastructure fund as part of its investment strategy review, but as at 31 March 2021 no monies had been invested. The mix of assets reflects the Fund's revision to its investment strategy reflecting the need to protect the strong funding position, increase diversification, provide additional cashflows and its commitment to responsible investment.

	31 March 2020 £m	31 March 2021 £m
Equities	1,985	2,896
Bonds	1,655	1,886
Direct Property	366	380
Private Equity	91	85
Private Debt	0	61
Cash or cash equivalents	88	82
Total	4,185	5,390

The Fund seeks to integrate Environmental, Social and Governance (ESG) issues throughout its investment decision-making process, from setting investment strategy to monitoring the Fund's investment managers – taking appropriate advice. The Committee expects that ESG principles, including the transition pathway to a low carbon future, are considered at all times in the investment process. In turn, the fund managers invest considerable resources to support their research driven investment decision making, long term stewardship and engagement with companies on the future direction and the risks associated with their business, including climate change.

In response to the Government's requirement that Administering Authorities "pool investments to significantly reduce costs while maintaining investment performance" the County Council is working with eleven like-minded LGPS funds under the name ACCESS (A Collaboration of Central, Eastern and Southern Shires). During 2020/21 the Fund has invested 54% of its assets in the ACCESS pool. This initial investment was valued at £2.9bn as at 31 March 2021. Work is now taking place to transition the remaining equity and bond portfolio by 31 March 2022.

In this context during the year, the Fund's assets returned 26.95% compared to the market of 19.93%. The Pension Fund is a long-term investor, and as shown in the table below, has benefited from strong active management of the Fund's investments, which have provided higher returns, net of fees, to the Fund over the long term than the benchmark (market) index. This helps manage the cost of benefits.

	12 months	3 years pa	10 years pa
Total Fund	26.95%	9.97%	10.25%
Benchmark	19.93%	8.21%	9.03%
Difference	7.02%	1.76%	1.22%

Statement of Responsibilities

The Chief Financial Officer's responsibilities:

The Director of Finance and Support Services is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code").

In preparing this Statement of Accounts, the Director of Finance and Support Services has:

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

The Director of Finance and Support Services 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 certify that the Statement of Accounts set out in the following pages presents a true and fair view of the financial position of the County Council as at 31 March 2021, and of its income and expenditure for the year ending on that date.

Katharine Eberhart
Director of Finance and Support Services
22 September 2021

The County Council's responsibilities:

The County Council 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 Director of Finance and Support Services;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

I confirm that the Statement of Accounts were considered and approved by the Regulation, Audit and Accounts Committee at its meeting on 22 September 2021 on behalf of West Sussex County Council.

Dr Nigel Dennis
Chairman of the Regulation, Audit and Accounts Committee
22 September 2021

MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves 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.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 1 April 2019	-20,286	-163,313	0	-44,669	-228,268	-606,870	-835,138
Movement in Reserves during 2019/20:							
Total Comprehensive Income and Expenditure	-2,041	-	-	-	-2,041	-400,604	-402,645
Adjustments between Accounting and Funding Basis (Note 2)	-16,362	-	-3,959	-10,918	-31,239	31,239	0
(Increase)/Decrease before Reserve Transfers	-18,403	-	-3,959	-10,918	-33,280	-369,365	-402,645
Transfers to/from Earmarked General Fund Reserves (Note 3)	18,403	-18,403	-	-	0	-	0
(Increase)/Decrease in 2019/20	0	-18,403	-3,959	-10,918	-33,280	-369,365	-402,645
Balance at 31 March 2020	-20,286	-181,716	-3,959	-55,587	-261,548	-976,235	-1,237,783
Movement in Reserves during 2020/21:							
Total Comprehensive Income and Expenditure	343,997	-	-	-	343,997	317,225	661,222
Adjustments between Accounting and Funding Basis (Note 2)	-378,527	-	-830	556	-378,801	378,801	0
(Increase)/Decrease before Reserve Transfers	-34,530	-	-830	556	-34,804	696,026	661,222
Transfers to/from Earmarked General Fund Reserves (Note 3)	34,530	-34,530	-	-	0	-	0
(Increase)/Decrease in 2020/21	0	-34,530	-830	556	-34,804	696,026	661,222
Balance at 31 March 2021	-20,286	-216,246	-4,789	-55,031	-296,352	-280,209	-576,561

The total General Fund of the Council is equal to the sum of the *General Fund Balance* and the *Earmarked General Fund Reserves* disclosed above. The total General Fund of the Council, including Earmarked General Fund Reserves, is therefore £236,532,000 as at 31 March 2021.

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 is 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 (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example 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 Movement in Reserves Statement line 'Adjustments between Accounting and Funding Basis'.

1 April 2020 £000	Notes	31 March 2021 £000
1,972,822 Property, Plant & Equipment	4	1,500,802
280 Heritage Assets	5	280
91,401 Investment Property	7	89,172
390 Intangible Assets	8	0
62,215 Long Term Investments	9	48,283
28,894 Long Term Debtors	9	31,633
2,156,002 Long Term Assets		1,670,170
210,683 Short Term Investments	9	215,105
1,840 Assets Held for Sale	10	845
374 Inventories	N/A	356
119,172 Short Term Debtors	11	126,998
66,513 Cash and Cash Equivalents	12	151,913
398,582 Current Assets		495,217
-16,439 Short Term Borrowing	9	-13,416
-132,295 Short Term Creditors	13	-220,316
-23,199 Short Term Provisions	14	-6,129
-2,973 Short Term PFI Liability	15	-3,287
-99 Short Term Finance Lease Liability	16	-108
-175,005 Current Liabilities		-243,256
-474,819 Long Term Borrowing	9	-471,303
-3,165 Long Term Provisions	14	-3,567
-95,010 Long Term PFI Liability	15	-91,724
-1,703 Long Term Finance Lease Liability	16	-2,115
-473,985 Pension Liability	17	-665,952
-91,195 Capital Grants Receipts in Advance	25	-109,137
-1,919 Other Long Term Liabilities	9	-1,772
-1,141,796 Long Term Liabilities		-1,345,570
1,237,783 Net Assets		576,561
-261,548 Usable Reserves	MIRS	-296,352
-976,235 Unusable Reserves	19	-280,209
-1,237,783 Total Reserves		-576,561

These financial statements replace the unaudited financial statements certified by the Director of Finance and Support Services on 9 July 2021.

Katharine Eberhart
Director of Finance and Support Services

22 September 2021

EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis is a note to the financial statements. However, it is positioned here as it provides a link from the portfolio-based analysis of the revenue outturn presented in the Narrative Report to the analysis within the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

2019/20			2020/21			
Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	
£000	£000	£000	£000	£000	£000	
206,167	1,771	207,938	Adults and Health	224,743	-8,675	216,068
117,316	11,689	129,005	Children and Young People	133,389	6,229	139,618
48,040	8,870	56,910	Economy and Corporate Resources	56,422	5,423	61,845
28,549	16,968	45,517	Education and Skills	23,356	286,679	310,035
63,712	3,878	67,590	Environment	59,930	12,235	72,165
13,864	2,117	15,981	Finance	18,684	6,445	25,129
35,551	5,409	40,960	Fire & Rescue and Communities	36,035	3,056	39,091
39,249	26,797	66,046	Highways and Infrastructure	34,474	27,024	61,498
1,495	134	1,629	Leader	1,342	59	1,401
553,943	77,633	631,576	Net Cost of Services	588,375	338,475	926,850
-572,346	-61,271	-633,617	Other Income and Expenditure	-622,905	40,052	-582,853
-18,403	16,362	-2,041	(Surplus) or Deficit	-34,530	378,527	343,997
		-20,286	Opening General Fund Balance	-20,286		
			Add (Surplus)/Deficit on General Fund Balance in Year	-34,530		
			Add Transfers to/(from) Earmarked General Fund			
		18,403	Reserves in Year	34,530		
		-20,286	Closing General Fund Balance	-20,286		

The total General Fund of the Council is equal to the sum of the *General Fund Balance* and the *Earmarked General Fund Reserves* as disclosed in note 3 to the accounts. The total General Fund of the Council, including Earmarked General Fund Reserves, is therefore £236,532,000 as at 31 March 2021.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The Comprehensive Income and Expenditure 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 in the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Gross Expenditure £000	2019/20 Gross Income £000	Net Expenditure £000		Gross Expenditure £000	2020/21 Gross Income £000	Net Expenditure £000
383,322	-175,384	207,938	Adults and Health	415,832	-199,764	216,068
203,529	-74,524	129,005	Children and Young People	214,378	-74,760	139,618
60,715	-3,805	56,910	Economy and Corporate Resources	63,998	-2,153	61,845
518,372	-472,855	45,517	Education and Skills	801,498	-491,463	310,035
79,275	-11,685	67,590	Environment	83,654	-11,489	72,165
18,939	-2,958	15,981	Finance	27,213	-2,084	25,129
49,184	-8,224	40,960	Fire & Rescue and Communities	50,838	-11,747	39,091
85,178	-19,132	66,046	Highways and Infrastructure	80,058	-18,560	61,498
1,661	-32	1,629	Leader	1,499	-98	1,401
1,400,175	-768,599	631,576	Cost of Services	1,738,968	-812,118	926,850
19,100	0	19,100	Other Operating Expenditure (Note 22)	58,958	0	58,958
86,225	-50,999	35,226	Financing and Investment Income and Expenditure (Note 23)	88,582	-51,327	37,255
0	-687,943	-687,943	Taxation and Non-Specific Grant Income (Note 24)	0	-679,066	-679,066
1,505,500	-1,507,541	-2,041	(Surplus) or Deficit on Provision of Services	1,886,508	-1,542,511	343,997
		4,648	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Chargeable to the Revaluation Reserve (Note 4)			151,452
		0	Fair Value Gains/(Losses) released from the Pooled Investment Funds Adjustment Account and recognised in Financing and Investment Income (Note 19)			0
		-405,252	Actuarial (Gains) and Losses on Remeasurement of Pension Scheme Assets and Liabilities (Note 17)			165,773
		-400,604	Other Comprehensive Income and Expenditure			317,225
		-402,645	Total Comprehensive Income and Expenditure			661,222

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. 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.

2019/20 £000	2020/21 £000
-2,041 Net (surplus) or deficit on the provision of services	343,997
Adjustments to net surplus or deficit on the provision of services for non cash -115,332 movements (Note 34)	-497,206
Adjustments for items included in the net surplus or deficit on the provision of 93,589 services that are investing and financing activities (Note 35)	78,268
-23,784 Net cash flows from Operating Activities	-74,941
126,730 Investing Activities (Note 36)	-20,994
-88,149 Financing Activities (Note 37)	10,535
14,797 Net (increase)/decrease in cash and cash equivalents	-85,400
-81,310 Cash and cash equivalents at the beginning of the reporting period	-66,513
-66,513 Cash and cash equivalents at the end of the reporting period (Note 12)	-151,913

1. Prior Period Adjustment

There are no prior period adjustments.

2. 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 arrive at the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

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

General Fund Balance

The General Fund is the 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 Council is statutorily empowered to spend on its services or on capital investment 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 to 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

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of 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.

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

2020/21	Usable Reserves		
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
	£000	£000	£000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
• Pensions costs (transferred to or from the Pensions Reserve)	-26,194	-	-
• Financial instrument revaluations (transferred to the Pooled Investment Funds Adjustment Account or, for equity investments, the Capital Adjustment Account)	1,051	-	-
• Council tax and NDR (transferred to or from the Collection Fund Adjustment Account)	-26,635	-	-
• Holiday pay (transferred to the Accumulated Absences Account)	-2,315	-	-
• DSG deficits (transferred to the Dedicated Schools Grant Adjustment Account)	-10,388	-	-
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	-339,912	-	-73,738
Total Adjustments to Revenue Resources	-404,393	-	-73,738
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	4,545	-4,545	-
Transfer of deferred sales proceeds from revenue to the Deferred Capital Receipts Reserve	0	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-15	15	-
Write down of finance lease debtor (transfer from Deferred Capital Receipts Reserve)	-241	-	-
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	15,815	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	5,762	-	-
Total Adjustments between Revenue and Capital Resources	25,866	-4,530	-
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	-	3,700	-
Application of capital grants to finance capital expenditure	-	-	74,294
Cash payments in relation to deferred capital receipts	-	0	-
Total Adjustments to Capital Resources	-	3,700	74,294
Total Adjustments	-378,527	-830	556

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

2019/20	Usable Reserves		
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
	£000	£000	£000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
• Pensions costs (transferred to or from the Pensions Reserve)	-60,673	-	-
• Financial instrument revaluations (transferred to the Pooled Investment Funds Adjustment Account or, for equity investments, the Capital Adjustment Account)	-2,104	-	-
• Council tax and NDR (transferred to or from the Collection Fund Adjustment Account)	-1,773	-	-
• Holiday pay (transferred to the Accumulated Absences Account)	-392	-	-
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	20,895	-	-82,437
Total Adjustments to Revenue Resources	-44,047	-	-82,437
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	11,209	-11,209	-
Transfer of deferred sales proceeds from revenue to the Deferred Capital Receipts Reserve	0	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-57	57	-
Write down of finance lease debtor (transfer from Deferred Capital Receipts Reserve)	-234	-	-
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	16,470	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	297	-	-
Total Adjustments between Revenue and Capital Resources	27,685	-11,152	-
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	-	7,901	-
Application of capital grants to finance capital expenditure	-	-	71,519
Cash payments in relation to deferred capital receipts	-	-708	-
Total Adjustments to Capital Resources	-	7,193	71,519
Total Adjustments	-16,362	-3,959	-10,918

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

3. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans, and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2020/21.

	Balance at 1 April 2019	Transfers Out 2019/20	Transfers In 2019/20	Balance at 31 March 2020	Transfers Out 2020/21	Transfers In 2020/21	Balance at 31 March 2021
	£000	£000	£000	£000	£000	£000	£000
Adults & Health Pressures and Recovery	0	0	0	0	0	-4,700	-4,700
Ash Dieback	0	0	0	0	0	-1,200	-1,200
Budget Management	-30,110	17,556	-2,398	-14,952	1,530	-40,995	-54,417
Business Rates Pilot Fund	0	619	-21,082	-20,463	1,340	-2,747	-21,870
Capital Infrastructure	-12,028	0	0	-12,028	12,028	0	0
Children First Improvement Plan	0	0	0	0	0	-2,285	-2,285
Covid-19 Fund	0	3	-20,528	-20,525	44,925	-31,372	-6,972
Dedicated Schools Grant (DSG)	-6,245	9,721	-1,737	1,739	0	-1,739	0
Economic Growth	-1,297	0	0	-1,297	0	-762	-2,059
Highways Commuted Sums	-3,057	807	-1,110	-3,360	378	-1,087	-4,069
Highways On-Street Parking	-968	1,900	-2,582	-1,650	1,911	-2,182	-1,921
Infrastructure Works Feasibility	-1,348	1,351	-1,000	-997	1,076	-1,515	-1,436
Insurance	-5,356	13	-502	-5,845	0	0	-5,845
Interest Smoothing Account	-1,078	0	0	-1,078	0	-1,176	-2,254
Recycling & Waste PFI	-12,479	1,800	-62	-10,741	200	-6	-10,547
School Balances	-16,452	16,452	-16,241	-16,241	16,241	-24,778	-24,778
Schools Sickness and Maternity Scheme	-2,085	152	0	-1,933	162	0	-1,771
Service Transformation Fund	-6,747	1,437	-6,500	-11,810	3,200	-4,959	-13,569
Social Care Support Grant 2018/19	-1,517	0	0	-1,517	0	0	-1,517
Special Support Centres	0	0	-1,845	-1,845	1,845	0	0
Statutory Duties	-2,437	0	0	-2,437	0	0	-2,437
Strategic Economic Plan	-1,295	234	0	-1,061	1,061	0	0
Street Lighting PFI	-23,522	226	-289	-23,585	236	-13	-23,362
Unapplied Revenue Grants	-343	99	-175	-419	59	-685	-1,045
Waste Materials Resource Management Contract (MRMC)	-28,057	1,500	-143	-26,700	1,350	-14	-25,364
Other Earmarked Reserves	-6,892	5,712	-1,791	-2,971	991	-848	-2,828
Earmarked Reserves	-163,313	59,582	-77,985	-181,716	88,533	-123,063	-216,246

The **Adults & Health Pressures and Recovery** reserve is held to guard against rebound pressures which are anticipated to materialise within the Adults & Health portfolio as we emerge from the coronavirus pandemic.

The **Ash Dieback** reserve is held to mitigate against budgetary pressures arising from the need to accelerate critical tree felling work during 2021/22.

The **Budget Management** reserve is held to guard against uncertainty and volatility over future Local Government Finance Settlements, business rate income and localisation of Council Tax benefits, as well as mitigation towards the risk of non delivery of savings and unforeseen service pressures. The reserve also holds the S31 Business Rates Relief 2020/21 NNDR3 Reconciliation Grant (see Note 25), which in accordance with proper accounting practice has been recognised as income in 2020/21, but is earmarked to finance collection fund deficits which under statutory arrangements will not become chargeable to the taxpayer until future years.

The **Business Rates Pilot Fund** holds the gains arising from the 75% local retention pilot scheme in 2019/20. The fund will be invested jointly by the County Council and its billing authorities on project work with economic benefit, but the income is initially recognised in the County's accounts as the lead authority in the Pilot.

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

- The **Capital Infrastructure** reserve was created to support capital plans over the longer term, thus avoiding the need to borrow and incurring the associated long term capital financing costs. The balance of the reserve was consolidated within the Budget Management Reserve during 2020/21.
- The **Children First Improvement Plan** reserve was created to support the delivery of the improvement plan following the 2019 Ofsted inspection of Children's Services.
- The **Covid-19 Fund** holds the unspent balance of monies allocated by central government to support local authorities with pressures arising from the coronavirus pandemic.
- The **Dedicated Schools Grant (DSG)** is ring-fenced, and can only be applied to finance expenditure on schools. This includes individual school budgets and central expenditure on educational services provided on a County-wide basis. In accordance with regulatory changes, during 2020/21 the deficit balance on this reserve has been reclassified as an Unusable Reserve. Further detail can be found in Notes 19 and 29.
- The **Economic Growth** reserve is held to support the delivery of the Economic Growth Plan 2018-2023, including the progression of the economic priorities within the Coast to Capital Local Enterprise Partnership.
- The **Highways Commuted Sums** reserve holds a balance of contributions received from developers in respect of future maintenance costs of non-standard highways infrastructure.
- The **Highways On-Street Parking** reserve holds the surplus of charges over enforcement and associated costs, which is used to finance on street parking development and eligible transport network expenditure.
- The **Infrastructure Works Feasibility** reserve provides revenue funding for feasibility works to support the development of the Council's capital programme.
- The **Insurance** reserve is held in respect of the Authority's self-funding insurance scheme, and provides for the risk of unknown future claims (i.e. in excess of the known claims as provided for in the insurance provision - see Note 14).
- The **Interest Smoothing Account** is held to meet temporary shortfalls arising from fluctuations in interest rates, such as a reduction in investment returns or increased costs of borrowing.
- The **Recycling & Waste PFI** and **Street Lighting PFI** reserves hold the surplus of government credits and other sources of finance over unitary charge payments and other expenditure in the early years of the respective contracts, to meet future expenditure over the life of the PFI arrangements. This equalises the costs to the taxpayer of building and maintaining the facilities over the duration of the contracts.
- The **School Balances** reserve holds net underspending on locally managed school budgets.
- The **Schools Sickness and Maternity** reserve holds the accumulated surplus on the sickness and maternity insurance scheme operated by the Authority for its maintained schools.
- The **Service Transformation Fund** is held to meet the costs of major organisational transformation. It is used to fund short-term costs in order to deliver ongoing savings, and as a source of investment to finance improvements to services so that they become more efficient and provide better outcomes.
- The **Social Care Support Grant 2018/19** reserve holds the balance of monies allocated to the Council in the 2018/19 Local Government Finance Settlement to support the provision of adult social care. This has been earmarked as a contribution towards funding the cost of delivering the Adults' Improvement Programme.
- The **Special Support Centres** reserve was originally held to fund the creation of special support centres at mainstream schools. Alternative funding sources have been identified within the capital programme to support these schemes, and therefore this funding has been released into the Service Transformation Fund during 2020/21.
- The **Statutory Duties** reserve holds funding to meet statutory obligations over and above that which the Authority has made provision for.
- The **Strategic Economic Plan** reserve was held to support the progression of the economic priorities within the Coast to Capital Local Enterprise Partnership. This fund has now been consolidated into the Economic Growth Reserve during 2020/21.
- The **Unapplied Revenue Grants** reserve represents the unspent balance on revenue grants which are received for specific purposes but where there are no outstanding conditions on the grant which could require its repayment. The grant has therefore been recognised in full in the Comprehensive Income and Expenditure Statement, but the unapplied balance is held in a reserve to fund future expenditure plans relevant to the purpose of the grant.
- The **Waste Materials Resource Management Contract (MRMC)** reserve is the County Council's investment fund to meet the 25-year contract with Biffa Waste Services Ltd for the treatment and disposal of waste, including the development of appropriate facilities.
- **Other Earmarked Reserves** represents the cumulative balances and transactions on a number of smaller reserves which are individually immaterial.

NOTES TO THE BALANCE SHEET

4. Property, Plant and Equipment

Movements in 2020/21	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000	PFI Assets included in Property, Plant & Equipment £000
Cost or Valuation							
At 1 April 2020	1,507,658	113,878	609,605	36,165	9,019	2,276,325	172,091
Additions	24,914	8,738	42,974	150	9,582	86,358	1,083
Donations	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-182,324	0	0	11,046	0	-171,278	-23,625
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-279,307	0	0	2,043	0	-277,264	0
Disposals	0	-3,138	0	-585	0	-3,723	0
Derecognition - Academies	-48,287	0	0	0	0	-48,287	0
Derecognition - Finance Leases	0	0	0	0	0	0	0
Derecognition - Other	-11,125	-17,881	-39,762	-57	0	-68,825	-615
Assets reclassified (to)/from Assets Held for Sale	-1,512	0	0	1,346	0	-166	0
Assets reclassified (to)/from Investment Property	-43	0	0	0	0	-43	0
Transfer in asset category	1,341	0	10,655	-1,482	-10,514	0	0
At 31 March 2021	1,011,315	101,597	623,472	48,626	8,087	1,793,097	148,934
Accumulated Depreciation and Impairment							
At 1 April 2020	0	-44,713	-258,790	0	0	-303,503	-28,755
Depreciation charge	-37,517	-12,425	-34,010	-676	0	-84,628	-5,443
Depreciation written out to the Revaluation Reserve on revaluation	19,314	0	0	512	0	19,826	1,788
Depreciation written out to the Surplus/Deficit on the Provision of Services on revaluation	15,999	0	0	108	0	16,107	0
Impairment (losses)/reversals recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Disposals	0	0	0	27	0	27	0
Derecognition - Academies	1,863	0	0	0	0	1,863	0
Derecognition - Finance Leases	0	0	0	0	0	0	0
Derecognition - Other	303	17,881	39,762	0	0	57,946	615
Depreciation written out on newly classified Assets Held for Sale	67	0	0	0	0	67	0
Depreciation written out on newly classified Investment Property	0	0	0	0	0	0	0
Transfer in asset category	-29	0	0	29	0	0	0
At 31 March 2021	0	-39,257	-253,038	0	0	-292,295	-31,795
Net Book Value							
At 1 April 2020	1,507,658	69,165	350,815	36,165	9,019	1,972,822	143,336
At 31 March 2021	1,011,315	62,340	370,434	48,626	8,087	1,500,802	117,139

NOTES TO THE BALANCE SHEET

Comparative Movements in 2019/20	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000	PFI Assets included in Property, Plant & Equipment £000
Cost or Valuation							
At 1 April 2019	1,485,971	114,218	605,396	39,493	11,533	2,256,611	178,224
Additions	18,649	11,165	34,133	394	17,310	81,651	377
Donations	11,708	0	0	0	0	11,708	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-26,907	0	0	-2,438	0	-29,345	-5,283
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	21,017	0	0	-1,359	0	19,658	0
Disposals	-49	-738	0	0	0	-787	0
Derecognition - Academies	-9,643	0	0	0	0	-9,643	0
Derecognition - Finance Leases	-2,866	0	0	0	0	-2,866	0
Derecognition - Other	-9,096	-10,767	-29,924	0	-53	-49,840	-1,227
Assets reclassified (to)/from Assets Held for Sale	-268	0	0	-924	0	-1,192	0
Assets reclassified (to)/from Investment Property	0	0	0	370	0	370	0
Transfer in asset category	19,142	0	0	629	-19,771	0	0
At 31 March 2020	1,507,658	113,878	609,605	36,165	9,019	2,276,325	172,091
Accumulated Depreciation and Impairment							
At 1 April 2019	0	-43,579	-255,998	0	0	-299,577	-26,297
Depreciation charge	-35,309	-11,901	-32,716	-824	0	-80,750	-5,815
Depreciation written out to the Revaluation Reserve on revaluation	24,156	0	0	541	0	24,697	2,130
Depreciation written out to the Surplus/Deficit on the Provision of Services on revaluation	10,969	0	0	170	0	11,139	0
Impairment (losses)/reversals recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
Derecognition - Academies	0	0	0	0	0	0	0
Derecognition - Finance Leases	75	0	0	0	0	75	0
Derecognition - Other	212	10,767	29,924	0	0	40,903	1,227
Depreciation written out on newly classified Assets Held for Sale	0	0	0	10	0	10	0
Depreciation written out on newly classified Investment Property	0	0	0	0	0	0	0
Transfer in asset category	-103	0	0	103	0	0	0
At 31 March 2020	0	-44,713	-258,790	0	0	-303,503	-28,755
Net Book Value							
At 1 April 2019	1,485,971	70,639	349,398	39,493	11,533	1,957,034	151,927
At 31 March 2020	1,507,658	69,165	350,815	36,165	9,019	1,972,822	143,336

NOTES TO THE BALANCE SHEET

Depreciation

Depreciation is provided on all Property, Plant and Equipment assets. An exception is made for assets without a determinable finite useful life (i.e. freehold land and heritage assets) and assets that are not yet available for use (i.e. assets under construction). New assets will be depreciated from 1 April of the year that follows the date of initial recognition.

The useful lives used in the calculation of depreciation are set out in Note 41 Accounting Policies.

Capital Commitments

The Authority has entered into a number of contracts prior to 31 March 2021 for the construction or enhancement of Property, Plant and Equipment. It has commitments totalling £46.7m to be paid in 2021/22 and thereafter (commitments at 31 March 2020 were £21.3m). The major commitments are:

Name of capital project	Programme duration	Outstanding commitments £000
A259 Corridor Capacity Enhancement, East Arun	2015-2023	12,319
A2300 Corridor Capacity Enhancement, Burgess Hill	2018-2023	6,019
Choices for the Future (In-House Social Care)	2019-2022	3,681
Converged Fibre	2019-2022	1,412
Additional Highways Delivery Programme	2020-2022	1,188
Principal Roads Resurfacing	2020-2022	1,151
Crawley Growth Programme	2017-2025	967
A284 Lyminster Bypass	2015-2023	828
Community Highways Schemes	2020-2022	731
West of Horsham	2016-2022	625
Seaside Children's Home	2019-2022	606
Horsham Enterprise Park	2018-2022	604
Woodlands Mead College	2018-2023	536
Orchard House	2021-2023	530
Crawley County Buildings Demolition	2019-2022	525
Worthing Community Hub	2019-2022	523
Your Energy Sussex Programme	2019-2022	520

Revaluations

The Authority carries out a rolling revaluation programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. Further detail on the Authority's revaluation programme and the measurement bases for its Property, Plant and Equipment assets can be found in Note 41 Accounting Policies.

The Authority undertook a number of valuations at 31 March 2021. Valuations were instructed by the Director of Finance and Support Services, and carried out by external independent valuers: Bruton Knowles LLP Chartered Surveyors, 60 Church Street, Birmingham, B3 2DJ. Valuations were undertaken in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS) and the CIPFA Code of Practice.

The Authority changed its valuer in 2020/21, and a different technique applied by the new valuer in relation to school assets has had a significant impact on the Council's balance sheet. Further detail regarding this change is provided in Note 43 to the accounts.

NOTES TO THE BALANCE SHEET

Fair Value Hierarchy

The Council's Surplus Property, Plant and Equipment assets are valued at fair value in accordance with the requirements of IFRS 13 Fair Value Measurement. All surplus assets have been subject to revaluation in 2020/21. A de minimis of £250,000 has been applied in the tables below.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date

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

Level 3 – unobservable inputs for the asset

Details of the Authority's Surplus Assets, and information about the fair value hierarchy as at 31 March 2021, are as follows:

	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2021 £000
Commercial	0	0	3,564	3,564
Office Units	0	0	3,392	3,392
Residential	0	0	40,186	40,186
Sub Total	0	0	47,142	47,142
De minimis	0	0	1,484	1,484
Total	0	0	48,626	48,626

Comparative figures as at 31 March 2020:

	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2020 £000
Commercial	0	0	2,461	2,461
Office Units	0	3,550	1,626	5,176
Residential	0	0	24,752	24,752
Sub Total	0	3,550	28,839	32,389
De minimis	0	0	3,776	3,776
Total	0	3,550	32,615	36,165

There were no transfers between the levels of the fair value hierarchy during the year.

NOTES TO THE BALANCE SHEET

Quantitative Information about Fair Value Measurement of Surplus Assets using Significant Unobservable Inputs – Level 3

	Fair Value at 31 March 2021 £000	Valuation technique used to measure Fair Value	Unobservable inputs	Range (weighted average used)	Valuation process
Commercial	3,564	Market Approach	Market comparables	Commercial yield evidence ranges between 4% - 9% typically with a gross yield 0.5% higher	Analysed comparable land evidence data from across the county (obtained from either CoStar or EIG) to place a land value on the subject property/site, then made adjustments for site location, site restrictions, layout and quality of land.
Office Units	2,072	Market Approach	Market comparables	Commercial yield evidence ranges between 4% - 9% typically with a gross yield 0.5% higher	Analysed comparable land evidence data from across the county (obtained from either CoStar or EIG) to place a land value on the subject property/site, then made adjustments for site location, site restrictions, layout and quality of land.
	1,320	Market Approach	Market comparables	£71,000 - £5,263,000 per acre for residential development land	Analysed comparable land evidence data from across the county (obtained from either CoStar or EIG) to place a land value on the subject property/site, then made adjustments for site location, site restrictions, layout and quality of land.
Residential	33,728	Market Approach	Market comparables	£71,000 - £5,263,000 per acre for residential development land	Analysed comparable land evidence data from across the county (obtained from either CoStar or EIG) to place a land value on the subject property/site, then made adjustments for site location, site restrictions, layout and quality of land.
	1,120	Market Approach	Market comparables	Residential values £50,000 to £800,000	Analysed comparable land evidence data from across the county (obtained from either CoStar or EIG) to place a land value on the subject property/site, then made adjustments for site location, site restrictions, layout and quality of land.
	2,970	Market Approach	Residential values, condition, refurbishment costs	Residential values £50,000 to £500,000	Analysed comparable land evidence data from across the county (obtained from either CoStar or EIG) to place a land value on the subject property/site, then made adjustments for site location, site restrictions, layout and quality of land.
	2,368	Market Approach	Residential values, condition, specification, refurbishment costs	£71,000 - £5,263,000 per acre for residential development land	Analysed comparable land evidence data from across the county (obtained from either CoStar or EIG) to place a land value on the subject property/site, then made adjustments for site location, site restrictions, layout and quality of land.

5. Heritage Assets

The Code of Practice on Local Authority Accounting in the United Kingdom requires Heritage Assets to be carried on an Authority's balance sheet at valuation (subject to materiality).

The Authority recognises one Heritage Asset on its balance sheet. Halnaker Windmill is a tower mill which stands on Halnaker Hill, northwest of Chichester. Originally built as the feudal mill of the Goodwood Estate, the surviving mill is thought to date from the 1740s. The carrying value of the mill on the Authority's balance sheet at 31 March 2021 is £280,000.

The Authority holds a number of other assets of historical, artistic and cultural significance, such as graded and listed buildings. However, where the asset serves an operational purpose it is not appropriate to account for it as a Heritage Asset. Such assets are accounted for within Property, Plant and Equipment.

However, the Authority does own a number of assets which do not serve any operational purpose, and are held principally for their contribution to knowledge and culture. Whilst these are therefore considered to be Heritage Assets, they have not been recognised on the balance sheet on the basis that it is not practicable to establish the fair value of the assets. The principal source of such assets is the Record Office in Chichester. The Office holds the written and recorded heritage of the county of West Sussex. This includes paper and parchment documents, books and files, maps and plans, photographs and cine films, and electronic records, the earliest documents dating back to the 8th century. The assets of the Office are not valued for insurance purposes, and whilst they are of significance to the local community, their value is not considered to be material in the context of the Authority's £1.7billion long term asset base.

NOTES TO THE BALANCE SHEET

6. 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 and PFI contracts), 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.

CAPITAL EXPENDITURE AND CAPITAL FINANCING

	2019/20 £000	2020/21 £000
<u>Capital Financing Requirement</u>		
Balance brought forward at 1 April	618,178	609,905
Capital Investment for the Year by Portfolio:		
Adults and Health	1,675	3,131
Children and Young People	2,551	4,052
Economy and Corporate Resources	12,610	7,994
Education and Skills	31,955	22,408
Environment	1,473	664
Finance	4,550	6,446
Fire & Rescue and Communities	3,295	8,949
Highways and Infrastructure	33,390	38,898
Finance Lease Notional Investment	463	524
Recycling & Waste PFI Notional Investment	377	902
	92,339	93,968
Source of Finance:		
Capital Receipts	-7,901	-3,700
External Contributions	-6,330	-4,499
External Contributions applied to REFCUS	-501	-1,554
Government Grants	-65,189	-69,795
Government Grants applied to REFCUS	-3,924	-2,799
Revenue Contribution to Capital Outlay	-297	-5,762
	-84,142	-88,109
Sums set aside from revenue (MRP)	-16,470	-15,815
Balance carried forward at 31 March	609,905	599,949
Change in Capital Financing Requirement	-8,273	-9,956

REFCUS expenditure of £7.359m is included within portfolio totals in 2020/21 (2019/20 £10.536m). Included within this total is £1.200m (2019/20 £4.051m) that has been capitalised in accordance with a direction issued by the Secretary of State for Housing, Communities and Local Government under the Local Government Act 2003. This direction provides local authorities with the freedom to use capital receipts from the sale of assets to help fund the revenue costs of transformation projects in order to achieve ongoing savings and reduce costs or demand for public services.

	2019/20 £000	2020/21 £000
Explanation of change in CFR:		
Increase in underlying need to borrow	7,357	4,433
Assets acquired under finance leases	463	524
Assets acquired under PFI contracts	377	902
Less the total of the Minimum Revenue Provision	-16,470	-15,815
	-8,273	-9,956

NOTES TO THE BALANCE SHEET

Reconciliation of the Capital Financing Requirement to the Balance Sheet

	31 March 2020	31 March 2021
	£000	£000
Capital Financing Requirement	<u>609,905</u>	<u>599,949</u>
Property Plant & Equipment (Note 4)	1,972,822	1,500,802
Heritage Assets (Note 5)	280	280
Investment Property (Note 7)	91,401	89,172
Intangible Assets (Note 8)	390	0
Equity Investments (Note 9) ¹	2	2
Other Long Term Liabilities (Note 9) ²	-1,919	-1,772
Assets Held for Sale (Note 10)	1,840	845
Capital Adjustment Account (Note 19)	-1,039,859	-748,952
Revaluation Reserve (Note 19)	<u>-415,052</u>	<u>-240,428</u>
	<u>609,905</u>	<u>599,949</u>

¹ Shareholding in the UK Municipal Bond Agency plc, initially categorised as an Unquoted Equity Investment in 2014/15 (held at cost). Subsequently re-classified as a Quoted Equity Investment and held at fair value, with resulting revaluation losses charged initially to the Available for Sale Financial Instruments Reserve and, subsequent to its abolition upon the Code's adoption of IFRS 9 Financial Instruments, the Capital Adjustment Account.

² Deferred income to be released to the Comprehensive Income and Expenditure Statement over the remaining term of the Recycling and Waste Handling Private Finance Initiative.

NOTES TO THE BALANCE SHEET

7. Investment Property

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:

2019/20 £000	2020/21 £000
-1,732 Rental income from investment property	-2,406
0 Direct operating expenses arising from investment property	1
55 (Gains) and losses on sale of investment property	58
-12,245 Change in fair value of investment property	2,215
-13,922 Net (gain)/loss	-132

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

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

2019/20 £000	2020/21 £000
79,569 Balance at 1 April	91,401
Additions:	
0 Purchases	0
139 Subsequent expenditure	251
-182 Disposals of Investment Properties	-58
12,245 Net gains from fair value adjustments	-2,215
Transfers:	
-370 (To)/from Property, Plant and Equipment	43
0 (To)/from Assets Held for Sale	-250
91,401 Balance at 31 March	89,172

Revaluation of Investment Property is undertaken by external independent valuers: Bruton Knowles LLP Chartered Surveyors of 60 Church Street, Birmingham, B3 2DJ in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Manual.

NOTES TO THE BALANCE SHEET

Fair Value Hierarchy

The Council's Investment Property assets are valued at fair value in accordance with the requirements of IFRS 13 Fair Value Measurement. All Investment Property assets have been subject to revaluation in 2020/21. A de minimis of £250,000 has been applied in the tables below.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date

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

Level 3 – unobservable inputs for the asset

Details of the Authority's Investment Property, and information about the fair value hierarchy as at 31 March 2021, are as follows:

	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2021 £000
Agricultural	0	0	5,000	5,000
Commercial	0	0	58,606	58,606
Residential	0	0	22,200	22,200
Sub Total	0	0	85,806	85,806
De minimis	0	0	3,366	3,366
Total	0	0	89,172	89,172

Comparative figures as at 31 March 2020:

	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2020 £000
Agricultural	0	0	3,997	3,997
Commercial	0	0	60,711	60,711
Residential	0	0	21,320	21,320
Sub Total	0	0	86,028	86,028
De minimis	0	0	5,373	5,373
Total	0	0	91,401	91,401

There were no transfers between the levels of the fair value hierarchy during the year.

NOTES TO THE BALANCE SHEET

Quantitative Information about Fair Value Measurement of Investment Properties using Significant Unobservable Inputs – Level 3

	Fair Value at 31 March 2021 £000	Valuation technique used to measure Fair Value	Unobservable inputs	Range (weighted average used)	Valuation process
Agricultural	4,262	Market Approach	Market comparables	Commercial yield evidence ranges between 4% - 9% typically with a gross yield 0.5% higher	Analysed comparable land evidence data from across the county (obtained from either CoStar or EIG) to place a land value on the subject property/site, then made adjustments for site location, site restrictions, layout and quality of land.
	738	Income Approach	Market comparables	Commercial yield evidence ranges between 4% - 9% typically with a gross yield 0.5% higher	Analysed comparable land evidence data from across the county (obtained from either CoStar or EIG) to place a land value on the subject property/site, then made adjustments for site location, site restrictions, layout and quality of land.
Commercial	35,296	Income Approach	Market comparables	Commercial yield evidence ranges between 4% - 9% typically with a gross yield 0.5% higher	Capitalisation of the current passing rent until lease expiry where assumptions for when the tenant will vacate the property are made. Full market value to the land has been applied and deferred for the appropriate number of years.
	20,045	Market Approach	Market comparables	Commercial yield evidence ranges between 4% - 9% typically with a gross yield 0.5% higher	Based on a discounted cashflow methodology, considering the net income and remaining life of the solar panels. The calculation assesses the internal rate of return for the solar panel site. Yield evidence from CoStar and EIG has been used to assist in a cross reference exercise against the adopted multiplier within the valuation.
	2,856	Market Approach	Market comparables	Commercial yield evidence ranges between 4% - 9% typically with a gross yield 0.5% higher	Analysed comparable land evidence data from across the county (obtained from either CoStar or EIG) to place a land value on the subject property/site, then made adjustments for site location, site restrictions, layout and quality of land.
	409	Income Approach	Market comparables	Commercial yield evidence ranges between 4% - 9% typically with a gross yield 0.5% higher	Analysed the car parking space values and obtained car parking rates for the local area, then applied the income approach to arrive at the final valuation.

NOTES TO THE BALANCE SHEET

	Fair Value at 31 March 2021 £000	Valuation technique used to measure Fair Value	Unobservable inputs	Range (weighted average used)	Valuation process
Residential	15,281	Market Approach	Residential land values	£500,000 - £2,500,000 per acre	Analysed comparable land evidence data from across the county (obtained from either CoStar or EIG) to place a land value on the subject property/site, then made adjustments for site location, site restrictions, layout and quality of land.
	4,103	Market Approach	Residential property values	£226,000 - £580,000 per dwelling	Analysed residential comparable sales evidence (obtained from either Rightmove or Rightmove+), then made adjustments to reflect the current nature/tenancy of the property.
	2,407	Market Approach	Market comparables	Commercial yield evidence ranges between 4% - 9% typically with a gross yield 0.5% higher	Information regarding assumed passing rents, consideration of lease expiry dates and a reversion approach has been used on the basis that the tenant continues to occupy the property. Where passing rents have been provided, these have been capitalised to come to a value for the property. Additional evidence has been obtained from CoStar/EIG.
	409	Income Approach	Market comparables	Commercial yield evidence ranges between 4% - 9% typically with a gross yield 0.5% higher	Assessment of passing rents which have then been capitalised to come to a value for the property. Further evidence has been obtained from CoStar/EIG.

8. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that 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 relate to purchased licenses.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The current licenses have been assigned a useful life of 10 years.

The carrying amount of the intangible asset is amortised on a straight-line basis. The amortisation of £390,000 charged to revenue in 2020/21 was charged to the Economy and Corporate Resources portfolio in the Net Cost of Services. The movement on Intangible Asset balances during the year is as follows:

	2019/20 £000	2020/21 £000
Balance at 1 April		
- Gross carrying amounts	3,583	3,483
- Accumulated amortisation	-2,803	-3,093
Net carrying amount at start of year	780	390
Purchases	0	0
Amortisation for the period	-390	-390
Balance at 31 March	390	0
Comprising:		
Gross carrying amounts	3,483	0
Accumulated amortisation	-3,093	0
	390	0

9. Financial Instruments and Nature and Extent of Risks arising from Financial Instruments

The definition of 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 entity".

Financial Assets: A Financial Asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Council during 2020/21 are classified in accordance with the Code of Practice as follows:

Amortised cost (financial assets whereby the Council's business model is to collect contractual cash flows with intention of holding to maturity; such cash flows being solely payments of principal and interest) comprising:

- Cash held at Lloyds Bank plc (including school bank accounts)
- Fixed-term deposits and call/notice accounts with banks and building societies
- Certificate of deposits, bonds (senior unsecured) & covered bonds issued by banks and building societies
- British Government securities (not held for trading) including Treasury Bills, Gilts & other securities
- Loans to other UK local authorities (by way of fixed-term investments or bonds issued by an authority)
- Loans to UK Registered Social Landlords (by way of fixed-term investments with the housing association)
- Corporate bonds issued by companies (non-bank)
- Money market funds that preserve investment value through a constant or low volatility net asset valuation
- Loans to third parties (not made for the delivery of Council services)
- Trade receivables (debtors) for goods and services delivered

Fair value through profit or loss (financial assets whose contractual payments are not solely payments of principal and interest; such assets incurring fair value gains and/or losses over the lifetime of the investment) comprising:

- Externally managed pooled funds (collective investment schemes) including multi-asset, property and ultra-short dated bond funds
- Equity investment in the UK Municipal Bond Agency

At 31 March 2021 the Council did not have (or elect to hold) any investments to be measured at fair value through other comprehensive income. Balances in bank call accounts and money market funds (both instant access) are shown under 'Cash and Cash Equivalents' in the Balance Sheet as they represent highly liquid investments that are readily convertible to known amounts of cash.

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 are potentially unfavourable to the Council.

The Council's non-derivative financial liabilities (measured at amortised cost) held during the year comprised:

- Long-term borrowing from the Public Works Loan Board (PWLb)
- Short-term borrowing from the Chichester Harbour Conservancy (and its associated charities)
- Overdraft facility with Lloyds Bank plc
- Private Finance Initiative (PFI) contracts
- Finance leases on land and buildings
- Trade payables (creditors) for goods and services received

The Council's Treasury Management Strategy approves temporary borrowing for cash flow purposes from UK local authorities and financial institutions authorised by the Prudential Regulation Authority (PRA) to operate in the UK. Excluding the Council's main provider of banking service (Lloyds) where overdraft facilities exist, no such borrowing was taken during 2020/21. Additionally the Council holds cash on behalf of the Chichester Harbour Conservancy as part of the Harbour's own investment strategy. This is presented as short term borrowing as the amount held is available for repayment back to the Chichester Harbour Conservancy on any given notice.

At 31 March 2021, the Council did not hold any derivative financial liabilities, for example forward contracts on fixed rate investments where interest rates had moved in the other party's favour since the contract was agreed.

Transaction Costs:

During 2020/21 transactions costs relating to the Council's financial instruments (loans and investments) have been charged in full to the Comprehensive Income and Expenditure Statement.

NOTES TO THE BALANCE SHEET

a. Financial Instruments Balances

The financial assets and liabilities disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Current	
	1 April 2020 £000	31 March 2021 £000	1 April 2020 £000	31 March 2021 £000
Financial Assets				
Investments (including accrued interest)	24,977	9,994	210,389	214,818
Cash and cash equivalents	0	0	66,513	151,913
Trade Debtors	28,894	31,633	32,798	47,084
Amortised cost	53,871	41,627	309,700	413,815
Fair value through other comprehensive income	0	0	0	0
Pooled funds (including accrued interest)	37,236	38,287	294	287
Equity investments	2	2	0	0
Fair value through profit and loss	37,238	38,289	294	287
Total Financial Assets	91,109	79,916	309,994	414,102
Soft loans provided ¹	979	1,063	276	360

¹ Included within trade debtors total.

	Long Term		Current	
	1 April 2020 £000	31 March 2021 £000	1 April 2020 £000	31 March 2021 £000
Financial Liabilities				
Borrowing ¹ (principal amount)	-474,819	-471,303	-11,975	-9,080
Accrued interest (PWLb)	0	0	-4,464	-4,336
PFI liability	-95,010	-91,724	-2,973	-3,287
Finance lease liability	-1,703	-2,115	-99	-108
Other long-term liabilities	-1,919	-1,772	0	0
Trade Creditors	0	0	-71,714	-114,117
Cash and cash equivalents	0	0	0	0
Amortised cost	-573,451	-566,914	-91,225	-130,928
Fair value through profit and loss	0	0	0	0
Total Financial Liabilities	-573,451	-566,914	-91,225	-130,928

¹ The County Council began long-term borrowing during 2000/01; no additional PWLB long-term borrowing was arranged during 2020/21. All outstanding loans at 31 March 2021 are scheduled to be repaid between 2021 and 2069.

The portion of long-term liabilities and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under 'Current Liabilities' or 'Current Assets'. This would include accrued interest on long term liabilities and investments that are payable and/or receivable in 2021/22.

(i) Soft Loans

In accordance with the 2020/21 Code of Practice, where loans are advanced at below market (commercial) rates they are classified as 'soft loans'. The County Council made one such loan during March 2015; a twenty-year loan advanced to the Littlehampton Harbour Board for the purchase of a multi-purpose vessel at a borrowing rate of 2.56%. The Council estimates that had interest been charged at market rates (assumed as 4% above the prevailing Bank of England base interest rate) interest receivable in the Comprehensive Income and Expenditure Statement would have increased by £3,600 (considered below de minimis for full disclosure).

NOTES TO THE BALANCE SHEET

Additionally, during 2019/20 the Council introduced the "Financial Support for Recruitment and Retention-Employee Loan" scheme, whereby eligible employees (in posts designated by the Council as hard to fill) could apply for interest free loans up to £10,000 with repayment terms over a maximum 5-year period. The Council estimates that had interest on these loans been charged at market rates (assumed at 4% above the prevailing Bank of England base interest rate; illustrative APR ranging between 3% to 4% for such personal loans) interest receivable in the Comprehensive Income and Expenditure Statement would have increased by £48,350. Again this is considered to be below the de minimis for full disclosure in the financial statements as per the Council's accounting policy for soft loans as detailed at Note 41.

The position relating to soft loans at 31 March 2021 is therefore:

	2019/20 £000	2020/21 £000
Balance brought forward	255	1,255
Loans advance	1,153	599
Repayments Received	-161	-438
Interest charged to Comprehensive I&E Statement (CIES)	7	6
Expected credit loss allowance (movement charged to CIES)	1	1
Soft Loans Total (within trade debtors)	1,255	1,423

(ii) Other

During 2020/21, with regard to financial instruments the County Council had no unusual movements, reclassification of instruments, derecognition of instruments or defaults and breaches.

b. Financial Instruments - 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:

	2019/20			2020/21		
	Financial Liabilities	Financial Assets		Financial Liabilities	Financial Assets	
	Amortised Cost £000	Amortised Cost £000	Fair Value through Profit and Loss £000	Amortised Cost £000	Amortised Cost £000	Fair Value through Profit and Loss £000
<u>Interest:</u>						
Expense	-31,242	-	-	-30,856	-	-
Income	-	2,709	1,523	-	1,988	1,514
Total Interest	-31,242	2,709	1,523	-30,856	1,988	1,514
<u>Fair value gains/losses:</u>						
Equity	0	0	-2	0	0	0
Multi-asset income funds	0	0	-1,427	0	0	1,441
Property funds	0	0	-675	0	0	-390
Ultra-short dated bond funds	0	0	187	0	0	19
Total fair value gains/losses	0	0	-1,917	0	0	1,070
<u>Other:</u>						
Fee expense (brokerage)	-35	-11	0	0	0	0
ECL allowance (prior year reversal)	0	15	0	0	41	0
ECL allowance at 31 March	0	-41	0	0	-31	0
Total fair value gains/losses	-35	-37	0	0	10	0
Total gains and losses recognised in Surplus or Deficit on Provision of Services (CIES)	-31,277	2,672	-394	-30,856	1,998	2,584

NOTES TO THE BALANCE SHEET

The Ministry of Housing, Communities and Local Government (MHCLG) introduced a statutory override for English local authorities effective from 1 April 2018 for an initial 5-year period up to 31 March 2023, whereby fair value movements on qualifying pooled funds are accounted for through the pooled investment funds adjustment account. The Council has maintained this accounting policy throughout 2020/21 with regard to its multi-asset income and property pooled funds.

c. Financial Instruments - Fair Values

The basis for recurring fair value measurements are:

- Level 1 - Fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date (for example bond prices).
- Level 2 - Fair value is calculated from inputs other than quoted prices that are observable for the asset or liability (for example interest rates or yields for similar instruments).
- Level 3 - Fair value is determined using unobservable inputs for the asset or liability.

(i) Fair Value of Financial Assets

Some of the Council's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Financial Assets (measured at fair value through profit & loss)	Fair Value Level	Valuation technique used to measure Fair Value	Original Invested Value £000	2019/20 Fair Value £000	2020/21 Fair Value £000
Fidelity Multi-Asset Income Fund	1	Unadjusted quoted	7,500	7,009	7,773
NinetyOne Diversified Income Fund	1	prices in active markets	7,500	6,863	7,540
Accrued interest (multi-asset funds)	1	(see note below) ¹	n/a	72	64
Hermes Property Unit Trust	2	Prices obtained directly	10,000	9,363	9,105
Local Authorities' Property Fund	2	from respective Fund	10,000	9,491	9,423
Lothbury Property Trust	2	Managers	5,001	4,510	4,446
Accrued interest (property funds)	2	(see note below) ²	n/a	222	223
Shareholding in the UKMBA Plc	3	Discounted cash flow (see note below) ³	200	2	2
			40,201	37,532	38,576

¹ The Council's fair value measurement of its multi-asset income pooled funds is based directly from quoted market prices at 31 March 2021.

² The Council's fair value measurement of its property pooled funds is based directly from the bid/redemption prices obtained from the respective fund managers; indicating the value that units can be sold (in accordance with the Code of Practice). During 2020/21 all three fund managers lifted the temporary redemption suspensions that were in place at 31 March 2020. However, given that monthly prices are calculated using the respective property fund's valuers valuation of the underlying assets and that subscription/redemption trades are typically set on a forward pricing basis with the trading price agreed at a future point in time, the Council has maintained property funds at Level 2 of the fair value hierarchy.

³ Equity in the UK Municipal Bond Agency (UKMBA) plc have been valued at the company's share capital valuation (£0.01 per share) as shown within their latest audited financial statements (no assumptions made regarding future profits).

(ii) Financial Assets and Liabilities that are not measured at Fair Value (but Fair Value disclosures are required)

Except for the financial assets carried at fair value through profit and loss, all other financial assets and financial liabilities (including trade debtors and creditors) held by the Council are carried on 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 instruments, using the following assumptions:

NOTES TO THE BALANCE SHEET

- For Public Works Loan Board (PWLB) loans, New Loan Rates effective at 31 March 2021 from the PWLB (discounted by the 0.2% "Certainty Rate" available to local authorities) have been applied to provide the fair value under PWLB debt redemption procedures; as set out in PWLB Interest Rate Notice No. 127/21.
- The fair values of PFI schemes and finance lease liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA rated corporate bond yield.
- For long-term investments, covered bonds and other securities, prevailing (benchmark where applicable) market rates have been used to provide the fair value at 31 March 2021.
- The fair value of other financial instruments (including those with a maturity of less than 12 months), trade debtors and trade creditors, is assumed to approximate the carrying amount (no fair value hierarchy level).

		2019/20		2020/21	
	Fair Value Level	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities					
PWLB borrowing (including accrued interest)	2	-486,299	-568,930	-479,155	-587,265
PFI and finance lease liabilities	2	-99,785	-188,203	-97,234	-193,350
Other liabilities (Waste PFI deferred income)		-1,919	-1,919	-1,772	-1,772
Short-term (non-PWLB) borrowing		-4,959	-4,959	-5,564	-5,564
Trade creditors ¹		-71,714	-71,714	-114,117	-114,117
Bank current accounts		0	0	0	0
Total Financial Liabilities		-664,676	-835,725	-697,842	-902,068

¹ Excludes receipts in advance (£68.732m at 31 March 2021) and statutory creditors (£37.467m at 31 March 2021) including HM Revenue & Customs (Tax/National Insurance pay-over and Construction Industry Tax Deduction Scheme), Teachers Pensions, government department accruals, council tax prepayments and leave accrued by employees.

The fair value of financial liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2021) arising from a commitment to pay interest to lenders above current market rates. Additionally, during 2019/20 HM Treasury raised the margin on PWLB borrowing rates by 1% and subsequently reversed this increase in 2020/21. As a result the comparative fair values for PWLB borrowing at 31 March 2020 are lower on a like-for-like basis than at 31 March 2021.

		2019/20		2020/21	
	Fair Value Level	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Assets (held at amortised cost)					
Bank covered bond	1	10,002	9,887	10,001	10,056
Other long-term investments	2	15,099	15,289	0	0
Short-term investments (less than 1-year to maturity)		210,265	210,265	214,811	214,811
Cash & cash equivalents		66,513	66,513	151,913	151,913
Trade debtors ¹		61,692	61,692	78,717	78,717
Total Financial Assets		363,571	363,646	455,442	455,497

¹ Excludes payments in advance (£20.158m at 31 March 2021) and statutory debtors (£59.756m at 31 March 2021) including HM Revenue & Customs (VAT repayment), government department accruals, council tax arrears and provision for doubtful debts.

The fair value of financial assets is higher than the carrying amount because the Council's investment portfolio includes a 3-year bank covered bond whereby fair value is based on the actual market price sourced from the custodian manager at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2021) attributable to the commitment to receive repayments (including interest) at prevailing market rates.

d. Nature and Extent of Risk Arising From Financial Instruments

(i) Key Risks

The Council'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 Council.
- **Liquidity Risk:** The possibility that the Council might not have funds available to meet its commitments to make payments.
- **Re-financing Risk:** The possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- **Market Risk:** The possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates, stock market movements or foreign currency exchange rates.

(ii) Overall Procedures for Managing Risk

The Council's overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on resources available to fund services.

Risk management is carried out by a central treasury management team, under policies approved by County Council in the annual Treasury Management Strategy. The Council maintains 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 through treasury management practices (TMPs).

(iii) Credit Risk

Credit risk arises from investments with banks and other institutions, as well as credit exposures to the Council's customers. This risk is minimised through the annual investment strategy (as set out within the Treasury Management Strategy) which requires that such investments are not made with organisations unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services.

The annual investment strategy also considers maximum monetary amounts and time limits in respect of each organisation (dependent on the creditworthiness of the entity and the secured/unsecured nature of the investment); details as contained within the Treasury Management Strategy published on the Council's website.

The rating criteria for new investments with organisations (excluding non-UK banks) to be considered of high credit quality was set at those having a long-term credit rating of A- (or equivalent rating across the three rating agencies) or higher. For non-UK commercial entities the minimum sovereign long-term rating was set at AA+ (with non-UK banks required to hold a credit rating of A+ or higher). The maximum non-UK investment exposure at any point of time being set at £90m (£30m per individual country). Recognising that credit ratings are imperfect predictors of default, the Council continued to use other means of assessing an organisation's credit worthiness over and above sole reliance on credit ratings when selecting appropriate investment counterparties; including credit default swap (CDS) prices, share prices, media coverage and any other such information pertaining to an organisation's financial standing.

The annual investment strategy further approved investments in BBB+ rated corporate (non-bank) organisations up to a maximum duration of 100 days; and the National Westminster Bank plc (ring-fenced part of the bank) up to a maximum of one year given the part nationalised status of the bank. The total level of internally managed investments with corporates (non-bank) rated below A- being limited to a maximum of £30m (£10m maximum per organisation); such investments being classified as 'non-specified' in accordance with MHCLG Investment Guidance.

Throughout 2020/21 the Council continued to make use of an HSBC custodian service provided by King & Shaxson Ltd, thereby diversifying its investment portfolio into financial instruments approved within the annual investment strategy; namely covered bonds, certificate of deposits (CDs) and corporate bonds. Additionally, investments in externally managed pooled funds (including multi-asset income, property and ultra-short dated bond funds) continue to be approved for Council investment.

NOTES TO THE BALANCE SHEET

The table below summarises the fair value/amortised cost of the Council's investment portfolio at 31 March 2021 and confirms that all investments were made in line with the Council's approved credit rating criteria:

Counterparty	Credit rating criteria met when investment placed	Credit rating criteria met on 31 March 2021	Balance invested at 31 March 2021				Total
	YES / NO	YES / NO	Up to 1 month	>1 month; <6 months	>6 month; <1 Year	>1 year	
			£000	£000	£000	£000	£000
Bank Unsecured: ¹							
-UK Bank	YES	YES	1,913	49,499	9,997	0	61,409
-Non-UK Bank	YES	YES	5,009	5,010	4,999	0	15,018
-Money market funds	YES	YES	150,000	0	0	0	150,000
Bank Secured ²	YES	YES	0	7	0	9,994	10,001
Housing Associations	YES	YES	0	10,077	0	0	10,077
Local authorities	YES	YES	5,049	40,085	85,086	0	130,220
Pooled funds ³	n/a	n/a	173	114	0	38,287	38,574
Other	n/a	n/a	0	0	0	2	2
			162,144	104,792	100,082	48,283	415,301

¹ The Council's exposure to credit risk in relation to its unsecured investments in banks and money market funds at 31 March 2021 (£226.4m) cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sums will be specific to each institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2021 that such risks were likely to materialise.

² The credit quality of £10.0m of the Council's investments is enhanced by collateral held in the form of covered bonds (bank secured); collateralised by UK residential mortgages. For these investments the collateral significantly reduces the likelihood of the Council suffering a credit loss on these investments.

³ The Council's investments in multi-asset income and property funds (not subject to minimum credit rating criteria) is approved on the basis of a long-term investment duration (minimum three and five years respectively).

The table below summarises the credit risk exposures of the Council's investment portfolio by credit rating:

	Long Term		Short Term	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
AAA (Covered Bonds, Pooled Funds/MMFs)	9,987	9,994	66,237	150,007
AA- (Assumed UK Local Authority Rating)	5,000	0	165,238	145,221
A+	0	0	15,239	46,421
A	0	0	30,108	15,005
A-	9,990	0	80	10,077
Multi-Asset Income Funds	13,872	15,313	72	64
Property Funds	23,364	22,974	222	223
UK Municipal Bond Agency ¹	2	2	0	0
Total	62,215	48,283	277,196	367,018

¹ Bonds issued by the Agency are expected to receive investment grade credit ratings given that participants (and shareholders of the Agency) are primarily individual local authorities.

(iv) Amounts Arising from Expected Credit Losses

In relation to the Council's financial investments held at amortised costs, where risk is mitigated through the creditworthiness policies contained within the annually approved Treasury Management Strategy (as summarised above), the Council has applied a 12-month expected credit loss model to its investments (where required by the Code of Practice) thereby reducing the carrying amounts as disclosed in the Balance Sheet.

Additionally, the Council had a third party loan outstanding with the Littlehampton Harbour Board which is considered as low credit risk given that annual repayments continue to be deducted from precepts paid by the Council to the Harbour Board. As a consequence the Council has applied a 12-month expected credit loss model to this loan in 2020/21.

Expected Credit Loss Allowance (Trade Debtors): The Council does not generally allow credit for its trade debtors, however £39.5m of the total £78.7m debtor balance is past its due date for payment. The amount overdue at 31 March 2021, none of which has been impaired, can be analysed by age as follows:

	£000
Up to one month overdue	3,517
Greater than one month up to three months	3,969
Greater than three months up to six months	7,726
Greater than six months up to one year	5,147
Greater than one year up to two years	7,963
Greater than two years up to five years	9,236
More than five years	1,931
Total	39,489

Included within the £39.5m trade debtor balance that is past its due payment date, the Council has identified that £5.864m is potentially at risk of being irrecoverable. This is based on an assessment of overdue debt at 31 March 2021 and the likelihood of recovery, reflecting that recovery reduces as the age of the debt increases, with anticipated recovery of 90% of debts aged up to one year old and no expected recovery of debts over six years old. The impact of Covid-19 on the Council's outstanding debt has also been considered when assessing the potential for non-recovery. At 31 March 2021, none of this liability has actually been impaired due to continued negotiations between the Council's Legal Services team and the relevant debtors.

	2019/20 £000	2020/21 £000	Movement £000
Movement in Expected Credit Loss Allowances			
Financial investments held at amortised cost (12-month ECL)	-33	-24	9
Loan to the Littlehampton Harbour Board (12-month ECL)	-8	-7	1
Provision for bad debts (Lifetime ECL model; detailed above)	-3,392	-5,864	-2,472
Provision for council tax & business rate debts	-16,523	-17,252	-729
Total	-19,956	-23,147	-3,191

Collateral (Trade Debtors): The Council initiates a legal charge on property where, for instance, clients require the assistance of the Council's Adult Services but cannot afford to pay immediately; the total debt relating to such cases at 31 March 2021 was £9.9m.

(v) Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and 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 it is needed.

The Council has ready access to borrowings at favourable rates from the money markets to cover any day-to-day cash flow need, and the Public Works Loan Board (and other financial institutions) provide access to longer-term funds. The Council 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. As a consequence there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

NOTES TO THE BALANCE SHEET

The maturity analysis of financial assets (including accrued interest and any expected credit loss adjustments) is as follows:

	2019/20	2020/21
	£000	£000
Less than one year	277,196	367,018
Between one and two years	14,990	9,994
Between two and three years	9,987	0
More than three years	37,238	38,289
Financial Assets Total	<u>339,411</u>	<u>415,301</u>

Trade debtors (£78.7m) are not included in the table above.

(vi) Refinancing Risk

The Council maintains significant debt and investment portfolios and is therefore exposed to the risk that it will need to refinance a proportion of its investments and borrowings at a time of unfavourable interest rates. Whilst the cash flow procedures employed by the Council are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of long-term financial liabilities and long-term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council's approved treasury and investment strategies address the main risks and the central treasury team address 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 Council'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 following table provides a maturity analysis of the Council's financial liabilities (excluding accrued interest) and the associated contractual interest obligations, alongside the maximum limits for fixed interest rates maturing in each period:

	Minimum Approved Limit	Maximum Approved Limit	Principal Maturity		Interest Obligation	
			2019/20	2020/21	2019/20	2020/21
			£000	£000	£000	£000
Less than 1 year	0%	25%	11,975	9,080	19,493	19,293
Between 1 and 5 years	0%	35%	13,563	34,063	75,840	75,124
Over 5 years to 10 years	0%	45%	122,023	141,378	82,470	76,493
Over 10 years to 15 years	0%	65%	199,233	155,862	38,990	30,388
Over 15 years to 20 years	0%	25%	0	0	19,987	19,987
Over 20 years to 25 years	0%	25%	15,000	15,000	18,780	18,122
Over 25 years to 30 years	0%	25%	0	0	16,695	16,695
More than 30 years	0%	40%	125,000	125,000	48,893	45,554
Financial Liabilities Total			<u>486,794</u>	<u>480,383</u>	<u>321,148</u>	<u>301,656</u>

(vii) Market Risk

Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council depending on how variable and fixed interest rates move across differing financial 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 borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- 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 Council's balance sheet, so nominal gains and losses on fixed rate debt would not impact 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 and affect the General Fund balance.

The Council has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy draws together the Council'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 markets and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods where economic circumstances make it favourable (including continued periods of low interest rates) fixed rate investments may be taken for longer durations to secure better long term returns; similarly the drawing of long term fixed rate borrowings may be postponed.

At 31 March 2021 the Council held no variable long term borrowings, but held 52% (£215.5m) of its investment portfolio in variable rate bank call/notice accounts, money market funds, bank floating rate notes, pooled funds (collective investment schemes) and equities.

During 2020/21 total interest of £1.7m has been charged to the Comprehensive Income and Expenditure Statement in respect of all the Council's variable rate investments, representing a 0.90% rate of return on an average investment portfolio of £192.8m. If all applicable rates had been 1% higher the financial impact would have been a £1.9m increase in interest charged to the Comprehensive Income and Expenditure Statement.

Price Risk

The market prices of the Council's fixed/variable rate investments and units held in ultra-short dated bond funds during 2020/21 are governed by prevailing interest rates; the market risk associated with these investments is managed alongside interest rate risk.

At 31 March 2021 the Council held £38.6m (including accrued income) in multi-asset income and property pooled funds which is subject to price variations. During 2020/21 the price movements in these funds did not impact the General Fund Balance due to statutory regulations currently in force to ameliorate the impact of fair value movements. Given continued market volatility as a result of the Covid-19 global pandemic (impacting commercial property valuations) without these current regulations the Council would have recognised a £0.4m loss in the Surplus or Deficit on the Provision of Services in relation to its property fund investments. The accumulated loss in the Council's pooled investment funds adjustment account at 31 March 2021 was £1.7m.

Additionally, the Council held a shareholding in the UK Municipal Bond Agency Plc; currently there is no active trading in these shares and the Council's investment is exposed to the ongoing sustainability of the company.

Inflationary Risk

Inflationary risk relates to the diminution of the spending powers of the Council's cash holdings, or the potential escalation of financial liabilities if linked to inflation indices. Throughout 2020/21 the Council achieved a 0.77% return on its investment portfolio as compared against average UK CPI inflation of 0.58% during the same period. Latest Bank of England forecasts report that UK CPI inflation was 0.7% in the twelve months to March 2021, and likely to increase to over 2% during the remainder of 2021 before falling back towards target; additional market forecasts indicate CPI averaging around 2% until 2025. With low investment rates set to continue over the same period the Council may seek to partially mitigate any resulting inflationary risks through its prescribed cash flow procedures; including the identification of reserves that may be set aside for the continued use of longer-term (higher yielding) investments. The Council does not currently hold any inflation linked borrowings.

Foreign Exchange Risk

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

NOTES TO THE BALANCE SHEET

10. Assets Held for Sale

2019/20 £000	2020/21 £000
7,507 Balance outstanding 1 April	1,840
Assets newly classified as held for sale:	
2,113 - Property, Plant and Equipment	1,445
0 - Investment Property	250
Assets declassified as held for sale:	
-931 - Property, Plant and Equipment	-1,346
-5 Revaluation gains/(losses)	-850
-6,844 Assets sold	-494
1,840 Balance outstanding at 31 March	845

11. Short-Term Debtors

2019/20 £000	2020/21 £000
22,917 Central government bodies	49,487
32,969 Other local authorities	13,583
5,353 NHS bodies	11,198
0 Public corporations and trading funds	0
57,933 Other entities and individuals	52,730
119,172 Total	126,998

12. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

2019/20 £000	2020/21 £000
66,229 Cash held by the Authority	150,001
284 Bank current accounts	1,912
66,513 Total	151,913

13. Short-Term Creditors

2019/20 £000	2020/21 £000
-27,455 Central government bodies	-51,615
-9,618 Other local authorities	-33,082
-4,115 NHS bodies	-28,047
-1 Public corporations and trading funds	-1
-91,106 Other entities and individuals	-107,571
-132,295 Total	-220,316

NOTES TO THE BALANCE SHEET

14. 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.

	Balance at 1 April 2020 £000	Amounts used in 2020/21 £000	Additional provisions made in 2020/21 £000	Balance at 31 March 2021 £000
<u>Long-Term</u>				
Insurance	-2,779	1,754	-2,385	-3,410
Fire Pensions Opt-Out	-243	219	0	-24
Teachers' Pension Scheme	-143	10	0	-133
Total Long-Term Provisions	-3,165	1,983	-2,385	-3,567
<u>Short-Term</u>				
Insurance	-1,568	1,769	-1,754	-1,553
Loss of Office	0	0	-354	-354
NNDR Appeals	-21,146	21,146	-4,045	-4,045
NNDR 75% Local Retention Pilot	-290	300	-10	0
Property Tenancy Dispute	-195	195	0	0
Registrars Tax Liabilities	0	0	-177	-177
Total Short-Term Provisions	-23,199	23,410	-6,340	-6,129
Grand Total Provisions	-26,364	25,393	-8,725	-9,696

Long Term Provisions - Descriptions

The **Insurance** provision is maintained to meet claims relating to the County Council's self-funding insurance scheme, including for property, vehicle and liability risks. The balance on the provision represents the estimated obligation in relation to known claims as at 31 March 2021, adjusted to remove amounts for part-settled claims. The long-term element of the provision represents the value of claims estimated to be settled at various intervals over the next number of years (but not within one year).

The **Fire Pensions Opt-Out** provision is held to finance additional employer liabilities in respect of the Firefighters' Pension Scheme. A number of employees were given incorrect advice which led to them opting out of the scheme in 2011/12. This resulted in an additional pension liability over and above that which can be funded by the Firefighters' Pension Scheme. The provision represents the gross additional liability to be met by the County Council until the employees reach the eligible retirement age. This amount is offset by amounts owed by the Firefighters' Pension Scheme in respect of lump sum payments (held within debtors on the balance sheet), which are recoverable by the Authority upon retirement.

The **Teachers' Pension Scheme** provision is for additional employer contributions to the Teachers' Pension Scheme (administered by the Department for Education), which the Authority is obliged to make over a number of years as a result of its restructuring of the Learning Service (and associated redundancies) in 2011.

NOTES TO THE BALANCE SHEET

Short Term Provisions - Descriptions

The **Insurance** provision is maintained to meet claims relating to the County Council's self-funding insurance scheme, including for property, vehicle and liability risks. The balance on the provision represents the estimated obligation in relation to known claims as at 31 March 2021, adjusted to remove amounts for part-settled claims. The short-term element of the provision represents the value of claims estimated to be settled within one year.

The **Loss of Office** provision provides for the cost of redundancies to which the Authority was committed at the balance sheet date. All obligations are expected to be settled in 2021/22.

As part of the introduction of the localised business rates system on 1 April 2013, a liability was assumed by NNDR (National Non-Domestic Rates) billing authorities for refunding ratepayers who successfully appeal against the rateable value of their properties. This includes the liability in respect of appeals against amounts paid to central government prior to that date. As a precepting authority, West Sussex is liable for a share of any successful **NNDR Appeals**, and this provision represents the Authority's estimate of its cumulative liability based upon the total liabilities estimated by its individual billing authorities. The Authority entered into a 75% local business rates retention pilot scheme in 2019/20, and as a consequence the share of the billing authority collection fund provisions notionally attributable to West Sussex County Council was 55% at 31 March 2020. The Council's share reverted to 10% upon the cessation of the pilot in 2020/21. In accordance with statutory arrangements, the movement in this provision is mitigated via the Collection Fund Adjustment Account, and so there is no impact on Usable Reserves.

A provision was held for monies owed to billing authorities under the **NNDR 75% Local Retention Pilot** which the Authority formed part of in 2019/20. Whilst the pilot arrangements ensured that the West Sussex Pool as a whole retained a greater share of business rates locally, individual billing authorities retained less than they would have under previous arrangements. Under the terms of this pilot, it was agreed that any billing authorities incurring such losses would be compensated from the additional funds retained by the wider Pool. As the administering authority for the Pool, the County Council recognised this provision to recompense its billing authorities in its accounts; however, the liability was settled in 2020/21 using funds attributable to the Pool, and so there were no funding implications for the Council.

The Authority held a provision for a **Property Tenancy Dispute**. The obligation was for third party legal costs relating to an eviction notice which was subject to arbitration, and was settled in 2020/21.

A provision is held in relation to **Registrars Tax Liabilities**. A potential obligation has arisen relating to VAT which may be due on ceremonies income received during 2020/21. Settlement of any such obligation is anticipated in 2021/22, subject to the resolution of planned discussions between HMRC and CIPFA which are intended to achieve a final decision regarding the treatment of VAT for registrars and ceremonies.

15. Private Finance Initiatives and Similar ContractsCrawley Schools PFI

In January 2004, the County Council entered into a 30 year PFI contract with Crawley Schools Ltd for the provision of three new/replacement secondary schools in Crawley. The contractor is responsible for maintaining and operating the buildings for the duration of the contract. At the end of the contract period the assets will revert to the ownership of the County Council.

The Unitary Charge is net of capital contributions of £28.6m that were paid by the County Council in 2004/05 and 2005/06, and offset by government grant linked to notional credit approvals of £131m, which is payable over the period of the contract. The balance of the Unitary Charge is met by contributions from schools' delegated budgets.

During 2008/09 the facilities at Thomas Bennett (one of the three schools in the original PFI contract) were developed and incorporated into an extension of the PFI agreement with Crawley Schools Ltd. The unitary charge payment increased in 2009/10 to reflect the extended facilities coming into use and will be met by government grant and contributions from the school's delegated budgets.

In September 2012 Thomas Bennett obtained Academy status at which point the building ceased to be a County Council asset (resulting in £19.1m being removed from the Authority's balance sheet). Subsequent to the academisation of Thomas Bennett, the Authority remains the contracted partner and the analysis of PFI commitments in note (iii) below includes the unitary charge payable to the contractor in relation to this school.

Recycling and Waste Handling PFI

In March 2004 the County Council entered into a 25-year PFI contract with Viridor Waste Management Ltd for recycling and waste handling. The annual charge is offset by government grant linked to notional credit approvals of £25m, with the balance being funded from the waste management budget. An initial contract variation was entered into in January 2019, extending the agreement by a further four years. A further contract variation was agreed in May 2019, whereby the monthly gate fee (unitary charge) was reduced in return for an upfront capital repayment of £1.8m made by the Council.

Throughout the contract the contractor is responsible for the replacement of equipment at the facilities. The lifecycle costs incurred to date have been included in the balance sheet on the basis of the actual provision. As at 31 March 2021 £14.2m of lifecycle costs remained to be delivered. The payments to the contractor for the lifecycle costs are on a consistent basis across the life of the contract.

At the end of the contract period all assets will revert to County Council ownership.

Street Lighting PFI

In December 2009 the County Council reached financial close on a 25-year contract with Tay Valley Lighting for the provision and maintenance of streetlights. The contract commenced on 1 April 2010. The annual charge is offset by government grant linked to notional credit approvals of £78.5m, with the balance being funded from the Highways and Infrastructure budget.

The contract initially allowed for a 5-year installation programme ending on 31 March 2015, this however was extended to 31 March 2017 to ensure all the installations were fully complete.

In 2017, the contractor notified the Council of its intention to refinance the scheme via a Deed of Variation in line with the terms and conditions of the Project Agreement. Subsequent to a competitive selection process, financial close on the refinancing was agreed in December 2018. The Authority received a sum of £3.8m by opting to take the refinancing gain as an upfront payment. These funds were allocated to the earmarked Street Lighting PFI Reserve in 2018/19 and are being released to the revenue account over the remaining life of the scheme.

At the end of the contract period all assets revert back to the ownership of the County Council and must have a minimum of 5 years useful life remaining.

NOTES TO THE BALANCE SHEET

Note (i) – Value of Assets held under PFI contract

	Opening Balance at 1 April 2020 £000	Additions £000	Depreciation £000	Revaluation £000	Closing Balance at 31 March 2021 £000
Crawley Schools PFI					
Ifield Community College	26,510	181	-800	-11,062	14,829
Oriol High School	28,967	0	-658	-9,834	18,475
Recycling & Waste PFI					
Infrastructure	5,893	0	-351	0	5,542
Land and Buildings	13,782	0	-329	-941	12,512
Plant and Equipment	3,952	902	-661	0	4,193
Street Lighting PFI	64,232	0	-2,644	0	61,588
Total PFI Assets	143,336	1,083	-5,443	-21,837	117,139

Note (ii) – Value of Liability resulting from PFI Contract

	Opening Balance at 1 April 2020 £000	Increase due to Investment £000	Repayment of Liability £000	Closing Balance at 31 March 2021 £000
Crawley Schools PFI	-24,988	0	857	-24,131
Recycling & Waste PFI	-11,897	-902	1,282	-11,517
Street Lighting PFI	-61,098	0	1,735	-59,363
Total Liability	-97,983	-902	3,874	-95,011

Note (iii) – Payments due under PFI Contracts

	Repayment of Liability £000	Interest £000	Service Charges £000	Total £000
Within one year	3,287	10,898	27,343	41,528
Within two to five years	16,748	41,128	119,528	177,404
Within six to ten years	34,280	43,973	169,200	247,453
Within eleven to fifteen years	40,696	20,799	93,422	154,917
Total	95,011	116,798	409,493	621,302

NOTES TO THE BALANCE SHEET

16. Leases

Authority as Lessee

Finance Leases

The Council has acquired a number of non-current assets under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

1 April 2020 £000	31 March 2021 £000
28,127 Land and Buildings	26,615
3,769 Vehicles, Plant, Furniture and Equipment	3,141
0 Infrastructure Assets	10,514
6,530 Assets Under Construction	0
38,426	40,270

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

1 April 2020 £000	31 March 2021 £000
1,802 Finance Lease Liability	2,223
877 Finance costs payable in future years	1,808
2,679 Minimum lease payments	4,031

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

	Minimum Lease Payments		Finance Lease Liabilities	
	1 April 2020 £000	31 March 2021 £000	1 April 2020 £000	31 March 2021 £000
No later than one year	173	204	99	108
Later than one year and not later than five years	692	815	448	486
Later than five years	1,814	3,012	1,255	1,629
	2,679	4,031	1,802	2,223

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Operating Leases

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

1 April 2020 £000	31 March 2021 £000
1,376 Not later than one year	1,507
2,817 Later than one year and not later than five years	2,990
866 Later than five years	684
5,059	5,181

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £1.695m. Of this total, £0.873m was chargeable to the Highways and Infrastructure portfolio, £0.492m was chargeable to the Fire & Rescue and Communities portfolio, and £0.317m was chargeable to the Finance portfolio. A small balance of £0.013m was charged to other portfolios.

NOTES TO THE BALANCE SHEET

Authority as Lessor

Finance Leases

As at the reporting date, the Authority has leased out ten properties on finance leases (excluding peppercorn agreements). The Authority has a gross investment in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the properties when the lease comes to an end. The minimum lease payments comprise the long-term debtor for the interest in the property acquired by the lessee and the finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

1 April 2020 £000	31 March 2021 £000
7,110 Finance lease debtor	6,869
3,359 Unearned finance income	3,122
0 Unguaranteed residual value of property ¹	0
10,469 Gross investment in the lease	9,991

¹ Due to the length of these leases it is assumed that there is no residual value at the end of term

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	1 April 2020 £000	31 March 2021 £000	1 April 2020 £000	31 March 2021 £000
No later than one year	496	496	242	250
Later than one year and not later than five years	1,982	1,984	1,056	1,094
Later than five years	7,991	7,511	5,812	5,525
	10,469	9,991	7,110	6,869

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Operating Leases

Assets leased out by the County Council under operating leases include:

- Land leased for grazing
- Smallholdings
- Staff Housing
- Small Industrial Units

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

1 April 2020 £000	31 March 2021 £000
3,344 Not later than one year	3,378
9,581 Later than one year and not later than five years	9,377
8,394 Later than five years	6,198
21,319	18,953

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.

17. Defined Benefit Pension SchemesParticipation in Pension Schemes

As part of the terms and conditions of employment of its officers, 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 requirement to disclose these commitments at the time that employees earn their future entitlement.

The Authority participates in two post-employment schemes:

- Local Government Pension Scheme – West Sussex County Council participates in the Local Government Pension Scheme, and acts as an administering authority. This is a funded defined benefit career-average salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The scheme is open to all employees of West Sussex County Council, with the exception of firefighters and teachers and Public Health staff who have transferred to the Authority on NHS terms and conditions.
- Uniformed Firefighters – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. The scheme is administered by the Home Office, which sets the contribution rate chargeable to the accounts.

Transactions Relating to Post-Employment Benefits

The cost of retirement benefits are recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made 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 Movement in Reserves Statement (see Note 2). The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund via the Movement in Reserves Statement during the year.

NOTES TO THE BALANCE SHEET

	Local Government Pension Scheme		Uniformed Firefighters	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
<i>Cost of Services:</i>				
Current service cost	93,678	71,874	6,842	5,531
Past service cost (including curtailments)	196	137	0	0
(Gain)/loss from settlements	0	74	0	0
<i>Financing and Investment Income and Expenditure:</i>				
Interest cost on defined benefit obligation	57,703	47,283	9,435	8,169
Interest income on plan assets	-46,989	-44,339	0	0
<i>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</i>	<i>104,588</i>	<i>75,029</i>	<i>16,277</i>	<i>13,700</i>
<i>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement:</i>				
Remeasurement (gains) and losses	-360,897	79,597	-44,355	86,176
<i>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>	<i>-256,309</i>	<i>154,626</i>	<i>-28,078</i>	<i>99,876</i>
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	-104,588	-75,029	-16,277	-13,700
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>				
Employers' contributions payable to scheme	51,393	52,912		
Retirement benefits payable to pensioners			8,799	9,623
Assets and Liabilities in Relation to Post-Employment Benefits				
Reconciliation of present value of the scheme liabilities (defined benefit obligation):				
	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Uniformed Firefighters	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
Opening balance at 1 April	-2,376,650	-2,047,182	-394,183	-357,306
Current service cost	-93,678	-71,874	-6,842	-5,531
Interest cost	-57,703	-47,283	-9,435	-8,169
Contributions by scheme participants	-12,989	-13,794	-1,691	-1,824
Remeasurement gains and (losses):				
Actuarial gains/(losses) arising from changes in demographic assumptions	114,959	-8,833	12,188	-4,604
Actuarial gains/(losses) arising from changes in financial assumptions	210,626	-567,443	34,017	-84,871
Other experience	107,180	23,219	-1,850	3,299
Past service cost (including curtailments)	-196	-137	0	0
Transfers to/(from) other authorities	0	0	-97	-16
Benefits paid	61,269	58,625	10,587	11,463
Liabilities extinguished on settlements	0	8,497	0	0
Closing balance at 31 March	-2,047,182	-2,666,205	-357,306	-447,559

NOTES TO THE BALANCE SHEET

Reconciliation of the movements in the fair value of the scheme (plan) assets:

	Local Government Pension Scheme		Uniformed Firefighters	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
Opening balance at 1 April	1,952,269	1,930,503	0	0
Interest income on plan assets	46,989	44,339	0	0
Remeasurement gains and (losses):				
Return on plan assets				
(excluding interest income)	-71,868	473,460	0	0
Contributions by scheme participants	12,989	13,794	1,691	1,824
Employer contributions	51,393	52,912	8,799	9,623
Benefits paid	-61,269	-58,625	-10,587	-11,463
Transfers (to)/from other authorities	0	0	97	16
Settlements	0	-8,571	0	0
Closing balance at 31 March	1,930,503	2,447,812	0	0

Scheme History

	2016/17	2017/18	2018/19	2019/20	2020/21
	£000	£000	£000	£000	£000
Present value of liabilities:					
Local Government Pension Scheme	-2,044,784	-2,094,358	-2,376,650	-2,047,182	-2,666,205
Uniformed Firefighters	-375,993	-374,720	-394,183	-357,306	-447,559
Fair value of assets:					
Local Government Pension Scheme	1,716,646	1,816,232	1,952,269	1,930,503	2,447,812
Uniformed Firefighters	0	0	0	0	0
Net defined liability:					
Local Government Pension Scheme	-328,138	-278,126	-424,381	-116,679	-218,393
Uniformed Firefighters	-375,993	-374,720	-394,183	-357,306	-447,559
Total	-704,131	-652,846	-818,564	-473,985	-665,952

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £665.952m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary, Hymans Robertson LLP.
- Finance is only required to be raised to cover Uniformed Firefighters' benefits when the pensions are actually paid.

The total contribution expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2022 is £47.566m. Payments (net of employee contributions) in respect of the Uniformed Firefighters scheme for the year to 31 March 2022 are projected to be £8.872m.

NOTES TO THE BALANCE SHEET

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and Uniformed Firefighters liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2019.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Uniformed Firefighters	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
Mortality assumptions:				
Longevity at 65 for current pensioners:				
▪ Men	22.2	22.1		
▪ Women	24.2	24.4		
Longevity at 60 for current pensioners:				
▪ Men			26.4	26.6
▪ Women			28.5	28.9
Longevity at 65 for future pensioners:				
▪ Men	23.3	23.1		
▪ Women	25.9	26.1		
Longevity at 60 for future pensioners:				
▪ Men			27.5	27.9
▪ Women			29.7	30.3
Rate of increase in salaries / CARE revaluation rate	2.30%	3.35%	2.80%	3.30%
Rate of increase in pensions	1.90%	2.85%	1.90%	2.85%
Rate for discounting scheme liabilities	2.30%	2.00%	2.30%	2.00%

For the Local Government Pension Scheme, 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.

For the Uniformed Firefighters scheme, it is assumed that future retirements elect to take 90% of the maximum additional tax free cash up to HMRC limits.

The Uniformed Firefighters arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2020	31 March 2021
	%	%
Equity Securities	50%	51%
Debt Securities	2%	1%
Private Equity	2%	2%
Real Estate	8%	7%
Investment Funds and Unit Trusts	34%	35%
Cash and Cash Equivalents	4%	4%
	100%	100%

Further information regarding the composition and measurement of the scheme's assets, and the risks associated with holding those assets, can be found in the West Sussex Pension Fund financial statements at the rear of this document (see notes 14 and 18 respectively).

18. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2020/21, the County Council paid £38.016m to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. Employer contributions of £32.512m were made in 2019/20 (16.48% of pensionable pay for the period to August 2019, and 23.68% of pensionable pay from September 2019). The Council receives a grant from the Department for Education to support it with the cost of the increase to the employer contribution rate implemented in September 2019 (see Note 25).

The contributions due to be paid in the 2021/22 financial year are estimated to be £38.0m.

NOTES TO THE BALANCE SHEET

19. Unusable Reserves

1 April 2020 £000	31 March 2021 £000
9,840 Accumulated Absences Account	12,155
2,765 Pooled Investment Funds Adjustment Account ¹	1,714
-1,039,859 Capital Adjustment Account	-748,952
-804 Collection Fund Adjustment Account	25,831
- Dedicated Schools Grant Adjustment Account	10,388
-7,110 Deferred Capital Receipts Reserve	-6,869
473,985 Pensions Reserve	665,952
-415,052 Revaluation Reserve	-240,428
-976,235 Total Unusable Reserves	-280,209

¹ Previously 'Financial Instruments Revaluation Reserve' - the reserve has been renamed in accordance with the requirements of the Code as for the reported periods the balance relates entirely to unrealised fair value gains and losses on pooled investment funds.

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund 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 be neutralised by transfers to or from the Account.

2019/20 £000	2020/21 £000	£000
9,448 Balance at 1 April		9,840
-9,448 Settlement or cancellation of accrual made at end of the preceding year	-9,840	
9,840 Amounts accrued at the end of the current year	12,155	
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		2,315
9,840 Balance at 31 March		12,155

Pooled Investment Funds Adjustment Account

Owing to a statutory override, the Authority transfers all fair value movements recognised in the Surplus or Deficit on the Provision of Services relating to its pooled investment funds (categorised as fair value through profit or loss) into this reserve.

Accumulated gains and losses are written out of the reserve and recognised in the General Fund when the instrument is sold or matures.

2019/20 £000	2020/21 £000	£000
663 Balance at 1 April		2,765
0 Upward revaluation of investments	-1,441	
2,102 Downward revaluation of investments	390	
2,102		-1,051
Accumulated gains and (losses) on assets sold and maturing assets		
0 written out to the Comprehensive Income and Expenditure Statement		0
2,765 Balance at 31 March		1,714

NOTES TO THE BALANCE SHEET

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 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 and gains recognised on donated assets that have yet to be consumed by the Authority. 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 2 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2019/20	2020/21
£000	£000 £000
-990,726 Balance at 1 April	-1,039,859
<i>Reversal of items relating to capital expenditure debited/credited to the Comprehensive Income and Expenditure Statement:</i>	
80,750 Charges for depreciation of non current assets	84,628
390 Charges for amortisation of intangible assets	390
0 Charges for impairment of non current assets	0
Revaluation (gains) / losses on Property, Plant and Equipment and	
-30,792 Assets Held for Sale	262,007
2 Revaluation (gains) / losses on equity investments	0
10,536 Revenue Expenditure Funded from Capital Under Statute (REFCUS)	7,359
Amounts written off on disposal or sale as part of the gain/loss on	
29,184 disposal to the Comprehensive Income and Expenditure Statement	61,551
-148 Release of deferred income from Private Finance Initiatives	-147
-11,708 Gains from Donated Assets	0
78,214	415,788
-14,490 Adjusting amounts written out of the Revaluation Reserve	-23,172
Net written out amount of the cost of non current assets	392,616
63,724 consumed in the year	
<i>Capital financing applied in the year:</i>	
-7,901 Use of the Capital Receipts Reserve to finance new capital expenditure	-3,700
Application of grants to capital financing from the Capital Grants	
-71,519 Unapplied Account	-74,294
-4,425 Capital grants and contributions applied to REFCUS	-4,353
Statutory provision for the financing of capital investment charged	
-16,470 against the General Fund balance	-15,815
-297 Revenue Contribution to Capital Outlay	-5,762
-100,612	-103,924
Movements in the market value of Investment Properties debited/	
-12,245 credited to the Comprehensive Income & Expenditure Statement	2,215
-1,039,859 Balance at 31 March	-748,952

NOTES TO THE BALANCE SHEET

Collection Fund Adjustment Account

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

2019/20 £000	2020/21 £000	£000
-2,577 Balance at 1 April		-804
2,577 Settlement or cancellation of accrual made at end of the preceding year	804	
-804 Amounts accrued at the end of the current year	25,831	
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements		26,635
-804 Balance at 31 March		25,831

Dedicated Schools Grant Adjustment Account

Statutory arrangements dictate that school budget deficits must be carried forward to be funded from future Dedicated Schools Grant (DSG) income, unless permission is granted by the Secretary of State for Education for an Authority to fund the deficit from its general resources. The Dedicated Schools Grant Adjustment Account therefore holds accumulated DSG deficits until such time that these can be recovered from future DSG income.

2019/20 ¹ £000	2020/21 £000
- Balance at 1 April	0
- Accumulated deficit at 1 April transferred from Earmarked Reserves	1,739
- Deficit between grant receivable and eligible expenditure for the year	8,649
- Balance at 31 March	10,388

¹ Reserve established 1 April 2020 in accordance with the provisions of the Local Authority (Capital Finance and Accounting) (England) (Amendment) Regulations 2020, therefore no prior-year comparators

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. 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.

2019/20 £000	2020/21 £000
-8,052 Balance at 1 April	-7,110
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
234 Write down of Finance Lease debtor	241
708 Transfer to the Capital Receipts Reserve upon receipt of cash	0
-7,110 Balance at 31 March	-6,869

NOTES TO THE BALANCE SHEET

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 pays 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	2020/21
£000	£000
818,564 Balance at 1 April	473,985
-405,252 (Gains)/losses on remeasurement of pension assets/liabilities	165,773
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	88,729
120,865 Employer's pensions contributions and direct payments to pensioners payable in the year	-62,535
-60,192	-62,535
473,985 Balance at 31 March	665,952

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment and Intangible 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	2020/21
£000	£000 £000
-434,190 Balance at 1 April	-415,052
-45,128 Upward revaluation of assets	-31,683
Downward revaluation of assets and revaluation losses not charged to the Surplus/Deficit on the Provision of Services	183,135
49,776 Impairment losses not charged to the Surplus/Deficit on the Provision of Services	0
0	0
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	151,452
4,648 Difference between fair value depreciation and historical cost depreciation	9,113
8,642 Accumulated gains on assets sold or scrapped	14,059
5,848	23,172
14,490 Amount written off to the Capital Adjustment Account	23,172
-415,052 Balance at 31 March	-240,428

NOTES TO THE EXPENDITURE AND FUNDING ANALYSIS

20. Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2020/21

Adjustments from General Fund to Comprehensive Income and Expenditure Statement	Adjustments for Capital Purposes ¹ £000	Net Pensions Adjustments ² £000	Other Differences ³ £000	Total Adjustments £000
Adults and Health	5,485	3,012	-17,172	-8,675
Children and Young People	2,194	3,634	401	6,229
Economy and Corporate Resources	1,236	1,474	2,713	5,423
Education and Skills	279,262	8,085	-668	286,679
Environment	13,999	391	-2,155	12,235
Finance	4,103	843	1,499	6,445
Fire & Rescue and Communities	6,137	-3,133	52	3,056
Highways and Infrastructure	33,040	724	-6,740	27,024
Leader	0	51	8	59
Net Cost of Services	345,456	15,081	-22,062	338,475
Other Income and Expenditure	-31,410	11,113	60,349	40,052
Difference between General Fund Surplus and Comprehensive Income and Expenditure Deficit	314,046	26,194	38,287	378,527

NOTES TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments between Funding and Accounting Basis 2019/20

Adjustments from General Fund to Comprehensive Income and Expenditure Statement	Adjustments for Capital Purposes ¹ £000	Net Pensions Adjustments ² £000	Other Differences ³ £000	Total Adjustments £000
Adults and Health	266	6,748	-5,243	1,771
Children and Young People	3,888	8,177	-376	11,689
Economy and Corporate Resources	3,844	3,030	1,996	8,870
Education and Skills	535	18,333	-1,900	16,968
Environment	5,228	959	-2,309	3,878
Finance	-87	1,397	807	2,117
Fire & Rescue and Communities	5,214	207	-12	5,409
Highways and Infrastructure	32,139	1,538	-6,880	26,797
Leader	0	135	-1	134
Net Cost of Services	51,027	40,524	-13,918	77,633
Other Income and Expenditure	-99,607	20,149	18,187	-61,271
Difference between General Fund Surplus and Comprehensive Income and Expenditure Surplus	-48,580	60,673	4,269	16,362

¹ Adjustments for Capital Purposes

This column adds in depreciation, impairment, revaluation gains and losses and Revenue Expenditure Funded by Capital Under Statute 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, and for revaluation gains and losses on Assets Held for Sale.
- **Financing and Investment Income and Expenditure** – adjusts for revaluation gains and losses on Investment Property.
- **Taxation and Non-Specific Grant Income** – credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year and for gains on donated assets.

The statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are also deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

² Net Pensions Adjustment

Net change for the removal of pension contributions and the addition of IAS 19 *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.

³ Other Differences

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

- For **services** an adjustment for the accumulated absences provision recognised in accordance with proper accounting practices but which is not chargeable under statute.
- For **Financing and Investment Income and Expenditure**, an adjustment for revaluation gains and losses on financial instruments, which are not chargeable to the General Fund.
- The charge under **Taxation and Non-Specific Grant Income** 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. This is a timing difference as any difference will be brought forward in future Collection Fund surpluses and deficits.
- In other income and expenditure, the removal of the transfer into Unusable Reserves of Dedicated Schools Grant deficits, which under proper accounting practices form part of the Surplus or Deficit on Provision of Services.
- All other reclassifications between the Net Cost of Services and Other Income and Expenditure required under proper accounting practices, including the allocation of PFI and Finance Lease interest and income and expenditure relating to Investment Property, are also included in this column.

NOTES TO THE EXPENDITURE AND FUNDING ANALYSIS

21. Segmental Income

Revenue from external customers can be analysed by portfolio as follows:

Services	2019/20 £000	2020/21 £000
Adults and Health	-58,924	-52,743
Children and Young People	-1,371	-273
Economy and Corporate Resources	-1,400	-861
Education and Skills	-6,884	-2,809
Environment	-5,377	-4,077
Finance	-4,307	-4,087
Fire & Rescue and Communities	-3,660	-1,969
Highways and Infrastructure	-10,149	-8,442
Leader	0	0
Total income analysed on a segmental basis	-92,072	-75,261

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

22. Other Operating Expenditure

2019/20 £000	2020/21 £000
1,118 Levies	1,145
5 Assets Held for Sale (Gains)/Losses on Revaluation	850
-3,394 (Profit) / loss on sale of assets	-340
9,643 Loss on derecognition of Academy Schools	46,424
8,937 Loss on derecognition of other assets	10,879
2,791 Assets derecognised under finance leases	0
19,100 Total	58,958

23. Financing and Investment Income and Expenditure

2019/20 £000	2020/21 £000	2020/21 £000
31,277 Interest payable and similar charges	30,856	
-2,278 Interest receivable and similar income	-4,582	
	<u>26,274</u>	
67,138 Pensions: interest cost on defined benefit obligation	55,452	
-46,989 Pensions: interest income on plan assets	-44,339	
	<u>11,113</u>	
-1,732 Investment properties: income and expenditure	-2,405	
55 Investment properties: (gain)/loss on disposal	58	
-12,245 Investment properties: changes in fair value	2,215	
	<u>-132</u>	
35,226 Total	37,255	

24. Taxation and Non Specific Grant Income

2019/20 £000	2020/21 £000
-460,184 Council tax income	-480,621
-108,977 Non domestic rates	-89,120
-24,637 Other non-service government grants	-35,587
-11,708 Gains from Donated Assets	0
-82,437 Capital grants and contributions	-73,738
-687,943 Total	-679,066

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

25. Grant Income

The County Council credited the following grants to the Comprehensive Income & Expenditure Statement:

Grants Credited to Services	2019/20 £000	£000	2020/21 £000	£000
<u>Adults and Health</u>				
Covid-19 Adult Social Care Infection Control Fund (DHSC)	0		-3,459	
Covid-19 Adult Social Care Rapid Testing Fund (DHSC)	0		-427	
Covid-19 Contain Outbreak Management Fund (DHSC)	0		-949	
Covid-19 Test and Trace Service Support Grant (DHSC)	0		-1,867	
Covid-19 Workforce Capacity Fund (DHSC)	0		-1,627	
Improved Better Care Fund (MHCLG)	-14,128		-12,933	
Independent Living Fund (DHSC)	-4,309		-4,309	
Local Reform and Community Voices Grant (DHSC)	-473		-473	
Public Health Grant (DHSC)	-19,476		-19,561	
Rapid Rehousing Pathway (MHCLG)	-335		0	
Social Care Capital Grant (DHSC) <i>applied to REFCUS</i>	0		-1,089	
Social Care Support Grant (MHCLG)	-5,243		-17,343	
Syrian Vulnerable Persons Resettlement Programme (HO)	-500		-320	
Winter Pressures (MHCLG)	-3,304		0	
Other	-619		-612	
		-48,387		-64,969
<u>Children and Young People</u>				
Adoption Support Fund (DfE)	-1,479		-1,154	
Dedicated Schools Grant (DfE)	-48,940		-49,275	
Public Health Grant (DHSC)	-12,957		-13,082	
Social Care Support Grant (MHCLG)	-400		0	
Troubled Families (DfE)	-1,191		-1,622	
Unaccompanied Asylum Seeking Children (HO)	-2,896		-2,939	
Unaccompanied Asylum Seeking Children: Leaving Care (HO)	-900		-1,628	
Youth Justice Board Youth Offending Teams (MoJ)	-555		-569	
Other	-662		-829	
		-69,980		-71,098
<u>Economy and Corporate Resources</u>				
LEP Local Growth Fund Capital Grant (MHCLG) <i>applied to REFCUS</i>	-373		0	
Other	-205		0	
		-578		0
<u>Education and Skills</u>				
16 to 19 Education 'Sixth Form' Funding (DfE)	-13,543		-12,304	
Adult Education (DfE)	-3,142		-3,080	
Basic Need Capital Grant (DfE) <i>applied to REFCUS</i>	-2,924		-1,239	
Covid-19 Additional Dedicated School and College Transport (DfE)	0		-1,096	
Covid-19 Job Retention (Furlough) Scheme (HMRC)	0		-592	
Covid-19 Schools Catch-up Premium (DfE)	0		-3,443	
Covid-19 Schools Emergency Support (DfE)	0		-901	
Dedicated Schools Grant (DfE)	-378,553		-397,633	
Extended Rights to Free Travel Grant (DfE)	-417		-483	
PE & Sport Premium Grant (DfE)	-3,401		-3,360	
Private Finance Initiative (MHCLG)	-4,532		-4,532	
Pupil Premium (DfE)	-14,113		-13,991	
School Improvement Monitoring and Brokering Grant (DfE)	-806		-825	
Teachers' Pay Grant (DfE)	-3,715		-4,327	
Teachers' Pension Employer Contribution Grant (DfE)	-7,304		-12,609	
Universal Infant Free School Meals Grant (DfE)	-7,150		-7,202	
Other	-812		-1,373	
		-440,412		-468,990
<u>Environment</u>				
Private Finance Initiative (MHCLG)	-2,124		-2,124	
Other	-73		-415	
		-2,197		-2,539

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Grants Credited to Services (continued)

	2019/20		2020/21	
	£000	£000	£000	£000
<u>Finance</u>				
Inshore Fisheries & Conservation Support Grant (DEFRA)	-148		-148	
Other	-13		-14	
		-161		-162
<u>Fire & Rescue and Communities</u>				
Covid-19 Clinically Extremely Vulnerable (MHCLG)	0		-2,738	
Covid-19 Emergency Assistance Food and Essentials (DEFRA)	0		-737	
Covid-19 Winter Grant Scheme (DWP)	0		-1,859	
Fire Pensions Top-Up Grant (HO)	-1,724		-1,724	
Firelink Grant (HO)	-442		-459	
Public Health Grant (DHSC)	-535		-624	
Other	-409		-566	
		-3,110		-8,707
<u>Highways and Infrastructure</u>				
Bus Service Operators Grant (DfT)	-436		-436	
Covid-19 Bus Services Support Grant (DfT)	0		-754	
Funding for Supported Bus Services (DfT)	0		-383	
Private Finance Initiative (MHCLG)	-6,069		-6,069	
Other	-371		-413	
		-6,876		-8,055
Total		-571,701		-624,520

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Grants credited to Taxation and Non Specific Grant Income

	2019/20		2020/21	
	£000	£000	£000	£000
<u>Non Domestic Rates (MHCLG)</u>				
Business Rates Levy: National Surplus Redistribution	-266		0	
Section 31 Business Rates Relief ¹	-19,138		-22,506	
Top-Up to Baseline Funding Level	<u>0</u>		<u>-16,482</u>	
		-19,404		-38,988
<u>Other Non-Service Government Grants</u>				
Brexit Preparations Grant (MHCLG)	-175		0	
Covid-19 Emergency Fund (MHCLG)	-20,528		-25,328	
Covid-19 Income Loss Compensation Scheme (MHCLG)	0		-2,570	
Local Tax Income Guarantee Scheme (MHCLG)	0		-3,975	
New Homes Bonus Grant (MHCLG)	<u>-3,934</u>		<u>-3,714</u>	
		-24,637		-35,587
<u>Capital Grants and Contributions</u>				
Basic Need Grant (DfE)	-31,227		0	
Devolved Formula Capital Grant (DfE)	-2,822		-1,683	
Flood Resilience and Pothole Action Fund (DfT)	-772		-12,129	
Highways Incentive Block (DfT)	-2,300		-2,300	
Highways Maintenance Grant (DfT)	-11,043		-11,043	
Integrated Transport Grant (DfT)	-3,734		-3,734	
Local Growth Fund (MHCLG)	-7,461		-17,495	
Local Authority Major Schemes Grant - A2300 (DfT)	-1,965		-9,274	
Local Full Fibre Networks Challenge Fund (DCMS)	-3,087		0	
Roads Fund (DfT)	-2,694		0	
School Conditions Allocation (DfE)	-7,789		-11,341	
Section 106 Contributions	-6,186		-4,235	
Other Grants and External Contributions	<u>-1,357</u>		<u>-504</u>	
		-82,437		-73,738
Total		<u>-126,478</u>		<u>-148,313</u>

¹ For 2020/21, this includes the NNDR3 Reconciliation Grant (£15.326m). In accordance with proper accounting practice, a debtor has been raised for this sum as it became due to the Authority during the period. However, the grant is intended to compensate for collection fund deficits that, under statutory arrangements, will not become chargeable to the taxpayer until future financial years. The grant has therefore been transferred into the Budget Management Reserve (see Note 3).

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The County Council has received a number of grants and contributions that have yet to be recognised as income, as they have conditions attached to them which may require the monies to be returned to the giver. The balances at year end are as follows:

Capital Grants Receipts in Advance	2019/20	2020/21
	£000	£000
Devolved Formula Capital Grant (DfE)	-2,443	-6,483
Emergency Active Travel Fund (DfT)	0	-2,233
Local Authority Major Schemes Grant - A2300 (DfT)	-805	-4,156
Local Full Fibre Networks Challenge Fund (DCMS)	0	-2,766
Local Growth Fund (MHCLG)	-6,025	-6,220
SEND Special Provision Funding (DfE)	-3,817	0
Social Care Capital Grant (DHSC)	-1,839	-750
Section 106 Contributions	-74,235	-85,158
A Place to Live	-650	-650
Other Grants and External Contributions	-1,381	-721
	<u>-91,195</u>	<u>-109,137</u>

Key to Central Government Departments:

DCMS Department for Culture, Media and Sport
 DEFRA Department for Environment, Food and Rural Affairs
 DfE Department for Education
 DfT Department for Transport
 DHSC Department of Health and Social Care
 DWP Department for Work and Pensions
 HMRC Her Majesty's Revenue and Customs
 HO Home Office
 MHCLG Ministry of Housing, Communities and Local Government
 MoJ Ministry of Justice

26. External Audit Costs

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

	2019/20	2020/21
	£000	£000
Fees payable to EY with regard to external audit services carried out by the appointed auditor for the year	91	287
Fees payable in respect of other services provided by EY during the year	0	0
Total	91	287

The Authority incurred further costs of £4,375 in 2020/21 (2019/20 £4,375) in relation to grant certification services provided by another audit firm.

27. Members' Allowances

The Authority paid the following amounts to members of the Council during the year:

	2019/20	2020/21
	£000	£000
Basic Allowances	825	843
Other Allowances	373	386
Travel and Subsistence	63	7
Total	1,261	1,236

28. Environment Agency Services

Precepts payable to the Environment Agency in respect of flood defence for 2020/21 totalled £0.333m (2019/20 £0.319m).

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

29. Dedicated Schools Grant

The County Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency (ESFA), the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations 2020. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2020/21 are as follows:

Notes	Central Expenditure £000	ISB £000	Total £000
A Final DSG for 2020/21 before academy and high needs recoupment			-636,424
B Academy and high needs figure recouped for 2020/21			189,844
Total DSG after academy and high needs recoupment for 2020/21			-446,580
Adjustment to 2019/20 Early Years DSG allocation			-328
Total DSG after academy/high needs recoupment and other adjustments			-446,908
Deficit brought forward from 2019/20			1,739
Deficit carried forward to 2021/22 as agreed in advance			-1,411
Total DSG available for distribution			-446,580
C Agreed initial budgeted distribution in 2020/21	-125,665	-326,921	-452,586
Academy conversions and other in year adjustments	-499	6,505	6,006
Final budgeted distribution for 2020/21	-126,164	-320,416	-446,580
Less: Actual central expenditure	135,141		135,141
D Less: Actual ISB deployed to schools		320,416	320,416
(Under)/overspend on distributed funds	8,977	0	8,977
Plus: Deficit carried forward to 2021/22 as agreed in advance			1,411
E Total deficit balance to be carried forward at 31 March 2021			10,388

Notes

- (A) Final DSG figure before any amount has been recouped from the Authority as published March 2021, excluding the January 2021 early years block adjustment.
- (B) Figure recouped from the Authority in 2020/21 by the DfE for the conversion of maintained schools into academies and for high needs payments made by ESFA.
- (C) Budgeted distribution of DSG, as agreed with Schools Forum (after initial academy and high needs recoupment deductions).
- (D) The ISB is regarded for DSG purposes as being spent by the Authority when it is deployed to a school's budget share.
- (E) This represents the accumulated deficit on DSG funds. The School and Early Years Finance (England) Regulations 2020 require that any accumulated DSG deficits must be carried forward to be funded from future DSG income, as local authorities cannot fund a deficit from the General Fund without approval from the Secretary of State. In accordance with the provisions of the Local Authority (Capital Finance and Accounting) (England) (Amendment) Regulations 2020, this accumulated deficit is held in the Dedicated Schools Grant Adjustment Account as part of Unusable Reserves (see Note 19).

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

30. Expenditure and Income Analysed by Nature

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

Expenditure/Income	2019/20 £000	2020/21 £000
Expenditure		
Employee benefits expenses	589,384	590,658
Other service expenses	760,448	802,136
Depreciation, amortisation and impairment	38,103	349,240
Interest payments	98,415	86,308
Precepts and levies	1,118	1,145
(Gain)/loss on the disposal of non-current assets	18,032	57,021
Total Expenditure	1,505,500	1,886,508
Income		
Fees, charges and other service income	-198,630	-190,004
Interest and investment income	-49,267	-48,921
Income from Council Tax and Non-Domestic Rates	-569,161	-569,741
Gains from Donated Assets	-11,708	0
Government grants and contributions	-678,775	-733,845
Total Income	-1,507,541	-1,542,511
(Surplus)/Deficit on the Provision of Services	-2,041	343,997

In accordance with the requirements of CIPFA's Code of Practice, these single entity financial statements include all income, expenditure, assets and liabilities of the Authority's maintained schools. Consequently, the analysis of income and expenditure presented by this note includes transactions incurred by the Authority's maintained schools as if they were income and expenditure of the Authority itself.

Staff at voluntary aided and foundation schools are not employees of the Authority, as at these schools the governing body is considered to be the employer. Employee expenses of £73.804m in 2020/21 (£70.939m in 2019/20) in relation to staff employed at the Authority's voluntary aided and foundation schools are included within *Employee benefits expenses* above.

31. Officers' Remuneration

Bandings Disclosure

The Authority's employees (including senior employees) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

2019/20			2020/21		
Non schools	School based	Banding	Non schools	School based	
195	145	£50,000 - £54,999	233	204	
94	107	£55,000 - £59,999	113	114	
52	67	£60,000 - £64,999	46	86	
37	42	£65,000 - £69,999	35	44	
10	36	£70,000 - £74,999	12	39	
13	11	£75,000 - £79,999	3	24	
7	7	£80,000 - £84,999	11	6	
5	4	£85,000 - £89,999	8	5	
1	6	£90,000 - £94,999	3	3	
0	4	£95,000 - £99,999	2	6	
1	4	£100,000 - £104,999	0	4	
1	2	£105,000 - £109,999	1	4	
1	2	£110,000 - £114,999	6	1	
3	1	£115,000 - £119,999	3	1	
		then			
3	0	£125,000 - £129,999	1	1	
1	0	£130,000 - £134,999	1	1	
		then			
0	0	£140,000 - £144,999	2	0	
		then			
1	0	£150,000 - £154,999	0	0	
1	0	£155,000 - £159,999	0	0	
0	0	£160,000 - £164,999	1	0	
		then			
1	0	£395,000 - £399,999	0	0	
427	438	Total	481	543	

The number of staff with remuneration above £50,000 in 2020/21 was 1,024, an increase from 865 in 2019/20. This increase is primarily attributable to the impact of pay awards and pay progression moving existing employees over the threshold during the year.

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Senior Officer Disclosure

The remuneration payable to the Authority's senior employees for 2020/21 was as follows:

Post title (as at 31 March 2021)	Post holder ¹	Amounts payable in period 1 April 2020 - 31 March 2021						Employer's pension contribution £	Total remuneration (including pension contributions) £
		Salary, fees and allowances £	Bonuses £	Expense allowances £	Compensation for loss of employment £	Benefits in Kind £	Total remuneration (excluding pension contributions) ² £		
Chief Executive	Becky Shaw	Post holder not directly employed by West Sussex County Council - please see footnote below							
Executive Director - Adults and Health ³	Kim Curry	417			110,473		110,890	97	110,987
Executive Director - Adults and Health ⁴		Post holder not directly employed by West Sussex County Council - please see footnote below							
Executive Director - Adults and Health ⁵		Post holder not directly employed by West Sussex County Council - please see footnote below							
Executive Director - Children, Young People and Learning	Lucy Butler	164,583					164,583	34,913	199,496
Executive Director - Communities & Public Protection ⁶					88,358		88,358		88,358
Executive Director - Place Services		143,850					143,850	33,575	177,425
Chief Fire Officer		140,000					140,000	40,320	180,320
Director - Education and Skills		113,025		3,975			117,000	26,380	143,380
Director - Finance and Support Services		128,438					128,438	29,977	158,415
Director - Human Resources & Organisational Development ⁶					34,000		34,000		34,000
Interim Director - Human Resources & Organisational Development		Post holder not directly employed by West Sussex County Council - please see footnote below							
Director - Law & Assurance		118,163					118,163	27,579	145,742

Notes to 2020/21 Senior Officer Remuneration Disclosure

¹ In accordance with the relevant legislation, senior officers are only identified by name where they have an annual salary of £150,000 or greater

² This column excludes employer's pension contributions from the definition of remuneration, and as such can be read in conjunction with the Officers' Remuneration banding disclosure

³ Executive Director - Adults and Health until 1 April 2020

⁴ Executive Director - Adults and Health from 7 April to 15 November 2020

⁵ Executive Director - Adults and Health from 1 December 2020

⁶ Settlement reached in 2020/21 in relation to loss of employment in previous financial year

The following posts formed part of the Authority's senior officer structure for the period, but the post holders were not directly employed by West Sussex County Council and so their costs are not included in the table above:

Payments of £154,866 have been made to East Sussex County Council for the shared services of the Chief Executive

Payments of £173,400 have been made to Hamptons Resourcing for the services of the Executive Director - Adults and Health for the period 7 April 2020 to 15 November 2020

Payments of £62,749 have been made to East Sussex County Council for the shared services of the Executive Director - Adults and Health for the period 1 December 2020 to 31 March 2021

Payments of £249,423 have been made to The McLean Partnership Ltd for the services of the Interim Director - Human Resources and Organisational Development

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The remuneration payable to the Authority's senior employees for 2019/20 was as follows:

		Amounts payable in period 1 April 2019 - 31 March 2020							
Post title (as at 31 March 2020)	Post holder ¹	Salary, fees and allowances £	Bonuses £	Expense allowances £	Compensation for loss of employment £	Benefits in Kind £	Total remuneration (excluding pension contributions) ² £	Employer's pension contribution £	Total remuneration (including pension contributions) £
Chief Executive ³	Nathan Elvery	226,945			170,000		396,945	30,708	427,653
Chief Executive ⁴	Becky Shaw	Post holder not directly employed by West Sussex County Council - please see footnote below							
Executive Director for Communities and Public Protection ⁵		35,000					35,000	8,485	43,485
Executive Director for Adults and Health ⁶	Kim Curry	150,000		9,000		52	159,052	36,365	195,417
Executive Director for Place Services ⁷	Lee Harris	153,727					153,727	37,269	190,996
Interim Executive Director for Resource Services ⁸		Post holder not directly employed by West Sussex County Council - please see footnote below							
Director of Law and Assurance		115,000					115,000	27,880	142,880
Director of Finance and Support Services		125,000		79			125,079	30,304	155,383
Director of Human Resources and Organisational Change ⁹		85,159		4,000			89,159	20,304	109,463
Interim Director of Human Resources and Organisational Change ¹⁰		Post holder not directly employed by West Sussex County Council - please see footnote below							
Director of Public Health		130,000					130,000	18,694	148,694
Director of Fire Service Operations and Chief Fire Officer ¹¹		35,296					35,296	13,165	48,461
Chief Fire Officer ¹²		81,667					81,667	23,520	105,187
Director of Education and Skills		110,004		7,500		115	117,619	26,669	144,288
Interim Director of Children and Family Services ¹³		Post holder not directly employed by West Sussex County Council - please see footnote below							
Interim Director of Children Services ¹⁴		Post holder not directly employed by West Sussex County Council - please see footnote below							
Interim Director of Children, Young People and Learning ¹⁵		Post holder not directly employed by West Sussex County Council - please see footnote below							
Director of Adult Services ¹⁶		76,613		17,000	23,969		117,582	16,048	133,630

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Notes to 2019/20 Senior Officer Remuneration Disclosure

- ¹ In accordance with the relevant legislation, senior officers are only identified by name where they have an annual salary of £150,000 or greater
- ² This column excludes employer's pension contributions from the definition of remuneration, and as such can be read in conjunction with the Officers' Remuneration banding disclosure
- ³ Chief Executive to 25 November 2019
- ⁴ Chief Executive from 6 January 2020 (shared with East Sussex County Council)
- ⁵ Executive Director for Communities and Public Protection to 30 June 2019
- ⁶ Previously Executive Director for Children, Adults, Families, Health and Education until 30 June 2019 and Executive Director for People Services until 31 October 2019
- ⁷ Acting Chief Executive for period 27 September 2019 to 5 January 2020
- ⁸ Interim Executive Director for Resource Services from 1 July to 31 October 2019
- ⁹ Director of Human Resources and Organisational Change to 31 December 2019
- ¹⁰ Interim Director of Human Resources and Organisational Change from 5 March 2020
- ¹¹ Director of Fire Service Operations and Chief Fire Officer to 9 July 2019
- ¹² Chief Fire Officer from 1 September 2019
- ¹³ Interim Director of Children and Family Services to 29 April 2019
- ¹⁴ Interim Director of Children Services from 15 April 2019 to 31 January 2020
- ¹⁵ Interim Director of Children, Young People and Learning from 1 February 2020
- ¹⁶ Director of Adults Services to 11 October 2019

The following posts formed part of the Authority's senior officer structure for the period, but the post holders were not directly employed by West Sussex County Council and so their costs are not included in the table above:

Payments of £37,943 have been made to East Sussex County Council for the shared services of the Chief Executive from 6 January 2020

Payments of £83,055 have been made to Penna Plc for the services of the Interim Executive Director for Resource Services 1 July 2019 to 31 October 2019

Payments of £17,936 have been made to McLean Partnership for the services of the Interim Director of Human Resources and Organisational Change from 5 March 2020

Payments of £22,396 have been made to Tile Hill for the services of the Interim Director of Children and Family Services to 29 April 2019

Payments of £218,477 have been made to Penna Plc for the services of the Interim Director of Children Services from 15 April 2019 to 31 January 2020

Payments of £21,654 have been made to Manpower UK Ltd for the services of the Interim Director of Children, Young People and Learning from 1 February 2020

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Exit Packages

The Authority terminated, or made provision to terminate, the contracts of a number of employees in 2020/21. Total liabilities of £1.102m were incurred for the period (£1.154m in 2019/20).

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:

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band (b + c)		(e) Total cost of exit packages in each band	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
£0 - £20,000	25	13	36	12	61	25	£347,034	£215,107
£20,001 - £40,000	6	4	10	6	16	10	£450,274	£317,348
£40,001 - £60,000	1	1	1	2	2	3	£107,748	£148,607
£60,001 - £80,000	1	2	0	1	1	3	£79,365	£222,021
£80,001 - £100,000	0	0	0	1	0	1	£0	£88,358
£100,001 - £150,000	0	0	0	1	0	1	£0	£110,473
£150,001 - £200,000	0	0	1	0	1	0	£170,000	£0
Total	33	20	48	23	81	43	£1,154,421	£1,101,914

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

32. Pooled Budgets

The Authority has entered into a number of pooled budget arrangements with the NHS and other local authorities for the provision of integrated health and social care. Memo accounts, demonstrating the funds provided by each partner and expenditure incurred against these funds, are presented below. Detail on the Authority's accounting treatment for each of the arrangements is provided in the summary of accounting policies at Note 41.

Learning Disabilities

An agreement under section 75 of the National Health Service Act 2006, this pooled budget (hosted by West Sussex County Council) seeks to exploit the benefits of Health Act flexibilities by means of integrated provision and lead commissioning. The budget is a means to enhance partnership working under the governance of the West Sussex Partnership Board, merging financial resources between the County Council and the West Sussex Clinical Commissioning Group.

	2019/20		2020/21	
	£000	£000	£000	£000
Funding provided to the pooled budget:				
West Sussex County Council	-	81,759	-	83,553
West Sussex Clinical Commissioning Groups (CCGs)	-	18,621	-	19,029
		<u>- 100,380</u>		<u>- 102,582</u>
Expenditure met from the pooled budget:				
West Sussex County Council		82,963		84,442
West Sussex Clinical Commissioning Groups (CCGs)		18,895		19,231
		<u>101,858</u>		<u>103,673</u>
Net (surplus)/deficit arising on the pooled budget during the year		1,478		1,091
Authority's share of the net (surplus)/deficit		<u>1,204</u>		<u>889</u>

Mental Health

This Section 75 agreement under the National Health Service Act 2006 provides for a pooled budget. This seeks to exploit the benefits of Health Act flexibilities by means of integrated provision and lead commissioning via the enhancement of joined up working in health and social care. The budget, hosted by the NHS, is a means to achieve partnership working under the governance of the Joint Commissioning Board, merging financial resources between the West Sussex Clinical Commissioning Group and the County Council.

	2019/20		2020/21	
	£000	£000	£000	£000
Funding provided to the pooled budget:				
West Sussex County Council	-	8,821	-	9,185
West Sussex Clinical Commissioning Groups (CCGs)	-	67,380	-	61,309
		<u>- 76,201</u>		<u>- 70,494</u>
Expenditure met from the pooled budget:				
West Sussex County Council		9,089		9,346
West Sussex Clinical Commissioning Groups (CCGs)		69,426		62,377
		<u>78,515</u>		<u>71,723</u>
Net (surplus)/deficit arising on the pooled budget during the year		2,314		1,229
Authority's share of the net (surplus)/deficit		<u>268</u>		<u>161</u>

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Better Care Fund

The County Council has entered into a pooled budget arrangement with the West Sussex Clinical Commissioning Group for the pooling of resources with all commissioning partners to provide a joint programme of work to deliver better outcomes for people and improve services. The Council acts as host and banker in the arrangement but shares control jointly with the CCG.

	2019/20		2020/21	
	£000	£000	£000	£000
Funding provided to the pooled budget:				
West Sussex County Council	-	10,176	-	11,294
West Sussex Clinical Commissioning Groups (CCGs)	-	57,607	-	60,678
		<u>- 67,783</u>		<u>- 71,972</u>
Expenditure met from the pooled budget:				
West Sussex District and Boroughs	8,298		-	
West Sussex County Council	26,130		36,787	
West Sussex Clinical Commissioning Groups (CCGs)	33,320		35,154	
		<u>67,748</u>		<u>71,941</u>
Net (surplus)/deficit arising on the pooled budget during the year	-	35	-	31
Underspending brought forward	-	117	-	264
Underspending returned to partners		-		35
Interest earned on cash balances	-	112	-	85
		<u>- 264</u>		<u>- 345</u>
Balance carried forward	-	264	-	345

The use of any underspend on the pooled budget is determined by the Joint Commissioning Strategy Group. Underspends may be returned to partners or reinvested in other schemes.

In addition to the pooled funds disclosed above, the Authority receives the Improved Better Care Fund (iBCF) directly from central government. Whilst the iBCF is required to support the wider BCF programme, this allocation is not subject to the joint control arrangements of the BCF, and so is not accounted for as part of the pooled budget.

West Sussex County Council received an iBCF allocation of £20.0m in 2020/21, of which £12.6m has been recognised in the Comprehensive Income and Expenditure Statement for the period (in addition to £0.3m carried forward from 2019/20) as per Note 25. The balance of £7.4m, together with £5.0m of cumulative underspending from previous years, has been carried forward as a receipt in advance, as there are outstanding conditions on the grant which will only be met when the funds are applied.

33. 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 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 Authority.

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 a significant proportion 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). The total of grants received from government departments is set out in the subjective analysis of income and expenditure in Note 30. Grants receivable for the period are further detailed in Note 25.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2020/21 is shown in Note 27.

A survey of the related party interests of Members and their immediate family members was carried out in preparing this Statement of Accounts. Interests were declared by Members who held the following positions with organisations that have transacted with the Council during the year:

- One Member acts as Director and Trustee of Crawley Open House, and also as a member of the Executive Committee of South-East Employers. In 2020/21 goods and services to the value of £301,072 and £31,533 respectively were commissioned from these organisations.
- Another Member acts as Director and Trustee of West Sussex Mind. In 2020/21, the Authority commissioned goods and services to the value of £153,800 from this entity.

All contracts were entered into in full compliance with the Authority's standing orders for procurement.

Officers

A survey of the related party interests of Senior Officers and their immediate family members was carried out in preparing this Statement of Accounts. No related party transactions were identified.

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Other Public Bodies

The West Sussex Pension Fund is administered by West Sussex County Council. Therefore, there is a strong relationship between the Council and the Pension Fund.

During the reporting period, the Council incurred costs of £0.7m (2019/20 £0.6m) in relation to the administration of the Fund, and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund, and contributed £61.9m (including employee contributions) to the Fund in 2020/21 (2019/20 £59.9m). All monies owing to and due from the Fund have been accounted for in the year.

Part of the Pension Fund cash holdings are invested in the money market by the Treasury Management operations at West Sussex County Council, in line with the Fund's Treasury Management Policy. During the year to 31 March 2021 the Fund had a daily average investment balance of £154.2m held in Sterling (31 March 2020 £107.7m), earning interest of £0.05m (2019/20 £0.68m) in these funds at a rate of return of 0.04% (2019/20 0.63%). Additionally, the Fund has earned interest of £0.01m on investments held in foreign currency (2019/20 £0.02m).

Entities Controlled or Significantly Influenced by the Authority

Under the West Sussex County Council Act 1972, West Sussex County Council and Arun District Council (ADC) each appoint four members to the Littlehampton Harbour Board. The Act provides that the Harbour Board should meet its expenses from receipts but that any deficiency is made good from its own internal reserve fund and a precept, shared equally, on the County Council and ADC. During 2020/21 the precept on the County Council was £0.142m (2019/20 precept £0.141m).

The Authority has identified interests in two other entities, West Sussex Music Trust and Aspire Sussex Ltd. However, the Authority has judged that it does not have significant influence over either entity. Further details are provided in Note 42.

In accordance with the requirements of the Code of Practice, these "single entity" financial statements include all income, expenditure, assets and liabilities of the Authority's maintained schools. Whilst the Authority has responsibility for distributing funding to its maintained schools, under the local management of schools the responsibility for spending this budget is delegated to the governing body of the school concerned. The Authority is therefore restricted in the extent to which it controls the income, expenditure, assets and liabilities included in its financial statements which relate to its maintained schools. At the reporting date, the Authority operated 207 maintained schools (214 at 31 March 2020). Non-current assets with a net book value of £666m (£1,115m at 31 March 2020) were recognised in relation to these schools.

NOTES TO THE CASH FLOW STATEMENT

34. Cash Flow Statement - Adjustments to net surplus/deficit on the provision of services for non-cash movements

	2019/20 £000	2020/21 £000
Charges for depreciation of non current assets	-80,750	-84,628
Charges for amortisation of intangible assets	-390	-390
Revaluations gains/losses on Property, Plant and Equipment and Assets Held for Sale charged to the Surplus/Deficit on Provision of Services	30,792	-262,007
Impairment of non current assets	0	0
Movements in the market value of Investment Property	12,245	-2,215
Amount of assets written off on disposal or sale as part of the gain/loss on disposal charged to the Surplus/Deficit on Provision of Services	-29,184	-61,551
Gains upon recognition of Donated Assets	11,708	0
Net reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-60,673	-26,194
Revaluation of financial instruments including expected credit losses	-1,944	1,060
(Increase) / decrease in creditors	-14,305	-87,893
Increase / (decrease) in debtors	22,091	9,962
Increase / (decrease) in inventories	213	-18
Contributions (to) / from provisions	-5,135	16,668
Net adjustments for non-cash movements	-115,332	-497,206

35. Cash Flow Statement - Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities

	2019/20 £000	2020/21 £000
Proceeds from the sale of Property, Plant and Equipment, Investment Property, Intangible Assets and Assets Held for Sale	11,152	4,530
Capital grants and contributions recognised in the Comprehensive Income and Expenditure Statement	82,437	73,738
	93,589	78,268

36. Cash Flow Statement – Investing Activities

	2019/20 £000	2020/21 £000
Purchase of Property, Plant and Equipment, Investment Property and Heritage Assets	81,426	85,183
Purchase of short-term and long-term investments	404,538	339,422
Proceeds from short-term and long-term investments	-253,931	-349,389
Proceeds from the sale of Property, Plant and Equipment, Investment Property, Intangible Assets and Assets Held for Sale	-11,152	-4,530
Capital grants and contributions recognised in the Comprehensive Income and Expenditure Statement	-82,437	-73,738
Net position on capital grants and contributions receipts in advance	-11,714	-17,942
Net cash flows from investing activities	126,730	-20,994

37. Cash Flow Statement – Financing Activities

	2019/20 £000	2020/21 £000
Repayment of PFI and finance lease liabilities	4,834	4,124
Receipts from short and long term borrowing	-100,000	0
Repayment of short and long term borrowing	7,015	7,016
Cash held for third parties	2	-605
Net cash flows from financing activities	-88,149	10,535

38. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Director of Finance and Support Services on 22 September 2021. Events taking place after this date are not reflected in the financial statements or notes.

There were no post balance sheet events between the reporting date and the date the accounts were authorised for issue.

39. Contingent Assets

West Sussex County Council currently has no material contingent assets.

40. 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 non-occurrence of one or more 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 the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note to the accounts.

West Sussex County Council recognises the following contingent liabilities:

- (1) A potential liability exists in respect of the insolvency of Independent Insurance Company Ltd, and its failure to enter into a scheme of arrangement with its creditors. This liability is ongoing but cannot be quantified. Known claims are provided for in the Insurance provision (see Note 14), but there is a risk of new claims arising from the period when the Independent Insurance Company provided cover to the Council (September 1992 to September 2000). An Insurance reserve (see Note 3) is maintained to provide for the risk of unknown future claims.
- (2) A potential liability exists in relation to any future costs of maintaining six closed landfill sites in the County. The Authority is responsible for monitoring these sites to ensure that they are being maintained correctly, and that there is no harm being caused to the surrounding environment. No provision has been recognised in the accounts as it is not currently possible to measure the size of any such obligation with sufficient reliability.
- (3) The Council is on notice of the potential for claims associated with the possible exposure of a small number of individuals to harm during some building work undertaken for the Council. An investigation identified a low risk but the likelihood of future claims and any necessary provision for their resolution cannot be assessed at this time.
- (4) A number of part time staff are potentially affected by the outcome of litigation to which the County Council was not party but which may alter the legal and contractual rights of staff working on 'term time only' contracts, specifically in relation to the accrual of holiday entitlements. This may result in an additional and backdated claim for compensation. As the litigation outcome remains subject to appeal to the Supreme Court the Council is reserving its position but has made plans for addressing the possible impact should the legal position be unchanged.

41. Accounting Policies

(i) General Principles

The Statement of Accounts summarises the Authority's transactions for the financial year and its position at the end of the reporting period. The Authority is required by the Accounts and Audit Regulations 2015 to prepare an annual Statement of Accounts in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom ('the Code') for the relevant reporting period, supported by International Financial Reporting Standards (IFRS). 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.

(ii) Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, 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 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, that the cost of the item can be measured reliably, and that it exceeds the Authority's de minimis threshold. 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.

The Authority applies a de minimis level of £10,000 for the capitalisation of expenditure on Property, Plant and Equipment. Items of expenditure below this de minimis level are charged to the relevant service within the Comprehensive Income and Expenditure Statement in the reporting period it is incurred. A lower de minimis of £2,000 applies to expenditure funded by the Devolved Formula Capital Grant, as per the West Sussex Scheme for Financing Schools.

Recognition - Schools

The Code confirms that local authority maintained schools (and the governing bodies thereof) are to be treated as entities for control purposes, and that the transactions of said schools shall be consolidated into the local authority single entity financial statements.

Non-current assets attributed to schools are therefore recognised in the Authority's balance sheet, subject to the Authority (or the school's governing body) having control over the asset and it being probable that future service potential will flow to the Authority (or to the school).

The Authority's policy is therefore to recognise the non-current assets of its maintained community and voluntary controlled schools on its balance sheet. The balance of control and service potential is considered to reside with independent trustees for foundation and voluntary aided schools, and so these assets are not consolidated into the Authority's balance sheet (the Council retains the statutory responsibility for land at voluntary aided schools, so this is recognised as an asset of the Authority).

NOTES TO THE FINANCIAL STATEMENTS

A number of schools in the County now hold academy status. Academies are managed completely independently of the Authority, and funding is provided directly by central government. Whilst the Authority retains the freehold of the land, premises are leased to the academy on a finance-lease basis (typically for a 125 year term). Therefore academy buildings are derecognised from the Authority's balance sheet, and land is retained at a nominal value reflecting its restricted use.

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 Authority does not capitalise borrowing costs.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account via the Movement in Reserves Statement.

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

- Infrastructure and short-lived assets such as vehicles, plant and equipment – depreciated historical cost
- Assets under construction – historical cost
- Surplus assets – fair value, estimated at the 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.

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of current value.

The Code requires that assets included in the Balance Sheet at current value are revalued with sufficient regularity to ensure that their carrying amount does not materially differ from their current value at year-end, but as a minimum every five years. The Authority undertook a full revaluation of all its non-current assets at 1 April 2013, and has subsequently adopted a rolling approach to revaluations to ensure that all assets are subject to revaluation at least once every five years. Assets not subject to revaluation in any given year are tested for indexation to ensure that the carrying value does not become materially misstated between formal valuations.

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 that Statement).

Where decreases in value are identified, they are accounted for as follows:

- 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.

NOTES TO THE FINANCIAL STATEMENTS

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 than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- 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. An exception is made for assets without a determinable finite useful life (i.e. freehold land and heritage assets) and assets that are not yet available for use (i.e. assets under construction). New assets are depreciated from 1 April of the year that follows the date of initial recognition. Depreciation is calculated on the following bases:

- Buildings – on a straight line basis over the remaining useful life of the property as estimated by the external valuer (initially 60 years)
- Vehicles, plant, furniture and equipment – individual useful life on a straight line basis as estimated by a suitably qualified officer
- Infrastructure – straight line basis over a period of 25 years for major road developments and 15 years for structural maintenance of carriageways and bridges (useful lives for other infrastructure assets to be estimated by a suitably qualified officer).

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

Where a Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Componentisation of an asset is not required where depreciating the item would not result in a material misstatement of either the depreciation charges or carrying amount of the asset. As a result the Authority has determined that assets with a gross carrying value below a de minimis of £10m shall not be considered for componentisation.

For assets which are subject to componentisation, the valuer has estimated remaining useful lives for the following significant components for depreciation purposes:

NOTES TO THE FINANCIAL STATEMENTS

- Building Structure (initial 60 year useful life)
- Building Roof and Externals (initial 50 year useful life)
- Building Mechanicals and Electricals (initial 25 year useful life)

At the point of componentisation, any accumulated revaluation gains (held in the Revaluation Reserve) or impairment losses (held in the Capital Adjustment Account) associated with componentised assets are attributed to the building's host structure component, as it is considered unlikely that the roof/externals and mechanicals/electricals will have given rise to revaluation gains and losses independently of the structure of the building.

Subsequent valuations obtained under the Authority's rolling revaluation programme shall be applied separately to the building components in accordance with the certificates provided by the external valuers, with gains and losses being recognised in the Revaluation Reserve and Capital Adjustment Account in accordance with the requirements of the Code.

Disposals and Non-Current Assets Held for Sale

Surplus assets are subject to formal reporting requirements declaring the asset surplus and a surplus declaration date of 1 April is applied irrespective of the date of the actual report. An asset will be subsequently classified as held for sale at the end of the financial year provided it has been officially declared surplus through cabinet member decision and it complies with the following qualification criteria outlined within IFRS 5:

- The asset is available for immediate sale
- Sale of the asset is highly probable
- The sale is actively marketed
- The sale is expected to be completed within one year of classification.

The asset will be revalued immediately before being reclassified as an Asset Held for Sale and then carried at the lower of this amount and fair value less costs of sale. Where there is a 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 recognised losses in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on Assets Held for Sale.

Should the period required to complete the sale extend beyond one year, the asset will continue to be classed as an Asset Held for Sale provided the asset is still being actively marketed and the delay in completion is due to circumstances beyond the control of the Authority, for example:

- Economic downturn
- Buyer/Third party conditions of sale.

If an asset no longer meets the criteria to be classified as an Asset Held for Sale, it is reclassified back to non-current assets and valued at the lower of the carrying amount before it was classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had it not been classified as held for sale, and the recoverable amount at the date of the decision not to sell.

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 (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. 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.

NOTES TO THE FINANCIAL STATEMENTS

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts, while amounts below this are credited to revenue. The balance of receipts remains within 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 i.e. the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

Statutory arrangements allow costs of disposals to be financed by capital receipts, capped to 4% of the capital receipt. Costs incurred prior to the sale are carried forward and offset in the year of disposal.

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 via the Movement in Reserves Statement.

A direction provided by the Secretary of State for Housing, Communities and Local Government under the Local Government Act 2003 provides for additional flexibility on the use of capital receipts until March 2025. Under this direction, authorities may apply capital receipts received in the years to which the direction applies to meet the revenue costs of transformation projects which are designed to deliver ongoing savings and/or reduce costs or demand. The Authority's Flexible Use of Capital Receipts Strategy is subject to annual approval by full Council. Where this flexibility is applied, capital receipts are transferred out of the Capital Receipts Reserve to finance qualifying expenditure in accordance with the Code's requirements for the accounting of Revenue Expenditure Funded from Capital Under Statute (REFCUS).

(iii) Investment Property

Investment Properties are assets 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 valued at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains or 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.

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 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.

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.

(iv) Charges to Revenue for Non-Current Assets

Services 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.

NOTES TO THE FINANCIAL STATEMENTS

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. These transactions are therefore reversed out from the General Fund Balance via the Movement in Reserves Statement to the Capital Adjustment Account.

The Authority is however required by the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended in 2008) to make a prudent annual contribution from revenue towards the reduction in its overall borrowing requirement, the CFR (Capital Financing Requirement). This contribution is referred to as the Minimum Revenue Provision (MRP).

In accordance with statutory guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG), the Authority adopts separate calculations for borrowing that was supported by central government and for unsupported, "self-financed" borrowing. The respective methodologies are as follows:

Supported Borrowing

The Authority adopted a revised MRP calculation for its supported borrowing (including pre-April 2008 unsupported borrowing) effective 1 April 2016. MRP is made on all such outstanding borrowing as at 31 March 2016 on a 2% annuity basis over a repayment period of 40 years from that date.

Unsupported Borrowing

The Authority has adopted the Asset Life (Annuity) Method (MHCLG guidance option 3b) for the repayment of unsupported borrowing undertaken since 1 April 2008. This method provides MRP on an annuity basis over a repayment period equal to the estimated life of the asset for which the borrowing was undertaken, up to a maximum of 50 years. The annuity rates applied are based upon the average Public Works Loan Board rates (for a loan duration equal to the asset life) in the year the borrowing was undertaken.

MRP – Finance Lease and PFI

In line with MHCLG regulations to mitigate the impact of the move to IFRS on the Council's revenue account, it is the policy of West Sussex County Council to make an annual MRP charge equal to the portion of the payment taken to the Balance Sheet to reduce the liability. However, where a lease premium is made (and immediately taken to write down the Balance Sheet liability), the Council shall spread the MRP charge over the useful life of the asset.

(v) Intangible Assets

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

Intangible assets are measured initially at cost, and amortised over their useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. Under statute, amortisation is not permitted to impact on the General Fund balance, and therefore this charge is reversed out through the Movement in Reserves Statement and posted to the Capital Adjustment Account.

(vi) Government Grants and Contributions

Government grants and third party contributions and donations are recognised as due to the Authority where 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 creditors (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 to the Capital Grants Unapplied Account via the Movement in Reserves Statement. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have applied to fund capital expenditure.

(vii) Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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.

(viii) Leases

Leases are classified as finance leases where the terms of the lease transfer 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.

The Authority as Lessee

Finance Leases

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the beginning 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. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest 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).

NOTES TO THE FINANCIAL STATEMENTS

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).

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting 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 a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the Authority leases an asset out on a finance lease, the existing asset of Property, Plant or Equipment is written out of the Balance Sheet as a disposal and a long-term debtor representing the Authority's net investment in the lease is recognised instead.

As a disposal, the writing out of the asset and the recognition of the long-term debtor is accounted for as part of the gain or loss on disposal of non-current assets in the Comprehensive Income and Expenditure Statement with the debtor representing the sale proceeds.

Under statute, the gain or loss recognised in the Comprehensive Income and Expenditure Statement is reversed out of the General Fund balance and posted to the Deferred Capital Receipts Reserve (proceeds) and Capital Adjustment Account (disposal) via the Movement in Reserves Statement. Deferred capital receipts are released to the Capital Receipts Reserve as the lease debtor is settled.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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 and 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).

IFRS Transitional Rules

In accordance with regulations issued upon the implementation of IFRS, amounts receivable under leases that changed from operating leases to finance leases (or vice versa) are accounted for as if the status of the lease had not changed, in that:

- Amounts receivable under operating leases that became finance leases on transition to IFRS continue to be credited to the General Fund balance as revenue income
- Amounts receivable for principal payments under finance leases that became operating leases on transition to IFRS continue to be treated as capital receipts.

In both cases, the leases are accounted for in accordance with the current provisions of the Code, with adjustments to the General Fund balance being made in the Movement in Reserves Statement.

(ix) Private Finance Initiatives (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the PFI contractor.

As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the Property, Plant and Equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. The Authority has three PFI schemes on its Balance Sheet - Crawley Schools, Recycling and Waste Handling and Street Lighting.

The original recognition of these assets at fair value was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Authority. The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Payments towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

(x) 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.

Where income or expenditure is to be recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. The Council has applied a de minimis threshold of £10,000 for all manual accruals of income and expenditure.

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. An examination of debtors outstanding at 31 March has been undertaken and an allowance for doubtful debts has been made.

Under local management arrangements, school accounts have been closed shortly before the end of the reporting period. Consequently, school income, expenditure, debtors and creditors are shown on an estimated basis.

(xi) Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Authority's arrangements for accountability and financial performance.

(xii) Reserves

The County Council 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 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 via 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, local taxation, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

(xiii) Provisions

Provisions are made where an event has taken place that gives the Council 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 recognises 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.

(xiv) 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 measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note to the accounts.

(xv) Financial Instruments

a) 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 are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

b) 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 has currently not designated any financial asset into this category.

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 most of the financial assets held by the Authority, 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 the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

NOTES TO THE FINANCIAL STATEMENTS

The Code includes a number of provisions for the accounting of soft loans (loans made to voluntary organisations at below market rates), primarily relating to the recognition of foregone interest. The Authority's policy is to apply the materiality concept of the Code, and so has decided not to adopt any of these provisions for soft loans below £500,000. Any such loans are therefore accounted for as per other assets measured at amortised cost as set out in the previous paragraph.

Expected Credit Loss Model:

The Authority recognises expected credit losses on all of its financial assets held at amortised cost (or FVOCI when applicable), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables held by the Authority.

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 in assessing losses. Where risk has increased significantly since an instrument was initially 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. No loss allowance is recognised for assets where the counterparty is central government or a local authority whereby relevant statutory provisions prevent default.

In addition to financial investments, whereby risk is mitigated through the creditworthiness policy contained within the annually approved Treasury Management Strategy, the Authority may agree loans to third parties (organisations or individuals) when considered to be of an economic or social benefit to the local area. The Authority will assess the expected credit loss by loan (or group of loans where considered to be of similar nature) on a 12-month or lifetime loss model dependent on the risk level applied to the loan(s).

Financial Assets Measured at Fair Value through Profit or Loss:

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument, and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services.

In November 2018 the Ministry of Housing, Communities and Local Government announced a statutory override applicable to English Local Authorities regarding fair value movements on pooled investments funds, covering a five year period commencing 1 April 2018. During the period of the statutory override, the Authority will transfer all fair value movements recognised in the Surplus or Deficit on the Provision of Services relating to pooled investment funds to the unusable Pooled Investment Funds Adjustment Account (or, for equity investments, to the Capital Adjustment Account).

Fair Value Measurements of Financial Assets:

The fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the Authority's financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Authority can access at the measurement date
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly
- Level 3 inputs – unobservable inputs for the asset.

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

(xvi) Cash and Cash Equivalents

Cash and Cash Equivalents represents cash in hand and cash equivalents, defined as 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. Cash equivalents are not held for the purposes of an investment gain, but rather are retained so that the Authority has monies available to settle its liabilities. The Authority therefore recognises as cash equivalents only those deposits held for the purposes of cash management and repayable without penalty on notice of not more than 24 hours.

Deposits made for the purposes of securing an investment gain are classified as Short Term Investments.

Bank overdrafts form an integral part of the Authority's cash management and are therefore consolidated within net Cash and Cash Equivalents as presented in the Authority's core financial statements.

(xvii) Schools

The Code confirms that the balance of control for local authority maintained schools (as identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. Therefore schools' transactions, cash flows and balances are recognised in the single entity financial statements of the Authority as if they were the transactions, cash flows and balances of the Authority.

(xviii) Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and Non-Domestic Rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

(xix) Value Added Tax

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.

(xx) Employee BenefitsBenefits 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, bonuses and non-monetary benefits 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 of Services, but then reversed out through the Movement in Reserves Statement to the Accumulated Absences Account so that holiday benefits 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, and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

(xxi) Post-employment Benefits

Employees of the council may be members of four separate pension schemes:

- the Local Government Pension Scheme, administered by West Sussex County Council;
- the Firefighters' Pension Scheme, administered by West Sussex County Council;
- the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE);
- the National Health Service (NHS) Pension Scheme, administered by the NHS.

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

However, the arrangements for the Teachers' and NHS Pension Schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The schemes are therefore accounted for as if they were defined contribution schemes, and therefore no liability for future payments of benefits is recognised in the Balance Sheet. The employer contributions payable to the respective scheme administrators is recognised as an in-year expense against the appropriate service line in the Comprehensive Income and Expenditure Statement.

The Local Government Pension Scheme and The Firefighters' Pension Scheme

The Local Government and Firefighters' Pension Schemes are accounted for as defined benefit schemes:

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- The liabilities of the respective schemes attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method (i.e. 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, etc, and projections of projected earnings for current employees).
- Liabilities are discounted to their value at current prices, using an appropriate discount rate.

The assets of the Local Government Pension Scheme attributable to the Authority are included in the Balance Sheet at their fair value:

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

The change in the net pensions 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 cost – 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 liability (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 of the Comprehensive Income and Expenditure Statement.

Remeasurements, 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 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 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, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and 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.

(xxii) Early Retirement Costs

The County Council's policy is to charge the full costs of early retirement to the relevant service at the earliest date. The Local Government Pension Scheme allows authorities to spread these costs over three years, but in keeping with the policy aim, these are recognised in full in the year they are incurred. This discretion does not exist for the Firefighters' Pension Scheme, where regulation requires that the costs are spread over three years to smooth the volatility of variable numbers of ill-health retirements.

(xxiii) Senior Officer Remuneration

The Code contains requirements for the disclosure of the remuneration of higher paid officers. However, these requirements are derived from (and supplemented by) the overarching requirements of the Accounts and Audit Regulations:

- For England – regulation 7 of the Accounts and Audit Regulations 2015 (as specified in Schedule 1 SI 2015/234)

There are two related disclosures required by the regulations:

- Figures for the number of officers whose remuneration was £50,000 or more, grouped in £5,000 bands (starting at £50,000)
- The individual remuneration of senior employees.

Disclosure of senior officers' remuneration is made on an accruals (rather than cash) basis in line with the definition of remuneration provided by the regulations, which states that remuneration is to include "all amounts paid to or receivable by a person..."

The regulations dictate that the disclosure of remuneration by category must be made by reference to individuals, with the following proviso:

- Where the senior employee or relevant police officer's salary is £150,000 or more per year, they must be identified by name and job title
- Where the senior employee's salary is less than £150,000, only their job title must be disclosed.

(xxiv) 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.

(xxv) Fair Value Measurement of Non-Financial Assets

The Authority measures some of its non-financial assets (such as surplus assets and investment properties) and some of its financial instruments (such as equity shareholdings) at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Authority's financial statements 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.

(xxvi) Joint Operations and Other Pooled Budgets

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly

In April 2015 the West Sussex Better Care Fund was established. This is a joint operation between the Authority and the NHS West Sussex Clinical Commissioning Group to provide integrated health and social care support within the area. West Sussex County Council acts as host in the arrangement, but shares control with its partner and as such accounts only for its share of the Fund's income, expenditure, assets and liabilities in its accounts.

The Authority is also part of three other pooled budget arrangements with NHS bodies to provide services in the local area. In two of these partnerships, established for the provision of services relating to Learning Disabilities and Telecare, the Authority acts as lead commissioner, and has control of the decisions of how the pooled funds are applied. As such, the Authority accounts for all of the expenditure of these funds in its financial statements. Funding contributed by partners is recognised as revenue in the Authority's accounts. The third agreement, for the provision of Mental Health services, is hosted by the NHS, and as such the Authority accounts only for its contribution to the pooled budget.

(xxvii) 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.

(xxviii) Going Concern

These financial statements have been prepared on a going concern basis. Assets and liabilities are therefore reported on the assumption of continuing operations for the foreseeable future.

This approach is prescribed by the CIPFA Code of Practice on Local Authority Accounting. The Code confirms that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on the going concern basis of accounting.

The potential for abolition of an authority (or the transfer of its functions) by statute is not taken as negating the presumption of going concern. Even though assets may be taken from the authority, perhaps without compensation, the continued use of those assets for public benefit means that an individual authority does not need to consider the restriction on its own ability to make use of those assets from a going concern perspective.

An authority experiencing significant resource pressures does not therefore negate the presumption of going concern, because if an authority were in financial difficulty the prospects are that alternative arrangements might be made by central government for the continuation of services. However, references to such issues affecting financial resilience and sustainability will be made in various sections of the financial statements as appropriate, for example in Note 42 Critical Judgements in Applying Accounting Policies and Note 43 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty.

Considering the above, and the critical judgements made in applying the Council's policy on going concern and assumptions made about the future as set out in Notes 42 and 43, the Council is satisfied that the financial statements should be prepared on a going concern basis.

42. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 41, 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:

Coronavirus – Going Concern Impact Assessment

The Covid-19 pandemic has affected a significant number of the Council's services to our residents with temporary closures of public buildings and the suspension of some services. The budget for 2020/21 was set ahead of the start of the pandemic, whereas the whole of the financial year was dominated by Covid-19. In response to the pandemic, the Government made a number of funding streams available to local authorities to address budget pressures. Since the onset of the pandemic, the total revenue grant funding received by West Sussex is £113.4m (excluding amounts passported through to schools). Of this total, £85.2m has been spent to date, with £28.2m carried forward into 2021/22 to fund the continuing pandemic costs. A further £2.4m of capital grant funding was provided in the form of 'Emergency Active Travel Fund', of which £0.5m has been spent on the installation of temporary cycle lane provision and the remainder will be held for longer term projects.

There has also been a significant impact on the local economy and employment levels, consequently income levels for both business rates and council tax have reduced. To compensate, the government has provided funding to meet 75% of the irrecoverable losses for Council Tax and Business Rates in 2020/21. In line with Government guidance, £4m for Local Tax Income Guarantee has been included in the Council's accounts for 2020/21 and has been transferred to the Budget Management reserve.

Within the revenue budget for 2020/21, excluding any Covid-19 spending and funding, the Council underspent at year end by £8.9m and this was transferred to three reserves - £4.7m to the Adults and Health Pressures and Recovery reserve to fund anticipated pandemic rebound pressures in 2021/22; £1.2m to the Ash Dieback reserve to fund critical tree felling work that needs to be accelerated in 2021/22 and £3.0m, arising from savings from homeworking and change in service delivery savings as a result of the pandemic, to the Service Transformation reserve to fund future innovative projects.

During the period, the Council closely monitored its cashflow position to ensure that there were sufficient funds available to meet its financial obligations and remain financially solvent. Any surplus cash was largely held in instant access accounts or on very short-term deposits to ensure it was available should it be required.

The latest budget gap is £35.8m for 2022/23, as reported at County Council on 12 February 2021. Given the likely delay in implementing the Spending Review and consequently the Fair Funding and Business Rates reviews, it is unlikely the budget gap will materialise in 2022/23 and will be in 2023/24. Work is underway with the Executive Leadership Team and Cabinet Members to review this position and develop plans to mitigate any pressures to ensure that we are able to present a sustainable balanced budget for 2022/23. As at 31 March 2021, the Council held earmarked reserves of £162.6m, which excludes school reserves, the Covid-19 Fund and the Business Rates Pilot reserve, with a further £20.3m held in the General Fund. In the short term and with the need to replenish or re-profile costs to a later period, the Council could draw on some of these reserves to balance the budget.

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The impact of the pandemic and the planned intention to ease restrictions nationally in the near future continues to be assessed. The longer-term economic impacts are starting to be better understood and financial projections for future years will be adjusted accordingly. The Council has received a further £15.6m unringfenced funding from central Government in 2021/22 to meet the budget pressures arising from the pandemic. As well as this, other ringfenced funds are being made available, such as the Contain Outbreak Management fund (COMF), funding for Infection Control and other funds to support the vulnerable. However, we do recognise the inherently high degree of estimation uncertainty in the assumptions made. For example, it is not clear if there will be any longer-term implications for the Council, in addition to those already recognised in the accounts, in terms of pent-up demand within Adult Services where some people who are likely to need support from adult social care have yet to come forward because of Covid-19.

The Council has produced a cashflow to 31 March 2023 and considered the impact on the cashflow for two scenarios to ensure the budget is balanced for both 2021/22 and 2022/23. These scenarios are based on the Council's latest forecasts of the impact of Covid-19 and range from the current forecast (in terms of using reserves to meet a £11m funding shortfall in 2021/22 and then having a balanced budget for 2022/23) to a more pessimistic scenario (in terms of using reserves to meet both a £11m funding shortfall in 2021/22 and a £14m funding shortfall in 2022/23). Based on these scenarios, we are satisfied that there is no material uncertainty relating to the Council's cashflow position to 31 March 2023.

Covid-19 Grants

For all its accounting transactions, an authority must consider whether it is acting as principal or agent. Where an authority is acting on its own behalf, it is the principal. Where it is acting as an intermediary, it is the agent. Where an authority is acting as agent, the transactions are not reflected in its financial statements (except the net cash position and an offsetting debtor or creditor).

For two grants received from the Department of Health and Social Care (DHSC) in 2020/21, the Authority has judged that it is acting as agent. These are the Adult Social Care Infection Control Fund (£20.8m) and Adult Social Care Rapid Testing Fund (£2.9m). In both cases, the Authority's judgement has been made on the basis that it has no control over how the grant is spent – conditions set by DHSC state that the funds must be distributed to care providers on a per-bed basis.

The amounts disclosed above reflect the proportions of the grants for which the onward distribution has been stipulated by DHSC; in both instances, the Authority was given greater discretion over how to apply a small proportion of the grant (20-25%), and so the Authority has treated these transactions as principal and as such included them in its financial statements (as disclosed in Note 25 Grant Income, alongside all other Covid grants for which the Authority has judged it is acting as principal).

Local Government Funding Arrangements

There is a high degree of uncertainty about future levels of funding for local government. MHCLG's Fair Funding Review into business rates retention and baseline funding allocations, previously set for consultation in 2020/21, has been delayed. Additionally, there is a high degree of uncertainty around the council tax and business rates base. The onset of the coronavirus pandemic has seen a number of households fall into council tax support, which may impact on the amount of council tax receivable. The requirement for business premises may also reduce, which could have an impact on the amount of business rates collectable. 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.

Provisions and Contingent Liabilities

The Authority is required to exercise judgement in assessing whether a potential liability should be accounted for as a provision, or whether it should be disclosed as a contingent liability. This judgement requires the Authority to assess the likelihood of the obligation arising. In calculating the level of any provisions, the Authority also exercises judgement; they are measured at the Authority's best estimate at the balance sheet date of the costs required to settle the obligation. The level of the Authority's provisions and details of its contingent liabilities are set out in Notes 14 and 40 respectively.

Schools' Non-Current Assets

CIPFA's Code of Practice requires non-current school assets to be recognised on the Authority's balance sheet only where the Authority has control over the asset and it is probable that future service potential will flow to the Authority.

The Authority has therefore exercised judgement in its control assessment for its voluntary controlled, voluntary aided and foundation schools. Legal ownership of assets at these schools typically resides with a separate entity of trustees. Control over these assets may therefore be assumed to reside with those trustees, and that is the position taken by the Authority with respect to its voluntary aided and foundation schools. Non-current assets at these schools are therefore not consolidated into the Authority's balance sheet, with the exception of land at voluntary aided schools, which the Authority retains statutory responsibility for.

However, the Authority exerts a greater degree of control over its voluntary controlled schools, as it directly employs the staff and sets the admissions criteria at these schools. The Authority has therefore judged that it exercises substantive control over the assets of its voluntary controlled schools, and so recognises these assets on its balance sheet.

Interests in Other Entities

The Authority has identified interests in two other entities in the reporting period. These are West Sussex Music Trust, a Company Limited by Guarantee established to advance the education of and access to music and the arts, and Aspire Sussex Ltd, a Company Limited by Guarantee established to deliver adult and community learning services to the residents of West Sussex. However, the Authority has concluded that it does not have significant influence over either entity and therefore consolidated group accounts have not been prepared.

The Articles of Association of Aspire Sussex Ltd grant West Sussex County Council the right to appoint one representative on the company's Board of Trustees. The Articles require a minimum of five members to hold membership at all times, and so the maximum possible voting share attributable to the Authority is 20%. The Authority judges that a maximum voting share of 20% would not enable it to exert significant influence over the entity. In any event, the Authority did not elect to appoint a representative to the Board of Aspire Sussex Ltd for its most recent reporting period, and so exerted no influence over the financial or operating policy decisions of the company during that time.

The Memorandum of Association of West Sussex Music Trust do not afford West Sussex County Council any right to ongoing membership on the company's Board of Trustees, and the Authority was not directly represented on the Board during the entity's most recent reporting period. At the reporting date, the Trust had six Trustees, two of which are currently employed as head teachers of local authority community schools. The Authority judges that the head teachers have operated in their capacity as representatives of their respective schools, rather than as employees of West Sussex County Council. In coming to this judgement, WSCC has considered the statutory responsibilities of a school's governing body and the subsequent delegation of these duties to a head teacher, and concluded that head teachers are sufficiently independent so as not to be considered agents of the local authority to exert influence on its behalf. The Authority therefore concludes that it does not exert significant influence over West Sussex Music Trust.

43. 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 amounts cannot be determined with certainty, actual results could be different from the assumptions and estimates. Significant assumptions and estimates made in the preparation of the Statement of Accounts are disclosed below.

Private Finance Initiatives

The Authority is currently entered into three Private Finance Initiative (PFI) arrangements, as detailed in note 15 to these accounts. There is a high degree of certainty in relation to the Authority's contractual commitments under these contracts, as disclosed in note 15 (iii) and subject to contractual variations relating to volumes, performance and indexation. However, the accounting models relating to these schemes which determine a number of material entries in these financial statements are necessarily underpinned by a series of assumptions. This includes the basis upon which the unitary charge is notionally split between its service, interest, and capital components, which impacts on how these costs are reported within the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement, and also the rate at which the PFI liability on the Balance Sheet is shown to be repaid. In accordance with statutory requirements, the accounting entries generated by these models are all mitigated via the Capital Adjustment Account. Therefore, whilst a change in the underpinning assumptions may have a material impact on the financial statements, there are no funding implications or impact on Usable Reserves.

Property, Plant and Equipment – Revaluation

As detailed in Note 41 Accounting Policies, the Authority formally revalues its operational land and buildings at least once every five years. In order to ensure that the carrying value of these assets does not differ materially from current value in between formal valuations, assets not subject to revaluation in any given year are tested for indexation.

As part of its rolling revaluation programme, the Authority selects the assets to be revalued each year using a stratified sampling approach, such that the results of the valuations commissioned can be used to assess for general movements in the asset base. To facilitate this approach, two characteristics have been identified for every asset: asset category and geographical location. To estimate indexation for an asset not subject to formal revaluation, the Authority calculates the average movement in the relevant category and location amongst those assets which have been revalued, and applies those averages with equal weighting.

Indexation was applied to all land and building assets not subject to formal revaluation at 31 March 2021 using this methodology. Net indexation of -£3.8m was applied to assets with a carrying value of £160.8m, an overall reduction of 2.3%.

The external valuer instructed by the Council adopts various estimation techniques to arrive at their valuations. The Authority changed its valuer in 2020/21, and a different technique applied by the new valuer in relation to school assets has had a significant impact on the Council's balance sheet. Bruton Knowles have applied a 'Modern Equivalent Asset' (MEA) approach, whereby for Depreciated Replacement Cost (DRC) valuations (such as for schools), the valuation is based on the cost to construct an asset with equivalent service potential rather than a like-for-like replacement of the existing structure.

To ensure consistency of approach, the Authority instructed its valuer to revalue all of its school land and building assets as at 31 March 2021. The impact of the adoption of an MEA methodology has been to reduce the carrying value of school assets on the Authority's balance sheet by approximately £259m. In accordance with statutory arrangements, this revaluation loss is charged to Unusable Reserves and so has no taxpayer or funding implications.

NOTES TO THE FINANCIAL STATEMENTS

Property, Plant and Equipment – Depreciation

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate could impact upon the Authority's ability to sustain its current spending on repairs and maintenance, which would have implications for the useful lives assigned to assets.

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall. It is estimated that the annual depreciation charge for buildings would increase by £2.1m for every year that useful lives are reduced. As part of its rolling revaluation programme, an asset is subject to formal valuation at a minimum every five years. Therefore over a five-year period the cumulative impact of a one-year reduction in the useful lives of buildings would be an increase in depreciation charges (and reduction in carrying value) of no more than £10.5m. In reality, the Authority's sampling approach, including more frequent revaluations for high-value assets, means that the scope for this variation in carrying value is significantly reduced. In any event, a variation of this scale is not considered to be material in the context of the Authority's £1.7billion long-term asset base.

Defined Benefit Pension Schemes

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 and pensions are projected to increase and mortality rates. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Local Government

Change in assumptions at 31 March 2021	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	10%	275,382
0.5% increase in the Salary Increase Rate	1%	20,144
0.5% increase in the Pension Increase Rate	9%	249,971

The principal demographic assumption concerns member life expectancy. The actuary estimates that a one year increase in life expectancy would increase the defined benefit obligation by approximately 3-5%.

Firefighters

Change in assumptions at 31 March 2021	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	9%	41,917
1 year increase in member life expectancy	3%	13,390
0.5% increase in the Salary Increase Rate	0%	2,020
0.5% increase in the Pension Increase Rate	8%	35,340

44. Accounting standards that have been issued but have not yet been adopted

The Authority is required to disclose information relating to the impact on its financial statements of an accounting change that will be required by a new standard that has been issued but has not yet been adopted by the CIPFA Code of Practice on Local Authority Accounting (the 'Code'). For 2020/21, this requirement is limited to the standards listed in Appendix C of the 2021/22 Code, as follows:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform (Phases 1 and 2): Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments Recognition and Measurement, IFRS 7 Financial Instruments Disclosures, IFRS 4 Insurance Contracts, and IFRS 16 Leases.

The amendments to IFRS 3 are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments to accounting standards arising from Interest Rate Benchmark Reform (Phases 1 and 2) consider the financial reporting issues in the period before and upon the replacement of an existing interest rate benchmark (e.g. London InterBank Offered Rate, LIBOR) with an alternative 'official' Risk Free Rate (e.g. Sterling OverNight Indexed Average, SONIA). The amendments deal primarily with hedge accounting requirements, and practical expedients when accounting for changes in the basis of determining the contractual cash flows of assets and liabilities.

None of the changes identified above are anticipated to have a material effect on the Authority's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

45. Firefighters' Pension Scheme

2019/20			2020/21	
£000	£000		£000	£000
		Contributions receivable		
	-1,712	Employees		-1,851
		Employers		
		Normal		
-3,885		Early retirements	-4,189	
<u>0</u>			<u>0</u>	
	-3,885			-4,189
	-141	Transfer values from employers of contributors joining the fund		-24
	-20	Charges in respect of ill-health early retirements		<u>0</u>
	<u>-5,758</u>	Total contributions receivable		<u>-6,064</u>
		Benefits payable		
	8,404	Pensions		8,813
		Lump sum benefits		
1,821		Commutations	2,091	
<u>107</u>		Death benefits	<u>0</u>	
	1,928			2,091
	0	Transfer values to employers of contributors leaving the fund		7
	<u>10,332</u>	Total benefits payable		<u>10,911</u>
	<u>44</u>	Other miscellaneous expenditure		<u>46</u>
	4,618	Net amount payable for the year before top up grant from the Home Office		4,893
-2,614		Top up grant received from the Home Office		-3,243
-2,004		Top up grant receivable from the Home Office		-1,650
	<u>0</u>	Net amount payable/receivable for the year		<u>0</u>

Net Assets Statement

At 31 March 2020 £000		At 31 March 2021 £000
	Current Assets	
2,004	Pension top up grant receivable from the Home Office in respect of year to reporting date	1,650
<u>0</u>	Payments in advance	<u>0</u>
		1,650
	less: Current Liabilities	
-2,004	Creditors	-1,650
<u>0</u>	Net Assets - balance of scheme	<u>0</u>

GLOSSARY OF FINANCIAL TERMS

Accounting Policies	The specific principles, bases, conventions, rules and practices applied by the Authority in preparing and presenting its financial statements.
Accruals	An accounting concept that recognises income when it is earned and expenditure when it is incurred, and not when cash is transferred. The inclusion of debtors and creditors are examples of accruals.
Actuarial Gains and Losses	Changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation, or because the Actuary has updated their assumptions.
Actuarial Valuation	The Actuary reviews the assets and liabilities of the pension fund every three years.
Actuary	An independent professional who analyses the assets and liabilities of a pension fund and calculates the level of contributions required to keep the fund solvent.
Amortisation	The reduction in value of an intangible asset to spread its cost over its useful life. The equivalent of depreciation for intangible assets.
Asset	A resource controlled by the Authority as a result of past events and from which future economic or service potential is expected to flow to the Authority.
Assets Held for Sale	Assets that the Council intends to sell within the next year and are actively marketed as such.
Balance Sheet	A statement of recorded assets and liabilities as at the end of an accounting period.
Billing Authority	The district and borough councils which are responsible for the billing and collection of council tax and non-domestic rates. There are seven billing authorities in West Sussex – Adur, Arun, Chichester, Crawley, Horsham, Mid-Sussex and Worthing.
Capital Adjustment Account	Absorbs the timing differences arising from the various arrangements for accounting for the consumption of non-current assets (e.g. depreciation, revaluations, disposals) and the financing of the acquisition/enhancement of those assets (e.g. through grants, revenue contributions or MRP).
Capital Expenditure	Expenditure on the acquisition or construction of new assets, or the enhancement of existing assets, that have a long-term value to the Authority e.g. land and buildings.
Capital Financing Requirement (CFR)	This represents the Council's underlying need to borrow for capital purposes. A measure of capital expenditure incurred historically by the Authority that has yet to be financed, and therefore representing borrowing (internal or external) which has yet to be repaid via MRP.
Capital Grants Unapplied Account	This reserve holds grants and contributions received towards capital projects, for which the Council has met any conditions that would otherwise require the repayment of the monies, but which have yet to be applied to meet expenditure.
Capital Programme	The Authority's plan of capital projects and spending over future years. Included in this category are the purchase of land and buildings, the erection of new buildings and works, design fees, and the acquisition of vehicles and major items of equipment.
Capital Receipts	The proceeds from the sale of a non-current asset, which may only be used for capital purposes, and not to support the revenue budget.
Capital Receipts Reserve	Holds accumulated capital receipts which have yet to be applied to finance the capital programme.
Cash Flow Statement	Shows the movement in cash and cash equivalents of the Authority during the reporting period.

GLOSSARY OF FINANCIAL TERMS

Chartered Institute of Public Finance and Accountancy (CIPFA)	The professional accountancy institute that sets the standards for the public sector. CIPFA publishes the accounting codes of practice for local government.
Code of Practice on Local Authority Accounting ('the Code')	Local authorities in the United Kingdom are required to keep their accounts in accordance with 'proper practices'. This is defined, for the purposes of local government legislation, as meaning compliance with the terms of the Code. The Code is reviewed continuously and is normally updated annually.
Collection Fund	Each billing authority maintains a separate collection fund for council tax and non-domestic rates. Monies are paid into the funds by taxpayers and ratepayers, and are distributed to preceptors.
Comprehensive Income and Expenditure Statement	A statement which shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded by taxation.
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 non-occurrence of one or more uncertain future events not wholly within the control of the Authority.
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 non-occurrence of one or more uncertain future events not wholly within the control of the Authority.
Council Tax	A domestic property tax set by local authorities to finance revenue expenditure. Each dwelling is allocated to one of eight tax bands based on its capital value.
Creditors	Amounts owed by the Authority for goods and services received where payment has not been made as at the Balance Sheet date.
Current Asset	Assets which are either cash (or an equivalent), held for trading, or expected to be realised within the next financial year.
Current Liability	An amount which will become payable within 12 months of the reporting date.
Debtors	Amounts owed to the Authority for goods and services provided but are unpaid as at the Balance Sheet date.
Dedicated Schools Grant (DSG)	The County Council's expenditure on schools is funded by grant monies issued by the Department for Education. DSG is ringfenced and can only be applied to meet expenditure included in the Schools Budget, or central expenditure as agreed by the Schools Forum.
Depreciated Replacement Cost (DRC)	A method of asset valuation, used where there is insufficient market-based evidence of current value because an item Property, Plant and Equipment is specialised and/or rarely sold (e.g. a school), or as a proxy for current value for non-property assets that have short useful lives and/or low values.
Depreciation	A charge to the revenue account to reflect the consumption of a tangible non-current asset in service delivery. There is a corresponding reduction in the value of the non-current asset on the Balance Sheet.
Earmarked Reserves	Usable reserves which have been set aside for a specific purpose.
Events after the Balance Sheet Date	Events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue.
Exceptional Items	Material items which deviate from events or transactions that fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

GLOSSARY OF FINANCIAL TERMS

Existing Use Value	A valuation method that estimates the amount for which an asset or liability should exchange on the valuation date between a willing buyer and seller in an arm's length transaction and disregarding potential alternative uses for the asset.
Expected Credit Loss	An impairment allowance applied to certain categories of financial assets, calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations.
Expenditure and Funding Analysis	An analysis of the income and expenditure of the Authority chargeable to the General Fund under statute, and a reconciliation of these sums to that presented in the Comprehensive Income and Expenditure Statement under proper accounting practices.
Fair Value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Finance Lease	A lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Consequently the non-current asset is included within the Balance Sheet of the lessee, even though the lessor retains the legal title of the asset.
Financial Assets Measured at Amortised Cost	Financial assets whereby the Council's business model is to collect contractual cash flows with intention of holding to maturity; such cash flows being solely payments of principal and interest. Includes cash and cash equivalents, fixed-term deposits and trade debtors.
Financial Assets Measured at Fair Value through Profit or Loss	Financial assets whose contractual payments are not solely payments of principal and interest; such assets incurring fair value gains and/or losses over the lifetime of the investment). Includes pooled funds and equity investments.
Financial Instrument	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Examples include the borrowing or lending of money and the making of investments.
General Fund	A statutory fund which holds the accumulated surplus of income over expenditure in the revenue account. The balance on the General Fund forms part of the County Council's Usable Reserves.
Gross Expenditure	Total expenditure before deducting income.
Heritage Assets	Assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge or culture.
Impairment	Recognised when the carrying amount of an asset exceeds its recoverable amount. An impairment may be physical in nature (such as damage caused by fire), or may arise from a general or specific reduction in prices during the financial year.
Income	Inflow of economic benefits or service potential during the reporting period, when such inflows or enhancements of assets or decreases of liabilities result in an increase in reserves.
Intangible Assets	Intangible assets yield benefits to Council for more than one year, but are without physical form, such as software licences. Intangible assets are recorded at cost and are amortised over their estimated useful economic life.
International Accounting Standards (IAS)	Standards for the preparation and presentation of financial statements as issued by the International Accounting Standards Committee (IASC) from 1973 to 2001.
International Accounting Standards Board (IASB)	Independent body with responsibility for developing and approving International Financial Reporting Standards (IFRSs). Successor to the International Accounting Standards Committee (IASC).
IFRIC	Interpretations developed by the IFRS Interpretations Committee (previously the International Financial Reporting Interpretations Committee), issued upon approval by the International Accounting Standards Board (IASB).

GLOSSARY OF FINANCIAL TERMS

International Financial Reporting Standards (IFRS)	Standards for the preparation and presentation of financial statements as issued by the International Accounting Standards Board (IASB) since 2001.
Investment Property	Property held solely to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of operations.
Lease	A lease is an agreement whereby the lessor conveys to the lessee (in return for a payment or series of payments) the right to use an asset for an agreed period of time.
Liability	A present obligation of the Authority arising from past events, the settlement of which is expected to result in an outflow from the Authority of resources embodying economic benefits or service potential.
Long Term Assets	Non-current assets that do not meet the definition of a current asset and provide benefits to the Council which are realisable over a period greater than 12 months.
Materiality	Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement, judged in the context of the information being considered.
Minimum Revenue Provision (MRP)	An amount chargeable to the General Fund annually to provide for the repayment of debt. The provision of MRP reduces the Council's Capital Financing Requirement, which may be met by internal or external borrowing.
Modern Equivalent Asset (MEA)	Used in DRC valuations, where the replacement cost of an existing asset is determined using a modern equivalent which provides the current level of service or output.
Movement in Reserves Statement	Shows the movement in the year on the various reserves held by the Authority, analysed into usable and unusable reserves.
National Non-Domestic Rates (NNDR)	A charge on commercial and industrial premises based on the rateable value of the property multiplied by a national rate set by central government. The means by which local businesses contribute towards the provision of local authority services.
Operating Lease	A lease arrangement where the risks and rewards of ownership of the asset have not been transferred to the lessee. The annual rentals are therefore charged directly to the Income and Expenditure Account and the asset remains on the balance sheet of the lessor.
Outturn	The actual level of income and expenditure for the financial year.
Pooled Budgets	A partnership arrangement whereby NHS organisations and local authorities contribute an agreed level of resource into a pooled fund which is then used to commission or deliver health and social care services.
Precept	The County Council precepts on (makes demands upon) the billing authorities' collection funds for its net expenditure requirements to be met by council tax.
Prior Period Adjustments	Material adjustments which are applicable to prior years and which arise from changes in accounting policy or the correction of material errors. They do not include immaterial adjustments or changes to accounting estimates.
Private Finance Initiative (PFI)	A long-term contractual public private partnership, which typically involves a private sector entity (the operator) constructing or enhancing infrastructure used in the provision of a public service, and operating and maintaining that infrastructure for a specified period of time. The operator is paid for its services over the period of the arrangement.
Provisions	Provisions are raised to recognise liabilities which exist at the balance sheet date, where settlement is probable and can be reliably quantified but the exact amount and the date on which it will arise is uncertain.

GLOSSARY OF FINANCIAL TERMS

Prudential Code	Issued by CIPFA, the Prudential Code supports local authorities in taking capital investment decisions. The Prudential Code requires local authorities to set their own borrowing limits based upon affordability, sustainability and prudence.
Public Works Loan Board (PWLb)	A central government agency which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government itself can borrow.
Related Party	An individual or organisation that has the potential to control or significantly influence the Council, or to be controlled or significantly influenced by the Council.
Remuneration	Remuneration includes all amounts paid to or receivable by a person, including sums due by way of expense allowances (so far as these are chargeable to tax) and the estimated monetary value of any other benefits received by an employee.
Residual Value	The estimated amount that the Authority would currently obtain from disposal of an asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.
Revaluation Reserve	Records the unrealised revaluation gains arising from increases in the value of non-current assets. The reserve increases when assets are revalued upwards, and decreases when assets are revalued downwards or disposed of or as assets are depreciated.
Revenue Budget	The estimate of annual income and expenditure requirements, which sets out the financial implications of the County Council's policies and the basis of the annual precept to be levied on collection funds.
Revenue Contribution to Capital Outlay (RCCO)	The amount of capital expenditure to be financed directly from the annual revenue budget.
Revenue Expenditure	The operating costs incurred by the Council in providing its day-to-day services, such as salaries, supplies and services.
Revenue Expenditure Funded from Capital under Statute (REFCUS)	Expenditure that is classified as capital under statutory provisions, but which does not result in the creation or enhancement of non-current assets owned by the Council. Such expenditure is treated as revenue expenditure under proper accounting practices and is charged to the relevant service in the Comprehensive Income and Expenditure Statement.
Specific Grants	Represents central government financial support towards particular local authority services, which the government wishes to target.
Surplus Assets	Non-current assets that are surplus to service needs but that do not meet the recognition criteria for Investment Property or Assets Held for Sale.
Unusable Reserves	Reserves that the Council is not able to use to provide services. This includes unrealised gains and losses in relation to asset revaluations and accounts that absorb the timing differences between transactions under proper accounting practices and statutory arrangements.
Usable Reserves	Reserves that can be used to meet future expenditure, subject to the requirement to maintain a prudent level of reserves and any statutory limitations on their use.