West Sussex County Council

Statement of Accounts 2021/22

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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, which was approved in February 2022 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 tackling 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 2022, the County Council was made up of 70 councillors (known as members), controlled by the Conservatives. The political composition was:

- Conservative: 47
- Liberal Democrat: 11
- Labour: 9
- Green and Independent Alliance: 3

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.

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 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:

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

Council Employees

At the end of March 2022, the Council employed 4,799 full time equivalents (5,364 people), excluding school-based employees, on 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 28% of employees aged 55+, and those aged 16–24 are particularly under-represented at only 3.1% of the workforce.
- Ethnicity – 3.2% of the workforce are recorded as belonging to black and minority ethnic groups. However, 37% of employees are of unknown ethnicity, so the actual proportion could be higher.

In line with the Government guidance in relation to Covid-19, the Council adopted a policy of advising employees to work from home throughout 2021/22, 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 during 2021/22 has been Anxiety, Stress, Depressions & Mental Health, with Musculoskeletal the second highest reason for sickness absence. The top reason for short-term sickness absence over the year was Covid-19 which reflects the level of positive Covid-19 cases experienced across the county during the financial year.

Our Council Plan Performance for 2021/22

The Council Plan sets out our strategic priorities and includes a set of 53 measures with targets against which we measure our performance. Quarterly reviews of performance and resources are undertaken by ELT, Scrutiny Committees and Cabinet.

Year-end results for 40 measures are available. There is no data for two measures relating to Key Stage 2 education attainment where no results were collected nationally as a consequence of the Covid-19 pandemic. Data for a further 11 measures (mostly annual measures) will not be available until later in 2022. This will be monitored as part of the 2022/23 performance arrangements.

Of the 40 measures with results, we have successfully met or exceeded 28 (70%) of our targets with a further four measures (10%) close to meeting their target, providing an overall total of 80% of measures that were exceeded, met, or nearly met. We did not meet our targets for eight measures (20%).

Some key highlights and challenges are summarised below.

Keeping People Safe from Vulnerable Situations

There are times when residents may require extra support and help, and the Council ensures that appropriate and timely support is provided to manage risk and prevent any further escalation of need. The measures within this priority include both children and adults.

Despite unprecedented demand for adult social services at the 'front door' and increased acuity of need throughout the county, the County Council has achieved its target in respect of contacts progressing to social care assessments (18% against a target of under 20%) and assessments that result in a support plan (74.8% against a target of under 75%). This reflects the success and impact of interventions to meet people's needs through information and advice as well as the provision of preventative services.

This year data shows there was a significant reduction in the prevalence of healthy weight in England, the Southeast and West Sussex in 2020/21. Despite a reduction in healthy weight for 10-11 year-olds nationally, West Sussex (at 63.2%) remains significantly better than the England average (57.8%) and exceeded the target of 62.9%. It is recognised that there are likely to be many confounding factors in additional weight gain, for example, the impact of the Covid-19 pandemic with a number of lockdowns, resulted in a reduction in children and young people undertaking physical activity and changes in dietary intake.

Although Covid related restrictions have lifted, the impact of the pandemic remains with many residents still reluctant to have in-home visits and as a result it was challenging for Fire and Rescue teams to deliver the target of 4,000 Safe and Well visits. These visits for over 65s that are considered at risk offer advice on how to make the home safer and, where appropriate, fit smoke alarms or other specialist fire detection equipment free of charge. Nevertheless, there has been a month-on-month increase in this activity and 3,355 visits were carried out, an increase of 12% compared to last year.

Performance for care leavers in employment, education or training has shown consistent improvement throughout the year and year-end results are now 57% against a target of 64%. New joint working relationships with DWP are expected to ensure continued improvement in future. Positive outcomes for children on Child Protection Plans also remain a challenge, achieving 70% against a target of 80%, although there has been steady improvement throughout the year.

A Sustainable and Prosperous Economy

A sustainable and prosperous economy in West Sussex is key to the future wellbeing of the county and it has never been more important to focus on this given the economic impact of Covid-19. A significant number of KPIs within this priority were met or exceeded this year.

A key focus of the council's Economy Plan is to provide support to enterprises, encouraging successful start-ups and helping established businesses to revive, innovate and grow. Despite the effects of the pandemic, all programmes of work were able to adapt their delivery plans and the collective target of 1,500 West Sussex enterprises supported was significantly exceeded and reached 2,385.

Cycle paths also exceeded the target of 7.5km this year with a total of 16.3km new cycling infrastructure across the county. This includes 10km in partnership with the Burgess Hill Growth and Connectivity programmes.

Carbon emissions from Council activities was better than the target, at 30,400te compared to the target of 30,521te. Overall, demand was 9% lower than in 2020/21. Heat demand from the Schools Estate remained the largest recorded source of carbon emissions and Business Transport related emissions remains significantly lower than pre Covid-19 levels.

The main challenge for this priority this year was highways defects repaired within 28 days, where the overall annual average was 74% against a target of 96%. There were a number of reasons for this, including weather events and increased workload. Performance is expected to improve next year with a number of activities including Jet Patcher trials underway.

Helping People and Communities Fulfil Their Potential

Key successes include the number of schools and the number of pupils attending schools with OFSTED rating of good or outstanding reaching an all-time high in 2021/22 and exceeding the targets. The number of schools reached 88.8% against the target of 88.5%, and the number of pupils reached 89.3% against a target of 88%.

Performance for responses to 'critical fires' (where the first appliance in attendance meets our emergency response standard) also met its target of 89% and finished the year with Q4 results at 93.6%, the highest performance recorded.

The use of virtual/digital library services reached 5.81m, exceeding the annual target of 5.45m; and the Community Hub supported 76,477 people against an expected 35,000.

The number of young people not in employment, education, or training or with a status 'unknown' continued to improve to 5.99% and exceeded the target of <7%, improving by 1.67% from 2020/21. This is still below the national (4.72%) and South East (5.45%) averages, but the gap has narrowed; from 2.18% and 1.25% for national and South East respectively, to 1.27% and 0.46%. Collection of data and relationships with schools, colleges and other establishments has seen a marked improvement and West Sussex is now in the top quintile for improvements of all authorities since 2020/21 and is the 9th most improved in relation to County Local Authorities.

For adult social care there has been unprecedented demand across the services, mirroring a national trend. The ongoing pressures, in particular for supporting the NHS with hospital discharges, has impacted on the ability to meet all the targets. These include the level of annual reviews and/or assessments carried out within the last 12 months (60% against a target of 73.2%) and the percentage of adults with learning difficulty in paid employment (1.1% against a target of 3.6%).

Making the Best Use of Resources

It is important that the County Council works effectively and efficiently and continues to manage increasing demands in a different way to achieve best value for residents.

This year the Council has successfully reduced the size of operational property estate by 10.75% and reduced the number of properties from 267 to 211. Operational square metres now stand at 161,625sqm, bettering the target of <170,000sqm.

Additionally, 92.8% of member training was delivered within 12 months of the 2021 elections, a new Code of Governance was endorsed and published in February to assist public, staff, and elected members to navigate the Council's decision making process and we exceeded the target to increase digital services available to support self-serve 24/7, making it easier for customers to obtain support and information. Overall performance was 64% against a target of 60%.

Full details of the outcomes against all 53 measures can be found on the West Sussex Performance Dashboard.

External Performance Assessment and Review

In March 2022 the West Sussex Youth Justice Service was inspected and in June 2022 they received an overall rating of 'good' from Her Majesty's Inspectorate of Probation, with four areas of the service rated as 'outstanding'.

Chief Inspector of Probation Justin Russell said: "West Sussex Youth Justice Service has all the hallmarks of a service which understands the needs of children under their supervision and is doing all it can to improve their lives and turn them away from further crimes. They have weathered a tricky period, from the impact of Covid-19 to changes in local children's services, to continue to make improvements for the benefit of the children, victims and the local community."

In addition, there are noteworthy updates to two key service areas which were initially subject to independent external assessment during 2018/19, as set out below:

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 was such that the Secretary of State agreed to pause the Children's Trust process in December 2020, with direct control of Children's Services remaining with the County Council for a further year.

In March 2022 the Council received the announcement from Will Quince, MP and Minister for Children and Families, that the service would no longer become a standalone Trust and will remain within the County Council. This decision was made based on the evidence of significant improvements within the service over the last two years, including Ofsted monitoring, the completion of the Council's 'Reset and Reboot' governance programme, a report from the Children's Services Commissioner for West Sussex and the Council's commitment to put children first. The Council remains focused on continuing to raise the standards to the best we can be and are committed to continuing the improvement work.

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 in 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. Since then the Council has invested in the improvements needed and as at 31 March 2022 has spent over £5m addressing the areas of concern raised by HMICFRS in their original report. From 2022/23 onwards, the base budget has been increased to allow further improvements to be embedded in service delivery.

There was a further inspection of the service in October 2021 and the report was published on 27 July 2022. HMICFRS reported that the service has made significant progress since the last inspection in 2018 and must now maintain and build on this improvement. The report noted a number of improvements including:

- The service has used increased funding to expand its prevention and protection teams. HMICFRS no longer have causes of concern about how these teams carry out aspects of their work.
- The service has improved how it responds to incidents and is now rated as good. Fire engines arrive at incidents within expected timeframes.
- The service commands incidents well, and there are good processes for staff to learn from the incidents it deals with.
- The service is good at having the right people with the right skills. The service has good workforce planning processes in place. This means it anticipates the number of staff retiring and how many staff it needs to recruit and train. A new computer system allows the service to monitor the competence of staff more easily.
- The service has improved its online training programme to make sure staff are trained to a consistent standard.

- The service is recognised as being more efficient and is rated as good in this area. It is good value for money and, whilst lean, it has sufficient resources to deliver against its statutory functions. It has made comprehensive plans for carrying out its work in different future financial situations. And it has improved the way it works with other organisations. This includes joint control arrangements with other services.
- Plans are built on sound scenarios. They help make sure the service is sustainable and are underpinned by financial controls that reduce the risk of misusing public money. HMICFRS noted an improvement in the way the service approaches its risk planning and use of resources.

HMICFRS also reported that there are still areas where the service needs to improve and these include making sure firefighters carry out enough prevention activity, doing more to reduce unwanted fire signals and continuing to make sure staff behaviour aligns with organisational values.

Financial Performance

The budget for 2021/22, agreed by County Council in February 2021, supported the objectives of the West Sussex Plan. Despite significant overall reductions in government funding since 2009/10, the Council continued to make progress in delivering its ambitions on behalf of the residents of West Sussex, while achieving this within the resources available. The County Council continued to focus on the areas which made the biggest difference to the lives of its residents and the future prosperity of the county and aimed to support the delivery of members' vision and deliver the priorities of the plan, all whilst the Covid-19 pandemic continued.

Measures to balance the portfolio budgets for both 2021/22 and 2022/23 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 2021/22 assumed savings of £18.5m and by the year end, £10.2m was achieved as originally envisaged or was delivered by other means. The balance, £8.4m, was not delivered in the financial year and is reflected in the outturn position for 2021/22.

As part of the budget approved in February 2021, the County Council approved the use of up to £10.0m of capital receipts in 2021/22 to fund specific transformation projects. Within the outturn Capital Programme there is £4.4m of revenue transformational projects which meet the eligibility criteria under the Flexible Use of Capital Receipts principles.

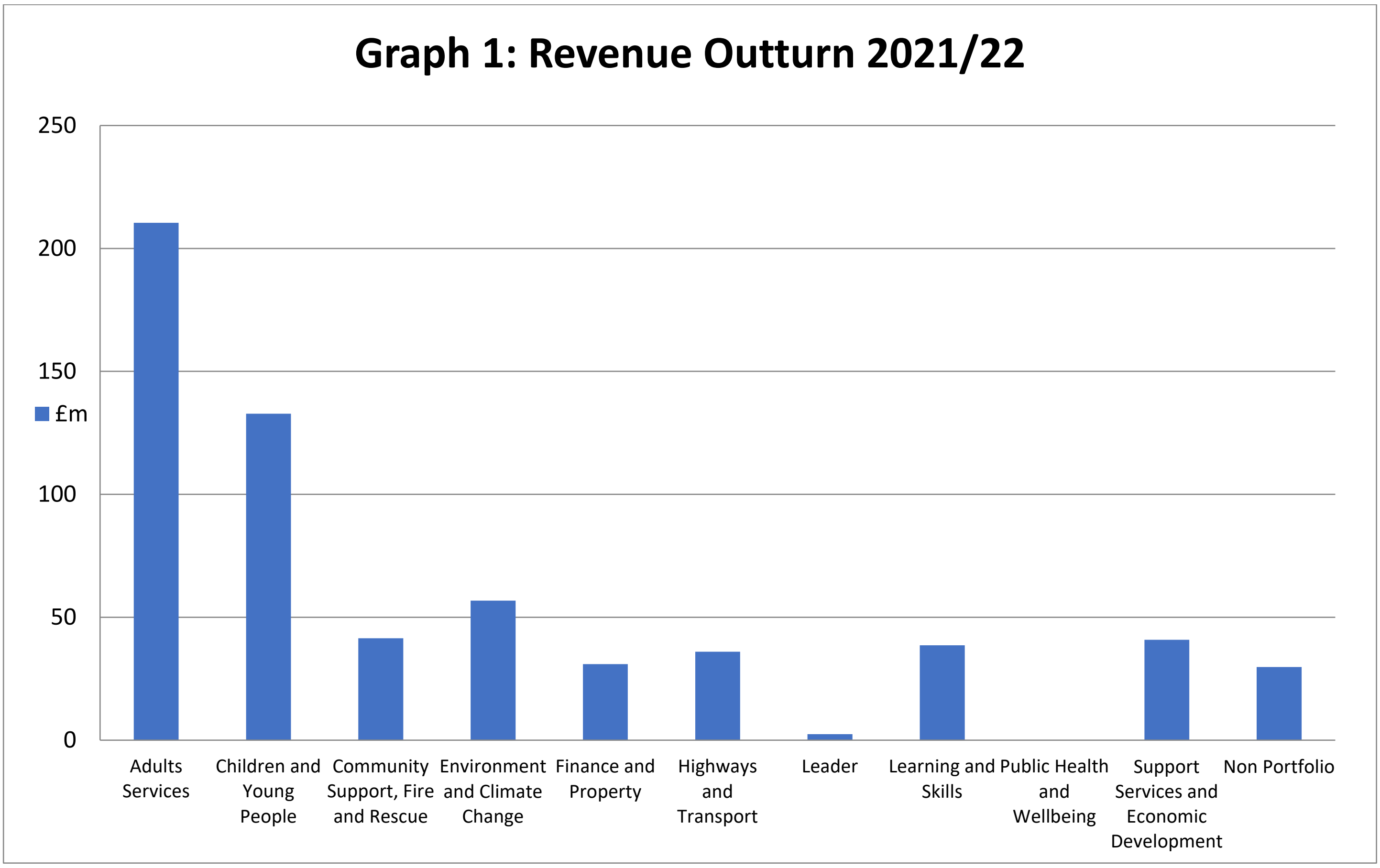
Net revenue expenditure for 2021/22 on portfolio budgets is £590.4m, representing a £1.2m underspend. This includes underspendings within the Environment and Climate Change (£2.7m) and Highways and Transport (£1.2m) portfolios, offset by overspendings within the Learning and Skills (£1.6m) and Finance and Property (£2.7m) portfolios. Homeworking also resulted in £1.2m of underspendings which are included within the outturn position for each portfolio.

In addition to this, there was an underspend on the contingency budget of £5.0m along with an overspend on the non-portfolio capital financing budget of £0.6m. The overall underspending from these three areas is £5.6m. This underspending has been transferred to two reserves:

- The balance of the unallocated contingency budget (£5.0m) has been transferred to the Inflation Contingency Reserve (to enhance the £2.9m inflation contingency created as part of the 2022/23 budget process). This reserve recognises the future bleak economic forecast and the uncertainty regarding inflationary increases in 2022/23.
- The balance of the homeworking underspend (£0.6m) has been transferred to the Service Transformation reserve to fund future innovative projects.

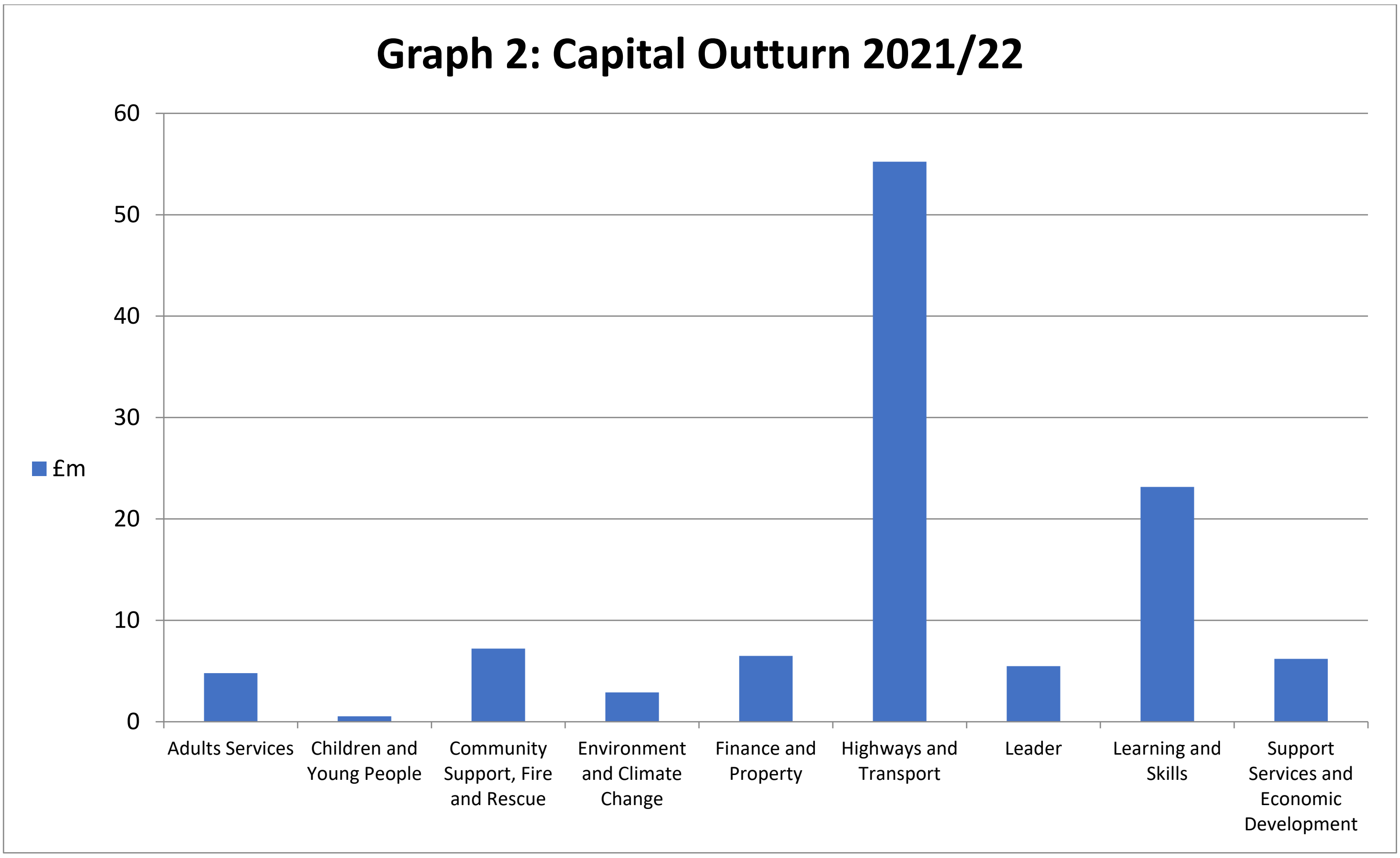
Full details are set out in the outturn Performance and Resources Report (PRR). The PRR is the Council's monitoring and reporting mechanism for finance performance (revenue and capital), savings delivery, and business performance. It is regularly scrutinised by the Performance and Finance Scrutiny Committee and available from Committee papers on the Council's website.

Graph 1 below illustrates the net outturn spend for the year by portfolio:



County Council, in February 2021, agreed a capital programme totalling £101.6m for 2021/22. In addition, £5.8m which was originally profiled to be spent in 2020/21 was slipped into 2021/22, increasing the capital programme to £107.4m. Since this time, overall spend has increased by £4.6m, to give a full year spend for 2021/22 of £112.0m. Full details are set out in the outturn PRR.

Graph 2 below sets out the capital outturn for 2021/22 by portfolio:



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

Month	Project	Location	Description
April	Sompting Village Primary	Adur	Relocation and repurposing of modular classroom unit to accommodate a bulge class
May	A Place to Live No. 2 Boundary Close	Worthing	Refurbishment of the residential property for use as supported living with adults with learning disabilities
July	Midhurst Depot Closure and modification to site at Stedham	Chichester	Works completed to allow service relocation from site to enable disposal of the asset
July	West Sussex Gigabit Voucher Scheme	Various	Launch date met, grants awarded and external delivery underway
July	Worthing Community Hub	Worthing	Refurbishment of Worthing library to create a new community hub space and a range of services in the library building
August	Westergate Extra Care Housing Scheme	Arun	Contribution towards a development of 60-unit extra care housing scheme enabling WSCC direct nomination rights to 31 affordable rental units

Month	Project	Location	Description
August	The Weald All Weather Pitch	Horsham	Replacement of the all weather pitch, including suitable drainage, suitable playing surface and fencing
September	Adults In-House Day Services Part B - Glebelands	Adur	Refurbishment and configuration works to accommodate people currently receiving services from Pines, Coastal Enterprise day centres
September	Adults In-House Day Services Part B – Laurels and The Rowans	Worthing	Refurbishment and configuration works to accommodate people currently receiving services from Pines, Coastal Enterprise day centres
September	Forest School (21 Summer works)	Horsham	Remodelling of changing rooms, refurbishment of toilets and new school entrance to allow the school to become co-ed
September	Woodgate Primary School	Crawley	Technical advisor role in the development of new school at Whitehouse Farm
September	Library Self Service Terminals	Various	Programme to replace customer self-service terminals
October	Crawley Homes Solar PV Bird Protection	Crawley	Project to fit bird mesh to the domestic solar PV systems installed on Crawley Homes properties
November	Willow Park – Relocation of the service	Arun	Project to relocate services in all three units into alternative WSCC accommodation in order to achieve a revenue saving
November	Oak Grove College	Worthing	Provision of temporary modular classrooms at Oak Grove College providing four classrooms increasing pupil numbers by 15 from 256 to 271
November	S106 St Andrews CE High School Co-Ed	Worthing	Project delivered directly by the Diocese with WSCC funding contribution
November	Southwater Infants & Junior School	Horsham	Replacement of modular teaching accommodation
November	Thorney Island	Chichester	To increase the size of the main school hall and to reconfigure the corridor arrangement to accommodate an increase in occupancy
December	Lingfield Lodge Extra Care	Mid Sussex	Provision of 48 units of extra care housing
December	Fairbridge Waste Site	Mid Sussex	Removal of Japanese Knot Weed and installation of required root barrier at Fairbridge Waste Site
January	Remodel East Preston CFC	Arun	Remodelling of space to meet the needs of children, families and the service
January	Remodel Brick Kiln – Children's Emergency Accommodation	Chichester	Remodelling of space to bring a vacant property up to standard to enable solo occupancy of children
January	Downs Link	Arun	Delivery of five surfacing schemes along the Downs Link

Month	Project	Location	Description
January	Crawley County Buildings	Crawley	Demolition of County Buildings to enable future development on the site
February	Chichester High School Demolition	Chichester	A Southern Gateway Growth Programme project to demolish vacant buildings to clear the site for future developments

In 2021/22 a further two schools obtained Academy status, at which point the building ceased to be a County Council asset (resulting in assets to the value of £1.98m 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 £5.42m to the Balance Sheet). As of March 2022, there are 80 schools with Academy status in the County, with a further 205 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 2021/22 is provided by the Movement in Reserves Statement, and is summarised below:

Movement in Reserve Balances 2021/22	Balance at 1 April 2021	2021/22 Movement	Balance at 31 March 2022
	£000	£000	£000
General Fund	20,286	-	20,286
Earmarked Reserves	216,246	14,885	231,131
Capital Grants Unapplied Account	55,031	-33,802	21,229
Capital Receipts Reserve	4,789	-	4,789
Total Usable Reserves	296,352	-18,917	277,435
Unusable Reserves	280,209	188,380	468,589
Total Authority Reserves	576,561	169,463	746,024

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 2022 is £20.3m, which (at 3.1% of the net expenditure budget for 2022/23) is considered to be a prudent buffer against the significant financial pressures affecting the Council. 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 £231.1m are held as at 31 March 2022; this includes the Budget Management reserve of £61.7m, £17.4m one-off business rates pilot funding that the Council is committed to spending in conjunction with the districts and boroughs and £16.0m of Covid-19 grants. A detailed analysis of this balance is provided in Note 3 to the accounts.

Included within unusable reserves is a Dedicated Schools Grant (DSG) deficit balance of £25.5m as at 31 March 2022, an increase of £15.1m during the year. The deficit is now classified as an unusable reserve in accordance with regulatory changes which took effect during 2020/21. The temporary legislation, which states that any DSG deficits are to be recovered from future DSG income over time rather than from local authority General Funds, is set to expire at the end of March 2023. We are awaiting an update from the Department for Education on the approach in the future.

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 £574.7m 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 2022 to 2042 was approved by full Council in February 2022 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 2022/23 to 2026/27 capital programme is £755.7m.

The authority borrows prudentially for capital investment purposes. The Council did not undertake any external borrowing during 2021/22, but £3.5m of debt was repaid during the year. Outstanding Public Works Loans Board borrowing as at 31 March 2022 was £471.3m (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 PRR and reported to Cabinet. Scrutiny Committees also consider this report and the Leader and the Cabinet Member for Finance and Property ultimately approve any decisions sought as part of the PRR. This process provides a regular challenge relating to the Council's performance.

The Impact of Covid-19 on the Provision of Council Services

On 24 February 2022, the Government announced its plan for 'Living with Covid' and the removal of all Covid-19 domestic legal restrictions in England. The plan details how vaccines and other pharmaceutical interventions will continue to form the first defence against the virus. However, prior to this change Covid-19 continued to impact County Council services with some form of restrictions in place for much of the year. The Covid-19 Omicron variant, although found in the UK back in November 2021, didn't peak until January 2022.

Throughout the year, the County Council remained focused on ensuring continued support for the most vulnerable people in the community. At the start of the pandemic, the Covid-19 Community Hub (in partnership with District and Borough Councils) was launched. This has been a crucial lifeline to many residents who have needed help and support during the last year. Also as part of the response, social care have been working with NHS colleagues and other partners to help alleviate the pressure on hospitals, but this has impacted on the ability to meet all targets within adult social care.

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. 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.

The cost of the Covid-19 pandemic to the County Council has been monitored separately from the portfolio budgets agreed by County Council in February 2021. A total £94.4m of Covid-19 revenue funding was available in 2021/22 which included £92.1m from grants – i.e. grant balances carried forward from 2020/21, ringfenced grants with conditions attached, ringfenced grants administered in accordance with Government requirements (passporting funds to third parties) and other non-ringfenced grants. A further £2.3m of contributions from other organisations including the West Sussex Clinical Commissioning Group (CCG) also contributed to this funding.

Of this funding, £71.3m was utilised in year in response to the pandemic, £3.3m of unspent ringfenced grant will be repaid to the Government and £19.8m has been carried forward into 2022/23 to continue to cover the costs of the on-going pandemic in the new financial year, of which £16.0m is held within an earmarked reserve. Full details are set out in Appendix 2 to the outturn PRR.

Within the £71.3m, there are a number of different categories of expenditure or loss of income that the funding has supported:

- **Specific/dedicated grants administered in accordance with Government requirements (£21.3m):** West Sussex acted as an agent in administering these grants to care providers. The funds have supported infection control and rapid testing to reduce the rate of Covid-19 within and between care settings through infection prevention and control practices, helped address adult social care workforce capacity pressures through recruitment and retention activity and supported care providers and social care staff with the costs associated with accessing Covid-19 and flu vaccinations.
- **Additional County Council costs (£35.8m):** 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.
- **Local Council Tax support (£3.6m):** provide funding to support the continuation of the council tax hardship schemes across the West Sussex districts and boroughs for 2021/22 which provided £150 relief per working age household that claims relief under the council tax scheme offered by the district and boroughs. The remaining balance of £3m has been carried forward into 2022/23 in order to continue the support.
- **Loss of income (£3.1m):** fees and charges and commercial and investment income losses as a result of the restrictions (for example library fees, ceremony fees and highways charges).
- **Cost of delayed projects (£7.5m):** 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).

While the pandemic has created significant budget pressures, the Council has seen some financial benefits associated with home working. In line with government guidelines the Council had asked its employees to work from home where possible, which has resulted in £1.2m 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), of which £0.6m has been transferred into the Service Transformation Fund.

While restrictions have been removed, we continue to focus, with our partners, on supporting recovery from the longer-term consequences of the pandemic as we plan for the future. The County Council expects that there will be a continuing cost associated with the pandemic and its impact on services in 2022/23. There is £19.8m of funding available in 2022/23 to assist the County Council with expected in-year costs. Safe and sustainable exit plans for pandemic expenditure continue to be reviewed and monitored.

The largest identified area of concern for future years relates to the continued pressures within Adult Social Care. The social care market is in a turbulent position with demand exceeding supply. It is not known how the market will settle in the short-medium term, however there is real financial risk going forward.

Planning for the Future

Our ambitions are captured each year in a detailed Council Plan which covers what we will do and the specific targets we will use to judge our performance during the year. The Council Plan, revenue budget and capital programme are fully integrated through our business planning process. Business planning continues to be underpinned by a relentless focus on our four priority outcomes (with a cross cutting theme of tackling climate change), which are:

- keeping people safe in vulnerable situations;
- a sustainable and prosperous economy;
- helping people and communities fulfil their potential; and
- making best use of resources.

The process matches available resources with delivery of priority outcomes in order to focus and protect our efforts and spending where it will have most effect. Our Council Plan has been reviewed in parallel with the budget for 2022/23 and the integrated business and financial planning process brings together business planning, financial planning and risk management processes. It provides the framework for decision making and planning to ensure the best use of the resources available, understanding the value for money and at the same time remaining focussed on priority outcomes. It also ensures 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 ongoing uncertainties arising from the pandemic, Brexit and the cost-of-living crisis and outstanding questions about the future of local government funding.

Financial Outlook

Looking forward into 2022/23 and beyond, the cost-of-living crisis and the impact of the increasing cost of goods and services remains a significant concern, with the cost of care continuing to increase at higher rates than budgeted for and the projected costs of delivering the capital programme continuing to increase. Although ongoing economic implications on services have been factored into the Council's Medium-Term Financial Strategy (MTFS) and budget for 2022/23, there is uncertainty with regard to the continuing inflation rises and the effect this will have on the value of our service contracts and funding available to deliver essential services over the short-to-medium term.

There remains significant uncertainty around Local Government funding from 2023/24 onwards. The Fair Funding review was expected to be implemented in 2023/24 but it now seems likely it will be further delayed. In October 2021, the Government announced a three year Spending Review (SR21), covering the financial years 2022/23 through to 2024/25 although the Provisional Local Government Financial Settlement in December 2021 was a one-year settlement only.

Throughout 2021/22 a programme of work was undertaken to review the MTFS and set a balanced budget for 2022/23, in accordance with statutory responsibilities. The County Council's budget for 2022/23 utilises the flexibilities announced in the Spending Review which keeps within the 2% threshold for core council tax rises and uses the flexibility to raise a further 1% precept for Adult Social Care. The announcements also confirmed a one-off Services Grant and that funds for the Improved Better Care Fund, Social Care Support Grant and the New Homes Bonus would continue to be available.

The MTFS published as part of the Budget Book in February 2022 assumes the national reviews for Fair Funding and Business Rates are implemented, and the impact is currently reflected in the budget gap of £25.7m for 2023/24. However, it now seems likely the implementation will be further delayed.

Given the 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 impacts from the pandemic, competing priorities, and organisational capacity.

It is more important than ever that the County Council holds adequate reserves for the future given the continuing uncertainty and volatility of public funding expected in the coming years, as well as inflationary pressures and the aftermath of the Covid-19 pandemic on the Council's finances. As at the end of March 2022, the total earmarked reserves (excluding School Balances) is £203.4m, with full details set out in the Reserves and Balances section above. The majority of the reserves within earmarked reserves are held to fund future commitments that the County Council has entered into. These relate to large programmes of work which include the Service Transformation Fund 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; £5.0m has been allocated as an additional inflation contingency as part of the outturn position and a £5.0m reserve was created for Children's and Adults social care pressures as part of 2022/23 budget setting.

The Council is currently in a solvent position; however, the impact of the cost-of-living crisis and longer term impacts of the pandemic present significant risk. 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 the inflationary challenges in the wider economy 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.
Failure of social care provisions – Failure leading to personal and/or reputational harm	Improvement/development of current governance arrangements and stakeholder groups.

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, Corporate Risk Manager, and respective Directorate Leadership Teams (DLT). 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 2022. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, 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 £10.8m at 31 March 2022, of which £6.3m relates to the insurance provision and £4.2m relates to the National Non-Domestic Rates (NNDR) Appeals provision.

Changes to Accounting Policies

The policies for West Sussex County Council have been updated to ensure ongoing alignment with the CIPFA Code of Practice where appropriate, and to provide clarification, streamline, or to address previous omissions. There are no changes to the accounting policies for the Pension Fund.

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.

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 205 active employers and 84,581 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.

Administration

The provision of administration services has been provided by Hampshire County Council since 6 March 2019. The team have met all their key performance indicators during 2021/22. There has also been noticeable improvement in the quality of the Fund's membership data, which has benefits to members and employers and reduces costs.

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 2022 valuation will review the Fund's position and set employer contributions for 1 April 2023 onwards – however it is estimated that the overall funding position has increased.

Assets

Strategy

The Pension Fund invests in equities, bonds, property, private equity, private debt and infrastructure as summarised below. The mix of assets reflects the Fund's investment strategy and the objective of protecting the strong funding position (through holding bonds), increasing diversification (through widening the range of assets classes within the portfolio) and providing additional cashflows (through investment in income producing assets such as infrastructure and private debt).

Asset	31 March 2021 £m	31 March 2022 £m
Equities	2,896	2,478
Private Equity	85	127
Direct Property	380	594
Private Debt	61	143
Infrastructure	0	249
Bonds	1,886	1,877
Cash or Cash Equivalents	82	16
Total	**5,390**	**5,484**

The choice of strategy and manager to implement the strategy reflects the Pension Committee's commitment to responsible investment and the integration of Environmental, Social and Governance (ESG) principles throughout the investment decision-making process, from setting investment strategy to monitoring the Fund's investment managers. 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.

Asset Pooling

In response to the Government's requirement that Administering Authorities "pool investments to significantly reduce costs while maintaining investment performance", the Pension Fund is working with eleven like-minded LGPS funds under the name ACCESS (A Collaboration of Central, Eastern and Southern Shires). As at 31 March 2022 the Fund has invested 79% of its assets in the ACCESS pool (31 March 2021: 54%). This investment was valued at £4.4bn as at 31 March 2022 (31 March 2021: £2.9bn).

Investment in Russian Companies

Following the Pension Fund's reporting date the war in Ukraine following Russia's invasion has continued. Whilst this has tragic humanitarian and significant political consequences, the financial impact on the Pension Fund has been negligible. Prior to the war the Pension Fund had £10.5m of investments in listed Russian companies. Following the outbreak of war and the suspension of trading on the Russian stock market it was not possible to sell any of these investments and they have been written down to zero in the Pension Fund's accounts.

Asset Performance

During the year, the Fund's assets returned -0.6% compared to the market of 7.9%. This was primarily driven by the Fund's equity holdings and whilst this has also impacted longer term figures, as a long-term active investor, short term underperformance can be expected.

Performance	12 months	3 years pa	10 years pa
Total Fund	-0.61%	7.28%	9.75%
Market Index	7.92%	8.37%	9.51%
Difference	-8.53%	-1.09%	0.25%

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 2022, and of its income and expenditure for the year ending on that date. These financial statements replace the unaudited financial statements certified by my predecessor on 29 July 2022.

Taryn Eves
Director of Finance and Support Services
1 February 2023

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 1 February 2023 on behalf of West Sussex County Council.

Dr Nigel Dennis
Chairman of the Regulation, Audit and Accounts Committee
1 February 2023

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 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	-
(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	-	-	-	-	-
(Increase)/Decrease in 2020/21	**-**	**-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**
Movement in Reserves during 2021/22:							
Total Comprehensive Income and Expenditure	24,039	-	-	-	24,039	-193,502	-169,463
Adjustments between Accounting and Funding Basis (Note 2)	-38,924	-	-	33,802	-5,122	5,122	-
(Increase)/Decrease before Reserve Transfers	**-14,885**	**-**	**-**	**33,802**	**18,917**	**-188,380**	**-169,463**
Transfers to/from Earmarked General Fund Reserves (Note 3)	14,885	-14,885	-	-	-	-	-
(Increase)/Decrease in 2021/22	**-**	**-14,885**	**-**	**33,802**	**18,917**	**-188,380**	**-169,463**
Balance at 31 March 2022	**-20,286**	**-231,131**	**-4,789**	**-21,229**	**-277,435**	**-468,589**	**-746,024**

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 the Movement in Reserves Statement. The total General Fund of the Council, including Earmarked General Fund Reserves, is therefore £251,417,000 as at 31 March 2022.

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'.

Description	Notes	1 April 2021 £000	31 March 2022 £000
Property, Plant & Equipment	4	1,500,802	1,554,037
Heritage Assets	5	280	280
Investment Property	7	89,172	107,147
Intangible Assets	8	-	-
Long Term Investments	9	48,283	52,659
Long Term Debtors	9	31,633	29,450
Long Term Assets		**1,670,170**	**1,743,573**
Short Term Investments	9	215,105	271,715
Assets Held for Sale	10	845	5,329
Inventories	N/A	356	519
Short Term Debtors	11	126,998	108,909
Cash and Cash Equivalents	12	151,913	118,582
Current Assets		**495,217**	**505,054**
Short Term Borrowing	9	-13,416	-20,250
Short Term Creditors	13	-220,316	-214,721
Short Term Provisions	14	-6,129	-6,007
Short Term PFI Liability	15	-3,287	-3,645
Short Term Finance Lease Liability	16	-108	-113
Current Liabilities		**-243,256**	**-244,736**
Long Term Borrowing	9	-471,303	-461,287
Long Term Provisions	14	-3,567	-4,826
Long Term PFI Liability	15	-91,724	-88,079
Long Term Finance Lease Liability	16	-2,115	-2,002
Pension Liability	17	-665,952	-574,725
Capital Grants Receipts in Advance	25	-109,137	-125,324
Other Long Term Liabilities	9	-1,772	-1,624
Long Term Liabilities		**-1,345,570**	**-1,257,867**
Net Assets		**576,561**	**746,024**
Usable Reserves	MIRS	-296,352	-277,435
Unusable Reserves	19	-280,209	-468,589
Total Reserves		**-576,561**	**-746,024**

Expenditure and Funding Analysis

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

2021/22 **Portfolio**	Net Expenditure Chargeable to the General Fund £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Adults Services	210,446	-9,912	200,534
Children and Young People	132,799	12,212	145,011
Community Support, Fire and Rescue	41,473	-430	41,043
Environment and Climate Change	56,752	3,456	60,208
Finance and Property	30,963	6,943	37,906
Highways and Transport	36,010	28,255	64,265
Leader	2,453	706	3,159
Learning and Skills	38,623	32,245	70,868
Public Health and Wellbeing	0	647	647
Support Services and Economic Development	40,842	10,201	51,043
Net Cost of Services	590,361	84,323	674,684
Other Income and Expenditure	-605,246	-45,399	-650,645
(Surplus) or Deficit	**-14,885**	**38,924**	**24,039**
Opening General Fund Balance			-20,286
Add (Surplus)/Deficit on General Fund Balance in Year			-14,885
Add Transfers to/(from) Earmarked General Fund Reserves in Year			14,885
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 £251,417,000 as at 31 March 2022.

Restated 2020/21 **Portfolio**	Net Expenditure Chargeable to the General Fund £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Adults Services	224,184	-8,811	215,373
Children and Young People	131,877	6,013	137,890
Community Support, Fire and Rescue	38,693	3,154	41,847
Environment and Climate Change	58,762	12,160	70,922
Finance and Property	26,321	6,659	32,980
Highways and Transport	34,474	27,024	61,498
Leader	2,605	2,959	5,564
Learning and Skills	23,960	286,812	310,772
Public Health and Wellbeing	0	196	196
Support Services and Economic Development	47,499	2,309	49,808
Net Cost of Services	588,375	338,475	926,850
Other Income and Expenditure	-622,905	40,052	-582,853
(Surplus) or Deficit	**-34,530**	**378,527**	**343,997**
Opening General Fund Balance			-20,286
Add (Surplus)/Deficit on General Fund Balance in Year			-34,530
Add Transfers to/(from) Earmarked General Fund Reserves in Year			34,530
Closing General Fund Balance			**-20,286**

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.

2021/22	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Adults Services	403,648	-203,114	200,534
Children and Young People	170,099	-25,088	145,011
Community Support, Fire and Rescue	56,823	-15,780	41,043
Environment and Climate Change	76,321	-16,113	60,208
Finance and Property	40,919	-3,013	37,906
Highways and Transport	87,411	-23,146	64,265
Leader	3,338	-179	3,159
Learning and Skills	621,120	-550,252	70,868
Public Health and Wellbeing	42,908	-42,261	647
Support Services and Economic Development	55,054	-4,011	51,043
Cost of Services	**1,557,641**	**-882,957**	**674,684**
Other Operating Expenditure (Note 22)	12,044	-	12,044
Financing and Investment Income and Expenditure (Note 23)	77,483	-56,381	21,102
Taxation and Non-Specific Grant Income (Note 24)	-	-683,791	-683,791
(Surplus) or Deficit on Provision of Services	**1,647,168**	**-1,623,129**	**24,039**
(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Chargeable to the Revaluation Reserve (Note 4)			-28,054
Actuarial (Gains) and Losses on Remeasurement of Pension Scheme Assets and Liabilities (Note 17)			-165,448
Other Comprehensive Income and Expenditure			**-193,502**
Total Comprehensive Income and Expenditure			**-169,463**

Restated 2020/21	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Adults Services	395,319	-179,946	215,373
Children and Young People	164,456	-26,566	137,890
Community Support, Fire and Rescue	53,194	-11,347	41,847
Environment and Climate Change	82,263	-11,341	70,922
Finance and Property	35,611	-2,631	32,980
Highways and Transport	80,058	-18,560	61,498
Leader	5,749	-185	5,564
Learning and Skills	850,104	-539,332	310,772
Public Health and Wellbeing	20,937	-20,741	196
Support Services and Economic Development	51,277	-1,469	49,808
Cost of Services	**1,738,968**	**-812,118**	**926,850**
Other Operating Expenditure (Note 22)	58,958	-	58,958
Financing and Investment Income and Expenditure (Note 23)	88,582	-51,327	37,255
Taxation and Non-Specific Grant Income (Note 24)	-	-679,066	-679,066
(Surplus) or Deficit on Provision of Services	**1,886,508**	**-1,542,511**	**343,997**
(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Chargeable to the Revaluation Reserve (Note 4)			151,452
Actuarial (Gains) and Losses on Remeasurement of Pension Scheme Assets and Liabilities (Note 17)			165,773
Other Comprehensive Income and Expenditure			**317,225**
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.

Cash Flow Statement (Indirect Method)	**2020/21 £000**	**2021/22 £000**
Net (surplus) or deficit on the provision of services	343,997	24,039
Adjustments to net surplus or deficit on the provision of services for non cash movements (Note 33a)	-497,206	-138,339
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 33b)	78,268	65,401
Net cash flows from Operating Activities	-74,941	-48,899
Investing Activities (Note 33c)	-20,994	75,053
Financing Activities (Note 33d)	10,535	7,177
Net (increase)/decrease in cash and cash equivalents	-85,400	33,331
Cash and cash equivalents at the beginning of the reporting period	-66,513	-151,913
Cash and cash equivalents at the end of the reporting period (Note 12)	**-151,913**	**-118,582**

Notes to the Accounts

1. Prior Period Adjustment

The Authority has made a prior year adjustment in preparing its 2021/22 Statement of Accounts. This is detailed below.

Segment Reporting in the Comprehensive Income and Expenditure Statement (and associated notes)

In accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting, the Authority presents its Comprehensive Income and Expenditure Statement (and associated notes) on a cabinet member portfolio basis to reflect local reporting arrangements. The Authority made a number of changes to its portfolio structure following the local elections in May 2021, and therefore the 2021/22 financial statements have been prepared using this revised portfolio structure. Furthermore, and in accordance with the requirements of IAS1 Presentation of Financial Statements, the 2020/21 comparators in the Comprehensive Income and Expenditure Statement (and associated notes) have also been restated on this revised reporting basis. The impact of this restatement is disclosed below.

Comprehensive Income and Expenditure Statement

Cabinet Member Portfolio Structure (pre May 2021)	**2020/21 Net Expenditure £000**
Adults and Health	216,068
Children and Young People	139,618
Economy and Corporate Resources	61,845
Education and Skills	310,035
Environment	72,165
Finance	25,129
Fire & Rescue and Communities	39,091
Highways and Infrastructure	61,498
Leader	1,401
Cost of Services	**926,850**

Cabinet Member Portfolio Structure (post May 2021)	**Restated 2020/21 Net Expenditure £000**
Adults Services	215,373
Children and Young People	137,890
Community Support, Fire and Rescue	41,847
Environment and Climate Change	70,922
Finance and Property	32,980
Highways and Transport	61,498
Leader	5,564
Learning and Skills	310,772
Public Health and Wellbeing	196
Support Services and Economic Development	49,808
Cost of Services	**926,850**

Expenditure and Funding Analysis

Cabinet Member Portfolio Structure (pre May 2021)	2020/21 Net Expenditure Chargeable to the General Fund £000	2020/21 Adjustments between Funding and Accounting Basis £000
Adults and Health	224,743	-8,675
Children and Young People	133,389	6,229
Economy and Corporate Resources	56,422	5,423
Education and Skills	23,356	286,679
Environment	59,930	12,235
Finance	18,684	6,445
Fire & Rescue and Communities	36,035	3,056
Highways and Infrastructure	34,474	27,024
Leader	1,342	59
Net Cost of Services	**588,375**	**338,475**

Cabinet Member Portfolio Structure (post May 2021)	Restated 2020/21 Net Expenditure Chargeable to the General Fund £000	Restated 2020/21 Adjustments between Funding and Accounting Basis £000
Adults Services	224,184	-8,811
Children and Young People	131,877	6,013
Community Support, Fire and Rescue	38,693	3,154
Environment and Climate Change	58,762	12,160
Finance and Property	26,321	6,659
Highways and Transport	34,474	27,024
Leader	2,605	2,959
Learning and Skills	23,960	286,812
Public Health and Wellbeing	0	196
Support Services and Economic Development	47,499	2,309
Net Cost of Services	**588,375**	**338,475**

This revised portfolio structure has also been reflected in the prior year comparators in Notes 6 Capital Expenditure and Capital Financing, 21 Segmental Income and 25 Grants Credited to Services.

The Balance Sheet is unaffected by this change, and therefore no 'third' balance sheet (providing comparators as at 1 April 2020) has been presented as part of this restatement. The Movement in Reserves Statement and Cash Flow Statement are also unaffected. There are no implications for the General Fund Balances or any other reserves arising from this change.

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.

Summary of Adjustments to Usable Reserves

2021/22	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £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)	-74,221	-	-
• Financial instrument revaluations (transferred to the Pooled Investment Funds Adjustment Account or, for equity investments, the Capital Adjustment Account)	2,370	-	-
• Council tax and NDR (transferred to or from the Collection Fund Adjustment Account)	19,385	-	-
• Holiday pay (transferred to the Accumulated Absences Account)	1,919	-	-
• DSG deficits (transferred to the Dedicated Schools Grant Adjustment Account)	-15,116	-	-
• 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)	-7,922	-	-53,358
Total Adjustments to Revenue Resources	-73,585	-	-53,358
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	12,118	-12,118	-
Transfer of deferred sales proceeds from revenue to the Deferred Capital Receipts Reserve	-	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-75	75	-
Write down of finance lease debtor (transfer from Deferred Capital Receipts Reserve)	-251	-	-
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	16,511	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	6,358	-	-
Total Adjustments between Revenue and Capital Resources	34,661	-12,043	-
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	-	12,043	-
Application of capital grants to finance capital expenditure	-	-	87,160
Cash payments in relation to deferred capital receipts	-	-	-
Total Adjustments to Capital Resources	-	12,043	87,160
Total Adjustments	**-38,924**	**-**	**33,802**

2020/21	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £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	-	-	-
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	-	-	-
Total Adjustments to Capital Resources	-	3,700	74,294
Total Adjustments	**-378,527**	**-830**	**556**

3. Transfers to/from Earmarked Reserves

Reserve	Balance at 1 April 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31 March 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31 March 2022 £000
Adult Social Care Reform Risk	-	-	-4,700	-4,700	-	-263	-4,963
Ash Dieback	-	-	-1,200	-1,200	-	-	-1,200
Budget Management	-14,952	1,530	-40,995	-54,417	11,391	-18,631	-61,657
Business Rates Pilot Fund	-20,463	1,340	-2,747	-21,870	4,490	-	-17,380
Capital Infrastructure	-12,028	12,028	-	-	-	-	-
Children First Improvement Plan	-	-	-2,285	-2,285	2,285	-	-
Covid-19 Fund	-20,525	44,925	-31,372	-6,972	57,692	-66,696	-15,976
Dedicated Schools Grant (DSG)	1,739	-	-1,739	-	-	-	-
Economic Growth	-1,297	-	-762	-2,059	75	-	-1,984
Highways Commuted Sums	-3,360	378	-1,087	-4,069	402	-1,498	-5,165
Highways On-Street Parking	-1,650	1,911	-2,182	-1,921	2,605	-2,081	-1,397
Inflation Contingency	-	-	-	-	-	-4,969	-4,969
Infrastructure Works Feasibility	-997	1,076	-1,515	-1,436	1,029	-1,523	-1,930
Insurance	-5,845	-	-	-5,845	2,516	-	-3,329
Interest Smoothing Account	-1,078	-	-1,176	-2,254	-	-524	-2,778
Recycling & Waste PFI	-10,741	200	-6	-10,547	200	-15	-10,362
School Balances	-16,241	16,241	-24,778	-24,778	1,643	-4,605	-27,740
Schools Sickness and Maternity Scheme	-1,933	162	-	-1,771	368	-	-1,403
Service Transformation Fund	-11,810	3,200	-4,959	-13,569	820	-597	-13,346
Social Care Support Grant 2018/19	-1,517	-	-	-1,517	1,018	-	-499
Special Support Centres	-1,845	1,845	-	-	-	-	-
Statutory Duties	-2,437	-	-	-2,437	191	-	-2,246
Strategic Economic Plan	-1,061	1,061	-	-	-	-	-
Street Lighting PFI	-23,585	236	-13	-23,362	442	-33	-22,953
Unapplied Revenue Grants	-419	59	-685	-1,045	565	-2,325	-2,805
Waste Materials Resource Management Contract (MRMC)	-26,700	1,350	-14	-25,364	1,900	-33	-23,497
Other Earmarked Reserves	-2,971	991	-848	-2,828	936	-1,660	-3,552
Earmarked Reserves	**-181,716**	**88,533**	**-123,063**	**-216,246**	**90,568**	**-105,453**	**-231,131**

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 2021/22.

- The Adult Social Care Reform Risk reserve (formerly known as Adults & Health Pressures and Recovery) is held to guard against rebound pressures which are anticipated to materialise within the Adult Services and Public Health and Wellbeing portfolios 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, which is now expected to be undertaken during 2022/23.
- 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 balance of s31 Business Rates Relief NNDR3 Reconciliation Grants (see Note 25), which have been recognised in the appropriate financial year in accordance with proper accounting practice but are earmarked to finance collection fund deficits which under statutory arrangements do not become chargeable to the taxpayer until subsequent 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.
- 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 was reclassified as an Unusable Reserve. Further detail can be found in Notes 19 and 28.
- 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 Inflation Contingency reserve was created using the unspent element of the base contingency budget in 2021/22. It is held to supplement the base inflation contingency built into the 2022/23 budget, in recognition of accelerating inflationary pressures and general economic uncertainty.
- 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 were identified within the capital programme to support these schemes, and therefore this funding was 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 was 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.

4. Property Plant and Equipment

Movements in 2021/22	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Assets under Construction £000	**Total Property, Plant & Equipment excluding Infrastructure Assets £000**
Cost or Valuation					
At 1 April 2021	1,011,315	101,597	48,626	8,087	**1,169,625**
Additions	24,316	3,813	565	7,634	**36,328**
Donations	3,545	-	-	-	**3,545**
Revaluation increases /(decreases) recognised in the Revaluation Reserve	16,935	-	-1,526	-	**15,409**
Revaluation increases /(decreases) recognised in the Surplus/Deficit on the Provision of Services	11,235	-	160	-	**11,395**
Disposals	-783	-311	-5,947	-	**-7,041**
Derecognition - Academies	-2,054	-	-	-	**-2,054**
Derecognition - Finance Leases	-	-	-	-	**-**
Derecognition - Other	-9,293	-9,474	-2,731	-	**-21,498**
Assets reclassified (to)/from Assets Held for Sale	-4,785	-	-1,260	-	**-6,045**
Assets reclassified (to)/from Investment Property	-1,538	-	69	-	**-1,469**
Transfer in asset category	2,996	342	3,771	-6,767	**342**
At 31 March 2022	**1,051,889**	**95,967**	**41,727**	**8,954**	**1,198,537**

Movements in 2021/22	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Assets under Construction £000	**Total Property, Plant & Equipment excluding Infrastructure Assets £000**
Accumulated Depreciation and Impairment					
At 1 April 2021	-	-39,257	-	-	**-39,257**
Depreciation charge	-26,545	-10,930	-755	-	**-38,230**
Depreciation written out to the Revaluation Reserve on revaluation	12,079	-	566	-	**12,645**
Depreciation written out to the Surplus/Deficit on the Provision of Services on revaluation	13,639	-	70	-	**13,709**
Disposals	55	-	14	-	**69**
Derecognition - Academies	73	-	-	-	**73**
Derecognition - Finance Leases	-	-	-	-	**-**
Derecognition - Other	333	8,932	160	-	**9,425**
Depreciation written out on newly classified Assets Held for Sale	190	-	46	-	**236**
Depreciation written out on newly classified Investment Property	75	-	-	-	**75**
Transfer in asset category	101	-88	-101	-	**-88**
At 31 March 2022	**-**	**-41,343**	**-**	**-**	**-41,343**
Net Book Value At 1 April 2021	**1,011,315**	**62,340**	**48,626**	**8,087**	**1,130,368**
Net Book Value At 31 March 2022	**1,051,889**	**54,624**	**41,727**	**8,954**	**1,157,194**

Comparative Movements in 2020/21	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Assets under Construction £000	**Total Property, Plant & Equipment excluding Infrastructure Assets £000**
Cost or Valuation					
At 1 April 2020	1,507,658	113,878	36,165	9,019	**1,666,720**
Additions	24,914	8,738	150	9,582	**43,384**
Donations	-	-	-	-	**-**
Revaluation increases /(decreases) recognised in the Revaluation Reserve	-182,324	-	11,046	-	**-171,278**
Revaluation increases /(decreases) recognised in the Surplus/Deficit on the Provision of Services	-279,307	-	2,043	-	**-277,264**
Disposals	-	-3,138	-585	-	**-3,723**
Derecognition - Academies	-48,287	-	-	-	**-48,287**
Derecognition - Finance Leases	-	-	-	-	**-**
Derecognition - Other	-11,125	-17,881	-57	-	**-29,063**
Assets reclassified (to)/from Assets Held for Sale	-1,512	-	1,346	-	**-166**
Assets reclassified (to)/from Investment Property	-43	-	-	-	**-43**
Transfer in asset category	1,341	-	-1,482	-10,514	**-10,655**
At 31 March 2021	**1,011,315**	**101,597**	**48,626**	**8,087**	**1,169,625**

Comparative Movements in 2020/21	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Assets under Construction £000	**Total Property, Plant & Equipment excluding Infrastructure Assets £000**
Accumulated Depreciation and Impairment					
At 1 April 2020	-	-44,713	-	-	**-44,713**
Depreciation charge	-37,517	-12,425	-676	-	**-50,618**
Depreciation written out to the Revaluation Reserve on revaluation	19,314	-	512	-	**19,826**
Depreciation written out to the Surplus/Deficit on the Provision of Services on revaluation	15,999	-	108	-	**16,107**
Disposals	-	-	27	-	**27**
Derecognition - Academies	1,863	-	-	-	**1,863**
Derecognition - Finance Leases	-	-	-	-	**-**
Derecognition - Other	303	17,881	-	-	**18,184**
Depreciation written out on newly classified Assets Held for Sale	67	-	-	-	**67**
Depreciation written out on newly classified Investment Property	-	-	-	-	**-**
Transfer in asset category	-29	-	29	-	**-**
At 31 March 2021	**-**	**-39,257**	**-**	**-**	**-39,257**
Net Book Value At 1 April 2020	**1,507,658**	**69,165**	**36,165**	**9,019**	**1,622,007**
Net Book Value At 31 March 2021	**1,011,315**	**62,340**	**48,626**	**8,087**	**1,130,368**

Infrastructure Assets

In November 2022, CIPFA issued an Update to the 2021/22 (and 2022/23) Code of Practice on Local Authority Accounting. This Update allows for the movement between the opening and closing balance of infrastructure assets to be presented on a net book value (rather than gross cost/accumulated depreciation) basis for a temporary period up to and including 2024/25, in recognition that authorities do not typically hold sufficiently granular detail regarding historical expenditure on their infrastructure assets in order to accurately account for derecognitions on a gross basis.

Furthermore, an amendment to the Local Authorities (Capital Finance and Accounting) Regulations was also laid in November 2022 which permits local authorities, when they replace a component of an infrastructure asset, to determine the carrying amount to be derecognised in respect of that replaced component as nil. This statutory override also applies up to and including 2024/25. West Sussex County Council has made this determination in respect of its 2021/22 Statement of Accounts.

Infrastructure assets have therefore been excluded from the previous tables which analyse the movement on Property, Plant and Equipment on a gross book value/accumulated depreciation basis. The movement on infrastructure assets is instead presented in the following note, along with a reconciliation to total Property, Plant and Equipment as reported on the Balance Sheet and elsewhere in these financial statements. In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

Movements in 2021/22	Infrastructure Assets £000	Other Property, Plant & Equipment £000	**Total Property, Plant & Equipment £000**	PFI Assets included in Property, Plant & Equipment £000
Net Book Value				
At 1 April 2021	370,434	1,130,368	**1,500,802**	117,139
Additions	60,902	36,328	**97,230**	515
Donations	-	3,545	**3,545**	-
Depreciation charge	-34,239	-38,230	**-72,469**	-4,949
Revaluation increases /(decreases) recognised in the Revaluation Reserve	-	28,054	**28,054**	2,823
Revaluation increases /(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	25,104	**25,104**	-
Disposals	-	-6,972	**-6,972**	-
Derecognition - Academies	-	-1,981	**-1,981**	-
Derecognition - Finance Leases	-	-	**-**	-
Derecognition - Other	-	-12,073	**-12,073**	-
Assets reclassified (to)/from Assets Held for Sale	-	-5,809	**-5,809**	-
Assets reclassified (to)/from Investment Property	-	-1,394	**-1,394**	-
Transfer in asset category	-254	254	**-**	-
At 31 March 2022	**396,843**	**1,157,194**	**1,554,037**	**115,528**

Comparative Movements in 2020/21	Infrastructure Assets £000	Other Property, Plant & Equipment £000	**Total Property, Plant & Equipment £000**	PFI Assets included in Property, Plant & Equipment £000
Net Book Value				
At 1 April 2020	350,815	1,622,007	**1,972,822**	143,336
Additions	42,974	43,384	**86,358**	1,083
Donations	-	-	**-**	-
Depreciation charge	-34,010	-50,618	**-84,628**	-5,443
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	-151,452	**-151,452**	-21,837
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-261,157	**-261,157**	-
Disposals	-	-3,696	**-3,696**	-
Derecognition - Academies	-	-46,424	**-46,424**	-
Derecognition - Finance Leases	-	-	**-**	-
Derecognition - Other	-	-10,879	**-10,879**	-
Assets reclassified (to)/from Assets Held for Sale	-	-99	**-99**	-
Assets reclassified (to)/from Investment Property	-	-43	**-43**	-
Transfer in asset category	10,655	-10,655	**-**	-
At 31 March 2021	**370,434**	**1,130,368**	**1,500,802**	**117,139**

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 37 Accounting Policies.

Capital Commitments

The Authority has entered into a number of contracts prior to 31 March 2022 for the construction or enhancement of Property, Plant and Equipment. It has commitments totalling £95.4m to be paid in 2022/23 and thereafter (commitments at 31 March 2021 were £46.7m). The major commitments are:

Name of capital project	Programme duration	Outstanding commitments £000
Live Training Centre and Horsham Fire Station	2019-2023	17,304
Woodlands Meed College	2019-2024	16,017
Principal Roads – Preventative Resurfacing	2021-2023	9,635
A259 Corridor Capacity Enhancement, East Arun	2015-2023	6,546
Crawley Growth Programme	2017-2025	4,439
Burgess Hill Northern Arc Secondary School	2022-2026	2,847
Queen Elizabeth II Silver Jubilee School	2020-2023	2,771
Highways Pre-Surface Dressing Patching Programme	2021-2023	2,437
A2300 Corridor Capacity Enhancement, Burgess Hill	2018-2023	2,303
Principal Roads – Reactive Surfacing	2021-2023	2,190
Worthing Public Realm	2020-2024	2,183
Your Energy Sussex Programme	2019-2024	2,157
Footway Improvement Programme	2021-2023	2,075
Countywide Carriageway Patching	2020-2023	1,923
Bridges Programme	2020-2023	1,851
Emergency Active Travel Fund	2020-2024	1,610
Drainage Infrastructure Improvements	2020-2023	1,270
Local Transport Investment Programme	2020-2023	1,109

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 37 Accounting Policies.

The Authority undertook a number of valuations at 31 March 2022. 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.

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 2021/22. 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 2022, 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 2022 £000
Commercial	-	-	8,688	8,688
Residential	-	-	31,762	31,762
Sub Total	-	-	40,450	40,450
De minimis	-	-	1,277	1,277
Total	**-**	**-**	**41,727**	**41,727**

Comparative figures as at 31 March 2021:

	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	-	-	3,564	3,564
Office Units	-	-	3,392	3,392
Residential	-	-	40,186	40,186
Sub Total	-	-	47,142	47,142
De minimis	-	-	1,484	1,484
Total	**-**	**-**	**48,626**	**48,626**

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

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

Commercial

Valuation technique used to measure Fair Value	Unobservable Inputs	Range (weighted average used)	Valuation Process	Fair Value at 31 March 2022 £000
Market Approach	Market comparables	£3,800 - £3,000,000 per acre for commercial development land	Analysed comparable 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.	6,428
Market Approach	Market comparables	£65 - £470 per square foot for commercial development buildings	Analysed comparable evidence data from across the county (obtained from either CoStar or EIG) to place a building value on the subject property/site, then made adjustments for site location, site restrictions, layout and quality.	2,260

Residential

Valuation technique used to measure Fair Value	Unobservable Inputs	Range (weighted average used)	Valuation Process	Fair Value at 31 March 2022 £000
Market Approach	Market comparables	£7,000 - £1,600,000 per acre for residential development land	Analysed comparable 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.	22,974
Market Approach	Market comparables	£30 - £568 per square foot for residential development buildings	Analysed comparable evidence data from across the county (obtained from either CoStar or EIG) to place a building value on the subject property/site, then made adjustments for site location, site restrictions, layout and quality.	4,226
Market Approach	Market comparables	Residential values £250,000 - £800,000	Analysed comparable evidence data from across the county (obtained from either CoStar or EIG) to place a value on the subject property/site, then made adjustments for site location, site restrictions, layout and quality.	3,742
Market Approach	Residual and comparable	£325,000 - £2,000,000 per acre	Residual appraisal, based upon the scheme and density.	820

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 2022 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.

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 Financing Requirement	**Restated 2020/21 £000**	**2021/22 £000**
Balance brought forward at 1 April	609,905	599,949
Capital Investment for the Year by Portfolio		
Adults Services	3,131	4,796
Children and Young People	4,052	541
Community Support, Fire and Rescue	8,949	7,214
Environment and Climate Change	664	2,890
Finance and Property	6,446	6,488
Highways and Transport	38,898	55,238
Leader	4,092	5,487
Learning and Skills	22,408	23,158
Support Services and Economic Development	3,902	6,209
Finance Lease Notional Investment	524	-
Recycling & Waste PFI Notional Investment	902	515
Total Capital Investment for the Year	93,968	112,536
Source of Finance		
Capital Receipts	-3,700	-12,043
External Contributions	-4,499	-9,917
External Contributions applied to REFCUS	-1,554	-1,611
Government Grants	-69,795	-77,243
Government Grants applied to REFCUS	-2,799	-1,857
Revenue Contribution to Capital Outlay	-5,762	-6,358
Total Source of Finance	-88,109	-109,029
Sums set aside from revenue (MRP)	-15,815	-16,511
Balance carried forward at 31 March	**599,949**	**586,945**
Change in Capital Financing Requirement	-9,956	-13,004

REFCUS expenditure of £14.019m is included within portfolio totals in 2021/22 (2020/21 £7.359m). Included within this total is £4.381m (2020/21 £1.200m) that has been capitalised in accordance with a direction issued by the Secretary of State for Levelling Up, Housing and Communities 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.

Explanation of change in CFR	2020/21 £000	2021/22 £000
Increase in underlying need to borrow	4,433	2,992
Assets acquired under finance leases	524	-
Assets acquired under PFI contracts	902	515
Less the total of the Minimum Revenue Provision	-15,815	-16,511
	-9,956	-13,004

Reconciliation of the Capital Financing Requirement to the Balance Sheet

	31 March 2021 £000	31 March 2022 £000
Capital Financing Requirement	599,949	586,945
Property Plant & Equipment (Note 4)	1,500,802	1,554,037
Heritage Assets (Note 5)	280	280
Investment Property (Note 7)	89,172	107,147
Intangible Assets (Note 8)	-	-
Equity Investments (Note 9)	2	2
Other Long Term Liabilities (Note 9)	-1,772	-1,624
Assets Held for Sale (Note 10)	845	5,329
Capital Adjustment Account (Note 19)	-748,952	-819,248
Revaluation Reserve (Note 19)	-240,428	-258,978
	599,949	586,945

Note to the table:

Equity Investments - 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.

Other Long Term Liabilities - 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.

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:

	2020/21 £000	2021/22 £000
Rental income from investment property	-2,406	-2,310
Direct operating expenses arising from investment property	1	-
(Gains) and losses on sale of investment property	58	241
Change in fair value of investment property	2,215	-16,088
Net (gain)/loss	**-132**	**-18,157**

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

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

	2020/21 £000	2021/22 £000
Balance at 1 April	91,401	89,172
Additions		
Purchases	-	-
Construction	-	519
Subsequent expenditure	251	768
Disposals of Investment Properties	-58	-519
Net gains from fair value adjustments	-2,215	16,088
Transfers		
(To)/from Property, Plant and Equipment	43	1,394
(To)/from Assets Held for Sale	-250	-275
Balance at 31 March	**89,172**	**107,147**

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.

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 2021/22. 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 2022, 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 2022 £000
Commercial	-	-	77,946	77,946
Residential	-	-	21,665	21,665
Agricultural	-	-	4,417	4,417
Sub Total	-	-	104,028	104,028
De minimis	-	-	3,119	3,119
Total	**-**	**-**	**107,147**	**107,147**

Comparative figures as at 31 March 2021:

	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	-	-	58,606	58,606
Residential	-	-	22,200	22,200
Agricultural	-	-	5,000	5,000
Sub Total	-	-	85,806	85,806
De minimis	-	-	3,366	3,366
Total	**-**	**-**	**89,172**	**89,172**

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

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

Commercial

Valuation technique used to measure Fair Value	Unobservable Inputs	Range (weighted average used)	Valuation Process	Fair Value at 31 March 2022 £000
Income Approach	Market comparables	Commercial yield evidence ranges between 5% - 10% 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.	38,320
Income Approach	Market comparables	Income/profits forecasts	Based on a discounted cashflow methodology, considering the net income and remaining life of the assets. The calculation assesses the internal rate of return for the site. Yield evidence from CoStar and EIG has been used to assist in a cross reference exercise against the adopted multiplier within the valuation.	31,541
Market Approach	Market comparables	£750,000 - £1,500,000 per acre	Consideration of commercial land sales adjusted to reflect size. Further adjusted for uncertainty e.g. to reflect risks associated with planning consent and pre-lets.	4,692
Market Approach	Market comparables	Land value range £75,000 - £275,000	Analysed comparable 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.	2,010
Market Approach	Market comparables	Commercial yield evidence ranges between 5% - 10% typically with a gross yield 0.5% higher	Analysed comparable 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.	933
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.	450

Residential

Valuation technique used to measure Fair Value	Unobservable Inputs	Range (weighted average used)	Valuation Process	Fair Value at 31 March 2022 £000
Market Approach	Residual land values	£500,000 - £1,500,000 per acre	Analysed comparable 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.	15,345
Market Approach	Residual property values	£280,000 - £420,000 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.	4,008
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.	1,574
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.	738

Agricultural

Valuation technique used to measure Fair Value	Unobservable Inputs	Range (weighted average used)	Valuation Process	Fair Value at 31 March 2022 £000
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.	4,417

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. 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, and the carrying amount of the intangible asset is amortised on a straight-line basis.

The intangible assets held at 1 April 2020 related to purchased SAP licenses. These licenses were initially assigned a useful life of 10 years, and became fully amortised in 2020/21. The amortisation of £390,000 charged to revenue in 2020/21 was charged to the Economy and Corporate Resources portfolio (now Support Services and Economic Development) in the Net Cost of Services. The movement on Intangible Asset balances during the year was as follows:

	2020/21 £000	2021/22 £000
Balance at 1 April		
- Gross carrying amounts	3,483	-
- Accumulated amortisation	-3,093	-
Net carrying amount at start of year	390	-
Purchases	-	-
Amortisation for the period	-390	-
Balance at 31 March	**-**	**-**
Comprising		
- Gross carrying amounts	-	-
- Accumulated amortisation	-	-
	-	-

9. 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 County 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 2021/22 are classified in accordance with the Code of Practice as follows:

Amortised cost (financial assets whereby the County 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 (not held for trading)
- British Government backed deposits and securities including the Debt Management Account Deposit Facility, Gilts & other securities (e.g. Treasury Bills)
- Loans to other UK local authorities (by way of fixed-term investments)
- 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 2022 the County 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 County 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 County 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 County 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 2021/22. Additionally the County 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 2022, the County 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 2021/22 no transaction costs relating to the County Council's financial instruments (loans and investments) have been charged to the Comprehensive Income and Expenditure Statement. However, due to the short-term nature of the Council's financial instruments held in custodian services provided by King & Shaxson Ltd, all related transaction costs (£29,039) have been amortised against the carrying value of the respective financial assets.

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	**1 April 2021 £000**	**31 March 2022 £000**
Financial Assets		
Investments	9,994	-
Trade Debtors	31,633	29,450
Amortised cost	41,627	29,450
Fair value through other comprehensive income	-	-
Pooled investment funds	38,287	52,657
Equity investments	2	2
Fair value through profit and loss	38,289	52,659
Total Financial Assets	79,916	82,109
Financial Liabilities		
Borrowing (principal amount)	-471,303	-461,287
PFI liability	-91,724	-88,079
Finance lease liability	-2,115	-2,002
Other long-term liabilities	-1,772	-1,624
Amortised cost	-566,914	-552,992
Fair value through profit and loss	-	-
Total Financial Liabilities	-566,914	-552,992

The County Council began long-term borrowing during 2000/01 all arranged with the Public Works Loan Board (PWLB); no additional PWLB long-term borrowing was arranged during 2021/22. All outstanding loans at 31 March 2022 are scheduled to be repaid between 2022 and 2069.

Current	**1 April 2021 £000**	**31 March 2022 £000**
Financial Assets		
Investments (including accrued interest)	214,818	271,379
Cash and cash equivalents	151,913	118,983
Trade Debtors	47,084	55,685
Amortised cost	413,815	446,047
Fair value through other comprehensive income	-	-
Pooled funds (including accrued interest)	287	336
Fair value through profit and loss	287	336
Total Financial Assets	414,102	446,383
Financial Liabilities		
Borrowing (principal amount)	-9,080	-15,977
Accrued interest (PWLB)	-4,336	-4,273
PFI liability	-3,287	-3,645
Finance lease liability	-108	-113
Trade Creditors	-114,117	-134,177
Cash and cash equivalents	-	-401
Amortised cost	-130,928	-158,586
Fair value through profit and loss	-	-
Total Financial Liabilities	-130,928	-158,586

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 2022/23.

(i) Soft Loans

In accordance with the 2021/22 Code of Practice, where loans are advanced at below market (commercial) rates they are classified as 'soft loans' and included within the County Council's trade debtor totals. 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 County 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 £3,500 (considered below de minimis for full disclosure).

Additionally, during 2019/20 the County 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 County 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 £54,600. Again this is considered to be below the de minimis for full disclosure in the financial statements as per the County Council's accounting policy for soft loans as detailed at Note 37.

The position relating to soft loans at 31 March 2022 is therefore:

	2020/21 £000	2021/22 £000
Balance brought forward	1,255	1,423
Loans advance	599	620
Repayments Received	-438	-497
Interest charged to Comprehensive I&E Statement (CIES)	6	6
Expected credit loss allowance (movement charged to CIES)	1	1
Soft Loans Total (within trade debtors)	1,423	1,553
Long-Term	1,063	1,070
Short-Term	360	483
Soft Loans Total (long/short-term disclosure)	1,423	1,553

(ii) Other

During 2021/22, 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 in 2021/22 are made up as follows:

	Financial Liabilities Amortised Cost £000	Financial Assets Amortised Cost £000	Financial Assets Fair Value through Profit and Loss £000
Interest			
Expense	-30,429	-	-
Income	-	1,002	1,865
Total Interest	-30,429	1,002	1,865
Fair value gains/losses			
Equity	-	-	-
Multi-asset income funds	-	-	-1,471
Property funds	-	-	3,841
Ultra-short dated bond funds	-	-	-
Total fair value gains/losses	-	-	2,370
Other			
Fee expense (brokerage)	-	-	-
ECL allowance (prior year reversal)	-	31	-
ECL allowance at 31 March	-	-30	-
Total fair value gains/losses	-	1	-
Total gains and losses recognised in Surplus or Deficit on Provision of Services (CIES)	-30,429	1,003	4,235

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments in 2020/21 are made up as follows:

	Financial Liabilities Amortised Cost £000	Financial Assets Amortised Cost £000	Financial Assets Fair Value through Profit and Loss £000
Interest			
Expense	-30,856	-	-
Income	-	1,988	1,514
Total Interest	-30,856	1,988	1,514
Fair value gains/losses			
Equity	-	-	-
Multi-asset income funds	-	-	1,441
Property funds	-	-	-390
Ultra-short dated bond funds	-	-	19
Total fair value gains/losses	-	-	1,070
Other			
Fee expense (brokerage)	-	-	-
ECL allowance (prior year reversal)	-	41	-
ECL allowance at 31 March	-	-31	-
Total fair value gains/losses	-	10	-
Total gains and losses recognised in Surplus or Deficit on Provision of Services (CIES)	-30,856	1,998	2,584

The Department for Levelling Up, Housing and Communities (DLUHC) 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 County Council has maintained this accounting policy throughout 2021/22 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	1 April 2021 Nominal £000	31 March 2022 Nominal £000	1 April 2021 Fair Value £000	31 March 2022 Fair Value £000
Fidelity Multi-Asset Income Fund	1	7,500	13,500	7,773	12,990
Ninety-One Diversified Income Fund	1	7,500	13,500	7,540	12,852
Accrued interest (multi-asset funds)	1	n/a	n/a	64	123
Hermes Property Unit Trust	2	10,000	10,000	9,105	10,644
Local Authorities' Property Fund	2	10,000	10,000	9,423	11,078
Lothbury Property Trust	2	5,001	5,001	4,446	5,093
Accrued interest (property funds)	2	n/a	n/a	223	213
Shareholding in the UKMBA Plc	3	200	200	2	2
Total		40,201	52,201	38,576	52,995

The valuation techniques used in relation to the disclosed fair value levels include:

1. The County Council's fair value measurement of its multi-asset income pooled funds is based directly from quoted market prices at 31 March 2022.
2. The County Council's fair value measurement of its property pooled funds is based directly from the bid/redemption prices obtained from the respective fund managers at 31 March 2022; indicating the value that units can be sold (in accordance with the Code of Practice). However, given that monthly prices are calculated using the respective property fund's valuers valuation of the underlying assets and that subscription and/or redemption trades are typically set on a forward pricing basis with the trading price agreed at a future point in time, the County 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 County 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:

- For Public Works Loan Board (PWLB) loans, New Loan Rates effective at 31 March 2022 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. 126/22.
- 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 bonds, certificate of deposits and other securities held by the County Council’s custodian, quoted market rates have been used to provide the fair value at 31 March 2022.
- 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).

Financial Liabilities	Fair Value Level	2020/21 Carrying Amount £000	2020/21 Fair Value £000	2021/22 Carrying Amount £000	2021/22 Fair Value £000
PWLB borrowing (including accrued interest)	2	-479,155	-587,265	-475,576	-539,019
PFI and finance lease liabilities	2	-97,234	-193,350	-93,839	-168,543
Other liabilities (Waste PFI deferred income)		-1,772	-1,772	-1,624	-1,624
Short-term (non-PWLB) borrowing		-5,564	-5,564	-5,961	-5,961
Trade creditors [1]		-114,117	-114,117	-134,177	-134,177
Bank current accounts		-	-	-401	-401
Total Financial Liabilities		-697,842	-902,068	-711,578	-849,725

[1] Excludes receipts in advance (£41.745m at 31 March 2022) and statutory creditors (£38.799m at 31 March 2022) 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 County 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 2022) arising from a commitment to pay interest to lenders above current market rates.

Financial Assets (held at amortised cost)	Fair Value Level	2020/21 Carrying Amount £000	2020/21 Fair Value £000	2021/22 Carrying Amount £000	2021/22 Fair Value £000
Securities (via custodian)	1	10,001	10,056	93,717	93,575
Short-term investments (less than 1-year to maturity)		214,811	214,811	177,662	177,662
Cash & cash equivalents		151,913	151,913	118,983	118,983
Trade debtors [1]		78,717	78,717	85,135	85,135
Total Financial Assets		455,442	455,497	475,497	475,355

[1] Excludes payments in advance (£12.905m at 31 March 2022) and statutory debtors (£40.319m at 31 March 2022) including HM Revenue & Customs (VAT repayment), government department accruals, council tax arrears and provision for doubtful debts.

The fair value of financial assets is lower than the carrying amount because the County Council’s investment portfolio includes a number of fixed rate securities where the interest rate payable is lower than 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 2022) arising from a commitment to pay interest to lenders below current market rates.

d. Nature and Extent of Risk Arising from Financial Instruments

(i) Key Risks

The County 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 County 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 County 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 County 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 County 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 with 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.

Throughout 2021/22 the County 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) continued to be approved for County Council investment.

The table below summarises the fair value/amortised cost of the Council's investment portfolio at 31 March 2022 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 2022	Up to 1 month £000	>1 month; <6 months £000	>6 month; <1 Year £000	>1 year £000	Total £000
Bank Unsecured: [1]							
- UK Bank	YES	YES	15,002	49,538	10,011	-	74,551
- Non-UK Bank	YES	YES	5,006	34,042	15,035	-	54,083
- MMFs	YES	YES	118,981	-	-	-	118,981
Bank Secured [2]	YES	YES	-	15,061	-	-	15,061
UK Government	YES	YES	27,509	10,080	-	-	37,589
Local Authorities	YES	YES	10,025	65,059	15,013	-	90,097
Pooled Funds [3]	n/a	n/a	78	258	-	52,657	52,993
Other	n/a	n/a	-	-	-	2	2
			176,601	174,038	40,059	52,659	443,357

[1] Bank Unsecured - The County Council's exposure to credit risk in relation to its unsecured investments in banks and Money Market Funds (MMFs) at 31 March 2022 (£247.6m) 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 2022 that such risks were likely to materialise.

[2] Bank Secured - The credit quality of £15.1m of the County Council's investments is enhanced by collateral held in the form of covered bonds (bank secured); collateralised by residential mortgages. For these investments the collateral significantly reduces the likelihood of the County Council suffering a credit loss on these investments.

[3] Pooled Funds - The County 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:

	2020/21 Long Term £000	2021/22 Long Term £000	2020/21 Short Term £000	2021/22 Short Term £000
AAA (Covered Bonds, Pooled Funds/MMFs)	9,994	-	150,007	134,042
AA- (Assumed UK Local Authority Rating)	-	-	145,221	167,520
A+	-	-	46,421	44,272
A	-	-	15,005	44,528
A-	-	-	10,077	-
Multi-Asset Income Funds	15,313	25,842	64	123
Property Funds	22,974	26,815	223	213
UK Municipal Bond Agency	2	2	-	-
Total	48,283	52,659	367,018	390,698

Note - Bonds issued by the UK Municipal Bond 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 County 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 County 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 County Council has applied a 12-month expected credit loss model to this loan in 2021/22.

Expected Credit Loss Allowance (Trade Debtors): The County Council does not generally allow credit for its trade debtors, however £45.7m of the total £85.1m trade debtor balance is past its due date for payment. The amount overdue at 31 March 2022, none of which has been impaired, can be analysed by age as follows:

Time Period	£000
Up to one month overdue	6,251
Greater than one month up to three months	3,658
Greater than three months up to six months	5,825
Greater than six months up to one year	6,061
Greater than one year up to two years	10,715
Greater than two years up to five years	10,412
More than five years	2,758
Total	45,680

Included within the £45.7m trade debtor balance that is past its due payment date, the County Council has identified that £7.025m is potentially at risk of being irrecoverable. This is based on an assessment of overdue debt at 31 March 2022 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. At 31 March 2022, none of this liability has actually been impaired due to continued negotiations between the County Council's Legal Services team and the relevant debtors.

Movement in Expected Credit Loss Allowances	**2020/21 £000**	**2021/22 £000**	**Movement £000**
Financial investments held at amortised cost (12-month ECL)	-24	-24	-
Loan to the Littlehampton Harbour Board (12-month ECL)	-7	-6	1
Provision for bad debts (Lifetime ECL model; detailed above)	-5,864	-7,025	-1,161
Provision for council tax & business rate debts	-17,252	-18,398	-1,146
Total	-23,147	-25,453	-2,306

Collateral (Trade Debtors): The County 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 2022 was £11.7m.

(v) Liquidity Risk

The County 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 County 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 County Council will be unable to raise finance to meet its commitments under financial instruments.

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

Time Period	**2020/21 £000**	**2021/22 £000**
Less than one year	367,018	390,698
Between one and two years	9,994	-
More than two years	38,289	52,659
Financial Assets Total	415,301	443,357

Trade debtors (£85.1m) are not included in the table above.

(vi) Refinancing Risk

The County 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 County 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 County 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 County 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 County Council's borrowing liabilities (excluding accrued interest) and the associated contractual interest obligations, alongside the maximum limits for financial liabilities maturing in each period:

Time Period	Minimum Approved Limit	Maximum Approved Limit	2020/21 Principal Maturity £000	2021/22 Principal Maturity £000	2020/21 Interest Obligation £000	2021/22 Interest Obligation £000
Less than 1 year	0%	25%	9,080	16,378	19,293	19,050
Between 1 and 5 years	0%	35%	34,063	28,763	75,124	73,675
Over 5 years to 10 years	0%	60%	141,378	207,677	76,493	68,550
Over 10 years to 15 years	0%	50%	155,862	84,847	30,388	24,786
Over 15 years to 20 years	0%	25%	-	-	19,987	19,987
Over 20 years to 25 years	0%	25%	15,000	15,000	18,122	17,464
Over 25 years to 30 years	0%	25%	-	-	16,695	16,695
More than 30 years	0%	40%	125,000	125,000	45,554	42,215
Borrowing Liabilities Total			480,383	477,665	301,656	282,422

(vii) Market Risk

Interest Rate Risk

The County 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 County 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 periods of rising interest rates) fixed rate investments may be taken for shorter durations to secure more advantageous returns over a longer-term period; similarly the drawing of long term fixed rate borrowings may be reintroduced.

At 31 March 2022 the County Council held no variable long term borrowings, but held 44% (£196.6m) 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 2021/22 total interest of £2.0m has been charged to the Comprehensive Income and Expenditure Statement in respect of all the County Council’s variable rate investments, representing a 0.98% rate of return on an average investment portfolio of £203.5m. If all applicable rates had been 1% higher the financial impact would have been a £2.0m increase in interest charged to the Comprehensive Income and Expenditure Statement.

Price Risk

The market prices of the County Council's fixed and variable rate investments held during 2021/22 are governed by prevailing interest rates; the market risk associated with these investments is managed alongside interest rate risk.

At 31 March 2022 the County Council held £53.0m (including accrued income) in multi-asset income and property pooled funds which is subject to price variations. During 2021/22 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, without these current regulations the County Council would have recognised a £3.8m gain in the Surplus or Deficit on the Provision of Services in relation to its property fund investments; offset by a £1.4m loss in relation to its multi-asset income fund investments. As a consequence, the total accumulated gain in the County Council's pooled investment funds adjustment account at 31 March 2022 was £0.7m.

Additionally, the County 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 County Council's cash holdings, or the potential escalation of financial liabilities if linked to inflation indices. Throughout 2021/22 the County Council achieved a 0.61% return on its investment portfolio as compared against average UK CPI inflation of 3.98% during the same period. Latest Bank of England forecasts report that UK CPI inflation was 7.0% in the twelve months to March 2022, and likely to increase to over 10% during the remainder of 2022 before starting to fall back in 2023 and returning close to the 2% target rate in two years; additional market forecasts indicate CPI averaging around 2% by 2026. With investment rates set to remain lower than inflation over the short-term (next 12 months) the County 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 County Council does not currently hold any inflation linked borrowings.

Foreign Exchange Risk

The County Council (excluding the Pension Fund) has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

10. Assets Held for Sale

	2020/21 £000	2021/22 £000
Balance outstanding 1 April	1,840	845
Assets newly classified as held for sale		
Property, Plant and Equipment	1,445	5,809
Investment Property	250	275
Assets declassified as held for sale		
Property, Plant and Equipment	-1,346	-
Revaluation gains/(losses)	-850	-755
Assets sold	-494	-845
Balance outstanding at 31 March	**845**	**5,329**

11. Short Term Debtors

Classification	2020/21 £000	2021/22 £000
Central government bodies	49,487	29,731
Other local authorities	13,583	13,701
NHS bodies	11,198	14,556
Other entities and individuals	52,730	50,921
Total	**126,998**	**108,909**

12. Cash and Cash Equivalents

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

Classification	2020/21 £000	2021/22 £000
Cash held by the Authority	150,001	118,983
Bank current accounts	1,912	-401
Total	**151,913**	**118,582**

13. Short Term Creditors

Classification	2020/21 £000	2021/22 £000
Central government bodies	-51,615	-44,945
Other local authorities	-33,082	-17,476
NHS bodies	-28,047	-19,648
Public corporations and trading funds	-1	-1
Other entities and individuals	-107,571	-132,651
Total	**-220,316**	**-214,721**

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 2021 £000	Amounts used in 2021/22 £000	Additional provisions made in 2021/22 £000	Balance at 31 March 2022 £000
Long-Term				
Insurance	-3,410	1,692	-2,986	-4,704
Fire Pensions Opt-Out	-24	24	-	-
Teachers' Pension Scheme	-133	11	-	-122
Total Long-Term Provisions	**-3,567**	**1,727**	**-2,986**	**-4,826**
Short-Term				
Insurance	-1,553	1,628	-1,692	-1,617
Loss of Office	-354	354	-32	-32
NNDR Appeals	-4,045	4,045	-4,169	-4,169
Property Dilapidations	-	-	-189	-189
Registrars Tax Liabilities	-177	177	-	-
Total Short-Term Provisions	**-6,129**	**6,204**	**-6,082**	**-6,007**
Grand Total Provisions	**-9,696**	**7,931**	**-9,068**	**-10,833**

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 2022, 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 was 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 was to be funded by the Firefighters' Pension Scheme. The provision represented the gross additional liability to be met by the County Council until employees reached their eligible retirement age. This amount was offset by amounts owed by the Firefighters' Pension Scheme in respect of lump sum payments (held within debtors on the balance sheet), which were recoverable by the Authority upon retirement. The last remaining in-scope employee reached retirement age in 2021/22, and so the liability is now fully extinguished.

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.

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 2022, 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 2022/23.

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. 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.

The **Property Dilapidations** provision is held to meet the Authority's legal obligation to make good the general dilapidations of a leased property previously used for the delivery of youth services. The Authority has declared the site as surplus and the freeholder has consequentially terminated the lease. Settlement is subject to the agreement of eligible costs with the freeholder and the Authority anticipates resolution of this matter during 2022/23.

A provision was held for **Registrars Tax Liabilities**, relating to a potential VAT obligation on ceremonies income. Following discussions between HMRC and CIPFA, it has been determined that no such obligation exists, and so the provision was released during 2021/22.

15. Private Finance Initiatives and Similar Contracts

Crawley 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 2022 £13.6m 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 Transport 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.

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

Scheme/Asset	Opening Balance at 1 April 2021 £000	Additions £000	Depreciation £000	Revaluation £000	Closing Balance at 31 March 2022 £000
Crawley Schools PFI					
Ifield Community College	14,829		-464	1,251	**15,616**
Oriel High School	18,475		-429	1,349	**19,395**
Recycling & Waste PFI					
Infrastructure	5,542		-352		**5,190**
Land and Buildings	12,512		-301	223	**12,434**
Plant and Equipment	4,193	515	-759		**3,949**
Street Lighting PFI	61,588		-2,644		**58,944**
Total PFI Assets	**117,139**	**515**	**-4,949**	**2,823**	**115,528**

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

Scheme	Opening Balance at 1 April 2021 £000	Increase due to Investment £000	Repayment of Liability £000	Closing Balance at 31 March 2022 £000
Crawley Schools PFI	-24,131	-	904	**-23,227**
Recycling & Waste PFI	-11,517	-515	954	**-11,078**
Street Lighting PFI	-59,363	-	1,944	**-57,419**
Total Liability	**-95,011**	**-515**	**3,802**	**-91,724**

Note (iii) – Payments due under PFI Contracts

Timeframe	Repayment of Liability £000	Interest £000	Service Charges £000	Total £000
Within one year	3,645	10,706	28,273	**42,624**
Within two to five years	18,575	40,051	123,460	**182,086**
Within six to ten years	38,044	41,536	172,190	**251,770**
Within eleven to fifteen years	31,460	13,607	58,227	**103,294**
Total Commitments	**91,724**	**105,900**	**382,150**	**579,774**

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:

Asset Net Book Values	1 April 2021 £000	31 March 2022 £000
Land and Buildings	26,615	28,759
Vehicles, Plant, Furniture and Equipment	3,141	2,512
Infrastructure Assets	10,514	10,163
Total	40,270	41,434

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:

Minimum Lease Payments	1 April 2021 £000	31 March 2022 £000
Finance lease liability	2,223	2,115
Finance costs payable in future years	1,808	1,712
Total	4,031	3,827

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

Minimum Lease Payments	1 April 2021 £000	31 March 2022 £000
No later than one year	204	204
Later than one year and not later than five years	815	815
Later than five years	3,012	2,808
Total	4,031	3,827

Finance Lease Liabilities	1 April 2021 £000	31 March 2022 £000
No later than one year	108	113
Later than one year and not later than five years	486	510
Later than five years	1,629	1,492
Total	2,223	2,115

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:

Minimum Lease Payments	1 April 2021 £000	31 March 2022 £000
Not later than one year	1,507	1,774
Later than one year and not later than five years	2,990	2,719
Later than five years	684	535
Total	5,181	5,028

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 £1.427m. Of this total, £0.785m was chargeable to the Highways and Transport portfolio, £0.381m was chargeable to the Community Support, Fire and Rescue portfolio, and £0.249m was chargeable to the Finance and Property portfolio. A small balance of £0.012m was charged to other portfolios.

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:

Gross Investment in the Lease	1 April 2021 £000	31 March 2022 £000
Finance lease debtor	6,869	6,618
Unearned finance income	3,122	2,877
Unguaranteed residual value of property [1]	-	-
Gross investment in the lease	9,991	9,495

[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	1 April 2021 £000	31 March 2022 £000
No later than one year	496	496
Later than one year and not later than five years	1,984	1,984
Later than five years	7,511	7,015
Total	9,991	9,495

Minimum Lease Payments	1 April 2021 £000	31 March 2022 £000
No later than one year	250	259
Later than one year and not later than five years	1,094	1,133
Later than five years	5,525	5,226
Total	6,869	6,618

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:

Minimum Lease Payments	1 April 2021 £000	31 March 2022 £000
Not later than one year	3,378	3,565
Later than one year and not later than five years	9,377	8,681
Later than five years	6,198	4,854
Total	18,953	17,100

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 Schemes

Participation 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.

Local Government Pension Scheme	**2020/21 £000**	**2021/22 £000**
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	71,874	113,269
Past service cost (including curtailments)	137	403
(Gain)/loss from settlements	74	-207
Financing and Investment Income and Expenditure:		
Interest cost on defined benefit obligation	47,283	53,958
Interest income on plan assets	-44,339	-48,833
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	75,029	118,590
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement:		
Remeasurement (gains) and losses	79,597	-135,454
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	154,626	-16,864
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	-75,029	-118,590
Actual amount charged against the General Fund Balance in the year for employer's contributions payable to the scheme	52,912	52,643

Uniformed Firefighters	**2020/21 £000**	**2021/22 £000**
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	5,531	8,201
Past service cost (including curtailments)	-	247
(Gain)/loss from settlements	-	-
Financing and Investment Income and Expenditure:		
Interest cost on defined benefit obligation	8,169	8,943
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	13,700	17,391
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement:		
Remeasurement (gains) and losses	86,176	-29,994
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	99,876	-12,603
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	-13,700	-17,391
Actual amount charged against the General Fund Balance in the year for retirement benefits payable to pensioners	9,623	9,117

Assets and Liabilities in Relation to Post-Employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

Local Government Pension Scheme Funded Liabilities:	**2020/21 £000**	**2021/22 £000**
Opening balance at 1 April	-2,047,182	-2,666,205
Current service cost	-71,874	-113,269
Interest cost	-47,283	-53,958
Contributions by scheme participants	-13,794	-14,437
Remeasurement gains and (losses):		
Actuarial gains/(losses) arising from changes in demographic assumptions	-8,833	15,795
Actuarial gains/(losses) arising from changes in financial assumptions	-567,443	189,898
Other experience	23,219	-3,665
Past service cost (including curtailments)	-137	-403
Transfers to/(from) other authorities	-	-
Benefits paid	58,625	59,921
Liabilities extinguished on settlements	8,497	755
Closing balance at 31 March	-2,666,205	-2,585,568

Uniformed Firefighters Unfunded Liabilities:	**2020/21 £000**	**2021/22 £000**
Opening balance at 1 April	-357,306	-447,559
Current service cost	-5,531	-8,201
Interest cost	-8,169	-8,943
Contributions by scheme participants	-1,824	-1,873
Remeasurement gains and (losses):		
Actuarial gains/(losses) arising from changes in demographic assumptions	-4,604	4,483
Actuarial gains/(losses) arising from changes in financial assumptions	-84,871	27,146
Other experience	3,299	-1,635
Past service cost (including curtailments)	-	-247
Transfers to/(from) other authorities	-16	-27
Benefits paid	11,463	11,017
Liabilities extinguished on settlements	-	-
Closing balance at 31 March	-447,559	-425,839

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

Local Government Pension Scheme Scheme Assets:	**2020/21 £000**	**2021/22 £000**
Opening balance at 1 April	1,930,503	2,447,812
Interest income on plan assets	44,339	48,833
Remeasurement gains and (losses):		
Return on plan assets (excluding interest income)	473,460	-66,574
Contributions by scheme participants	13,794	14,437
Employer contributions	52,912	52,643
Benefits paid	-58,625	-59,921
Transfers (to)/from other authorities	-	-
Settlements	-8,571	-548
Closing balance at 31 March	2,447,812	2,436,682

Uniformed Firefighters Scheme Assets:	**2020/21 £000**	**2021/22 £000**
Opening balance at 1 April	-	-
Contributions by scheme participants	1,824	1,873
Employer contributions	9,623	9,117
Benefits paid	-11,463	-11,017
Transfers (to)/from other authorities	16	27
Settlements	-	-
Closing balance at 31 March	-	-

Scheme History

	2017/18 £000	**2018/19 £000**	**2019/20 £000**	**2020/21 £000**	**2021/22 £000**
Present value of liabilities:					
Local Government Pension Scheme	-2,094,358	-2,376,650	-2,047,182	-2,666,205	-2,585,568
Uniformed Firefighters	-374,720	-394,183	-357,306	-447,559	-425,839
Fair value of assets:					
Local Government Pension Scheme	1,816,232	1,952,269	1,930,503	2,447,812	2,436,682
Uniformed Firefighters	-	-	-	-	-
Net defined liability:					
Local Government Pension Scheme	-278,126	-424,381	-116,679	-218,393	-148,886
Uniformed Firefighters	-374,720	-394,183	-357,306	-447,559	-425,839
Total	-652,846	-818,564	-473,985	-665,952	-574,725

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £574.725m 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 2023 is £47.820m. Payments (net of employee contributions) in respect of the Uniformed Firefighters scheme for the year to 31 March 2023 are projected to be £8.408m.

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 for the Local Government Pension Scheme have been:

Mortality assumptions	**2020/21**	**2021/22**
Longevity at 65 for current pensioners:		
Men	22.1 years	21.9 years
Women	24.4 years	24.2 years
Longevity at 65 for future pensioners:		
Men	23.1 years	22.8 years
Women	26.1 years	25.9 years
Rate of increase in salaries	3.35%	3.70%
Rate of increase in pensions	2.85%	3.20%
Rate for discounting scheme liabilities	2.00%	2.70%

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.

The principal assumptions used by the actuary for the Uniformed Firefighters have been:

Mortality assumptions	**2020/21**	**2021/22**
Longevity at 60 for current pensioners:		
Men	26.6 years	26.3 years
Women	28.9 years	28.7 years
Longevity at 60 for future pensioners:		
Men	27.9 years	27.7 years
Women	30.3 years	30.1 years
Rate of increase in salaries	3.30%	3.65%
Rate of increase in pensions	2.85%	3.20%
Rate for discounting scheme liabilities	2.00%	2.70%

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:

Asset Category:	**31 March 2021 %**	**31 March 2022 %**
Equity Securities	51%	0%
Debt Securities	1%	0%
Private Equity	2%	2%
Real Estate	7%	10%
Investment Funds and Unit Trusts	35%	88%
Cash and Cash Equivalents	4%	0%
Total	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 2021/22, the County Council paid £38.116m to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. Employer contributions of £38.016m were made in 2020/21 (23.68% of pensionable pay).

Allowing for the estimated impact of pay awards and academy conversions, employer contributions to be paid in the 2022/23 financial year are forecasted to be £37.9m.

19. Unusable Reserves

	1 April 2021 £000	31 March 2022 £000
Accumulated Absences Account	12,155	10,236
Capital Adjustment Account	-748,952	-819,248
Collection Fund Adjustment Account	25,831	6,446
Dedicated Schools Grant Adjustment Account	10,388	25,504
Deferred Capital Receipts Reserve	-6,869	-6,618
Pensions Reserve	665,952	574,725
Pooled Investment Funds Adjustment Account	1,714	-656
Revaluation Reserve	-240,428	-258,978
Total Unusable Reserves	**-280,209**	**-468,589**

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.

	2020/21 £000	2021/22 £000
Balance at 1 April	**9,840**	**12,155**
Settlement or cancellation of accrual made at end of the preceding year	-9,840	-12,155
Amounts accrued at the end of the current year	12,155	10,236
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	-1,919
Balance at 31 March	**12,155**	**10,236**

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.

	2020/21 £000	2021/22 £000
Balance at 1 April	**-1,039,859**	**-748,952**
Charges for depreciation of non current assets	84,628	72,469
Charges for amortisation of intangible assets	390	-
Charges for impairment of non current assets	-	-
Revaluation (gains) / losses on Property, Plant and Equipment and Assets Held for Sale	262,007	-24,349
Revaluation (gains) / losses on equity investments	-	-
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	7,359	14,019
Amounts written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	61,551	22,390
Release of deferred income from Private Finance Initiatives	-147	-148
Gains from Donated Assets	-	-3,545
Reversal of items relating to capital expenditure debited/credited to the Comprehensive Income and Expenditure Statement	415,788	80,836
Adjusting amounts written out of the Revaluation Reserve	-23,172	-9,504
Net written out amount of the cost of non current assets consumed in the year	**392,616**	**71,332**
Use of the Capital Receipts Reserve to finance new capital expenditure	-3,700	-12,043
Application of grants to capital financing from the Capital Grants Unapplied Account	-74,294	-87,160
Capital grants and contributions applied to REFCUS	-4,353	-3,468
Statutory provision for the financing of capital investment charged against the General Fund balance	-15,815	-16,511
Revenue Contribution to Capital Outlay	-5,762	-6,358
Capital financing applied in the year	**-103,924**	**-125,540**
Movements in the market value of Investment Properties debited/credited to the Comprehensive Income & Expenditure Statement	**2,215**	**-16,088**
Balance at 31 March	**-748,952**	**-819,248**

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.

	2020/21 £000	2021/22 £000
Balance at 1 April	**-804**	**25,831**
Settlement or cancellation of accrual made at end of the preceding year	804	-25,831
Amounts accrued at the end of the current year	25,831	6,446
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	-19,385
Balance at 31 March	**25,831**	**6,446**

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. This temporary legislation is currently set to expire at the end of March 2023. Further instruction is awaited from the Department for Education on how accumulated deficits are to be treated at that time.

	2020/21 £000	2021/22 £000
Balance at 1 April	**-**	**10,388**
Accumulated deficit at 1 April transferred from Earmarked Reserves [1]	1,739	-
Deficit between grant receivable and eligible expenditure for the year	8,649	15,116
Balance at 31 March	**10,388**	**25,504**

[1] This unusable reserve was established on 1 April 2020 in accordance with the provisions of the Local Authority (Capital Finance and Accounting) (England) (Amendment) Regulations 2020, at which time the accumulated DSG deficit transferred from Earmarked Reserves

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.

	2020/21 £000	2021/22 £000
Balance at 1 April	**-7,110**	**-6,869**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-
Write down of Finance Lease debtor	241	251
Transfer to the Capital Receipts Reserve upon receipt of cash	-	-
Balance at 31 March	**-6,869**	**-6,618**

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.

	2020/21 £000	2021/22 £000
Balance at 1 April	**473,985**	**665,952**
(Gains)/losses on remeasurement of pension assets/liabilities	165,773	-165,448
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	135,981
Employer's pensions contributions and direct payments to pensioners payable in the year	-62,535	-61,760
Balance at 31 March	**665,952**	**574,725**

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.

	2020/21 £000	2021/22 £000
Balance at 1 April	**2,765**	**1,714**
Upward revaluation of investments	-1,441	-3,841
Downward revaluation of investments	390	1,471
Net (gain)/loss on revaluation of investments	-1,051	-2,370
Accumulated gains and (losses) on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement	-	-
Balance at 31 March	**1,714**	**-656**

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.

	2020/21 £000	2021/22 £000
Balance at 1 April	**-415,052**	**-240,428**
Upward revaluation of assets	-31,683	-48,809
Downward revaluation of assets and revaluation losses not charged to the Surplus/Deficit on the Provision of Services	183,135	20,755
Impairment losses not charged to the Surplus/Deficit on the Provision of Services	-	-
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**151,452**	**-28,054**
Difference between fair value depreciation and historical cost depreciation	9,113	4,649
Accumulated gains on assets sold or scrapped	14,059	4,855
Amount written off to the Capital Adjustment Account	**23,172**	**9,504**
Balance at 31 March	**-240,428**	**-258,978**

20. Note to the Expenditure and Funding Analysis

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.

Adjustments between Funding and Accounting Basis 2021/22

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 Services	-657	8,988	-18,243	-9,912
Children and Young People	778	11,390	44	12,212
Community Support, Fire and Rescue	-2,988	2,545	13	-430
Environment and Climate Change	4,652	998	-2,194	3,456
Finance and Property	2,458	3,198	1,287	6,943
Highways and Transport	32,425	2,493	-6,663	28,255
Leader	351	351	4	706
Learning and Skills	10,461	25,726	-3,942	32,245
Public Health and Wellbeing	-	665	-18	647
Support Services and Economic Development	6,401	3,799	1	10,201
Net Cost of Services	53,881	60,153	-29,711	84,323
Other Income and Expenditure	-80,620	14,068	21,153	-45,399
Difference between General Fund Surplus and Comprehensive Income and Expenditure Deficit	**-26,739**	**74,221**	**-8,558**	**38,924**

Adjustments between Funding and Accounting Basis 2020/21 (Restated)

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 Services	5,485	2,902	-17,198	-8,811
Children and Young People	2,194	3,453	366	6,013
Community Support, Fire and Rescue	6,137	-3,034	51	3,154
Environment and Climate Change	13,999	315	-2,154	12,160
Finance and Property	4,103	1,039	1,517	6,659
Highways and Transport	33,040	724	-6,740	27,024
Leader	221	106	2,632	2,959
Learning and Skills	279,262	8,199	-649	286,812
Public Health and Wellbeing	-	154	42	196
Support Services and Economic Development	1,015	1,223	71	2,309
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**

21. Segmental Income

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

Services	Restated 2020/21 £000	2021/22 £000
Adults Services	-52,735	-59,438
Children and Young People	-273	-213
Community Support, Fire and Rescue	-2,214	-3,531
Environment and Climate Change	-3,935	-5,658
Finance and Property	-4,379	-4,332
Highways and Transport	-8,442	-13,027
Leader	-2	-8
Learning and Skills	-2,809	-4,157
Public Health and Wellbeing	-9	-13
Support Services and Economic Development	-463	-1,393
Total income analysed on a segmental basis	**-75,261**	**-91,770**

22. Other Operating Expenditure

	2020/21 £000	2021/22 £000
Levies	1,145	1,183
Assets Held for Sale (Gains)/Losses on Revaluation	850	755
(Profit) / loss on sale of assets	-340	-3,948
Loss on derecognition of Academy Schools	46,424	1,981
Loss on derecognition of other assets	10,879	12,073
Assets derecognised under finance leases	-	-
Total	**58,958**	**12,044**

23. Financing and Investment Income and Expenditure

	2020/21 £000	2021/22 £000
Interest payable and similar charges	30,856	30,429
Interest receivable and similar income	-4,582	-5,238
Net interest payable/(receivable)	**26,274**	**25,191**
Pensions: interest cost on defined benefit obligation	55,452	62,901
Pensions: interest income on plan assets	-44,339	-48,833
Net pensions interest cost/(income)	**11,113**	**14,068**
Investment Property: income and expenditure	-2,405	-2,310
Investment Property: (gain)/loss on disposal	58	241
Investment Property: changes in fair value	2,215	-16,088
Net Investment Property expenditure/(income)	**-132**	**-18,157**
Total	**37,255**	**21,102**

24. Taxation and Non Specific Grant Income

	2020/21 £000	2021/22 £000
Council tax income	-480,621	-513,672
Non domestic rates	-89,120	-88,425
Other non-service government grants	-35,587	-24,791
Gains from Donated Assets	-	-3,545
Capital grants and contributions	-73,738	-53,358
Total	**-679,066**	**-683,791**

25. Grant Income

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

Grants Credited to Services	**Restated 2020/21 £000**	**2021/22 £000**
Adults Services		
Afghanistan Resettlement Grant (DfE)	-	-1,101
Covid-19 Adult Social Care Infection Control & Testing Fund (DHSC)	-	-6,664
Covid-19 Adult Social Care Infection Control Fund (DHSC)	-3,459	-
Covid-19 Adult Social Care Rapid Testing Fund (DHSC)	-427	-
Covid-19 Contain Outbreak Management Fund (DHSC)	-949	-400
Covid-19 Omicron Support Fund (DHSC)	-	-826
Covid-19 Test and Trace Service Support Grant (DHSC)	-1,867	-
Covid-19 Workforce Capacity Fund (DHSC)	-1,627	-
Covid-19 Workforce Recruitment & Retention Fund (DHSC)	-	-6,069
Domestic Abuse Safe Accommodation (DLUHC)	-	-1,498
Improved Better Care Fund (DLUHC)	-12,933	-18,248
Independent Living Fund (DHSC)	-4,309	-4,309
Local Reform and Community Voices Grant (DHSC)	-157	-158
Public Health Grant (DHSC)	-300	-300
Social Care Capital Grant (DHSC) *applied to REFCUS*	-1,089	-750
Social Care Support Grant (DLUHC)	-17,343	-18,169
Syrian Vulnerable Persons Resettlement Programme (HO)	-320	-248
Other	-260	-525
Adults Services Total	**-45,040**	**-59,265**
Children and Young People		
Adoption Support Fund (DfE)	-1,154	-
Dedicated Schools Grant (DfE)	-1,728	-
Family Safeguarding Improvement Grant (DfE)	-	-447
Public Health Grant (DHSC)	-12,782	-12,571
Troubled Families (DfE)	-1,622	-1,644
Unaccompanied Asylum Seeking Children (HO)	-2,939	-3,632
Unaccompanied Asylum Seeking Children: Leaving Care (HO)	-1,628	-2,178
Youth Justice Board Youth Offending Teams (MoJ)	-569	-618
Other	-829	-909
Children and Young People Total	**-23,251**	**-21,999**

Grants Credited to Services (continued)	Restated 2020/21 £000	2021/22 £000
Community Support, Fire and Rescue		
Covid-19 Clinically Extremely Vulnerable (DLUHC)	-2,738	-
Covid-19 Emergency Assistance Food and Essentials (DEFRA)	-737	-
Covid-19 Household Support Fund (DWP)	-	-4,870
Covid-19 Local Support Grant (DWP)	-	-3,163
Covid-19 Winter Grant Scheme (DWP)	-1,859	-
Fire Pensions Top-Up Grant (HO)	-1,724	-1,724
Firelink Grant (HO)	-459	-409
Public Health Grant (DHSC)	-624	-832
Other	-516	-253
Community Support, Fire and Rescue Total	**-8,657**	**-11,251**
Environment and Climate Change		
Private Finance Initiative (DLUHC)	-2,124	-2,124
Other	-415	43
Environment and Climate Change Total	**-2,539**	**-2,081**
Finance and Property		
Inshore Fisheries & Conservation Support Grant (DEFRA)	-148	-148
Other	-14	-26
Finance and Property Total	**-162**	**-174**
Highways and Transport		
Bus Service Operators Grant (DfT)	-436	-436
Covid-19 Active Travel Fund (DfT)	-	-300
Covid-19 Bus Services Support Grant (DfT)	-754	-328
Funding for Supported Bus Services (DfT)	-383	-169
Local Transport Authority Bus Capacity Grant (DfT)	-	-503
Private Finance Initiative (DLUHC)	-6,069	-6,069
Other	-413	-452
Highways and Transport Total	**-8,055**	**-8,257**
Leader		
Other	-	-100
Leader Total	**-**	**-100**

Grants Credited to Services (continued)	Restated 2020/21 £000	2021/22 £000
Learning and Skills		
16 to 19 Education 'Sixth Form' Funding (DfE)	-12,304	-11,085
Adult Education (DfE)	-3,080	-3,174
Basic Need Capital Grant (DfE) *applied to REFCUS*	-1,239	-389
Covid-19 Additional Dedicated School and College Transport (DfE)	-1,096	-644
Covid-19 Job Retention (Furlough) Scheme (HMRC)	-592	-
Covid-19 National Schools Testing Programme (DfE)	-	-1,195
Covid-19 School Led Tutoring (DfE)	-	-745
Covid-19 Schools Catch-up Premium (DfE)	-3,443	-2,450
Covid-19 Schools Emergency Support (DfE)	-901	-
Covid-19 Schools Recovery Premium (DfE)	-	-794
Covid-19 Summer Schools Programme (DfE)	-	-393
Dedicated Schools Grant (DfE)	-445,180	-471,155
Extended Rights to Free Travel Grant (DfE)	-483	-635
Holiday Activities and Food Programme Grant (DfE)	-	-996
PE & Sport Premium Grant (DfE)	-3,360	-3,287
Private Finance Initiative (DLUHC)	-4,532	-4,532
Pupil Premium (DfE)	-13,991	-13,351
School Condition Allocation (DfE) *applied to REFCUS*	-	-562
School Improvement Monitoring and Brokering Grant (DfE)	-825	-752
Teachers' Pay Grant (DfE)	-4,327	-197
Teachers' Pension Employer Contribution Grant (DfE)	-12,609	-559
Universal Infant Free School Meals Grant (DfE)	-7,202	-6,497
Other	-1,373	-1,155
Learning and Skills Total	**-516,537**	**-524,547**
Public Health and Wellbeing		
Covid-19 Contain Outbreak Management Fund (DHSC)	-	-19,273
Covid-19 Self-Isolation Practical Support Fund (DHSC)	-	-1,570
Covid-19 Test and Trace Service Support Grant (DHSC)	-	-1,312
Local Reform and Community Voices Grant (DHSC)	-316	-316
Public Health Grant (DHSC)	-19,561	-18,431
Other	-402	-616
Public Health and Wellbeing Total	**-20,279**	**-41,518**
Support Services and Economic Development		
Public Health Grant (DHSC)	-	-1,210
Other	-	-53
Support Services and Economic Development Total	**-**	**-1,263**
Total Grants Credited to Services	**-624,520**	**-670,455**

Grants Credited to Taxation and Non Specific Grant Income	2020/21 £000	2021/22 £000
Non Domestic Rates (DLUHC)		
Section 31 Business Rates Relief [1]	-22,506	-13,282
Top-Up to Baseline Funding Level	-16,482	-45,792
Total Non Domestic Rates (DLUHC)	**-38,988**	**-59,074**
Other Non-Service Government Grants		
Covid-19 Emergency Fund (DLUHC)	-25,328	-
Covid-19 Expenditure Pressures Grant (DLUHC)	-	-15,618
Covid-19 Income Loss Compensation Scheme (DLUHC)	-2,570	-158
Local Council Tax Support Grant (DLUHC)	-	-6,632
Local Tax Income Guarantee Scheme (DLUHC)	-3,975	-25
New Homes Bonus Grant (DLUHC)	-3,714	-2,358
Total Other Non-Service Government Grants	**-35,587**	**-24,791**
Capital Grants and Contributions		
Basic Need Grant (DfE)	-	-6,646
Devolved Formula Capital Grant (DfE)	-1,683	-1,354
Flood Resilience and Pothole Action Fund (DfT)	-12,129	-
Highways Maintenance Block Incentive Fund (DfT)	-2,300	-1,904
Highways Maintenance Block Needs Element (DfT)	-11,043	-7,616
Integrated Transport Block (DfT)	-3,734	-3,763
Local Growth Fund (DLUHC)	-17,495	-3,164
Local Authority Major Schemes Grant - A2300 (DfT)	-9,274	-4,156
Potholes Fund (DfT)	-	-5,331
School Conditions Allocation (DfE)	-11,341	-8,388
SEND Special Provision Funding (DfE)	-	-772
Section 106 Contributions	-4,235	-9,712
Other Grants and External Contributions	-504	-552
Total Capital Grants and Contributions	**-73,738**	**-53,358**
Total Grants Credited to Taxation and Non Specific Grant Income	**-148,313**	**-137,223**

[1] In 2021/22, this includes an accrual of £6.604m for the NNDR3 Reconciliation Grant (£15.326m accrued in 2020/21). In accordance with proper accounting practice, debtors for this grant have been raised in the period that it became due to the Authority. 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 balance of the grant which has not yet been applied to finance deficits is therefore held in the Budget Management Reserve (see Note 3).

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	**2020/21 £000**	**2021/22 £000**
Devolved Formula Capital Grant (DfE)	-6,483	-2,054
Emergency Active Travel Fund (DfT)	-2,233	-1,958
Local Authority Major Schemes Grant - A2300 (DfT)	-4,156	-
Local Authority Major Schemes Grant - A259 (DfT)	-	-778
Local Full Fibre Networks Challenge Fund (DCMS)	-2,766	-1,977
Local Growth Fund (DLUHC)	-6,220	-841
Potholes Fund (DfT)	-	-3,874
SEND Special Provision Funding (DfE)	-	-7,995
Social Care Capital Grant (DHSC)	-750	-
Section 106 Contributions	-85,158	-104,654
A Place to Live	-650	-650
Other Grants and External Contributions	-721	-543
Total Capital Grants Receipts in Advance	**-109,137**	**-125,324**

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
DLUHC	Department for Levelling Up, Housing and Communities
DWP	Department for Work and Pensions
HMRC	Her Majesty's Revenue and Customs
HO	Home Office
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:

	2020/21 £000	2021/22 £000
Fees payable to EY with regard to external audit services carried out by the appointed auditor for the year	287	165
Fees payable in respect of other services provided by EY during the year	-	-
Total	**287**	**165**

In 2021/22, Public Sector Audit Appointments Ltd made a further distribution to opted-in eligible bodies of a surplus arising from its auditor appointment, fee setting, and performance and contract management functions. The amount distributed to West Sussex County Council was £17,870 (2020/21 £nil).

The Authority also received a grant of £46,684 from the Department for Levelling Up, Housing and Communities in 2021/22 (2020/21 £nil) in recognition of an increase in audit fees associated with new burdens, including those arising from the 'Redmond Review' into the effectiveness of external audit and transparency of financial reporting in local authorities and the National Audit Office's Code of Audit Practice.

The Authority incurred further costs of £4,375 in 2021/22 (2020/21 £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:

	2020/21 £000	2021/22 £000
Basic Allowances	843	870
Other Allowances	386	375
Travel and Subsistence	7	13
Total	**1,236**	**1,258**

28. Dedicated Schools Grant

The 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 2021. 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 2021/22 are as follows:

	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2021/22 before academy and high needs recoupment			-692,352
Academy and high needs figure recouped for 2021/22			220,840
Total DSG after academy and high needs recoupment for 2021/22			-471,512
Plus: Brought forward from 2020/21			-
Less: Carry-forward to 2022/23 agreed in advance			-
Agreed initial budgeted distribution in 2021/22	-136,602	-334,910	-471,512
In year adjustments	357	-	357
Final budget distribution for 2021/22	-136,245	-334,910	-471,155
Less: Actual central expenditure	151,361		151,361
Less: Actual ISB deployed to schools		334,910	334,910
Plus: Local authority contribution for 2021/22	-	-	-
In year carry forward to 2022/23	15,116	-	15,116
Plus: Carry forward to 2022/23 agreed in advance			-
DSG unusable reserve as at 31 March 2021			10,388
Total deficit balance to be carried forward at 31 March 2022			**25,504**

29. Expenditure and Income Analysed by Nature

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

Expenditure/Income	2020/21 £000	2021/22 £000
Expenditure		
Employee benefits expenses	590,658	646,127
Other service expenses	802,136	864,149
Depreciation, amortisation and impairment	349,240	32,032
Interest payments	86,308	93,330
Precepts and levies	1,145	1,183
(Gain)/loss on the disposal of non-current assets	57,021	10,347
Total Expenditure	**1,886,508**	**1,647,168**
Income		
Fees, charges and other service income	-190,004	-214,812
Interest and investment income	-48,921	-54,071
Income from Council Tax and Non-Domestic Rates	-569,741	-602,097
Gains from Donated Assets	-	-3,545
Government grants and contributions	-733,845	-748,604
Total Income	**-1,542,511**	**-1,623,129**
(Surplus)/Deficit on the Provision of Services	**343,997**	**24,039**

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. For 2021/22, employee expenses of £75.199m (£73.804m in 2020/21) in relation to staff employed at the Authority's voluntary aided and foundation schools are included within Employee benefits expenses above.

30. 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:

Banding	2020/21 Non schools	2020/21 School based	2021/22 Non schools	2021/22 School based
£50,000 - £54,999	233	204	197	214
£55,000 - £59,999	113	114	182	102
£60,000 - £64,999	46	86	45	93
£65,000 - £69,999	35	44	39	44
£70,000 - £74,999	12	39	25	41
£75,000 - £79,999	3	24	3	22
£80,000 - £84,999	11	6	10	8
£85,000 - £89,999	8	5	2	7
£90,000 - £94,999	3	3	2	4
£95,000 - £99,999	2	6	3	4
£100,000 - £104,999	-	4	-	6
£105,000 - £109,999	1	4	1	5
£110,000 - £114,999	6	1	6	1
£115,000 - £119,999	3	1	4	1
£120,000 - £124,999	-	-	2	-
£125,000 - £129,999	1	1	2	-
£130,000 - £134,999	1	1	1	-
£135,000 - £139,999	-	-	-	-
£140,000 - £144,999	2	-	1	-
£145,000 - £149,999	-	-	1	-
£150,000 - £154,999	-	-	2	-
£155,000 - £159,999	-	-	-	-
£160,000 - £164,999	1	-	-	-
Total	**481**	**543**	**528**	**552**

The number of staff with remuneration above £50,000 in 2021/22 was 1,080, an increase from 1,024 in 2020/21. This increase is primarily attributable to the impact of pay awards and pay progression moving existing employees over the threshold during the year.

Senior Officer Disclosure

The remuneration payable to the Authority's senior employees for the period 1 April 2021 - 31 March 2022 was as follows (no bonuses or expense allowances were payable for the year):

Post title (as at 31 March 2022)	Post holder [1]	Salary, fees and allowances £	Benefits in kind £	Compensation for loss of employment £	Employer's pension contribution £	**Total remuneration including pension contributions £**
Assistant Chief Executive [2]		25,968			5,805	**31,773**
Chief Executive	Becky Shaw	Post holder not directly employed by West Sussex County Council - please see footnote below				
Chief Fire Officer		142,450			41,026	**183,476**
Director of Adults and Health		Post holder not directly employed by West Sussex County Council - please see footnote below				
Director of Children, Young People and Learning	Lucy Butler	152,625			34,121	**186,746**
Director of Finance and Support Services		130,686			29,216	**159,902**
Director of Human Resources and Organisational Development (Interim) [3]		Post holder not directly employed by West Sussex County Council - please see footnote below				
Director of Human Resources and Organisational Development [4]		9,583			2,142	**11,725**
Director of Law and Assurance		120,231			26,879	**147,110**
Director of Place Services		146,367			32,722	**179,089**
Senior Coroner [5]	Penny Schofield	149,965	59		33,526	**183,550**

Notes to 2021/22 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. Appointed 10 January 2022.
3. Contracted until 25 February 2022.
4. Appointed 1 March 2022.
5. 'Salary, fees and allowances' payable to the Senior Coroner includes an additional responsibility allowance to reflect additional work undertaken for the Brighton & Hove jurisdiction on an interim basis from 11 September 2021. A total allowance of £16,750 was payable for the period and was recovered in full from Brighton & Hove City Council, who also made a further contribution of £24,204 towards the Senior Coroner's pay and associated costs.

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 previous table:

- Payments of £156,502 have been made to East Sussex County Council for the shared services of the Chief Executive.
- Payments of £188,246 have been made to East Sussex County Council for the shared services of the Director of Adults and Health representing 80%/20% split of time between West/East Sussex County Councils.
- Payments of £176,160 have been made to Matrix SCM Ltd for the services of the Interim Director of Human Resources and Organisational Development.

The remuneration payable to the Authority's senior employees for the period 1 April 2020 - 31 March 2021 was as follows (no bonuses or benefits in kind were payable for the year):

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

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

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 previous table:

- Payments of £154,866 have been made to East Sussex County Council for the shared services of the Chief Executive.
- Payments of £249,423 have been made to The McLean Partnership Ltd for the services of the Interim Director - Human Resources and Organisational Development.
- 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.

Exit Packages

The Authority terminated, or made provision to terminate, the contracts of a number of employees in 2021/22. Total liabilities of £0.959m were incurred for the period (£1.102m in 2020/21).

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

2021/22

(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
£0 - £20,000	28	21	49	£374,673
£20,001 - £40,000	11	2	13	£383,224
£40,001 - £60,000	-	-	-	£0
£60,001 - £80,000	1	-	1	£64,414
£80,001 - £100,000	-	-	-	£0
£100,001 - £150,000	1	-	1	£136,351
Total	41	23	64	£958,662

2020/21

(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
£0 - £20,000	13	12	25	£215,107
£20,001 - £40,000	4	6	10	£317,348
£40,001 - £60,000	1	2	3	£148,607
£60,001 - £80,000	2	1	3	£222,021
£80,001 - £100,000	-	1	1	£88,358
£100,001 - £150,000	-	1	1	£110,473
Total	20	23	43	£1,101,914

31. 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 37.

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.

	2020/21 £000	2021/22 £000
Funding provided to the pooled budget:		
West Sussex County Council	-83,553	-84,946
West Sussex Clinical Commissioning Groups (CCGs)	-19,029	-19,346
Total funding provided to the pooled budget	-102,582	-104,292
Expenditure met by the pooled budget:		
West Sussex County Council	84,442	89,766
West Sussex Clinical Commissioning Groups (CCGs)	19,231	20,444
Total expenditure met by the pooled budget	103,673	110,210
Net (surplus)/deficit arising on the pooled budget during the year	1,091	5,918
Authority's share of the net (surplus)/deficit	889	4,820

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.

	2020/21 £000	2021/22 £000
Funding provided to the pooled budget:		
West Sussex County Council	-9,185	-9,481
West Sussex Clinical Commissioning Groups (CCGs)	-61,309	-85,777
Total funding provided to the pooled budget	-70,494	-95,258
Expenditure met by the pooled budget:		
West Sussex County Council	9,346	9,622
West Sussex Clinical Commissioning Groups (CCGs)	62,377	86,794
Total expenditure met by the pooled budget	71,723	96,416
Net (surplus)/deficit arising on the pooled budget during the year	1,229	1,158
Authority's share of the net (surplus)/deficit	161	141

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.

	2020/21 £000	2021/22 £000
Funding provided to the pooled budget:		
West Sussex County Council	-11,294	-11,337
West Sussex Clinical Commissioning Groups (CCGs)	-60,678	-83,919
Total funding provided to the pooled budget	-71,972	-95,256
Expenditure met by the pooled budget:		
West Sussex District and Boroughs	-	9,415
West Sussex County Council	36,787	28,810
West Sussex Clinical Commissioning Groups (CCGs)	35,154	37,031
Total expenditure met by the pooled budget	71,941	75,256
Net (surplus)/deficit arising on the pooled budget during the year	-31	-20,000
Underspending brought forward	-264	-345
Underspending returned to partners	35	-
Interest earned on cash balances	-85	-79
Balance carried forward	-345	-20,424

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 accordance with the provisions of the Section 75 agreement, the partners agreed to an additional £20m contribution by the West Sussex CCG in March 2022 to support the activity of the pool. This has resulted in a surplus on the pooled budget at 31 March 2022. If after all relevant costs have been quantified (such as pressures arising in 2022/23 as a consequence of discharges from acute hospitals taking place in 2021/22) there is a residual balance on this additional contribution, then under the terms of the extension agreement entered into by the Joint Commissioning Strategy Group this balance shall be returnable to the CCG (now the NHS Sussex Integrated Care Board). As such, West Sussex County Council has not recognised any share of this surplus in its single entity financial statements.

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 2021/22, of which £17.8m has been recognised in the Comprehensive Income and Expenditure Statement for the period (in addition to £0.4m carried forward from 2020/21) as per Note 25. The balance of £2.2m, together with £12.0m 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.

32. Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council, or to be controlled or influenced by the 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 29. 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 2021/22 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 2021/22 goods and services to the value of £229,108 and £40,604 respectively were commissioned from these organisations.

Another Member acts as Director of Southeast Communities Rail Partnership. No transactions were entered into with this entity during 2021/22.

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.

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 (2020/21 £0.7m) 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 £63.1m (including employee contributions) to the Fund in 2021/22 (2020/21 £61.9m). 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 2022 the Fund had a daily average investment balance of £45.0m held in Sterling (31 March 2021 £154.2m), earning interest of £0.02m (2020/21 £0.05m) in these funds at a rate of return of 0.04% (2020/21 0.04%). No interest on investments held in in foreign currency was earned by the Fund during 2021/22 (2020/21 £0.01m).

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 2021/22 the precept on the County Council was £0.161m (2020/21 precept £0.142m). A further payment of £0.029m was made to the Harbour Board to reimburse legal fees.

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. The Authority also has an interest in Edes Estates Ltd but has determined that the entity had no financial activity to consolidate for the reporting period. Further details on all three arrangements are provided in Note 38.

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 205 maintained schools (207 at 31 March 2021). Non-current assets with a net book value of £687m (£666m at 31 March 2021) were recognised in relation to these schools.

33. Notes to the Cash Flow Statement

(a) Adjustments to net surplus/deficit on the provision of services for non-cash movements

	2020/21 £000	2021/22 £000
Charges for depreciation of non current assets	-84,628	-72,469
Charges for amortisation of intangible assets	-390	-
Revaluations gains/losses on Property, Plant and Equipment and Assets Held for Sale charged to the Surplus/Deficit on Provision of Services	-262,007	24,349
Impairment of non current assets	-	-
Movements in the market value of Investment Property	-2,215	16,088
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	-61,551	-22,390
Gains upon recognition of Donated Assets	-	3,545
Net reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-26,194	-74,221
Revaluation of financial instruments including expected credit losses	1,060	2,370
(Increase) / decrease in creditors	-87,893	5,658
Increase / (decrease) in debtors	9,962	-20,295
Increase / (decrease) in inventories	-18	163
Contributions (to) / from provisions	16,668	-1,137
Net adjustments for non-cash movements	**-497,206**	**-138,339**

(b) Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities

	2020/21 £000	2021/22 £000
Proceeds from the sale of Property, Plant and Equipment, Investment Property, Intangible Assets and Assets Held for Sale	4,530	12,043
Capital grants and contributions recognised in the Comprehensive Income and Expenditure Statement	73,738	53,358
Adjustments for items that are investing and financing activities	**78,268**	**65,401**

(c) Investing Activities

	2020/21 £000	2021/22 £000
Purchase of Property, Plant and Equipment, Investment Property and Heritage Assets	85,183	98,002
Purchase of short-term and long-term investments	339,422	402,581
Proceeds from short-term and long-term investments	-349,389	-343,942
Proceeds from the sale of Property, Plant and Equipment, Investment Property, Intangible Assets and Assets Held for Sale	-4,530	-12,043
Capital grants and contributions recognised in the Comprehensive Income and Expenditure Statement	-73,738	-53,358
Net position on capital grants and contributions receipts in advance	-17,942	-16,187
Net cash flows from investing activities	**-20,994**	**75,053**

(d) Financing Activities

	2020/21 £000	2021/22 £000
Repayment of PFI and finance lease liabilities	4,124	4,058
Receipts from short and long term borrowing	-	-
Repayment of short and long term borrowing	7,016	3,516
Cash held for third parties	-605	-397
Net cash flows from financing activities	**10,535**	**7,177**

34. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Director of Finance and Support Services on 1 February 2023. 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.

35. Contingent Assets

West Sussex County Council currently has no material contingent assets.

36. 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.

(5) In June 2021 the Council notified the Pensions Regulator of a breach of the Teachers' Pension Regulations. This relates to a failure over a number of years to auto-enrol some part time and casual teaching staff onto the teachers' pension scheme as required following a change to the regulations in 2007.

The Council has appointed an external adviser to investigate the extent of the breach. During 2021/22 the Council continued to make progress to identify those individuals in scope, although due to the complexity of the data and the assurance required on the consistency of the data points it has not been possible to accurately quantify the obligation to the Council for inclusion in the 2021/22 accounts. The individuals identified as potentially in scope were sent letters in both March 2021 and February 2022 to keep them updated of the progress being made.

The data analysis to identify those in scope was completed in late August 2022. The Council will work with the Teachers' Pension Scheme (TPS) to agree the data requirements during September and will then submit the full data set to the TPS in October 2022 to then allow the TPS to undertake an 'Options Exercise' for the impacted employees. The Options Exercise is due for completion in March 2023. As part of this Exercise those individuals in scope will receive an options letter detailing benefits accrued (and employee contributions payable), and individuals will then decide whether they wish to exercise their option to join the scheme. The whole exercise is forecast to conclude in June 2023, subject to the TPS finishing the Options Exercise in March 2023. The obligation to the Council only exists should the individual take up their option to join the scheme. As such, no provision for backdated employer contributions or interest charges can currently be made, as existence of the obligation is uncertain and cannot be reliably quantified.

Full detail of the current proposed actions to progress and resolve the issue are set out in the Council's 2021/22 Annual Governance Statement and will be monitored as part of that.

37. 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).

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 Surplus or Deficit on Provision of Services where they arise from the reversal of a loss previously charged to that service).

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.

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 by the systematic allocation of their depreciable amounts over their useful lives. 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:

- 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

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs 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.

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.

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 Levelling Up, Housing and Communities 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.

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) 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) (now the department for Levelling Up, Housing and Communities), 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:

<u>Supported Borrowing</u>

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.

<u>Unsupported Borrowing</u>

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 spreads 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).

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.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

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.

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 (now the Department for Levelling Up, Housing and Communities) 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. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority single entity financial statements (and not the group accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the 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 Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, 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.

<u>The Local Government Pension Scheme and The Firefighters' Pension Scheme</u>

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

- 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 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, i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability 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 – 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 in 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 Property) 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 in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:

a) in the principal market for the asset, or

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

The Authority measures the fair value of an asset using the assumptions that market participants would use when pricing the asset, 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 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 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, either directly or indirectly
- Level 3 – unobservable inputs for the asset.

(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 other sections of the financial statements as appropriate, for example in Note 38 Critical Judgements in Applying Accounting Policies.

Considering the above, and the critical judgements made in applying the Council's policy on going concern as set out in Note 38, the Council is satisfied that the financial statements should be prepared on a going concern basis.

38. Critical Judgements in Applying Accounting Policies

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

Coronavirus – Going Concern Impact Assessment

The budget for 2021/22 was set in February 2021 whilst we were in the midst of the pandemic. In response to the pandemic, the Government continued to make a number of funding streams available to local authorities to address budget pressures. A total of £94.4m of revenue funding was available in 2021/22 (including amounts carried forward from previous years), of which £71.3m was spent in 2021/22 in response to the pandemic. £3.3m of unspent ringfenced grant will be repaid to the Government and £19.8m has been carried forward into 2022/23 to continue to cover pandemic associated costs.

The Council underspent its 2021/22 revenue budget by £5.6m and this was transferred to two reserves - £5.0m to the newly created Inflation Contingency Reserve to enhance the inflation contingency of £2.9m which was established as part of the 2022/23 budget in recognition of the current cost of living crisis, and £0.6m to the Service Transformation Fund.

During the year, the Council closely monitored its cashflow position to ensure that there were sufficient funds available to meet its financial obligations and remain financially solvent. The Council took a cautious approach to investing cash balances in 2021/22 with a significant proportion of surplus cash held in instant access accounts or on very short-term deposits to ensure it was available should it be required as the effects of the pandemic continued.

The delivery of the Council’s services to our residents has been impacted by a number of events including the ongoing Coronavirus pandemic and the economic pressures resulting in increased costs which have been exacerbated by the Russian invasion of Ukraine. The budget gap for 2023/24, as reported at County Council on 28 February 2022, was £25.7m. Since then, the national economic situation has worsened with significant inflationary pressures in 2022/23, some of which are likely to continue into 2023/24, adding further pressures to the Council’s budgets. The timing and the implications of the Fair Funding Review are still not known which adds further uncertainty. Work is underway with the Executive Leadership Team and Cabinet Members to review this position, update with any further pressures and develop plans to mitigate the shortfall to ensure that we are able to present a sustainable balanced budget for 2023/24.

As at 31 March 2022, the Council held earmarked reserves of £186.0m (excluding School Balances and the Business Rates Pilot Fund), 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 if required.

A potential added pressure is the DSG Reserve which, as at 31 March 2022, is a deficit balance of £25.5m, an increase of £15.1m during the year. The DSG deficit is now classified as an unusable reserve in line with regulation changes which came in during 2020/21. The temporary legislation, which states that any DSG deficits are to be recovered from future DSG income over time rather than from local authority General Funds, is set to expire at the end of March 2023. We are awaiting an update from the Department for Education on the approach in the future.

The Council has produced a cashflow to 31 March 2024 and modelled the impact of two scenarios to ensure the budget is balanced for both 2022/23 and 2023/24. Both scenarios are underpinned by the Council’s latest forecasts of its known financial pressures. These total £62.6m and comprise £9.7m inflationary pressures arising from the cost of living crisis in 2022/23 and the forecast £15.0m DSG annual deficit for 2022/23, along with the anticipated non-delivery of savings (£12.4m) in 2022/23 and the accumulated DSG Reserve deficit (£25.5m). The more optimistic scenario assumes that, having met the above pressures through a combination of base funding and reserves, a balanced budget can be set for 2023/24, whereas the more pessimistic scenario assumes a further funding shortfall of £39m in 2023/24. Based on this modelling we are satisfied that there is no material uncertainty relating to the Council’s cashflow position to 31 March 2024.

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 one grant received from the Department of Health and Social Care (DHSC) in 2021/22, the Authority has judged that it is acting as agent. This is the Adult Social Care Infection Control and Testing Fund (£12.7m). 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 amount disclosed above reflects the proportion of the grant for which the onward distribution has been stipulated by DHSC. The Authority was given greater discretion over how to apply a smaller proportion of the grant (30%), and so the Authority has treated this element as principal and as such included the funding and associated expenditure 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. DLUHC's long-awaited Fair Funding Review into business rates retention and baseline funding allocations continues to be delayed. Whilst the spending review published by Government in October 2021 (SR21) covered a three year period from 2022/23 to 2024/25, the 2022/23 Local Government Finance Settlement confirmed in February 2022 was for one year only, although two-year settlements have subsequently been promised commencing 2023/24.

Additionally, there continues to be a high degree of uncertainty around the council tax and business rates base. The fallout from the coronavirus pandemic, coupled with the uncertain economic environment and high levels of inflation, 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, decreasing 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 36 respectively.

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 does 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. Two of the six Trustees serving at the start of this reporting period are employed as head teachers of local authority community schools (both resigned from the Board of West Sussex Music Trust on 27 April 2021). The Authority judges that the head teachers operated in their capacity as representatives of their respective schools, rather than as employees of West Sussex County Council, during their time on the Board. 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 did not exert significant influence over West Sussex Music Trust at any time during the latest reporting period.

The Authority also has an interest in Edes Estates Ltd, a wholly owned subsidiary of West Sussex County Council. Through Edes Estates, the Authority has entered into a joint venture (West Sussex Property Development LLP) with Lovell Partnerships for the purposes of developing (typically operationally surplus) land owned by the Council.

The joint venture has incurred (non-material) expenditure during 2021/22 in relation to a limited number of sites currently being appraised for development. These feasibility works (including architecture and design as part of the planning application process) are at the risk of Lovell Partnerships until such time that the Authority approves a business case for the transfer of land into the joint venture. As such it is judged that Edes Estates has no financial activity to account for at the reporting date and so has not been subject to consolidation into West Sussex County Council group accounts.

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.

39. Assumptions made about the Future and Other 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.

Property, Plant and Equipment – Revaluation

As detailed in Note 37 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 2022 using this methodology. Net indexation of £30.1m was applied to assets with a carrying value of £650.0m an overall increase of 4.6%.

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 £1.6m 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 £8.1m. 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.

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.

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:

<u>Local Government</u>

Change in assumptions at 31 March 2022	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2%	51,821
1 year increase in member life expectancy	4%	103,423
0.1% increase in the Salary Increase Rate	0%	3,681
0.1% increase in the Pension Increase Rate	2%	47,769

<u>Firefighters</u>

Change in assumptions at 31 March 2022	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	9%	40,391
1 year increase in member life expectancy	3%	12,723
0.5% increase in the Salary Increase Rate	<1%	1,921
0.5% increase in the Pension Increase Rate	8%	33,599

40. 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 2021/22, this requirement is limited to the standards listed in Appendix C of the 2022/23 Code, which (as per CIPFA Bulletin 10 – Closure of the 2021/22 Financial Statements) are expected to be as follows:

- IFRS 16 Leases (only applies to authorities which have elected to adopt the standard in the 2022/23 financial year)
- Annual Improvements to IFRS Standards 2018-20
- Property, Plant and Equipment: Proceeds before Intended Use (amendments to IAS 16).

West Sussex County Council does not expect to adopt IFRS 16 in the 2022/23 financial year. The Authority intends to make full use of the deferral of this standard until 1 April 2024 as announced by CIPFA LASAAC in April 2022.

The annual IFRS improvements cycle includes minor changes to IFRS 1 (First-time adoption), IAS 37 (Onerous contracts), IFRS 16 (Leases) and IAS 41 (Agriculture), none of which are considered to have a significant impact on local authority financial reporting.

The change to IAS 16 reflects a narrow-scope amendment to prohibit the deduction of proceeds from selling items produced before an item of Property, Plant and Equipment (PPE) is available for use from the cost of that PPE, and as such is again not considered to be significant in a local government context.

41. Firefighters' Pension Scheme

Fund Account	**2020/21 £000**	**2021/22 £000**
Contributions receivable		
Employers		
Normal	-4,189	-4,212
Early retirements	-	-
Total Employer Contributions	-4,189	-4,212
Employees	-1,851	-1,899
Transfer values from employers of contributors joining the fund	-24	-27
Charges in respect of ill-health early retirements	-	-20
Total contributions receivable	-6,064	-6,158
Benefits payable		
Lump sum benefits		
Commutations	2,091	1,634
Death benefits	-	-
Total Lump sum benefits	2,091	1,634
Pensions	8,813	8,940
Transfer values to employers of contributors leaving the fund	7	-
Refund of contributions	-	2
Total benefits payable	10,911	10,576
Other miscellaneous expenditure	46	38
Net amount payable for the year before top up grant from the Home Office	4,893	4,456
Top up grant received from the Home Office	-3,243	-3,126
Top up grant receivable from the Home Office	-1,650	-1,330
Net amount payable/receivable for the year	**-**	**-**

Net Assets Statement	**31 March 2021 £000**	**31 March 2022 £000**
Current Assets		
Pension top up grant receivable from the Home Office in respect of year to reporting date	1,650	1,330
Payments in advance	-	-
Total Current Assets	1,650	1,330
Less: Current Liabilities		
Creditors	-1,650	-1,330
Net Assets - Scheme Balance	-	-

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.
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.
Current Service Cost	An increase in the present value of liabilities in a defined benefit pension scheme, arising from employee service in the current period.
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.
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).
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. Materially 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.
Past Service Cost	The change in the present value of the defined benefit obligation relating to employee service in prior periods, arising from amendments to retirement benefits.
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.
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.
Section 106 Contributions	Payments made by developers as part of a planning agreement entered into under the Town and Country Planning Act 1990, as a contribution towards infrastructure costs (highways, schools etc) to mitigate the impacts of a development proposal.
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.