West Sussex County Council
Statement of Accounts 2014/15
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Foreword to the Accounts

Introduction

The accounts presented in the following pages account clearly and objectively for the way the County Council has spent the public money entrusted to it. This objectivity is ensured by following International Financing Reporting Standards (IFRS), and submitting the accounts to an external auditor (EY) for scrutiny. The audit certificates on pages 113 and 151 are the assurance that the statements give a true and fair view of the authority's financial position.

The accounts comprise four core accounting statements and supporting disclosure notes. The statements are:

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 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

Spending in 2014/15

Despite another challenging year in which a further £14.7m of savings were required, the County Council reported a nil variation against budget at the end of 2014/15; and the position has been monitored and reported to members throughout the year. There was an outturn underspending of £4.0m, of which £1.3m related to various carry forward requests which were approved and £2.7m was transferred to the Volatility Reserve to safeguard against any delay in the delivery of some of thematic cross-portfolio savings which are built into the 2015/16 budget. This underspending is in addition to the £9.1m that has already been removed during the year from the revenue budget. Within that underspending £1.7m was transferred from the Think Family budget to the Early Intervention Reserve and £0.7m related to Special Education Needs and Disabilities (SEND) grants that will be held in the reserves and made available to the service over the next three years. Additional funding of £2.0m was made available for Tangmere Solar Farm and £1.8m was allocated to urgent school maintenance projects, both of which were transferred to reserves to be carried forward into 2015/16. The balance of the in-year underspending (£2.9m) has been carried forward into 2015/16 to mitigate a number of service pressures or priorities. The total underspending for 2014/15 across both portfolio and non-portfolio budgets and financing, including the outturn underspending of £4.0m, is therefore £13.1m.

The outturn underspending position is summarised in Table 1 below:

Table 1 – spending compared with budget

Portfolio	Over / (-) underspend £000
Adult Social Care and Health	0
Children – Start of Life	778
Community Wellbeing	13
Corporate Relations	-483
Education and Skills	-603
Finance	-601
Highways and Transport	-596
Leader	-219
Residents' Services	-1,101
Portfolio Budgets Sub-Total	**-2,812**
Non-portfolio budgets	-1,159
Financing	-29
Total (Under) / Overspending	**-4,000**
Service carry-forwards approved	1,216
Corporate carry-forwards approved	
Thematic Savings – allocated to Volatility Reserve	2,684
Council Chamber – technology improvements	100
Total Net Spending	**0**

The Comprehensive Income & Expenditure Statement (CIES) shows a deficit on provision of services of £26 million. This is confusing because it includes both cash transactions and those based purely on accounting concepts (such as depreciation) which are not cash costs to a local authority.

A more helpful measure of financial performance is the change in the value of the General Fund (the County's unearmarked cash reserve), because this demonstrates whether the County has spent more or less than the council tax it raised during the year. This is accounted for in the Movement in Reserves Statement (MIRS) which shows no change in the balance of the General Fund. The General Fund balance at 31 March 2015 is £17.8m. This is 3.4% of the 2015/16 budget, which is considered to be a prudent buffer against the significant financial pressures affecting all public sector organisations.

Spending on the County Council's capital programme totalled £138.6m for the year against the revised capital programme of £130.4m (as approved at County Council on 13 February 2015), a total variation of £8.2m or 6.3%. This included spending on two of the Council's capital priorities - £16.5m on the Better Roads Programme and £11.8m on the Worthing Age of Transfer project. In 2014/15 a further nine schools obtained Academy status, at which point the buildings ceased to be County Council assets (resulting in assets to the value of £28.6m being removed from the Balance Sheet). Furthermore, the Council has revalued the land these Academies occupy to reflect the restricted use to the authority (resulting in a further reduction of £23.3m to the Balance Sheet). As at the end of March 2015, 48 schools have obtained Academy status and 235 schools remain within the local authority control. The transfer of schools to Academies is likely to continue in the coming year.

The County Council borrowed £70m in April 2011, mainly to fund the Materials Resource Management Contract. This borrowing was undertaken on an Equal Instalment of Principal (EIP) basis, which means that the loan is repaid equally over its life, rather than a single lump sum at the end, and £7.0m was repaid in 2014/15. Outstanding Public Works Loans Board borrowing as at 31 March 2015 was £416.9m (excluding accrued interest), with an average interest rate of 4.5%. This borrowing should been seen in the context of the long term assets valued at £1.7 billion on the Balance Sheet.

Pensions Liability

Under International Accounting Standard 19, the County 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 £806.3m is offset by a matching notional reserve ensuring there is no impact on the local taxpayer (see Note 17).

Balances and Reserves

The Balance Sheet distinguishes between "usable" and "unusable" reserves. The latter comprises only notional accounting entries which have no cash value. Usable reserves total £232.3m (as detailed in the MIRS), summarised in Table 2 below. With the exception of the General Fund (£17.8m), the usable reserves are earmarked for specific purposes and are not available to support general revenue spending.

Table 2 – Usable Reserves

Reserve	Purpose	Amount £m
PFI Reserves	Spreading the costs of long-term contracts	36.2
Waste Management	Investment fund to meet costs of 25- year contract	33.4
Service Transformation	Investment in more effective ways of working including funding for redundancies	22.8
Schools Balances	Holds net underspending on locally managed budgets at 31 March 2015	22.2
Capital Expenditure	Funding for future years' capital programmes	14.8
Volatility Reserve	To meet pressures arising from the volatility of central government funding streams	14.8
Early Intervention	To fund a programme which aims to help families who have been identified as facing difficult issues	12.5
Insurance	Self-insurance fund	8.2
Infrastructure Fund	Money set aside to promote local employment and stimulate the local economy	8.0
Business Infrastructure	To pump-prime local economic developments	4.0
Interest Account	Funding for future increases in interest rates and to offset shortfalls in investment income	3.6
Tangmere Solar Farm	A contribution towards the development of a solar farm at Tangmere Airfield site as part of the Your Energy Sussex energy programme	2.0
Schools Sickness & Maternity Insurance Scheme	Holds the accumulated surplus on the sickness and maternity insurance scheme operated by the authority for its maintained schools	1.8
Urgent Schools Maintenance	Funding to undertake urgent capital maintenance works at school sites across West Sussex	1.6
Highways and Education Buildings	To cover shortfall within the Basic Need programme as a result of DfE grant shortfall, along with providing improvements to the highways network	1.2
Operation Watershed	To meet the cost of drainage and highways works relating to extreme weather conditions	0.9
Other Earmarked Reserves		16.3
Earmarked Reserves		204.3
Capital Receipts / Grants Unapplied		10.2
General Fund		17.8
Total Usable Reserves		232.3

Looking Ahead

The 2014 Autumn Statement painted an even harsher climate than expected for funding for the non-protected parts of public expenditure (i.e. those outside of the NHS, schools and overseas aid where the Government seeks to protect their real terms spending). There is therefore potential for sharper and quicker cuts in local government finances. The provisional settlement announced in December 2014 was limited in scope to a one-year only settlement for the County Council's funding in 2015/16. There is no national Spending Review after this period in place and the prospects for future funding will be dependent on the view taken by the current government.

The Council's best assessment (as at February 2015) of the savings required, and/or reduction in spending pressures needed, to balance the budget over the four years from 2015/16 to 2018/19 is £124m. This is in addition to the £100m removed from service budgets over the previous four years. There continues to be a higher degree of uncertainty when predicting future saving requirements due most fundamentally to a lack of clarity on future funding in 2017/18 and 2018/19. Furthermore, given the uncertainty over future funding levels, particularly local business rate yield and Revenue Support Grant, a healthy level of reserves represents an important buffer against the risk that funding levels will be lower than expected or savings slower to realise. In particular, £14.8m is held within the Volatility Reserve.

Forecasting future funding is inexact at the best of times. The Business Rate Retention System, introduced in 2013/14, alongside the simultaneous localisation of council tax benefit, adds significant uncertainty to the position. The yield for 2014/15 business rates will not be finalised until June 2015, which means the 2015/16 budget was set using the evidence of in-year estimates, which may change considerably as a result of pending appeals.

The medium-term funding projections also make an assumption about Revenue Support Grant. The direction of travel is clear, with grant set to reduce to negligible levels over the next four to five years. The speed at which that reduction is implemented is a major variable with a high impact on the financial forecasts. It is clear that RSG will be a much less significant source of funding by 2018/19, and the County Council's budget will therefore be at a more self-sustaining level, with much less reliance on government grant funding than now and more dependent upon business rates and council tax payers.

Funding from Education Services Grant (ESG) continues to be a significant variable, driven by the number of schools becoming Academies each quarter, again with the potential to reduce income in-year. If significant numbers of schools chose (or were compelled) to become Academies in September 2015 or 2016 this would equate to large and unplanned loss of grant during the year, which would need to be met from reserves, the general contingency, service reductions or windfall savings.

With the very high level of spending reductions required over the medium-term (£124m up to 2018/19), there is clearly a risk that target levels will not be achieved, or will be delivered later than planned. That risk is magnified by a variety of factors, including the large reductions already made to service budgets, the complexity of some of the savings solutions, the time required to work up robust commissioning plans, no detailed savings plans in place for 2017/18 and 2018/19, the implementation of the Care Act, the Deprivation of Liberty Safeguards, possible increased waste disposal costs and pressures within the capital programme, due to demand significantly out-stripping available capital resources.

These risks identified above are mitigated in several ways. A general contingency is retained, which is £1.7m higher in 2015/16 than in 2014/15, to provide a buffer against in-year pressures and to cover for any potential risks arising from the non-delivery of planned savings and the ESG and NHS funds. In addition, there are a number of reserves which have been created specifically to support the Council at a time when the national funding picture is far less certain. They also recognise that the authority is going through a period of unprecedented change as well as mitigating the pressure on the Adult Social Care and Health budgets caused by the impact of hospital throughput and demand for health care which can impact on the County Council. A Volatility Reserve, established in 2012/13, stands at £14.8m at 31 March 2015, and this reserve is held to smooth fluctuations in funding levels (particularly business rates) or to offset delays in the delivery of savings. The Service Transformation Fund, established to fund the initial costs of moving to new service delivery models, stands at £22.8m as at 31 March 2015, ensuring that savings proposals are not held back through cashflow issues or lack of funds to invest in delivering change.

The importance of the balance sheet to smooth variations in funding means that close scrutiny of reserves is more important than ever. These reserves are reviewed at least annually in line with CIPFA guidance and are kept under review through the monthly Total Performance Monitor so that deviations from forecast can be swiftly identified. The County Council's unearmarked reserves, held in the General Fund, are estimated to maintain at £17.8m at 31 March 2016. In the present financial climate of uncertainty and continuing austerity, this is the minimum level considered prudent.

It is important to recognise that although these risks manifest themselves in different ways, most have a single underlying driver; the performance of the national economy. Within the Future West Sussex Plan, "Championing the Economy" is one of the three priority outcomes which the Council has set and is committed to West Sussex having a strong and diverse economy in the future. If the economy performs worse than expected, this will increase the numbers of benefit claimants, depress business rate income, and increase the number of successful rate appeals. It would also reduce the amount of central government funding available to support local authorities. It would be incorrect, therefore, to argue that the level of reserves can be decreased on the grounds that not all reserves are likely to be required at once.

Conclusion

Taking into account the information described above, it is considered that the County Council can demonstrate strong financial resilience. The County Council's continuing strong track record in budget management, illustrated by well controlled revenue and capital spending, give confidence that future spending will continue to be managed within the budgets set. However, it is also recognised that delivering the aspirations set out in the Future West Sussex Plan, within the resources available, will be ever more challenging with each successive year of funding reductions.

Staffing Costs

The County Council is required to disclose the pay and benefits of senior officers, and this is detailed in Note 30. Below is a summary table of this information and some wider contextual information on the County's pay bill.

Table 3 – Senior Officers' Remuneration 2014/15

Post title (as at 31 March 2015)	Post holder (Corporate Leadership Team only)	Total remuneration (excluding pension contributions) £	Employer's pension contribution £	**Total remuneration (including pension contributions) £**
Chief Operating Officer	Gill Steward	171,011	26,198	**197,209**
Executive Director of Residents' Services [1]	Diane Ashby	69,217	12,044	**81,261**
Executive Director of Residents' Services [1]	Cathryn James	5,376	935	**6,311**
Executive Director Care, Wellbeing & Education [2]	Avril Wilson	19,806	3,446	**23,252**
Executive Director of Communities & Public Protection	Sean Ruth	127,175	26,415	**153,590**
Director of Communities		106,181	18,475	**124,656**
Director of Public Health & Social Care Commissioning		135,000	18,900	**153,900**
Director of Strategic Development [2]		104,199	13,995	**118,194**
Director of Finance & Assurance [2]		143,272	9,269	**152,541**
Director of Adults' Services		115,753	20,134	**135,887**
Director of Children's Services [2]		8,150	1,241	**9,391**
Director of Public Protection & Deputy Chief Fire Officer [2]		67,993	14,314	**82,307**
Director of Operations & Assistant Chief Fire Officer [2]		60,303	12,425	**72,728**
Director of Customer Service [2]		17,188	2,991	**20,179**
Director of Law, Assurance & Strategy		96,785	16,841	**113,626**
Deputy Director of Finance [2]		31,304	5,445	**36,749**
Director of Strategic Planning & Place		97,697	16,999	**114,696**
Director of Highways & Transport [2]		16,452	2,863	**19,315**
Assistant Chief Operating Officer		86,502	15,051	**101,553**
Director of Workforce, OD & Delivery Support		93,710	16,305	**110,015**

[1] Multiple post holders during year – see Note 30 for detailed analysis
[2] Represents part-year expense – see Note 30 for detailed analysis

The table includes only those posts who are directly employed by West Sussex County Council. These figures include salary and employer's pension contributions. Redundancy payments are also included in remuneration calculations.

The number of staff with remuneration above £50,000 was 582, a small increase from 580 in 2013/14. Total employee costs for 2014/15 (including salary, national insurance, pension and redundancy costs) were £494.3m, compared with £510.1m the previous year.

Accounting Policies

There are only minor changes to the accounting policies for 2014/15, none of which relate to matters of principle.

Statement of Responsibilities

The Chief Financial Officer's responsibilities:

The Executive Director Corporate Resources and 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 Executive Director Corporate Resources and 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 Executive Director Corporate Resources and 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 2015, and of its income and expenditure for the year ending on that date.

Peter Lewis
Executive Director Corporate Resources and Services
25 September 2015

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 Executive Director Corporate Resources and 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 25 September 2015 on behalf of West Sussex County Council.

Morwen Millson
Chairman of the Regulation, Audit and Accounts Committee
25 September 2015

Core Financial Statements

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2013	**-17,840**	**-199,189**	**-7,938**	**-12,937**	**-237,904**	**-601,426**	**-839,330**
Movement in reserves during 2013/14							
(Surplus) or deficit on the provision of services	236,209	0	0	0	236,209	0	236,209
Other Comprehensive Income and Expenditure	0	0	0	0	0	-88,930	-88,930
Total Comprehensive Income and Expenditure	**236,209**	**0**	**0**	**0**	**236,209**	**-88,930**	**147,279**
Adjustments between accounting basis & funding basis under regulations (Note 1)	-273,669	0	0	7,778	-265,891	265,891	0
Net Increase / Decrease before Transfers to Earmarked Reserves	**-37,460**	**0**	**0**	**7,778**	**-29,682**	**176,961**	**147,279**
Transfers to/from Earmarked Reserves (Note 2)	37,460	-37,460	0	0	0	0	0
Increase / Decrease in 2013 / 14	**0**	**-37,460**	**0**	**7,778**	**-29,682**	**176,961**	**147,279**
Balance at 31 March 2014	**-17,840**	**-236,649**	**-7,938**	**-5,159**	**-267,586**	**-424,465**	**-692,051**
Movement in reserves during 2014/15							
(Surplus) or deficit on the provision of services	26,097	0	0	0	26,097	0	26,097
Other Comprehensive Income and Expenditure	0	0	0	0	0	124,097	124,097
Total Comprehensive Income and Expenditure	**26,097**	**0**	**0**	**0**	**26,097**	**124,097**	**150,194**
Adjustments between accounting basis & funding basis under regulations (Note 1)	6,230	0	0	2,938	9,168	-9,168	0
Net Increase / Decrease before Transfers to Earmarked Reserves	**32,327**	**0**	**0**	**2,938**	**35,265**	**114,929**	**150,194**
Transfers to/from Earmarked Reserves (Note 2)	-32,327	32,327	0	0	0	0	0
Increase / Decrease in 2014 / 15	**0**	**32,327**	**0**	**2,938**	**35,265**	**114,929**	**150,194**
Balance at 31 March 2015	**-17,840**	**-204,322**	**-7,938**	**-2,221**	**-232,321**	**-309,536**	**-541,857**

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 are 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 basis and funding basis under regulations'.

1 April 2014 £000		Notes	31 March 2015 £000
1,619,664	Property, Plant & Equipment	3	1,664,343
67	Heritage Assets	4	67
25,026	Investment Property	6	24,637
3,179	Intangible Assets	7	2,679
25,177	Long Term Investments	8	25,527
9,761	Long Term Debtors	8	9,130
1,682,874	**Long Term Assets**		**1,726,383**
217,526	Short Term Investments	8	197,903
6,348	Assets Held for Sale	10	1,043
218	Inventories	N/A	215
106,763	Short Term Debtors	11	115,040
37,018	Cash and Cash Equivalents	12	28,581
367,873	**Current Assets**		**342,782**
-15,532	Short Term Borrowing	8	-15,364
-133,327	Short Term Creditors	13	-120,197
-14,632	Short Term Provisions	14	-14,256
-2,579	Short Term PFI Liability	15	-2,521
-437	Short Term Finance Lease Liability	16	-458
-166,507	**Current Liabilities**		**-152,796**
-416,599	Long Term Borrowing	8	-409,897
-8,096	Long Term Provisions	14	-7,603
-85,396	Long Term PFI Liability	15	-100,059
-2,445	Long Term Finance Lease Liability	16	-1,987
-647,780	Pension Liability	17	-806,345
-31,873	Capital Grants Receipts in Advance	19	-48,621
-1,192,189	**Long Term Liabilities**		**-1,374,512**
692,051	**Net Assets**		**541,857**
-267,586	Usable Reserves	MIRS	-232,321
-424,465	Unusable Reserves	20	-309,536
-692,051	**Total Reserves**		**-541,857**

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position, which directly affects the cash balance on the General Fund, is shown in the Movement in Reserves Statement.

	2013/14				2014/15	
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
287,576	-92,622	194,954	Adult Social Care	281,286	-87,918	193,368
7,677	-3,155	4,522	Central Services	6,853	-1,993	4,860
833,905	-516,109	317,796	Children's and Education Services	655,147	-504,905	150,242
23,558	-1,355	22,203	Cultural and Related Services	17,813	-6,734	11,079
69,134	-6,751	62,383	Environmental and Regulatory Services	65,819	-6,610	59,209
40,703	-2,829	37,874	Fire and Rescue Services	33,858	-2,826	31,032
86,552	-20,187	66,365	Highways and Transport Services	86,050	-18,900	67,150
9,638	-371	9,267	Housing Services	11,994	-1,740	10,254
8,404	-2,883	5,521	Planning Services	8,955	-3,022	5,933
19,350	-20,504	-1,154	Public Health	30,770	-27,281	3,489
1,386,497	**-666,766**	**719,731**	**Cost of Services**	**1,198,545**	**-661,929**	**536,616**
53,135	0	53,135	Other Operating Expenditure: School Academy Transfers (Notes 21 & 22)	28,618	0	28,618
9,486	0	9,486	Other Operating Expenditure: Other (Note 22)	2,841	0	2,841
51,884	-11,361	40,523	Financing and Investment Income and Expenditure (Note 23)	105,777	-53,098	52,679
0	-586,666	-586,666	Taxation and Non-Specific Grant Income (Note 24)	0	-594,657	-594,657
1,501,002	**-1,264,793**	**236,209**	**(Surplus) or Deficit on Provision of Services**	**1,335,781**	**-1,309,684**	**26,097**
		-103,468	(Surplus) or Deficit on revaluation of non current assets (Note 3)			-8,884
		126	Impairment of non current assets chargeable to the Revaluation Reserve (Note 3)			0
		42	(Surplus) or Deficit on revaluation of available for sale financial assets (Note 20)			-271
		14,370	(Gains)/losses on remeasurement of pension assets/liabilities (Note 17)			133,252
		-88,930	**Other Comprehensive Income and Expenditure**			**124,097**
		147,279	**Total Comprehensive Income and Expenditure**			**150,194**

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.

2013/14 £000		2014/15 £000
236,209	Net (surplus) or deficit on the provision of services	26,097
-362,601	Adjustments to net surplus or deficit on the provision of services for non cash movements (Note 33)	-105,711
44,406	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 34)	59,894
-81,986	Net cash flows from Operating Activities	-19,720
106,895	Investing Activities (Note 35)	15,847
11,637	Financing Activities (Note 36)	12,310
36,546	Net (increase)/decrease in cash and cash equivalents	8,437
-73,564	Cash and cash equivalents at the beginning of the reporting period	-37,018
-37,018	**Cash and cash equivalents at the end of the reporting period (Note 12)**	**-28,581**

Disclosure Notes to the Accounts

1. Adjustments between Accounting Basis and Funding Basis under Regulations

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

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 (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve
The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or 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 (Reserve) 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.

2014/15	Usable Reserves General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation of non current assets	-49,300			49,300
Charges for amortisation of intangible assets	-500			500
Charges for impairment of non current assets	0			0
Revaluation gains/losses on Property, Plant and Equipment and Assets Held for Sale	-13,080			13,080
Movements in the market value of Investment Properties	-1,342			1,342
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	-26,330			26,330
Capital grants and contributions applied to REFCUS	20,969			-20,969
Amounts written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-37,818			37,818
Cost of sales attributed to the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-32			32
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	23,426			-23,426
Revenue Contribution to Capital Outlay	52,074			-52,074
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions with no conditions outstanding recognised in the Comprehensive Income and Expenditure Statement	52,503		-52,503	
Application of grants to capital financing transferred to the Capital Adjustment Account			55,441	-55,441
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	7,423	-7,423		
Use of the Capital Receipts Reserve to finance new capital expenditure		7,423		-7,423
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		0		0
Adjustment primarily involving the Deferred Capital Receipts Reserve:				
Write down of Finance Lease debtor	-2			2
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0			0
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-76,972			76,972
Employer's pension contributions and direct payments to pensioners payable in year	51,659			-51,659
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	2,009			-2,009
Adjustment primarily involving the Accumulated Absences Account:				
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	1,543			-1,543
Total Adjustments	**6,230**	**0**	**2,938**	**-9,168**

2013/14	Usable Reserves General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation of non current assets	-46,078			46,078
Charges for amortisation of intangible assets	-500			500
Charges for impairment of non current assets	-2,646			2,646
Revaluation gains/losses on Property, Plant and Equipment and Assets Held for Sale	-217,772			217,772
Movements in the market value of Investment Properties	6,982			-6,982
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	-15,291			15,291
Capital grants and contributions applied to REFCUS	14,635			-14,635
Write out of historic transactions relating to de-recognised finance lease liabilities	183			-183
Structural maintenance	-240			240
Amounts written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-65,778			65,778
Cost of sales attributed to the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-9			9
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	22,005			-22,005
Revenue Contribution to Capital Outlay	6,371			-6,371
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions with no conditions outstanding recognised in the Comprehensive Income and Expenditure Statement	39,506		-39,506	
Application of grants to capital financing transferred to the Capital Adjustment Account			47,284	-47,284
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	4,815	-4,815		
Use of the Capital Receipts Reserve to finance new capital expenditure		10,610		-10,610
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		-5,795		5,795
Adjustment primarily involving the Deferred Capital Receipts Reserve:				
Write down of Finance Lease debtor	-2			2
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	94			-94
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-67,774			67,774
Employer's pension contributions and direct payments to pensioners payable in year	47,304			-47,304
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-357			357
Adjustment primarily involving the Accumulated Absences Account:				
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	883			-883
Total Adjustments	**-273,669**	**0**	**7,778**	**265,891**

2. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans, and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2014/15.

	Balance at 1 April 2013	Transfers Out 2013/14	Transfers In 2013/14	Balance at 31 March 2014	Transfers Out 2014/15	Transfers In 2014/15	Balance at 31 March 2015
	£000	£000	£000	£000	£000	£000	£000
Audit Improvements	-39	0	0	-39	0	0	-39
Better Roads Programme	0	0	-15,000	-15,000	15,000	0	0
Business Infrastructure Fund	-5,250	1,113	-1,415	-5,552	1,551	0	-4,001
Capital Expenditure	-11,488	0	-3,265	-14,753	0	-74	-14,827
Care and Clinical Governance Team	0	0	0	0	0	-600	-600
Chairman's Fund	0	2	-35	-33	33	0	0
Contract Settlement	-1,100	70	0	-1,030	53	0	-977
Council Chamber Works	0	0	-140	-140	140	0	0
Crawley Fire Station	0	0	-30	-30	30	0	0
Crawley Schools PFI	-6,236	787	-104	-5,553	0	-856	-6,409
Creditor Cashflow Account	-419	509	-637	-547	663	-116	0
Dedicated Schools Grant (DSG)	-7,354	7,354	-12,840	-12,840	12,840	-9,688	-9,688
Debtor Contingency	0	0	0	0	0	-641	-641
DfE Basic Need Grant	-2,600	0	0	-2,600	2,600	0	0
Early Intervention	-14,201	3,731	-3,639	-14,109	3,301	-1,675	-12,483
Elections	0	0	0	0	0	-200	-200
Facilities Management Income	-200	200	-164	-164	164	0	0
Fire Joint Control Centre	-377	377	0	0	0	0	0
FRS Operating Model Transition	0	0	0	0	0	-90	-90
FRS Training Retained Firefighters	0	0	0	0	0	-200	-200
Highways and Education Buildings	-5,233	298	0	-4,935	3,760	0	-1,175
Infrastructure Fund	-13,038	3,898	0	-9,140	1,107	0	-8,033
Insurance	-9,777	533	-831	-10,075	1,868	0	-8,207
Interest Smoothing	-3,989	26	0	-3,963	387	0	-3,576
Local Area Agreement (LAA) Revenue	-99	99	0	0	0	0	0
Midhurst Academy	-150	150	0	0	0	0	0
Miscellaneous Carry Forwards	0	0	0	0	0	-1,064	-1,064
Music Service	-352	352	0	0	0	0	0
On Street Parking	-747	1,327	-608	-28	773	-810	-65
Operation Watershed	-7,922	7,660	-1,379	-1,641	1,607	-881	-915
Planning Enquiries	-169	51	0	-118	0	0	-118
Post Inspection Improvement Works	-283	283	0	0	0	0	0
Records Office WWI	0	0	-61	-61	1	0	-60
School Balances	-23,992	23,992	-21,671	-21,671	21,671	-22,192	-22,192
Schools Sickness and Maternity	0	0	0	0	0	-1,776	-1,776
Service Transformation	-18,368	1,638	-9,198	-25,928	3,176	0	-22,752
Social Enterprise Fund	0	0	-16	-16	16	0	0
Staff Development	-375	375	0	0	0	0	0
Strategic Planning Major Projects	-214	0	0	-214	0	-225	-439
Street Lighting PFI	-14,262	0	-2,115	-16,377	0	-997	-17,374

	Balance at 1 April 2013	Transfers Out 2013/14	Transfers In 2013/14	Balance at 31 March 2014	Transfers Out 2014/15	Transfers In 2014/15	Balance at 31 March 2015
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Tangmere Solar Farm	0	0	0	0	0	-2,000	-2,000
Tax Liabilities	-51	0	0	-51	0	0	-51
Unapplied Revenue Grants	-2,504	2,470	-3,934	-3,968	3,968	-1,559	-1,559
Urgent Schools Maintenance	0	0	0	0	165	-1,755	-1,590
Volatility	-6,400	2,713	-7,454	-11,141	13	-3,626	-14,754
Waste Materials Resource Management Contract (MRMC)	-26,892	0	-3,078	-29,970	0	-3,395	-33,365
Waste PFI	-12,351	27	-39	-12,363	0	-40	-12,403
Waste Recyclates	-921	314	0	-607	0	0	-607
Ways of Responding Through Health (WORTH) Project	-214	122	0	-92	0	0	-92
Winter Pressures Funding	-1,622	1,622	0	0	0	0	0
Worthing Age of Transfer	0	0	-11,900	-11,900	11,900	0	0
Earmarked Reserves	**-199,189**	**62,093**	**-99,553**	**-236,649**	**86,787**	**-54,460**	**-204,322**

Earmarked Reserves - Descriptions

- The **Audit Improvements** reserve is financed by savings arising from reduced external audit fees, and will be invested to improve the accounts preparation process and mitigate the risk of additional costs arising from increased audit work.
- The **Better Roads Programme** is a programme of investment in the resurfacing of unclassified roads and other road improvements. The total value of the programme is £30m over two financial years, 2014-2016, and this reserve held a contribution towards that investment.
- The **Business Infrastructure Fund** is intended to pump-prime local economic developments, through developing the broadband network, facilitating new business start-ups, and financing internal infrastructure improvements using local contractors where appropriate.
- The **Capital Expenditure** reserve is established to finance expenditure within the capital programme as part of the capital financing strategy.
- The **Care and Clinical Governance Team** reserve holds funding to support the provision of a multi-disciplinary care and clinical governance team designed to proactively quality assure the residential care and nursing market across West Sussex.
- The **Chairman's Fund** was created to contribute towards costs incurred in 2014/15 to mark the County Council's 125th anniversary.
- The **Contract Settlement** reserve provides for potential claims arising from the settlement of contractual arrangements.
- The **Council Chamber Works** reserve was held to fund works to repair damage to the Council Chamber at County Hall Chichester.
- The **Crawley Fire Station** reserve held a revenue contribution towards an improvement project to improve the working conditions at Crawley Fire Station.
- The **Crawley Schools PFI**, **Street Lighting PFI** and **Waste 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 **Creditor Cashflow Account** held monies that had been removed from creditor balances as payment was considered unlikely, but were maintained in an earmarked reserve so that any subsequent claims for payment could be funded from reserves without any impact on service budgets.
- The **Dedicated Schools Grant (DSG)** carry forward reserve is detailed in Note 28.
- The **Debtor Contingency** reserve supplements the debtor write-off provision (see Note 14), which is held for specific debts where write-off is considered probable. The reserve is intended to mitigate the impact on service budgets where further specific write-offs are identified as part of the ongoing review of debt.

- The **DfE Basic Need Grant** reserve was held to meet funding gaps identified in the capital programme arising from reductions in DfE Basic Need grant funding.
- The **Early Intervention** reserve is used to fund a programme which aims to help vulnerable families requiring County Council help.
- The **Elections** reserve holds annual contributions built into the base revenue budget, used to finance administrative costs in an election year.
- The **Facilities Management Income** reserve was held to finance works associated with improvements to revenue generating facilities in order to maximise income for the Authority.
- The **Fire Joint Control Centre** reserve was held to meet transition costs associated with the Sussex Control Centre project, including additional employer's pension liabilities upon transfer.
- The **FRS Operating Model Transition** reserve is held to support the transition of the Fire and Rescue Service to a new operating model in 2015/16, including the facilitation of a phased approach to voluntary redundancies and the addressing of pay protection pressures.
- The **FRS Training Retained Firefighters** reserve has been financed from service underspending in 2014/15, and will be applied in 2015/16 to support the training of retained firefighters.
- The **Highways and Education Buildings** reserve is held to cover any outstanding shortfall within the Education Basic Need programme as a result of the DfE grant shortfall, along with providing improvements on the highway.
- The **Infrastructure Fund** is used to support new projects, many of which will be delivered in conjunction with district and borough councils, to support the local economy.
- 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. charges in excess of the known claims as provided for in the insurance provision). The value of the reserve is subject to regular review by independent insurance advisers to assess its validity in consideration of historical and market trends.
- The **Interest Smoothing** reserve 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 **Local Area Agreement (LAA) Revenue** reserve was established to fund the LAA revenue programme. The balance on the reserve at 1 April 2013 represented the outstanding Performance Reward Grant, which was allocated in 2013/14.
- The **Midhurst Academy** reserve was held to fund future rental payments payable in respect of privately owned estates at a site now occupied by Midhurst Academy, in order to maintain the peppercorn status of the lease between the Authority and Midhurst Academy for VAT purposes.
- The **Miscellaneous Carry Forwards** reserve holds a number of individually minor service carry forwards which were agreed in the outturn Total Performance Monitor. These make use of the outturn underspending and are to be applied in the subsequent financial year.
- The **Music Service** reserve held planned underspending on the Arts Council grant to meet set-up costs for the new Music Education Hub in 2013/14.
- The **On Street Parking** reserve represents the surplus of charges over enforcement and associated costs, and is used to finance future on street parking projects.
- The **Operation Watershed** reserve is held to meet the cost of drainage and highways works relating to extreme weather conditions.
- The **Planning Enquiries** reserve relates to public planning enquiries into Structure, Waste & Mineral plans.
- The **Post Inspection Improvement Works** reserve was held to fund developments arising from the Ofsted inspection of the Safeguarding Children service which took place in February 2013, and further improvement activities arising from the Looked After Children inspection in 2013/14.
- The **Records Office WWI** (World War I) reserve will support the World War I centenary and related projects in 2014-2018.
- The **School Balances** reserve holds net underspending on locally managed 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** reserve 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 Enterprise Fund** was held to provide working capital to enterprises to address the challenges shown as most important to the Council in its Performance Framework.
- The **Staff Development** reserve was established to provide funding to meet identified training needs and supporting good causes identified by staff.
- The **Strategic Planning Major Projects** reserve holds fees received from developers in relation to large scale Highways projects, which subsequently fund site inspections and various works associated with those projects until completion.
- The **Tangmere Solar Farm** reserve holds a contribution, financed from 2014/15 revenue underspending, towards the development of a solar farm at Tangmere Airfield site as part of the Your Energy Sussex energy programme.
- The **Tax Liabilities** reserve has been established to finance any tax liabilities arising from HMRC audits, which can be backdated by up to four years.
- 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 in accordance with accounting standards, but the unapplied balance is held in a reserve to fund future expenditure plans relevant to the purpose of the grant.
- The **Urgent Schools Maintenance** reserve is held to undertake urgent capital maintenance works to resolve issues such as failing boilers, roofing, sewerage, safeguarding and replacement of hutted accommodation at school sites across West Sussex.
- The **Volatility** reserve is held to meet pressures arising from the volatility of central government funding streams.
- 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.
- The **Waste Recyclates** reserve holds surplus income from the sale of recyclable materials by Waste Collection Authorities.
- The **Ways of Responding Through Health (WORTH) Project** reserve is being held to fund ongoing costs of the function, an Independent Domestic Violence Advisory service that identifies, assesses and assists people who have been affected by domestic abuse.
- The **Winter Pressures Funding** reserve arose from the receipt late in 2012/13 of a grant from the Department of Health, which was invested in 2013/14 in social care services that benefit health.
- The **Worthing Age of Transfer** reserve was used towards financing the build of a new secondary school and hundreds of additional school places to cope with a growing population, as part of an investment project to bring forward the age at which children transfer to secondary school in the Worthing area.

3. Property, Plant and Equipment

Movements in 2014/15	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Surplus Assets £000	Assets under Construction £000	**Total Property, Plant & Equipment £000**	PFI Assets included in Property, Plant & Equipment £000
Cost or Valuation							
At 1 April 2014	1,186,509	40,067	454,372	4,719	129,464	1,815,131	107,344
Additions	28,987	9,037	63,462	248	29,551	131,285	19,665
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,535	0	0	-345	0	5,190	1,623
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-20,718	0	0	-225	0	-20,943	103
Disposals	-1,594	-2,688	0	-1,151	0	-5,433	0
Derecognition - Academies	-29,467	0		0	0	-29,467	0
Derecognition - Other	-1,969	-4,202	-18,728	0	0	-24,899	-54
Assets reclassified (to)/from Assets Held for Sale	-10	0	0	3,472	0	3,462	0
Assets reclassified (to)/from Investment Property	-690	0	0	0	0	-690	0
Other movements in Cost or Valuation:							
Recognised/(derecognised) Finance Leases	0	0	0	0	0	0	0
Transfer in asset category	-1,961	0	0	1,961	0	0	0
At 31 March 2015	**1,164,622**	**42,214**	**499,106**	**8,679**	**159,015**	**1,873,636**	**128,681**
Accumulated Depreciation and Impairment							
At 1 April 2014	-18,059	-15,800	-161,608	0	0	-195,467	-10,302
Depreciation charge	-18,649	-4,958	-25,642	-51	0	-49,300	-4,378
Depreciation written out to the Revaluation Reserve on revaluation	3,694	0	0	0	0	3,694	1,058
Depreciation written out to the Surplus/Deficit on the Provision of Services on revaluation	7,936	0	0	0	0	7,936	114
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Impairment (losses)/reversals recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Disposals	54	0	0	0	0	54	0
Derecognition - Academies	849	0	0	0	0	849	0
Derecognition - Other	8	4,202	18,728	0	0	22,938	54
Other movements in Depreciation and Impairment:							
Depreciation written out on declassified finance leases	0	0	0	0	0	0	0
Depreciation written out on newly classified Assets Held for Sale	0	0	0	3	0	3	0
Depreciation written out on newly classified Investment Property	0	0	0	0	0	0	0
Transfer in asset category	46	0	0	-46	0	0	0
At 31 March 2015	**-24,121**	**-16,556**	**-168,522**	**-94**	**0**	**-209,293**	**-13,454**
Net Book Value							
At 1 April 2014	**1,168,450**	**24,267**	**292,764**	**4,719**	**129,464**	**1,619,664**	**97,042**
At 31 March 2015	**1,140,501**	**25,658**	**330,584**	**8,585**	**159,015**	**1,664,343**	**115,227**

Comparative Movements in 2013/14	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Surplus Assets £000	Assets under Construction £000	**Total Property, Plant & Equipment £000**	PFI Assets included in Property, Plant & Equipment £000
Cost or Valuation							
At 1 April 2013	1,361,340	56,064	396,854	8,166	113,571	1,935,995	81,501
Additions	52,364	6,017	46,375	13	29,170	133,939	21,501
Revaluation increases/(decreases) recognised in the Revaluation Reserve	89,747	0	0	-3,704	0	86,043	9,666
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-253,397	0	0	-593	0	-253,990	-5,359
Disposals	-175	-420	0	0	0	-595	0
Derecognition - Academies	-53,990	-18	0	0	0	-54,008	0
Derecognition - Other	-6,872	-21,576	0	-325	-2,586	-31,359	0
Assets reclassified (to)/from Assets Held for Sale	-164	0	0	659	0	495	0
Assets reclassified (to)/from Investment Property	-1,013	0	0	0	0	-1,013	0
Other movements in Cost or Valuation:							
Recognised/(derecognised) Finance Leases	-117	0	0	0	0	-117	0
Structural Maintenance	-259	0	0	0	0	-259	35
Transfer in asset category	-955	0	11,143	503	-10,691	0	0
At 31 March 2014	**1,186,509**	**40,067**	**454,372**	**4,719**	**129,464**	**1,815,131**	**107,344**
Accumulated Depreciation and Impairment							
At 1 April 2013	-51,519	-33,096	-139,118	-19	0	-223,752	-9,861
Depreciation charge	-19,538	-4,289	-22,249	-2	0	-46,078	-2,936
Depreciation written out to the Revaluation Reserve on revaluation	17,425	0	0	0	0	17,425	1,205
Depreciation written out to the Surplus/Deficit on the Provision of Services on revaluation	37,055	0	0	19	0	37,074	1,290
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	-2,646	0	0	0	0	-2,646	0
Impairment (losses)/reversals recognised in the Revaluation Reserve	-126	0	0	0	0	-126	0
Disposals	0	0	0	0	0	0	0
Derecognition - Academies	864	9	0	0	0	873	0
Derecognition - Other	114	21,576	0	2	0	21,692	0
Other movements in Depreciation and Impairment:							
Depreciation written out on declassified finance leases	25	0	0	0	0	25	0
Depreciation written out on newly classified Investment Property	46	0	0	0	0	46	0
Transfer in asset category	241	0	-241	0	0	0	0
At 31 March 2014	**-18,059**	**-15,800**	**-161,608**	**0**	**0**	**-195,467**	**-10,302**
Net Book Value							
At 1 April 2013	**1,309,821**	**22,968**	**257,736**	**8,147**	**113,571**	**1,712,243**	**71,640**
At 31 March 2014	**1,168,450**	**24,267**	**292,764**	**4,719**	**129,464**	**1,619,664**	**97,042**

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 40 Accounting Policies.

Capital Commitments

The Authority has entered into a number of contracts prior to 31 March 2015 for the construction or enhancement of Property, Plant and Equipment. It has commitments totalling £60.0m to be paid in 2015/16 and thereafter. The major commitments are:

Name of capital project	Programme duration	Outstanding Commitments £000
Local Broadband Plan	2013-2016	9,667
Durrington High School	2014-2016	3,819
Millais School	2012-2015	3,680
Arunside Primary School	2012-2015	3,345
Davison CE Girls School	2014-2016	2,890
The Littlehampton Academy	2010-2015	2,616
Chesswood Middle School	2014-2016	2,157
Midhurst Rother College	2010-2015	1,938
Langley Green Primary School	2013-2015	1,913
Heene First School	2014-2016	1,875
Downview Primary School	2013-2017	1,640
Windmills Junior School	2013-2015	1,437
Holy Trinity Primary School	2012-2015	1,432
Crawley Town Centre	2014-2016	1,400
Worthing Academy	2013-2016	1,389
Herons Dale Primary School	2013-2016	1,281
Manor Green College	2013-2016	1,272
White Meadows Primary School	2013-2015	1,167
St Lawrence Primary School	2012-2015	1,082

Indexation

As part its rolling revaluation programme, the Authority revalues approximately 20% of its land and building assets annually at 31 March. A stratified sample approach is used to select the 20% of assets to be valued each year. To facilitate this approach, two characteristics have been identified for every asset: asset class and geographical location. Each year, the Authority revalues 20% of assets from each asset class. The geographical location of the assets selected for this 20% is representative of the location of assets across the entire asset class.

The Authority uses the results of the valuations commissioned annually to assess whether there has been a general movement in value across an asset class or within a geographical location. If it determines that the movement is material, the Authority uses the valuations received as a basis for indexation to be applied across the asset class or geographical location.

The Authority has judged that the valuations commissioned at 31 March 2015 do not demonstrate a significant movement in value across asset classes or geographical locations. It therefore concludes that the carrying value of assets not subject to formal revaluation at the end of the reporting period is materially correct and consequently has not applied indexation to its land and building assets in 2014/15.

Revaluations

The Authority ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years.

Valuations of land and buildings undertaken in 2014/15 were instructed by the Executive Director Corporate Resources and Services in accordance with IFRS guidelines and undertaken by suitably qualified valuers.

The Authority undertook a number of valuations at 31 March 2015. All of these valuations have been carried out by external independent valuers: Montagu Evans Chartered Surveyors, 5 Bolton Street, London, W1J 8BA, in accordance with the Professional Guidance issued by the Royal Institution of Chartered Surveyors (RICS) and the CIPFA Code of Practice.

The valuer adhered to the RICS Valuation Manual, which is compliant with International Valuation Standards, when undertaking all valuations. Valuations at 31 March 2015 were undertaken with reference to the 2014 manual (9th edition).

4. 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's policy for the recognition and measurement of Heritage Assets is set out in the summary of significant accounting policies (Note 40).

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 2015 is £67,000.

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.

5. Capital Expenditure and Capital Financing

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

CAPITAL EXPENDITURE AND CAPITAL FINANCING

	2013/14		**2014/15**	
	£000	**£000**	**£000**	**£000**
Capital Financing Requirement				
Balance brought forward at 1 April		526,270		574,439
Capital Investment for the Year by Portfolio:				
Adult Social Care and Health	122		10	
Children - Start of Life / Education and Skills	63,405		70,156	
Community Wellbeing	30		1,828	
Finance	6,017		7,279	
Highways and Transport	28,545		47,094	
Leader	55		100	
Residents' Services	29,665		12,096	
Finance Leases Notional Investment	-275		0	
Street Lighting PFI Notional Investment	21,157		18,364	
Waste PFI Notional Investment	344		1,244	
		149,065		158,171
Source of Finance:				
Capital Receipts	-10,601		-7,391	
External Contributions and Lottery	-6,624		-4,600	
External Contributions applied to REFCUS	0		-2,410	
Specific Grants	-40,660		-50,841	
Specific Grants applied to REFCUS	-14,635		-18,559	
Revenue Contribution to Capital Outlay	-6,371		-52,074	
		-78,891		-135,875
Sums set aside from revenue (MRP)		-22,005		-23,426
Balance carried forward at 31 March		**574,439**		**573,309**
Change in Capital Financing Requirement		48,169		-1,130

REFCUS expenditure of £26.33m is included within portfolio totals in 2014/15 (2013/14 £15.291m)

	2013/14 £000	2014/15 £000
Explanation of change in CFR:		
Increase in underlying need to borrow	48,948	2,688
Assets acquired under finance leases	-275	0
Assets acquired under PFI contracts	21,501	19,608
Less the total of the Minimum Revenue Provisions	-22,005	-23,426
	48,169	-1,130

Reconciliation of the Capital Financing Requirement to the Balance Sheet

	2013/14 £000	2014/15 £000
Capital Financing Requirement as at 31 March	574,439	573,309
Property Plant & Equipment (Note 3)	1,619,664	1,664,343
Heritage Assets (Note 4)	67	67
Investment Property (Note 6)	25,026	24,637
Intangible Assets (Note 7)	3,179	2,679
Unquoted Equity Investments (Note 8)	0	200
Assets Held for Sale (Note 10)	6,348	1,043
Revaluation Reserve (Note 20)	-264,432	-263,575
Capital Adjustment Account (Note 20)	-815,413	-856,085
	574,439	573,309

6. 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:

2013/14 £000		2014/15 £000
-261	Rental income from investment property	-254
22	Direct operating expenses arising from investment property	1
4	(Gains) and losses on sale of investment property	-58
-6,982	Change in fair value of investment property	1,342
-7,217	**Net (gain)/loss**	**1,031**

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:

2013/14 £000		2014/15 £000
17,586	Balance at 1 April	25,026
110	Additions: Subsequent expenditure	355
-300	Disposals of Investment Properties	-92
6,982	Net gains from fair value adjustments	-1,342
	Transfers:	
967	(To)/from Property, Plant and Equipment	690
-338	(To)/from Assets Held for Sale	0
19	Other changes - Structural Maintenance	0
25,026	**Balance at 31 March**	**24,637**

Investment Property also meeting the criteria of an Asset Held for Sale is not subject to reclassification and continues to be disclosed as Investment Property in accordance with IAS40. Of the closing balance of Investment Property at the reporting date as disclosed above, £0.339m is attributable to Investment Property Held for Sale.

Revaluation of Investment Property is undertaken by external independent valuers: Montagu Evans Chartered Surveyors of 5 Bolton Street, London, W1J 8BA in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Manual, 9th Edition.

7. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets relate to purchased licenses.

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

The carrying amount of the intangible asset is amortised on a straight-line basis. The amortisation of £500,000 charged to revenue in 2014/15 was charged to an IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Cost of Services. The movement on Intangible Asset balances during the year is as follows:

	2013/14	2014/15
	£000	£000
Balance at 1 April		
- Gross carrying amounts	4,580	4,580
- Accumulated amortisation	-901	-1,401
Net carrying amount at start of year	3,679	3,179
Purchases	0	0
Amortisation for the period	-500	-500
Balance at 31 March	**3,179**	**2,679**
Comprising:		
Gross carrying amounts	4,580	4,580
Accumulated amortisation	-1,401	-1,901
	3,179	2,679

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

The definition of a financial instrument is: "*Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity*".

The term 'financial instrument' covers both financial assets and financial liabilities. These range from straightforward trade receivables and trade payables to more complex transactions such as financial guarantees, derivatives and embedded derivatives. The Council's borrowing, PFI and finance leases, and investment transactions are classified as financial instruments. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

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

The Council's non-derivative financial liabilities held during the year comprised:

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

During the year no temporary borrowing from the money markets was undertaken to cover cashflow shortfalls, however the Council holds cash on behalf of the Chichester Harbour Conservancy as part of the Harbour's own investment strategy. This is presented as short term borrowing as the amount held is available for repayment back to the Chichester Harbour Conservancy on any given notice.

Under the 2014/15 Code of Practice these forms of borrowing are measured at amortised cost. This form of measurement does not change the amount of cash paid under the terms of the loan but can impact on the charge made to the Comprehensive Income and Expenditure Statement. At 31 March 2015, the Council did not hold any derivative financial liabilities, for example forward contracts on fixed rate investments where interest rates had moved in the other party's favour since the contract was agreed.

Financial Assets: A Financial Asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Council during 2014/15 are classified in accordance with the Code of Practice as follows:

Loans and receivables (financial assets that have fixed or determinable payments and are not quoted in an active market), measured at amortised cost, comprising:

- Cash held at HSBC Bank plc and Lloyds Bank plc (including school bank accounts)
- Fixed-term deposits with banks and building societies
- Call/notice bank accounts
- Impaired investments in Icelandic Banks (Heritable Bank)
- Loans to other local authorities
- Loan to the Skills Funding Agency made for service purposes (Further Education colleges)
- Trade receivables (debtors) for goods and services delivered

Available for sale financial assets (those that are quoted in an active market) comprising:

- Money market funds and other collective investment schemes (pooled funds)
- Certificate of deposits issued by banks
- Bonds issued by the UK Government and other local authorities

Unquoted equity investments held at cost because it is impracticable to determine fair value,

- Equity investment in the UK Municipal Bond Agency

Balances in money market funds at 31 March 2015 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, with an insignificant risk of changes in value. At 31 March 2015 the Council did not have any investments to be measured at fair value through profit and loss.

Transaction Costs:

Measurement at amortised cost permits transactions costs related to financial instruments to be attached to the loan or investment and charged to the Comprehensive Income and Expenditure Statement over the life of the instrument. Where these are considered to be immaterial they can be charged in full to the Comprehensive Income and Expenditure Statement in the financial year in which they are incurred. The Council has adopted this latter approach in 2014/15.

a. Financial Instruments Balances

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

	Long Term		Current	
	1 April 2014 £000	31 March 2015 £000	1 April 2014 £000	31 March 2015 £000
Borrowing [1] (principal amount)	-416,599	-409,897	-10,892	-10,852
Accrued interest (PWLB)	0	0	-4,640	-4,512
PFI Liability	-85,396	-100,059	-2,579	-2,521
Finance Lease Liability	-2,445	-1,987	-437	-458
Trade Creditors	0	0	-105,467	-91,639
Cash and Cash Equivalents (Bank Current Accounts)	0	0	-3,745	-1,237
Financial liabilities at amortised cost	-504,440	-511,943	-127,760	-111,219
Financial liabilities at fair value through the CIES	0	0	0	0
Total borrowings	-504,440	-511,943	-127,760	-111,219
Investments (including accrued interest)	25,128	25,293	137,394	142,454
Cash and Cash Equivalents (Bank Call Accounts)	0	0	0	5
Loan to the Skills Funding Agency	45	30	15	15
Trade Debtors	9,761	9,130	22,633	26,298
Loans and receivables at amortised cost	34,934	34,453	160,042	168,772
Government / Local Authority Bonds	4	4	0	0
Investments (including accrued interest)	0	0	80,117	55,434
Cash and Cash Equivalents (Money Market Funds)	0	0	40,763	29,813
Available for sale financial	4	4	120,880	85,247
Financial assets at fair value through the CIES	0	0	0	0
Unquoted equity investments at cost [2]	0	200	0	0
Total Investments	34,938	34,657	280,922	254,019
Soft Loans Provided [3]	0	298	0	16

[1] The County Council began long-term borrowing during 2000/01. All loans are scheduled to be repaid between 2015 and 2058.

[2] £0.2m equity investment in the UK Municipal Bond Agency (March 2015) meets the definition of capital expenditure in the Capital Finance Regulations.

[3] Included within Trade Debtors total.

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 2015/16.

Soft Loans:

In accordance with the 2014/15 Code of Practice, where loans are advanced at below market (commercial) rates they are classified as 'soft loans'. The County Council made one such loan during March 2015; a twenty-year loan advanced to the Littlehampton Harbour Board (LHB) for the purchase of a multi-purpose vessel at a borrowing rate of 2.56%.

The Council estimates that at market rates interest should have been charged to the LHB at 4.5%, but given the timing of the advance (March 2015) the interest charge is considered to be below the de minimis level for full disclosure in the accounting statements (as per the Council's accounting policies).

The position relating to soft loans at 31 March 2015 is therefore:

	2013/14	**2014/15**
	£000	**£000**
Balance brought forward	67	0
Loan Advance	0	314
Repayments	-67	0
Interest Charged to Comprehensive I&E Statement	0	0
Soft Loans Total (within trade debtors)	0	314

During 2014/15, with regard to financial instruments the County Council had no:
- Unusual movements
- Reclassification of instruments
- Derecognition of instruments
- Allowance for credit losses
- Default and Breaches

b. Fair Value of Assets and Liabilities carried at Amortised Cost

The Council's financial assets (classified as "loans and receivables") and all non-derivative financial liabilities are carried on the Balance Sheet at amortised cost. The portion of borrowings and investments due to be settled within 12 months of the Balance Sheet date are presented on the Balance Sheet under short-term borrowings or short-term investments.

The 2014/15 Code of Practice requires the fair values of these assets and liabilities to be disclosed for comparison purposes. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the financial instruments, using the following assumptions:

- For Public Works Loan Board (PWLB) loans, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. The rate used is the PWLB's "premature repayment rate" for each maturity period, effective at 31 March 2015 as set out in Interest Rate Notice No. 126/15.

- The fair values of other long-term loans and long-term investments have been discounted at the market rate for similar instruments with similar remaining terms to maturity on 31 March 2015.

- For financial instruments with a maturity of less than 12 months and deferred liabilities (PFI, finance leases etc), the carrying amount is assumed to be a reasonable approximation of the fair value.

- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

	2013/14 Carrying Amount £000	2013/14 Fair Value £000	2014/15 Carrying Amount £000	2014/15 Fair Value £000
Financial Liabilities				
PWLB debt	-423,599	-501,343	-416,913	-567,735 [1]
Non-PWLB debt	-3,892	-3,892	-3,836	-3,836
Total debt	-427,491	-505,235	-420,749	-571,571
Trade Creditors	-105,467	-105,467	-91,639	-91,639 [2]
Deferred Liabilities (PFI, Finance Leases)	-90,857	-90,857	-105,025	-105,025
	-623,815	-701,559	-617,413	-768,235
Financial Assets				
Market Value Loans (less than 1 year)	258,274	258,274	227,706	227,706
Market Value Loans (greater than 1 year)	25,128	25,044	25,293	25,560 [3]
Equity Investments	0	0	200	200
Bonds	4	4	4	4
Skills Funding Agency	60	60	45	45
Trade Debtors	32,394	32,394	35,428	35,428 [4]
	315,860	315,776	288,676	288,943

NOTES:

[1] The fair value of financial liabilities (PWLB debt) is greater than the carrying amount because the Council's portfolio includes a number of loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date.

A new, consistent definition of Fair Value has been introduced by IFRS13, which is being adopted by the Code in 2015/16. If the market swap rate (adjusted for a local authority credit margin) were applied to provide the fair value of PWLB debt, in accordance with the requirements of the new standard, the Council estimates that the fair value of this debt at 31 March 2015 would have been £526.6m. Further detail on the Code's adoption of IFRS13 is provided in Note 43.

[2] Excludes receipts in advance (£12.317m) and statutory creditors (£16.241m) including HM Revenue & Customs (Tax/National Insurance pay-over; Construction Industry Tax Deduction Scheme (CITDS); tax deducted from interest payments; SMP overpayments), government department accruals and council tax prepayments.

[3] The fair value is higher than the carrying amount because the Council's portfolio of investments includes three long-term deposits for which the interest rate on similar investments is now lower than that obtained when the investments were originally made.

[4] Excludes payments in advance (£57.436m) and statutory debtors (£31.306m) including HM Revenue & Customs (VAT repayment), government department accruals, council tax arrears and provision for doubtful debts.

c. Financial Instruments Gains / Losses

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

	2013/14			2014/15		
	Financial Liabilities	**Financial Assets**		**Financial Liabilities**	**Financial Assets**	
	Liabilities measured at amortised cost	Loans and Receivables	Available for sale assets	Liabilities measured at amortised cost	Loans and Receivables	Available for sale assets
	£000	£000	£000	£000	£000	£000
Interest expense	-24,498	0	0	-26,122	0	0
Interest income	0	3,399	749	0	1,487	738
Interest on financial instruments	-24,498	3,399	749	-26,122	1,487	738
Surplus arising on revaluation of financial assets	0	0	0	0	0	0
Transfer to internal funds	0	-4	0	0	0	0
Net gain / (loss) for year	-24,498	3,395	749	-26,122	1,487	738

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 requiring 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 market variables, such as interest rates, foreign currency exchange rates or equity prices.

(ii) Overall Procedures for Managing Risk

The County Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations.

These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act.

Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a treasury policy statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by the approval of a treasury management strategy before the commencement of each financial year, setting out the parameters for the management of risks associated with financial instruments, and the production of treasury management practices (TMP's) specifying the practical arrangements to be followed in managing these risks;
- by approving annually in advance prudential indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Department for Communities and Local Government's (CLG) Investment Guidance for local authorities. This guidance emphasises that priority is to be given to security and liquidity rather than yield, and the annual investment strategy is based on seeking the highest rate of return consistent with the proper levels of security and liquidity

The County Council maintains a Treasury Management Panel comprising the Cabinet Member for Finance and four other elected members. The Panel functions as a formal consultative body supporting the Cabinet Member and the Executive Director Corporate Resources and Services in implementing the Council's treasury management strategy and to widen members' involvement in treasury management decisions.

The Regulation, Audit and Accounts Committee receives quarterly reports on compliance with the treasury management strategy. The Performance and Finance Select Committee reviews the content of the strategy and performance against objectives; and receives a mid-year review of treasury management activity.

The annual treasury management strategy, which incorporates both the prudential indicators and the annual investment strategy, was approved by County Council on 14 February 2014 and is available on the County Council website. The key issues within the strategy were:

- The Authorised Borrowing Limit for 2014/15 was set at £598.6m. This is the maximum limit of external borrowings and other long-term liabilities (including PFI and finance leases).

- The Operational Borrowing Limit for 2014/15 was expected to be £558.6m. This is the expected level of actual debt and other long-term liabilities during the year.

- The maximum borrowing exposure to fixed and variable interest rates was set at 100% and 25% respectively, based on the Council's gross borrowing.

- The maximum exposures to the maturity structure of debt are shown at note (v).

- The maximum amount that can be invested for greater than one year was set at 25% of the Council's daily average investment portfolio (up to a maximum of £65m).

Treasury management policies are implemented by a central treasury management team, 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). These TMPs are a requirement of the Treasury Management Code of Practice and are reviewed periodically (no review in 2014/15; the next review scheduled in August 2015).

(iii) Credit Risk

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

The minimum criteria for new investments with financial institutions was set at those having a long term rating of A-/a3/A- (Fitch, Moody's and Standard & Poor's) and a short term rating of F1/P-2/A-1. For non-UK financial institutions the minimum sovereign long-term rating was set at AA+ (or equivalent rating across the three rating agencies), and the maximum non-UK exposure at any point of time was set at £108m (£54m per individual country).

Recognising that credit ratings are imperfect predictors of default, the Council continued to use other means of assessing the credit worthiness of a financial institution over and above sole reliance on credit ratings; including credit default swap (CDS) prices, equity prices and general media coverage.

During 2014/15 the Council managed credit risk by ensuring that investments were placed with UK local authorities, AAA rated money market funds, AAA rated pooled funds (collective investment schemes) and/or banks and building societies having sufficiently high credit worthiness as set out above.

The annual investment strategy also considers maximum amounts and time limits in respect of each banking group and individual financial institution. The following limits were originally placed for investments with a single counterparty:

- No limit for deposits with the Debt Management Office (UK Government), including T-Bills and gilts
- £25m for deposits with UK local authorities
- £25m for deposits with UK banks meeting the high credit quality as prescribed in the strategy
- £25m for deposits with Nationwide Building Society
- £15m for deposits with non UK banks meeting the high credit quality as prescribed in the strategy
- £25m for deposits with AAA rated money market funds (or 0.5% of total fund size whichever lower)
- £25m for deposits with AAA rated government backed money market funds (or 2% of total fund size)
- £25m for deposits with AAA rated pooled funds (collective investment schemes)
- £25m for deposits with multilateral development banks (e.g. the European Investment Bank)
- £25m total group investment limit for deposits with UK institutions that are part of the same banking group
- 364 month maximum time limit for new investments (excluding local authorities), dependant on credit worthiness of the financial institution
- 5 year maximum time limit for new investments with UK local authorities

Throughout 2014/15 the Council continued to use a custodian account with King & Shaxson Ltd, thereby diversifying its investment portfolio through a number of approved investment instruments including certificate of deposits (CDs), as outlined in the 2014/15 treasury management strategy. The Cabinet Member for Finance, with support of the Treasury Management Panel, continued to approve the use of two high credit quality pooled funds (collective investment schemes), namely the Investec Short Dated Bond Fund and Payden Sterling Reserve Fund. The improved performance of these two funds during the second half of 2014/15 continued to reflect their on-going suitability within the Council's investment portfolio, however the Executive Director Corporate Resources and Services, together with the Council's external treasury management advisors, will continue to monitor the performance of these two funds during 2015/16 with investments being withdrawn if any concerns materialise.

In April 2014 the European Parliament approved the EU Bank Recovery and Resolution Directive (BRRD), setting out the framework for banks' unsecured depositors being "bailed-in" to prevent a failing bank defaulting, as opposed to extraordinary government support evident since the onset of the financial crisis in 2008. In response to the UK and Germany's announcement of an early adoption of the "bail-in" regulatory regime as set out within BRRD both Moody's and Standard & Poor's placed the ratings of UK and German banks on credit watch with negative implications. The Bank of England further published its approach to bank resolution confirming that a bank would not have to be technically insolvent before regulatory intervention such as "bail-in" takes place. Other EU countries, and eventually all developed countries, are expected to adopt similar "bail-in" approaches in due course.

The combined effect of BRRD and the UK's Deposit Guarantee Scheme Directive is to promote deposits of individuals and small to medium-sized enterprises above those of public authorities, large corporates and financial institutions. Whilst the regulatory changes do not increase the probability of any bank defaulting, they do increase the potential loss given default. Traditional Council investments placed with banks and building societies have been deposited on an unsecured basis and under BRRD this increases the likelihood of Council investments being "bailed-in" in the event of a bank default. This together with sharp movements in market indicators driven by deteriorating global growth prospects (especially in the Eurozone) led the Cabinet Member for Finance, with support of the Treasury Management Panel, to adopt reduced counterparty duration limits in November 2014 (up to a maximum of six months) for all investments deposited on an unsecured basis with banks and building societies.

The Cabinet Member for Finance has further addressed the implications of "bail-in" within the 2015/16 Treasury Management Strategy. Following advice received from the Council's treasury management advisor and scrutiny from both the Treasury Management Panel and the Performance and Finance Select Committee, the 2015/16 annual investment strategy was approved by County Council on 13 February 2015. With effect from 1 April 2015 changes to the Council's investment strategy included:

- Reduced monetary limits for bank and building society investments deposited on an unsecured basis.
- Greater use of bank secured investment products (covered bond and reverse repurchase agreements) and non-bank investments (deposits and/or bonds issued by local authorities, non-financial corporates and registered providers of social housing).

Within the 2015/16 Treasury Management Strategy, County Council approved a £0.2m equity investment into the UK Municipal Bond Agency. Whilst the Council does not generally invest in equity shares, given the inherent price risks associated with such investments, the Cabinet Member for Finance recommended this investment to promote realistic Local Government funding alternatives as opposed to the Public Works Loan Board (and its successor body) and other market loans. To meet the Bond Agency's initial requirements the Council accelerated this payment into 2014/15 (March 2015).

The table below summarises the fair value/amortised cost of the Council’s investment portfolio at 31 March 2015 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 2014/15**	**Balance invested as at 2014/15**				**Total**
			Up to 1 month	>1 month and <6 months	>6 month and <1 Year	>1 year	
	YES / NO	YES / NO	£000	£000	£000	£000	£000
Banks – UK	YES	YES	20,151	77,195	5,024	0	102,370
Banks – Non UK	YES	YES	15,116	5,029	0	0	20,145
Building Societies	YES	YES	0	5,010	0	0	5,010
Local Authorities	YES	YES	0	12	30,043	25,293	55,348
Pooled Funds [1]	YES	YES	40,313	0	0	0	40,313
Money Market Funds	YES	YES	29,813	0	0	0	29,813
Other	n/a	n/a	0	0	15	234	249
			105,393	87,246	35,082	25,527	253,248

[1] The duration period for deposits within pooled funds remains to be agreed based on the on-going performance of the funds, however money can be withdrawn by giving four working days notice.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies at 31 March 2015 (£253.2m) 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 Councils deposits, but there was no evidence at 31 March 2015 that such risks were likely to materialise.

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

	Long Term		Short Term	
	2013/14	2014/15	2013/14	2014/15
	£000	£000	£000	£000
AAA (Pooled Funds/MMF's)	0	0	80,809	70,126
AA+ (UK Government/LA Bonds)	49	34	15	15
AA (Assumed Local Authority Rating	25,128	25,293	15,048	30,055
AA-	0	0	38,109	28,055
A+	0	0	25,057	30,232
A	0	0	89,246	59,227
A-	0	0	10,005	10,011
UK Municipal Bond Agency [1]	0	200	0	0
Heritable Bank [2]	0	0	0	0
Total	25,177	25,527	258,289	227,721

[1] Credit rating pending from both Moody's and Standard & Poor's. The Agency is expected to receive an investment grade credit rating (above the Council's minimum long-term rating criteria) given that shareholders are primarily individual local authorities.

[2] For detailed information regarding Heritable Bank see disclosure Note 9.

Credit Risk (Trade Debtors): The Council does not generally allow credit for its trade debtors, however £15.2m of the total £35.4m debtor balance is past its due date for payment. The past due amount at 31 March 2015, none of which has been impaired, can be analysed by age as follows:

	£000
Up to one month overdue	1,503
One to two months	764
Three to four months	1,014
Five to six months	1,119
Six months to one year	2,872
One year to five years	6,643
More than five years	1,264
Total	15,179

Included within the £15.2m trade debtor balance that is past its due payment date, the Council has identified that £1.332m is at risk of being irrecoverable. At 31 March 2015, none of this liability has been impaired due to continued negotiations between the Council's Legal Services and the relevant debtors. However it is anticipated that these debts will be written off in 2015/16, and as such this amount has been net against debtors on the balance sheet. This is in addition to a general £0.5m allowance for doubtful debts.

Collateral – 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 2015 was £6.6m.

Movement in the Provision for bad / doubtful debt

	2013/14	2014/15	Movement
	£000	£000	£000
Provision for bad debts	-500	-1,832	-1,332
Provision for council tax & business rate debts	-10,247	-10,521	-274
Total	-10,747	-12,353	-1,606

(iv) Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowing at favourable rates from other local authorities, and at higher rates from banks and building societies, to cover any day-to-day cash flow need. Additionally, whilst the Public Works Loan Board provides access to longer-term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful).

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. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets (including accrued interest and any fair value adjustments) is as follows:

	2013/14	2014/15
	£000	£000
Less than one year	258,289	227,721
Between one and two years	15	25,308
Between two and three years	25,143	15
Between three and four years	15	0
More than four	4	204
Financial Assets Total	283,466	253,248

Trade debtors (£35.4m) are not included in the table above.

(v) Refinancing and Maturity Risk

The Council maintains significant debt and investment portfolios and is therefore exposed to the risk that it will need to refinance a proportion of its investments and borrowings at a time of unfavourably interest rates. Whilst the cash flow procedures employed by the Council are considered against refinancing risks, 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 longer-term financial liabilities and longer-term financial assets.

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

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

The maturity analysis of the County Council's financial liabilities (excluding accrued interest) with the maximum limits for fixed interest rates maturing in each period is as follows:

	Minimum Approved Limit	Maximum Approved Limit	2013/14	2014/15
			£000	£000
Less than 1 year	0%	15%	10,892	10,852
Between 1 and 5 years	0%	15%	28,000	28,063
Over 5 years to 10 years	0%	15%	27,500	20,579
Over 10 years to 15 years	0%	35%	74,835	122,022
Over 15 years to 20 years	0%	55%	246,264	199,233
Over 20 years to 25 years	0%	10%	0	0
Over 25 years to 30 years	0%	10%	15,000	15,000
More than 30 years	0%	10%	25,000	25,000
Financial Liabilities Total			427,491	420,749

(vi) Market Risk

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the 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 Account will rise;
- Borrowings at fixed rates – the fair value of the borrowing liability will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Account will rise;
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Investments classified as "loans and receivables" and fixed-rate borrowings are not carried at fair value on the balance sheet, so nominal gains and losses in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance, subject to influences from Government grants.

The Council has a number of strategies for managing interest rate risk. The annual treasury management strategy draws together Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure.

The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

At 31 March 2015 the Council held no variable rate borrowings, but held 37% (£93.3m) of its investment portfolio in variable rate call/notice accounts, money market funds and pooled funds (collective investment schemes).

Total interest of £0.6m has been charged to the Comprehensive Income and Expenditure Statement in respect of the Council's variable rate investments, representing a 0.48% interest rate of return on an average investment portfolio of £132.1m. If interest rates had been 1% higher the financial impact would have been a £1.3m increase in interest charged to the Comprehensive Income and Expenditure Statement.

Price risk

The Council does not invest in equity shares (with the exception of the £0.2m shareholding held with UK Municipal Bond Agency), but does hold Government/Local Authority Bonds to the value of £4,472. These bonds are classified as Available-for-Sale, meaning that all movements in price will impact on gains and losses recognised in the Comprehensive Income and Expenditure Statement.

The market rate of the Council's units in pooled bond funds (Investec Short-Dated Bond Fund and the Payden Sterling Reserve Fund) are governed by prevailing interest rates and the market risk associated with these investments is managed alongside interest rate risk. Throughout 2014/15 the Council had no exposure to either property and equity pooled funds.

Foreign exchange risk

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

9. Financial Instrument Impairment

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Authority had £12.9m deposited in Heritable, with varying maturity dates and interest rates. The anticipated cash loss, calculated as £2.58m, was recognised in the Income and Expenditure Account for 2008/09. The Authority took the decision that further impairments would only be made if subsequent reports issued by the administrator suggested that the 2008/09 charge was inadequate. This accounting treatment was not initially compliant with Local Authority Accounting Panel (LAAP) Bulletin 82, which allowed losses to be spread over several years. The County Council's policy was therefore more prudent than LAAP 82.

However, subsequent updates to LAAP 82 confirmed that the statutory provision allowing authorities to spread the impact of the losses over several years expired at 31 March 2011. Any anticipated loss was therefore required to have been fully recharged to the General Fund by that date. The LAAP update therefore confirms that all authorities impacted must now be in line with West Sussex County Council in charging the full impairment to the General Fund.

The Authority differed from the LAAP guidance in its estimation of the anticipated cash loss. LAAP recommended an impairment on the basis of 88% of the original investment being recovered. The impairment recognised by the Authority in its 2008/09 accounts assumed a recovery rate of 80%. Had the LAAP recommendation been adopted, the value to be impaired would have been £1.55m (i.e. £1.03m lower than the impairment recognised by the Authority). The Authority therefore adopted a more prudent approach than LAAP 82, and proposed only to recognise in its accounts any amounts recovered in excess of 80% of the original investment at the time the cash was received.

Furthermore, the Authority did not accrue in its financial statements for the £97,000 interest receivable in respect of these investments at the time of Heritable's administration. Given that the principal investment was impaired, the Authority did not expect to receive any interest on its investment. Had the original investment run to maturity, interest receivable was forecast to be £452,000. The £97,000 interest receivable at the time of the administration was incorporated into the claim the Authority submitted to the administrator, taking the total value of the claim to £13.0m.

During 2013/14, a dividend of £2.2m was issued. This took the total amount repaid to the Authority to £12.2m, representing 94% of the original claim. £0.3m of this dividend was used to write the recoverable balance brought forward down to nil (i.e. 80% of the original investment recovered per the original impairment). The £1.9m balance of the dividend was recognised as investment income in the Authority's 2013/14 Comprehensive Income and Expenditure Statement.

Any further dividends are subject to ongoing litigation between Landsbanki and the administrator. As such the timing and value of any further repayments is highly uncertain and therefore the Authority has not revised its outstanding impairment at this time. Any future dividends will be recognised in the Comprehensive Income and Expenditure Statement at the time of receipt.

The position with regard to Heritable investments at 31 March 2015 is summarised below:

	£000
Original investment	12,900
Loan impairment recognised in 2008/09	-2,580
Dividend repayments (x3) received 2009/10	-4,546
Dividend repayments (x3) received 2010/11	-1,967
Dividend repayments (x4) received 2011/12	-2,315
Dividend repayments (x3) received 2012/13	-1,216
Dividend repayment (x1) received in 2013/14	-2,175
Amounts recognised in Comprehensive Income & Expenditure Statement in 2013/14 (offset against original impairment)	1,899
Balance	0

10. Assets Held for Sale

2013/14 £000		2014/15 £000
9,442	**Balance outstanding 1 April**	6,348
	Assets newly classified as held for sale:	
0	- Property, Plant and Equipment	579
338	- Investment Property	0
-1,152	Revaluation losses	-73
296	Revaluation gains	0
	Assets declassified as held for sale:	
-495	- Property, Plant and Equipment	-4,044
0	- Investment Property	0
-2,081	Assets sold	-1,768
0	Additions	1
6,348	**Balance outstanding at 31 March**	**1,043**

11. Short-Term Debtors

2013/14 £000		2014/15 £000
15,632	Central government bodies	18,678
9,861	Other local authorities	11,533
6,042	NHS bodies	3,234
0	Public corporations and trading funds	34
75,228	Other entities and individuals	81,561
106,763	**Total**	**115,040**

12. Cash and Cash Equivalents

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

2013/14 £000		2014/15 £000
40,763	Cash held by the Authority	29,818
-3,745	Bank current accounts	-1,237
37,018	**Total**	**28,581**

13. Short-Term Creditors

2013/14 £000		2014/15 £000
-12,901	Central government bodies	-13,640
-7,865	Other local authorities	-5,057
-17,828	NHS bodies	-2,381
-214	Public corporations and trading funds	-572
-94,519	Other entities and individuals	-98,547
-133,327	**Total**	**-120,197**

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 2014	Amounts used in 2014/15	Additional provisions made in 2014/15	Balance at 31 March 2015
	£000	£000	£000	£000
<u>Long-Term</u>				
Insurance	-7,418	2,248	-1,797	-6,967
Fire Pensions Opt-Out	-480	263	-231	-448
Teachers' Pension Scheme	-198	10	0	-188
Total Long-Term Provisions	**-8,096**	**2,521**	**-2,028**	**-7,603**
<u>Short-Term</u>				
Employee Benefits	-9,493	9,493	-7,950	-7,950
Insurance	-2,036	2,036	-2,149	-2,149
Fire Service	-371	309	0	-62
Dilapidations	-350	260	-170	-260
Debtor Write-Offs	-145	1,332	-1,187	0
Firefighter Injury Pensions	0	0	-653	-653
NDR Appeals	-1,601	1,601	-2,282	-2,282
Loss of Office	-392	392	-665	-665
Tax Liabilities	-201	0	0	-201
Cousins Copse Remedial Works	-43	9	0	-34
Total Short-Term Provisions	**-14,632**	**15,432**	**-15,056**	**-14,256**
Grand Total Provisions	**-22,728**	**17,953**	**-17,084**	**-21,859**

<u>Long Term Provisions - Descriptions</u>

The **Insurance** provision is maintained to meet claims and liabilities related to the partial self-funding of the County Council's insurance, including Property, Vehicle and Liability risks. The balance represents unpaid claims estimated at 31 March 2015. This provision has been reconciled to remove amounts for part-settled claims. The claims provided for are expected to settle at various intervals over the next number of years (but not within one year).

The **Fire Pensions Opt-Out** provision is held to finance additional employer liabilities in respect of the Firefighters' Pension Scheme. A number of employees were given incorrect advice which led to them opting out of the scheme in 2011/12. This has resulted in an additional pension liability over and above that which is to be funded by the Firefighters' Pension Scheme. The provision represents the net additional liability to be met by the County Council over the next seven years.

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 subsequent redundancies) in 2011.

Short Term Provisions - Descriptions

The **Employee Benefits** provision represents accrued leave not taken at balance sheet date, in accordance with chapter 6 of the CIPFA Code of Practice. It is anticipated that staff will take any leave entitlement accrued at the balance sheet date in the subsequent financial year.

The **Insurance** provision is maintained to meet claims and liabilities related to the partial self-funding of the County Council's insurance, including Property, Vehicle and Liability risks. The balance represents unpaid claims estimated at 31 March 2015. This provision has been reconciled 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 **Fire Service** provision represents a probable obligation in respect of a back-dated employment liability, relating specifically to Retained Light Duties for part-time workers. The liability includes an estimate of the associated tax and national insurance obligations. Settlement is anticipated in 2015/16.

The **Dilapidations** provision is held to meet the Authority's legal obligations in relation to leased properties which have been vacated as part of the Way We Work programme. Obligations in relation to five properties have been identified as outstanding at the reporting date, all of which are expected to settle in 2015/16.

The **Debtor Write-Offs** provision provided for significant write offs that had been identified at the balance sheet date, but which had not yet been written off due to continued negotiations between Legal Services and the relevant debtors. The balance on the provision at 31 March 2015 has been re-classified as a doubtful debtor in accordance with the requirements of the Code, and as such is net against the debtor balance on the balance sheet.

The **Firefighter Injury Pensions** provision is held for the Authority's estimated obligation in relation to historic errors in the administration of firefighters pensions. The obligation relates to injury payments to retained firefighters retired prior to April 2006, which have been charged to the pension fund in error. Dialogue between DCLG and local fire authorities is ongoing, particularly in relation to the backdating of payments and any interest chargeable. Settlement is anticipated in 2015/16.

As part of the introduction of the localised business rates system on 1 April 2013, a liability was assumed by **NDR** (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 appeals, and this provision represents the Authority's estimate of its cumulative liability based upon the total liabilities estimated by its individual billing authorities.

The **Loss of Office** provision provides for the costs of redundancies to which the Authority was committed at the balance sheet date. All obligations are to be settled in 2015/16.

The Authority has recognised a provision for **Tax Liabilities** payable to HMRC. The obligation relates to tax associated with members commuting to the workplace (£91,000), and tax liabilities relating to former employees commissioned on a consultancy basis (£110,000). Settlement is anticipated in 2015/16.

The Authority has raised a provision in respect of an obligation for remedial works at **Cousins Copse** traveller site. The Authority is legally obliged to undertake works in order to secure planning permission for an alternative use of the site, a decision which was taken and publicised in 2013/14. Settlement is anticipated in 2015/16.

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 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).

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.

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 2015 £11.3m 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, during which time the payments to the contractor were adjusted to reflect any delays in the delivery of the programme. The notes to the accounts have been prepared to reflect the actual delivery of columns in 2014/15 with future commitments based on Tay Valley's financial model. At 31 March 2015 £18.9m of columns remained to be installed.

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

	Opening Balance at 1 April 2014 £000	Additions £000	Depreciation £000	Revaluation £000	Closing Balance at 31 March 2015 £000
Crawley Schools PFI					
Ifield Community College	19,961	32	-497	0	**19,496**
Oriel High School	23,530	25	-585	2,898	**25,868**
Recycling & Waste PFI					
Infrastructure	7,886	60	-347	0	**7,599**
Land and Buildings	51	85	-2	0	**134**
Plant and Equipment	3,272	1,099	-278	0	**4,093**
Street Lighting PFI	42,342	18,364	-2,669	0	**58,037**
Total PFI Assets	**97,042**	**19,665**	**-4,378**	**2,898**	**115,227**

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

	Opening Balance at 1 April 2014 £000	Increase due to Investment £000	Repayment of Liability £000	Closing Balance at 31 March 2015 £000
Crawley Schools PFI	-28,575	0	1,455	**-27,120**
Recycling & Waste PFI	-26,235	-1,244	1,467	**-26,012**
Street Lighting PFI	-33,165	-18,364	2,081	**-49,448**
Total Liability	**-87,975**	**-19,608**	**5,003**	**-102,580**

Note (iii) – Payments due under PFI Contracts

	Repayment of Liability £000	Interest £000	Service Charges £000	Total £000
Within one year	2,521	9,377	22,015	**33,913**
Within two to five years	11,539	38,086	95,689	**145,314**
Within six to ten years	23,066	42,082	140,253	**205,401**
Within eleven to fifteen years	37,985	31,029	136,905	**205,919**
Within sixteen to twenty years	45,134	13,534	52,967	**111,635**
Within twenty one to twenty five years	1,347	53	3,549	**4,949**
Total	**121,592**	**134,161**	**451,378**	**707,131**

16. Leases

Authority as Lessee

Finance Leases

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

1 April 2014 £000		31 March 2015 £000
23,133	Other Land and Buildings	26,262
780	Vehicles, Plant, Furniture and Equipment	496
23,913		26,758

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

1 April 2014 £000		31 March 2015 £000
2,882	Finance Lease Liability	2,445
1,690	Finance costs payable in future years	1,549
4,572	Minimum lease payments	3,994

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

	Minimum Lease Payments		Finance Lease Liabilities	
	1 April 2014 £000	31 March 2015 £000	1 April 2014 £000	31 March 2015 £000
No later than one year	578	578	437	458
Later than one year and not later than five years	1,112	712	713	348
Later than five years	2,882	2,704	1,732	1,639
	4,572	3,994	2,882	2,445

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

Operating Leases

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

1 April 2014 £000		31 March 2015 £000
752	Not later than one year	1,162
970	Later than one year and not later than five years	2,245
221	Later than five years	193
1,943		3,600

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £1.066m. £0.412m was chargeable directly to Fire and Rescue Services, and a further £0.351m was chargeable directly to Highways and Transport Services. The remaining £0.303m was apportioned across service expenditure headings in accordance with the cost of support services accounting policy.

Authority as Lessor

Finance Leases

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

1 April 2014 £000		31 March 2015 £000
255	Finance lease debtor	253
593	Unearned finance income	581
0	Unguaranteed residual value of property [1]	0
848	Gross investment in the lease	834

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

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

	Gross Investment in the Lease		Minimum Lease Payments	
	1 April 2014 £000	31 March 2015 £000	1 April 2014 £000	31 March 2015 £000
No later than one year	14	14	2	2
Later than one year and not later than five years	57	57	9	10
Later than five years	777	763	244	241
	848	834	255	253

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

Operating Leases

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

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

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

1 April 2014 £000		31 March 2015 £000
362	Not later than one year	337
448	Later than one year and not later than five years	401
260	Later than five years	213
1,070		951

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 final 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.

▪ 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 Department for Communities and Local Government, 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 1). 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 2013/14 £000	Local Government Pension Scheme 2014/15 £000	Uniformed Firefighters 2013/14 £000	Uniformed Firefighters 2014/15 £000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	38,597	43,627	6,480	6,979
Past service cost (including curtailments)	369	181	42	0
(Gain)/loss from settlements	-5,100	-1,566	0	0
Financing and Investment Income and Expenditure:				
Interest cost on defined benefit obligation	62,042	65,687	11,953	12,683
Interest income on plan assets	-46,609	-50,619	0	0
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	49,299	57,310	18,475	19,662
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement:				
Remeasurement (gains) and losses	-3,473	90,616	17,843	42,636
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	45,826	147,926	36,318	62,298
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	-49,299	-57,310	-18,475	-19,662
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	40,392	44,668		
Retirement benefits payable to pensioners			6,912	6,991

Assets and Liabilities in Relation to Post-Employment Benefits

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

	Funded Liabilities: **Local Government Pension Scheme**		Unfunded Liabilities: **Uniformed Firefighters**	
	2013/14 £000	**2014/15 £000**	**2013/14 £000**	**2014/15 £000**
Opening balance at 1 April	-1,384,800	-1,529,626	-265,940	-295,346
Current service cost	-38,597	-43,627	-6,480	-6,979
Interest cost	-62,042	-65,687	-11,953	-12,683
Contributions by scheme participants	-10,319	-11,256	-1,564	-1,726
Remeasurement gains and (losses):				
Actuarial gains/(losses) arising from changes in demographic assumptions	-75,337	0	-6,600	0
Actuarial gains/(losses) arising from changes in financial assumptions	7,256	-230,695	-10,962	-42,747
Other experience	-22,746	12,336	-281	111
Past service cost (including curtailments)	-369	-181	-42	0
Transfers to/(from) other authorities	0	0	-36	7
Benefits paid	45,973	48,606	8,512	8,710
Liabilities extinguished on settlements	11,355	5,315	0	0
Closing balance at 31 March	-1,529,626	-1,814,815	-295,346	-350,653

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

	Local Government Pension Scheme		**Uniformed Firefighters**	
	2013/14 £000	**2014/15 £000**	**2013/14 £000**	**2014/15 £000**
Opening balance at 1 April	1,037,800	1,177,192	0	0
Interest income on plan assets	46,609	50,619	0	0
Remeasurement gains and (losses):				
Return on plan assets (excluding interest income)	94,300	127,743	0	0
Contributions by scheme participants	10,319	11,256	1,564	1,726
Employer contributions	40,392	44,668	6,912	6,991
Benefits paid	-45,973	-48,606	-8,512	-8,710
Transfers (to)/from other authorities	0	0	36	-7
Settlements	-6,255	-3,749	0	0
Closing balance at 31 March	1,177,192	1,359,123	0	0

Scheme History

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Present value of liabilities:					
Local Government Pension Scheme	-1,095,000	-1,196,600	-1,384,800	-1,529,626	-1,814,815
Uniformed Firefighters	-210,018	-228,340	-265,940	-295,346	-350,653
Fair value of assets:					
Local Government Pension Scheme	866,300	902,200	1,037,800	1,177,192	1,359,123
Uniformed Firefighters	0	0	0	0	0
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	-228,700	-294,400	-347,000	-352,434	-455,692
Uniformed Firefighters	-210,018	-228,340	-265,940	-295,346	-350,653
Total	-438,718	-522,740	-612,940	-647,780	-806,345

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £806.345m 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 2016 is £44.811m. Payments (net of employee contributions) in respect of the Uniformed Firefighters scheme for the year to 31 March 2016 are projected to be £7.140m.

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 1 April 2013.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		**Uniformed Firefighters**	
	2013/14 £000	**2014/15 £000**	**2013/14 £000**	**2014/15 £000**
Mortality assumptions:				
Longevity at 65 for current pensioners:				
▪ Men	24.4	24.4		
▪ Women	25.8	25.8		
Longevity at 60 for current pensioners:				
▪ Men			29.3	29.5
▪ Women			31.5	31.7
Longevity at 65 for future pensioners:				
▪ Men	26.9	26.9		
▪ Women	28.5	28.5		
Longevity at 60 for future pensioners:				
▪ Men			30.9	31.1
▪ Women			33.0	33.2
Rate of increase in salaries	4.1%	3.8%	3.8%	3.4%
Rate of increase in pensions	2.8%	2.4%	2.8%	2.4%
Rate of inflation			3.6%	3.3%
Rate for discounting scheme liabilities	4.3%	3.2%	4.3%	3.2%

For the Local Government Pension Scheme, an allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

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

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

	31 March 2014 %	**31 March 2015 %**
Equity Securities	68%	68%
Debt Securities	3%	2%
Private Equity	6%	5%
Real Estate	8%	6%
Investment Funds and Unit Trusts	13%	15%
Cash and Cash Equivalents	2%	4%
	100%	100%

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 2014/15, the County Council paid £23.079m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2013/14 were £24.681m and 14.1%. The contributions due to be paid in the next financial year are estimated to be £24.8m.

19. Grant Income

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

Grants credited to Taxation and Non Specific Grant Income (see Note 24)	**2013/14**		**2014/15**	
	£000	**£000**	**£000**	**£000**
Non Domestic Rates				
Local Retention of Business Rates	-30,290		-31,362	
Top-Up to Baseline Funding Level (DCLG)	-38,863		-39,620	
		-69,153		-70,982
Revenue Support Grant				
Initial Allocation (DCLG):				
Formula Funding	-52,494		-60,976	
Council Tax Freeze	-5,709		-9,486	
Council Tax Support Funding	-22,364		0	
Early Intervention Funding	-11,192		-9,602	
Lead Local Flood Authorities Funding	-106		-102	
Learning Disability and Health Reform	-12,209		-12,244	
Returned Holdback	0		-207	
	-104,074		-92,617	
Capitalisation Provision Redistribution (DCLG)	-549		0	
		-104,623		-92,617
Other Non-Ringfenced Government Grants				
Local Services Support Grant				
- Extended Rights to Free Travel (DfE)	-583		-480	
- Inshore Fisheries Conservation (DEFRA)	-148		-148	
- Lead Local Flood Authorities (DEFRA)	-234		-234	
Council Tax Freeze Subsidy Grant (DCLG)	-3,894		-3,915	
Education Services Grant (DfE)	-12,076		-11,152	
Education Services Grant Prior Year Refund (DfE)	-1,577		0	
New Homes Bonus Grant (DCLG)	-2,702		-3,195	
Local Council Tax Transition Grant (DCLG)	-880		0	
Small Business Rates Relief (DCLG)	-602		-2,118	
Community Rights to Challenge New Burdens Grant (DCLG)	0		-9	
		-22,696		-21,251
Capital Grants and Contributions				
Adults' Personal Social Services Grant (DoH)	-1,776		-1,812	
Basic Need Grant (DfE)	0		-3,141	
Capital Maintenance Grant (DfE)	-7,675		-8,896	
Devolved Formula Capital Grant (DfE)	-2,097		-1,246	
Every Child Matters Capital Grant (DfE)	-46		0	
EFA Academy Grant (DfE)	-579		0	
Fire Capital Grant (DCLG)	-1,869		-936	
Local Sustainable Transport Fund (DfT)	-700		-1,000	
Local Transport Grant (DfT)	-17,321		-17,514	
Other Grants (DfE)	-1,578		-1,064	
Targeted Basic Need Grant (DfE)	-136		-7,960	
Pothole Recovery Fund (DfT)	0		-2,509	
Universal Infant Free School Meals Grant (DfE)	0		-1,439	
Section 106 Contributions	-3,651		-3,400	
Other External Contributions	-2,078		-1,586	
		-39,506		-52,503
Total		**-235,978**		**-237,353**

Grants Credited to Services	2013/14		2014/15	
	£000	£000	£000	£000
Adult Social Care				
Social Fund (DWP)	0		-1,230	
Public Health Grant (DoH)	-5,999		0	
NHS Social Care Grant (DoH)	-14,193		-15,243	
Local Reform Community and Voices Grant (DoH)	-583		-259	
Other	-129		-549	
		-20,904		-17,281
Central Services				
Social Fund (DWP)	-1,249		0	
		-1,249		0
Children's and Education Services				
Sixth Form Funding - Education Funding Agency (DfE)	-20,260		-17,438	
Dedicated Schools Grant (DfE)	-420,072		-401,759	
Adult and Community Learning - Skills Funding Agency (BIS)	-3,230		-3,228	
Asylum Seekers (HO)	-1,112		-1,016	
European Social Fund (DWP)	-638		-284	
Troubled Families (DfE)	-1,873		-1,980	
Pupil Premium (DfE)	-11,815		-15,195	
Private Finance Initiative (DCLG)	-4,532		-4,532	
Arts Council Music Federation Grant (DCMS)	-638		0	
Adoption Reform Grant (DfE)	-1,726		-637	
Primary PE & Sports Equipment Grant (DfE)	0		-1,847	
Universal Infant Free School Meals Grant (DfE)	0		-5,445	
SEN Reform Grant (DfE)	0		-891	
SEN New Burdens Grant (DfE)	0		-550	
Basic Need Grant (DfE) *applied to REFCUS*	-12,753		-9,296	
Capital Maintenance Grant (DfE) *applied to REFCUS*	-1,882		0	
Targeted Basic Need Grant (DfE) *applied to REFCUS*	0		-1,569	
Other	-1,079		-1,537	
		-481,610		-467,204
Cultural and Related Services				
Broadband Delivery UK Grant (DCMS) *applied to REFCUS*	0		-5,575	
Other	0		-10	
		0		-5,585
Environmental and Regulatory Services				
Private Finance Initiative (DCLG)	-2,124		-2,124	
		-2,124		-2,124
Fire and Rescue Services				
Fire Revenue Grant (DCLG)	-790		-843	
Sussex Control Centre Grant (DCLG)	-395		-1,485	
The Bellwin Scheme (DCLG)	-600		0	
Other	-237		0	
		-2,022		-2,328
Highways and Transport Services				
Private Finance Initiative (DCLG)	-6,069		-6,069	
Local Sustainable Transport Fund (DfT)	-399		-475	
Severe Weather Recovery Scheme (DfT)	-2,200		0	
Other	-25		-637	
		-8,693		-7,181
Housing Services				
Other	0		-1,030	
		0		-1,030
Planning Services				
Coast to Capital (DCLG)	0		-503	
Other	-7		0	
		-7		-503

	2013/14		2014/15	
	£000	£000	£000	£000
Public Health				
Public Health Grant (DoH)	-20,448		-26,762	
Other	0		-337	
		-20,448		-27,099
Rechargeable Services [1]				
Other	-31		-31	
		-31		-31
Total		**-537,088**		**-530,366**

[1] Recharged to service expenditure headings in accordance with **Cost of Support Services** accounting policy

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	**2013/14**	**2014/15**
	£000	**£000**
16-19 Demographic Growth Fund (DfE)	-258	-504
Devolved Formula Capital Grant (DfE)	-1,464	-1,857
EFA Academy Grant (DfE)	-868	-792
Local Transport Grant (DfT)	-1,276	-1,208
Other Grants (DfE)	-1,064	0
Targeted Basic Need Grant (DfE)	-6,507	-18,478
Universal Infant Free School Meals Grant (DfE)	0	-1,040
Drug and Alcohol Recovery Grant (DoH)	0	-1,160
Section 106 Contributions	-18,406	-21,637
Other External Contributions	-2,030	-1,945
	-31,873	**-48,621**

Key to Central Government Departments

BIS	Department for Business, Innovation and Skills
DCLG	Department for Communities and Local Government
DCMS	Department for Culture, Media and Sport
DEFRA	Department for Environment, Food and Rural Affairs
DfE	Department for Education
DfT	Department for Transport
DoH	Department of Health
DWP	Department for Work and Pensions
HO	Home Office

20. Unusable Reserves

1 April 2014 £000		31 March 2015 £000
9,493	Accumulated Absences Account	7,950
-43	Available for Sale Financial Instruments Reserve	-314
-1,595	Collection Fund Adjustment Account	-3,604
-255	Deferred Capital Receipts Reserve	-253
647,780	Pensions Reserve	806,345
-815,413	Capital Adjustment Account	-856,085
-264,432	Revaluation Reserve	-263,575
-424,465	**Total Unusable Reserves**	**-309,536**

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.

2013/14 £000		2014/15 £000	£000
10,376	**Balance at 1 April**		**9,493**
-10,376	Settlement or cancellation of accrual made at end of the preceding year	-9,493	
9,493	Amounts accrued at the end of the current year	7,950	
-883	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		-1,543
9,493	**Balance at 31 March**		**7,950**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:
• revalued downwards or impaired and the gains are lost
• disposed of and the gains are realised.

2013/14 £000		2014/15 £000	£000
-85	**Balance at 1 April**		**-43**
-67	Upward revaluation of investments	-268	
95	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	0	
-57			-268
14	Accumulated gains and (losses) on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Operating Income		-3
-43	**Balance at 31 March**		**-314**

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.

2013/14		2014/15	
£000		£000	£000
-1,952	**Balance at 1 April**		**-1,595**
1,952	Settlement or cancellation of accrual made at end of the preceding year	1,595	
-1,595	Amounts accrued at the end of the current year	-3,604	
357	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		-2,009
-1,595	**Balance at 31 March**		**-3,604**

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.

2013/14		2014/15
£000		£000
-5,958	**Balance at 1 April**	**-255**
-94	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
2	Write down of Finance Lease debtor	2
5,795	Transfer to the Capital Receipts Reserve upon receipt of cash	0
-255	**Balance at 31 March**	**-253**

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.

2013/14 £000		**2014/15 £000**
612,940	**Balance at 1 April**	**647,780**
14,370	(Gains)/losses on remeasurement of pension assets/liabilities	133,252
67,774	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	76,972
-47,304	Employer's pensions contributions and direct payments to pensioners payable in the year	-51,659
647,780	**Balance at 31 March**	**806,345**

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 1 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2013/14		2014/15	
£000		**£000**	**£000**
-1,029,509	**Balance at 1 April**		**-815,413**
	Reversal of items relating to capital expenditure debited/credited to the Comprehensive Income and Expenditure Statement:		
46,078	Charges for depreciation of non current assets	49,300	
500	Charges for amortisation of intangible assets	500	
2,646	Charges for impairment of non current assets	0	
217,772	Revaluation (gains) / losses on Property, Plant and Equipment and Assets Held for Sale	13,080	
15,291	Revenue Expenditure Funded from Capital Under Statute (REFCUS)	26,330	
-183	Write out of historic transactions relating to de-recognised finance lease liabilities	0	
240	Structural maintenance	0	
65,778	Amounts written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	37,818	
9	Cost of sales attributed to the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	32	
348,131			127,060
-26,148	Adjusting amounts written out of the Revaluation Reserve		-9,741
321,983	**Net written out amount of the cost of non current assets consumed in the year**		**117,319**
	Capital financing applied in the year:		
-10,610	Use of the Capital Receipts Reserve to finance new capital expenditure	-7,423	
-47,284	Application of grants to capital financing from the Capital Grants Unapplied Account	-55,441	
-14,635	Capital grants and contributions applied to REFCUS	-20,969	
-22,005	Statutory provision for the financing of capital investment charged against the General Fund balance	-23,426	
-6,371	Revenue Contribution to Capital Outlay	-52,074	
-100,905			-159,333
-6,982	Movements in the market value of Investment Properties debited/ credited to the Comprehensive Income & Expenditure Statement		1,342
-815,413	**Balance at 31 March**		**-856,085**

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.

2013/14 £000		**2014/15 £000**	**£000**
-187,238	**Balance at 1 April**		**-264,432**
-177,869	Upward revaluation of assets	-15,659	
74,401	Downward revaluation of assets and revaluation losses not charged to the Surplus/Deficit on the Provision of Services	6,775	
126	Impairment losses not charged to the Surplus/Deficit on the Provision of Services	0	
-103,342	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**		**-8,884**
3,363	Difference between fair value depreciation and historical cost depreciation	2,983	
22,785	Accumulated gains on assets sold or scrapped	6,758	
26,148	**Amount written off to the Capital Adjustment Account**		**9,741**
-264,432	**Balance at 31 March**		**-263,575**

21. School Academy Transfers

Nine of the Authority's schools obtained academy status in 2014/15. As per the Authority's accounting policy, the lease of the school building to the academy is considered to be a finance lease, and as such the carrying value of the buildings have been written out of the balance sheet. The resultant 'loss on derecognition of academy schools' is disclosed as a £28.6m charge to the Comprehensive Income and Expenditure Statement within Other Operating Expenditure.

22. Other Operating Expenditure

2013/14 £000		2014/15 £000
891	Levies	901
856	Assets Held for Sale (Gains)/Losses on Revaluation	73
53,135	(Gain) / loss on derecognition of Academy Schools	28,618
9,667	(Gain) / loss on derecognition of other assets	1,961
-1,928	(Profit) / loss on sale of assets	-94
62,621	**Total**	**31,459**

23. Financing and Investment Income and Expenditure

2013/14		2014/15	
£000		£000	£000
24,498	Interest payable and similar charges	26,122	
-4,144	Interest receivable and similar income	-2,225	
			23,897
73,995	Pensions: interest cost on defined benefit obligation	78,370	
-46,609	Pensions: interest income on plan assets	-50,619	
			27,751
-239	Investment properties: income and expenditure	-253	
4	Investment properties: (gain)/loss on disposal	-58	
-6,982	Investment properties: changes in fair value	1,342	
			1,031
40,523	**Total**		**52,679**

24. Taxation and Non Specific Grant Income

2013/14 £000		2014/15 £000
-350,688	Council tax income	-357,792
-69,153	Non domestic rates	-70,494
-104,623	Revenue Support Grant	-92,617
-22,696	Other non-ringfenced government grants	-21,251
-39,506	Capital grants and contributions	-52,503
-586,666	**Total**	**-594,657**

25. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors, EY:

	2013/14	2014/15
	£000	£000
Scale fee for audit of financial statements	157	157
Certification of grant claims and returns	4	0
Non-audit work	20	0
	181	157

The Authority incurred further costs of £5,400 in 2014/15 in relation to grant certification services provided by another audit firm.

26. Members' Allowances

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

	2013/14	2014/15
	£000	£000
Basic Allowances	780	785
Other Allowances	353	383
Travel and Subsistence	96	93
Total	**1,229**	**1,261**

27. Environment Agency Services

Precepts payable to the Environment Agency in respect of flood defence for 2014/15 totalled £0.274m (2013/14 £0.278m).

28. Dedicated Schools Grant

The County Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education (DfE), the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the Council's area and high need placements for West Sussex children. 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 2013. 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 and academy.

Details of the deployment of DSG receivable for 2014/15 are as follows:

	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2014/15 before academy recoupment (A)			-519,043
less Academy figure recouped for 2014/15			112,674
less High needs figure recouped for 2014/15			4,591
less Amount deducted for copyright licenses paid directly by Education Funding Agency			300
add Additional DSG receivable for 2013/14 (Early Years)			-281
Total DSG after recoupment and other DfE adjustments			-401,759
add Brought forward from 2013/14			-12,840
less Carry forward to 2015/16 agreed in advance			0
Total available funds			-414,599
Agreed initial budgeted distribution in 2014/15 (B)	-45,888	-472,673	
less Academy figure recouped for 2014/15	0	112,674	
less High needs figure recouped for 2014/15	4,591	0	
add In year adjustments			
- Increase budget to reflect adjustment of 2014/15 early years block reported to Schools Forum	-482	0	
- Copyright licenses paid directly by EfA	300	0	
- Additional DSG receivable for 2013/14 (Early Years)	-281	0	
- Adjustment for 2013/14 transactions (C)	-606	0	
- Additional allocations during the year	-2,991	-5,000	
Final budgeted distribution for 2014/15	-45,357	-364,999	
add Amount brought forward from 2013/14 not allocated	-4,243	0	
Total available funds	-49,600	-364,999	-414,599
less Actual central expenditure	39,912		39,912
less Actual ISB deployed to schools (D)		364,999	364,999
Carry forward of unspent total available funds	-9,688	0	-9,688
Carry forward to 2015/16 agreed in advance			0
Total balance on DSG reserve at 31 March 2015 (E)			**-9,688**

Notes

(A) DSG figure as issued by the Department for Education in July 2014.

(B) Budgeted distribution of DSG as agreed with Schools Forum, March 2014.

(C) Net debtors which were raised centrally in 2013/14 for accounting purposes and subsequently distributed to schools in 2014/15.

(D) The ISB is regarded for DSG purposes as being spent by the Authority when it is deployed to a school's budget share.

(E) Of the balance outstanding on the DSG reserve at 31 March 2015, £6.146m had already been committed by Schools Forum at the balance sheet date. A further £0.145m relates to net debtors which have been raised centrally for accounting purposes but which will be distributed to schools in the new year. Therefore the uncommitted balance on the DSG reserve at 31 March 2015 is £3.397m.

29. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to services.

2014/15

The income and expenditure of the Authority's principal services recorded in the budget reports for the year was as follows:

Service Income and Expenditure

	Adult Social Care and Health	Children - Start of Life	Community Wellbeing	Corporate Relations	Education and Skills	Finance	Highways and Transport	Leader	Residents' Services	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Specific Government Grants	-17,096	-38,479	-27,099	0	-416,957	-31	-7,180	-503	-4,462	**-511,807**
Customer and Client Receipts	-37,616	-2,437	-210	-1,702	-6,255	-1,379	-8,494	-45	-3,099	**-61,237**
Other Income	-33,136	-2,547	-857	-5,316	-24,428	-1,362	-5,611	-255	-3,961	**-77,473**
Total Income	**-87,848**	**-43,463**	**-28,166**	**-7,018**	**-447,640**	**-2,772**	**-21,285**	**-803**	**-11,522**	**-650,517**
Employee Expenses	35,989	42,429	3,941	15,603	330,820	13,549	12,893	2,344	36,705	**494,273**
Premises Expenses	49	799	63	4,378	31,767	8,061	3,075	376	1,917	**50,485**
Transport Expenses	1,492	1,488	59	254	13,476	66	2,431	15	1,407	**20,688**
Supplies and Services Expenses	10,962	12,053	1,522	24,061	74,016	5,175	25,254	3,448	6,790	**163,281**
Third Party Payments	221,061	59,418	24,421	157	11,938	801	18,214	26	58,687	**394,723**
Transfer Payments	46	2,102	3	7	587	160	6	2	3	**2,916**
Support Services	0	0	0	0	0	0	0	0	0	**0**
Capital Charges	0	0	0	0	0	0	0	0	0	**0**
Total Expenditure	**269,599**	**118,289**	**30,009**	**44,460**	**462,604**	**27,812**	**61,873**	**6,211**	**105,509**	**1,126,366**
Net Expenditure	**181,751**	**74,826**	**1,843**	**37,442**	**14,964**	**25,040**	**40,588**	**5,408**	**93,987**	**475,849**

Reconciliation of Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of Service Income and Expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement. An analysis of each of these categories is provided in the Reconciliation of Service Income and Expenditure to Subjective Analysis later in the note.

	£000
Net expenditure in the Service Analysis	475,849
Add Net expenditure of services and support services not included in the Service Analysis	0
Add Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Service Analysis	62,699
Less Amounts in the Service Analysis not included in the Comprehensive Income & Expenditure Statement Cost of Services	-1,932
Cost of Services: Comprehensive Income & Expenditure Statement	536,616

Reconciliation of Service Income and Expenditure to Subjective Analysis

This reconciliation shows how the figures in the analysis of Service Income and Expenditure relate to a subjective analysis of the Surplus on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

	Service Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in CIES Cost of Services	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	-138,710		-2,396	254	9,258	**-131,594**	-254	**-131,848**
Interest and investment income	0					**0**	-52,844	**-52,844**
Income from council tax	0					**0**	-357,792	**-357,792**
Government grants and contributions	-511,807		-18,559		31	**-530,335**	-236,865	**-767,200**
Total Income	**-650,517**	**0**	**-20,955**	**254**	**9,289**	**-661,929**	**-647,755**	**-1,309,684**
Employee expenses	494,273		5,385		-29,761	**469,897**	0	**469,897**
Other service expenses	631,192		-12,152	-1	-39,359	**579,680**	1	**579,681**
Support service recharges	0				62,482	**62,482**	0	**62,482**
Depreciation, amortisation and revaluation loss	0		90,421	-1,284	-2,651	**86,486**	1,357	**87,843**
Interest payments	0					**0**	104,492	**104,492**
Precepts & Levies	901			-901		**0**	901	**901**
Gain or Loss on Disposal of Non Current Assets	0					**0**	30,485	**30,485**
Total Expenditure	**1,126,366**	**0**	**83,654**	**-2,186**	**-9,289**	**1,198,545**	**137,236**	**1,335,781**
Surplus or deficit on the provision of services	**475,849**	**0**	**62,699**	**-1,932**	**0**	**536,616**	**-510,519**	**26,097**

2013/14

The income and expenditure of the Authority's principal services recorded in the budget reports for the year was as follows:

Service Income and Expenditure

	Adult Social Care and Health	Children - Start of Life	Community Wellbeing	Corporate Relations	Finance	Highways and Transport	Leader	Residents' Services	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Specific Government Grants	-15,827	-463,693	-30,056	0	-31	-8,700	0	-4,146	**-522,453**
Customer and Client Receipts	-39,366	-8,264	-358	-2,537	-1,280	-7,917	-75	-3,083	**-62,880**
Other Income	-32,296	-25,756	-1,025	-5,128	-1,009	-5,769	-674	-4,643	**-76,300**
Total Income	**-87,489**	**-497,713**	**-31,439**	**-7,665**	**-2,320**	**-22,386**	**-749**	**-11,872**	**-661,633**
Employee Expenses	35,967	385,918	4,212	15,280	15,195	12,218	2,523	38,780	**510,093**
Premises Expenses	184	38,103	125	3,890	7,317	3,982	24	2,045	**55,670**
Transport Expenses	1,239	14,753	58	173	146	2,313	13	1,298	**19,993**
Supplies and Services Expenses	11,069	55,291	6,526	32,837	6,133	27,718	6,161	8,449	**154,184**
Third Party Payments	215,911	73,983	20,786	195	752	19,124	0	56,434	**387,185**
Transfer Payments	52	2,215	2	53	140	4	8	1	**2,475**
Support Services	22,466	28,658	2,023	-11,407	-51,811	2,257	-1,161	10,125	**1,150**
Capital Charges	1,593	18,821	0	0	1,611	21,278	0	4,254	**47,557**
Total Expenditure	**288,481**	**617,742**	**33,732**	**41,021**	**-20,517**	**88,894**	**7,568**	**121,386**	**1,178,307**
Net Expenditure	**200,992**	**120,029**	**2,293**	**33,356**	**-22,837**	**66,508**	**6,819**	**109,514**	**516,674**

Reconciliation of Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of Service Income and Expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement. An analysis of each of these categories is provided in the Reconciliation of Service Income and Expenditure to Subjective Analysis later in the note.

	£000
Net expenditure in the Service Analysis	516,674
Net expenditure of services and support services not included in the Analysis	0
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	196,731
Amounts in the Analysis not included in the Comprehensive Income & Expenditure Statement	6,326
Cost of Services: Comprehensive Income & Expenditure Statement	719,731

Reconciliation of Service Income and Expenditure to Subjective Analysis

This reconciliation shows how the figures in the analysis of Service Income and Expenditure relate to a subjective analysis of the Surplus on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

	Service Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in CIES Cost of Services	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	-139,180		-283	260	9,494	**-129,709**	-39,506	**-169,215**
Interest and investment income	0					**0**	-11,361	**-11,361**
Income from council tax	0					**0**	-350,688	**-350,688**
Government grants and contributions	-522,453		-14,635		31	**-537,057**	-196,472	**-733,529**
Total Income	**-661,633**	**0**	**-14,918**	**260**	**9,525**	**-666,766**	**-598,027**	**-1,264,793**
Employee expenses	510,093		-4,713		-30,531	**474,849**	27,386	**502,235**
Other service expenses	618,616		-10,774	-21	-35,303	**572,518**	0	**572,518**
Support service recharges	1,150				60,966	**62,116**	0	**62,116**
Depreciation, amortisation and revaluation loss	47,557		227,136	6,978	-4,657	**277,014**	856	**277,870**
Interest payments	0					**0**	24,498	**24,498**
Precepts & Levies	891			-891		**0**	891	**891**
Gain or Loss on Disposal of Non Current Assets	0					**0**	60,874	**60,874**
Total Expenditure	**1,178,307**	**0**	**211,649**	**6,066**	**-9,525**	**1,386,497**	**114,505**	**1,501,002**
Surplus or deficit on the provision of services	**516,674**	**0**	**196,731**	**6,326**	**0**	**719,731**	**-483,522**	**236,209**

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:

2013/14			2014/15	
Non schools	School based	**Banding**	Non schools	School based
68	147	£50,000 - £54,999	83	136
56	112	£55,000 - £59,999	51	114
35	57	£60,000 - £64,999	31	52
7	29	£65,000 - £69,999	7	31
2	14	£70,000 - £74,999	7	16
2	8	£75,000 - £79,999	4	9
6	2	£80,000 - £84,999	1	5
2	4	£85,000 - £89,999	3	6
1	5	£90,000 - £94,999	3	3
2	0	£95,000 - £99,999	3	0
1	2	£100,000 - £104,999	2	2
4	1	£105,000 - £109,999	2	2
1	0	£110,000 - £114,999	1	1
0	1	£115,000 - £119,999	1	0
2	0	£120,000 - £124,999	1	0
2	1	£125,000 - £129,999	1	0
3	0	£130,000 - £134,999	0	1
0	0	£135,000 - £139,999	1	0
0	0	£140,000 - £144,999	1	0
0	1	£145,000 - £149,999	0	0
		then		
0	0	£170,000 - £174,999	1	0
		then		
1	0	£265,000 - £269,999	0	0
		then		
1	0	£370,000 - £374,999	0	0
196	**384**	**Total**	**204**	**378**

The number of staff with remuneration above £50,000 in 2014/15 was 582, an increase from 580 in 2013/14.

Senior Officer Disclosure

Following the appointment of Gill Steward as Chief Operating Officer in September 2014, the Authority undertook a review of its senior management structure to ensure alignment with its priority outcomes. As a consequence, a number of officers were in post for only part of the 2014/15 financial year, and this is reflected in the remuneration recognised in the Authority's senior officer disclosure. A series of footnotes have been added to the table to identify the dates for which officers were in post. The remuneration payable to the Authority's senior employees for 2014/15 was as follows:

		Amounts payable in period 1 April 2014 - 31 March 2015							
Post title (as at 31 March 2015)	Post holder (Corporate Leadership Team only)	Salary, fees and allowances £	Bonuses £	Expense allowances £	Compensation for loss of employment £	Benefits in Kind £	Total remuneration (excluding pension contributions) [1] £	Employer's pension contribution £	**Total remuneration (including pension contributions) £**
Chief Operating Officer [2]	Gill Steward	150,565		20,446			171,011	26,198	**197,209**
Executive Director of Residents' Services [3]	Diane Ashby	69,217					69,217	12,044	**81,261**
Executive Director of Residents' Services [4]	Cathryn James	5,376					5,376	935	**6,311**
Executive Director Care, Wellbeing & Education [5]	Avril Wilson	19,806					19,806	3,446	**23,252**
Executive Director of Communities & Public Protection	Sean Ruth	124,012				3,163	127,175	26,415	**153,590**
Director of Communities		106,181					106,181	18,475	**124,656**
Director of Public Health & Social Care Commissioning		135,000					135,000	18,900	**153,900**
Director of Strategic Development [6]		81,289			22,909	1	104,199	13,995	**118,194**
Director of Finance & Assurance [7]		53,272			90,000		143,272	9,269	**152,541**
Director of Adults' Services		115,713				40	115,753	20,134	**135,887**
Director of Children's Services [8]		8,150					8,150	1,241	**9,391**
Director of Public Protection & Deputy Chief Fire Officer [9]		67,200				793	67,993	14,314	**82,307**
Director of Operations & Assistant Chief Fire Officer [10]		58,333				1,970	60,303	12,425	**72,728**
Director of Customer Service [11]		17,188					17,188	2,991	**20,179**
Director of Law, Assurance & Strategy		96,785					96,785	16,841	**113,626**
Deputy Director of Finance [12]		31,291				13	31,304	5,445	**36,749**
Director of Strategic Planning & Place		97,696				1	97,697	16,999	**114,696**
Director of Highways & Transport [13]		16,452					16,452	2,863	**19,315**
Assistant Chief Operating Officer [14]		86,502					86,502	15,051	**101,553**
Director of Workforce, OD & Delivery Support		93,710					93,710	16,305	**110,015**

Notes to 2014/15 Senior Officer Remuneration Disclosure

[1] This column excludes employer's pension contributions from the definition of remuneration, and as such can be read in conjunction with the Officers' Remuneration banding disclosure.
[2] Gill Steward in post as Director of Transformation to 31 August 2014, appointed Chief Operating Officer from 1 September 2014.
[3] Diane Ashby in post as Chief Operating Officer to 31 August 2014, subsequently Executive Director of Residents Services to 5 October 2014.
[4] Cathryn James appointed Executive Director of Residents' Services from 18 March 2015.
[5] Avril Wilson appointed Executive Director Care, Wellbeing & Education from 2 February 2015.
[6] Director of Strategic Development in post to 31 December 2014.
[7] Director of Finance & Assurance in post to 31 August 2014.
[8] Director of Children's Services in post to 21 April 2014.
[9] Director of Public Protection & Deputy Chief Fire Officer in post from 1 September 2014.
[10] Director of Operations & Assistant Chief Fire Officer in post from 1 September 2014.
[11] Director of Customer Service in post from 2 February 2015.
[12] Deputy Director of Finance in post from 24 November 2014.
[13] Director of Highways & Transport in post from 26 January 2015.
[14] Previously Director of Highways & Transport, appointed Assistant Chief Operating Officer from 24 September 2014.

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

Payments of £138,417 were made to Integrex Solutions Ltd for the services of Peter Lewis, who held the post of Executive Director Corporate Resources and Services from June 2014
Payments of £199,215 made to Manpower for the services of the Director of Children & Families for the duration of the 2014/15 financial year
Payments of £92,907 made to Penna Plc for the services of the Commercial Director for the period July to December 2014
In addition, the Director of Economic Growth formed part of a team procured from KPMG

The remuneration payable to the Authority's senior employees for 2013/14 was as follows:

		Amounts payable for period 1 April 2013 - 31 March 2014							
Post title (as at 31 March 2014)	Post holder (Chief Executive's Board only)	Salary, fees and allowances £	Bonuses £	Expense allowances £	Compensation for loss of employment £	Benefits in Kind £	Total remuneration (excluding pension contributions) [1] £	Employer's pension contribution £	**Total remuneration (including pension contributions) £**
Chief Executive [2]	Kieran Stigant	251,291			119,488		370,779	25,364	**396,143**
Chief Operating Officer [3]	Diane Ashby	129,044					129,044	21,163	**150,207**
Director of Transformation [4]	Gill Steward	12,768					12,768	2,094	**14,862**
Director of Health & Social Care Commissioning [5]	Michael Sadler	50,388					50,388	8,264	**58,652**
Director of Communities Commissioning	Sue Hawker	106,181					106,181	17,414	**123,595**
Director of Public Health	Judith Wright	125,638					125,638	17,589	**143,227**
Director of Strategic Development	Derek Irvine	106,181					106,181	17,414	**123,595**
Director of Finance & Assurance	Richard Hornby	132,020					132,020	21,651	**153,671**
Director of Adults' Services	Amanda Rogers	105,919				26	105,945	17,371	**123,316**
Director of Children's Services	Stuart Gallimore	120,935					120,935	20,049	**140,984**
Chief Fire Officer	Sean Ruth	110,963					110,963	23,635	**134,598**
Head of Law & Governance		89,779					89,779	14,724	**104,503**
Head of Learning [6]		47,427			85,877		133,304	7,158	**140,462**
Head of Safeguarding		82,555				83	82,638	13,539	**96,177**
Head of Corporate Finance		72,600				16	72,616	11,906	**84,522**
Head of Policy & Communications		68,522					68,522	11,238	**79,760**
Head of Capital & Asset Management		96,300				11	96,311	15,793	**112,104**
Head of Highways & Transport		82,721					82,721	13,566	**96,287**
Head of Human Resources [7]		21,436				10	21,446	3,515	**24,961**
Head of Human Resources [8]		47,742					47,742	7,830	**55,572**
Head of Business Improvement		83,337					83,337	13,667	**97,004**
Head of Procurement & Contract Services		76,298					76,298	12,513	**88,811**
Head of Children's Social Care		82,775					82,775	13,575	**96,350**
Head of Health & Social Care Practice [9]		33,643					33,643	5,626	**39,269**
Head of Health & Social Care Practice [10]		35,000				5	35,005	5,740	**40,745**
Head of Waste Services [11]		75,778			48,843	99	124,720	9,396	**134,116**

Notes to 2013/14 Senior Officer Remuneration Disclosure

[1] This column excludes employer's pension contributions from the definition of remuneration, and as such can be read in conjunction with the Officers' Remuneration banding disclosure.
[2] Kieran Stigant in post as Chief Executive until 14 February 2014. The post of Chief Executive was removed from the Corporate Leadership Team structure at this date. The salary shown in
[3] Diane Ashby in post as Director of Service Operations from 1 April 2013 to 16 February 2014. Appointed to the new post of Chief Operating Officer from 17 February 2014.
[4] Gill Steward in post as Director of Transformation from 24 February 2014.
[5] Michael Sadler, Director of Health & Social Care Commissioning in post to 31 July 2013.
[6] Head of Learning in post to 13 September 2013.
[7] Head of Human Resources in post to 30 June 2013.
[8] Head of Human Resources in post from 27 August 2013.
[9] Head of Health & Social Care Practice in post to 30 September 2013.
[10] Head of Health & Social Care Practice in post from 1 October 2013.
[11] Head of Waste Services in post to 31 January 2014, the salary shown in the table above includes pay in lieu of notice.

Exit Packages

The Authority terminated, or made provision to terminate, the contracts of a number of employees in 2014/15. Including enhancement of retirement benefits, total liabilities of £2.056m were incurred for the period (£1.7m in 2013/14).

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

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band (b + c)		(e) Total cost of exit packages in each band	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
£0 - £20,000	35	31	59	122	94	153	£665,846	£911,057
£20,001 - £40,000	4	7	13	15	17	22	£458,948	£622,828
£40,001 - £60,000	1	3	5	3	6	6	£296,680	£288,171
£60,001 - £80,000	0	1	1	1	1	2	£73,590	£143,786
£80,001 - £100,000	0	0	1	1	1	1	£85,877	£90,000
£100,001 - £150,000	1	0	0	0	1	0	£119,488	£0
Total	41	42	79	142	120	184	£1,700,429	£2,055,842

31. Pooled Budgets

Learning Disabilities Partnership Agreement

In the eleventh year of the Section 75 agreement under the National Health Service Act 2006 (previously Section 31 of the 1999 Health Act), the 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 NHS Coastal, Crawley and Horsham & Mid-Sussex Clinical Commissioning Groups.

WSCC POOLED FUND MEMORANDUM ACCOUNT for the period 1 April 2014 to 31 March 2015

	Cash £000	Staff £000	Other £000	Grant £000	**Total £000**	2013/14 Total £000
Gross Funding						
West Sussex County Council	55,264	8,876	0	0	**64,140**	61,808
Clinical Commissioning Groups	12,549	0	2,150	0	**14,699**	14,213
Total Funding (a)	67,813	8,876	2,150	0	**78,839**	76,021
Expenditure						
Independent Sector	30,722	0	0	0	**30,722**	30,087
Community Support	3,639	0	0	0	**3,639**	3,621
Supported Living	25,461	0	0	0	**25,461**	23,892
Other Commissioned Services	2,564	0	0	0	**2,564**	2,398
WSCC In-House Services	2,541	8,876	0	0	**11,417**	10,908
SP Trust	2,886	0	0	0	**2,886**	2,814
Section 28a	0	0	2,150	0	**2,150**	2,301
Total Expenditure (b)	67,813	8,876	2,150	0	**78,839**	76,021
Net underspend / (overspend) (a) - (b)	**0**	**0**	**0**	**0**	**0**	**0**

Telecare Services Partnership Agreement

This is the fifth year of a Partnership Agreement between the NHS and the County Council under section 75 of the National Health Service Act 2006. The purpose of the partnership is to maintain an integrated service for the commissioning of technological strategies in health, social care and housing services, and to maintain a Pooled Fund (hosted by West Sussex County Council) combining the respective financial commitments of the organisations for the commissioning of such services.

WSCC POOLED FUND MEMORANDUM ACCOUNT for the period 1 April 2014 to 31 March 2015

	Cash £000	Staff £000	Other £000	Grant £000	**Total £000**	2013/14 Total £000
Gross Funding						
Clinical Commissioning Groups	159	0	0	0	**159**	177
West Sussex County Council	519	0	0	0	**519**	413
Total Funding (a)	678	0	0	0	**678**	590
Expenditure						
Mobile Response	34	0	0	0	**34**	34
Installation & Monitoring	628	0	0	0	**628**	532
Assistive Technology	5	0	0	0	**5**	3
Training, IT & Admin	11	0	0	0	**11**	21
Total Expenditure (b)	678	0	0	0	**678**	590
Net underspend / (overspend) (a) - (b)	**0**	**0**	**0**	**0**	**0**	**0**

Mental Health Pooled Budget

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 NHS, is a means to achieve partnership working under the governance of the Joint Commissioning Board, merging financial resources between the Clinical Commissioning Groups and the County Council.

NHS POOLED FUND MEMORANDUM ACCOUNT for the period 1 April 2014 to 31 March 2015

	Cash £000	Staff £000	Other £000	Grant £000	**Total £000**	2013/14 Total £000
Gross Funding						
West Sussex County Council	8,221	0	0	0	**8,221**	8,408
Clinical Commissioning Groups	54,236	0	0	0	**54,236**	55,649
Total Funding (a)	62,457	0	0	0	**62,457**	64,057
Expenditure						
West Sussex County Council	8,377	0	0	0	**8,377**	7,695
NHS	45,930	352	0	0	**46,282**	49,120
NON-NHS	8,696	0	0	0	**8,696**	5,656
Total Expenditure (b)	63,003	352	0	0	**63,355**	62,471
Net underspend / (overspend) (a) - (b)					**-898**	**1,586**

West Sussex County Council's share of the 2014/15 overspend is £120,000 (2013/14 £0.208m underspend).

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 the majority of its funding in the form of grants, and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills). Grants received from government departments are set out in the subjective analysis in Note 29 on reporting for resource allocation decisions. Grants receivable for the period are further detailed in Note 19.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2014/15 is shown in Note 26. A survey of the related party interests of Members and their immediate family members was carried out in preparing this Statement of Accounts. The following interests were declared:

During 2014/15 works and services to the value of £130,074 were commissioned from Horsham Matters Ltd, of which one member is the Chief Executive and their son is also employed as a youth worker. Contracts were entered into in full compliance with the Authority's standing orders.

A Member has disclosed that they are a Director and Trustee of Crawley Open House, and also sit on the Executive Committee of South-East Employers. In 2014/15 works and services to the value of £384,813 and £1,240 respectively were commissioned from these organisations. Contracts were entered into in full compliance with the Authority's standing orders.

A Member has disclosed that they are a Director of the Sussex Community Rail Partnership Ltd, from which works and services to the value of £17,974 were commissioned in 2014/15. Contracts were entered into in full compliance with the Authority's standing orders.

A Member has disclosed that they are a Partner of Dean Wilson LLP, who act as the solicitors for the Shoreham Port Authority. Works and services to the value of £2,250 were commissioned from this entity in 2014/15. Contracts were entered into in full compliance with the Authority's standing orders.

Other Public Bodies

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

In 2014/15 the Council incurred costs of £0.814m (2013/14 £1.0m) 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 £39.9m to the Fund in 2014/15 (2013/14 £37.9m). 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 2015 the Fund had a daily average investment balance of £63.885m (31 March 2014 £13.239m), earning interest of £0.242m (2013/14 £0.056m) in these funds at a rate of return of 0.38% (2013/14 0.43%).

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 transactions were entered into in 2014/15 with any entities identified by this survey.

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 2014/15 the precept on the County Council was £0.105m (2013/14 precept £0.113m).

The Authority has identified interests in two other entities in the reporting period, West Sussex Music Trust and Aspire Sussex Ltd, as it is represented on the Board of both organisations. However, the Authority has judged that it does not have significant influence over either entity. Further details are provided in Note 41.

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 240 maintained schools. Non-current assets with a net book value of £805m were recognised in relation to these schools.

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

	2013/14	2014/15
	£000	£000
Charges for depreciation of non current assets	-46,078	-49,300
Charges for amortisation of intangible assets	-500	-500
Revaluations gains/losses on Property, Plant and Equipment and Assets Held for Sale charged to the Surplus/Deficit on Provision of Services	-217,772	-13,080
Impairment of non current assets	-2,646	0
Movements in the market value of Investment Property	6,982	-1,342
Structural maintenance	-240	0
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	-65,778	-37,818
Write out of historic transactions relating to de-recognised finance lease liabilities	183	0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-67,774	-76,972
Employer's pension contributions and direct payments to pensioners payable in year	47,304	51,659
(Increase) / decrease in creditors	-20,348	13,130
Increase / (decrease) in debtors	2,602	7,646
Increase / (decrease) in inventories	-23	-3
Contributions (to) / from provisions	1,487	869
Net adjustments for non-cash movements	**-362,601**	**-105,711**

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

	2013/14	2014/15
	£000	£000
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	4,900	7,391
Capital grants and contributions recognised in the Comprehensive Income and Expenditure Statement	39,506	52,503
	44,406	**59,894**

35. Cash Flow Statement – Investing Activities

	2013/14	2014/15
	£000	£000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	112,548	112,033
Net position of short-term and long-term investments	46,407	-19,544
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	-4,900	-7,391
Capital grants and contributions recognised in the Comprehensive Income and Expenditure Statement	-39,506	-52,503
Net position on capital grants and contributions receipts in advance	-7,654	-16,748
Net cash flows from investing activities	**106,895**	**15,847**

36. Cash Flow Statement – Financing Activities

	2013/14	2014/15
	£000	£000
Repayment of PFI and finance lease liabilities	4,748	5,440
Net position of short and long term borrowing	6,889	6,870
Net cash flows from financing activities	**11,637**	**12,310**

37. Events after the Balance Sheet date

The Authority has identified a non-adjusting post-balance sheet event in relation to the Firefighters' Pension Scheme (see note 44).

The Pensions Ombudsman has upheld a complaint by a retired firefighter (Milne) that the Government Actuary's Department (GAD) was guilty of maladministration in failing to identify that it had an on-going responsibility to calculate appropriate conversion factors for exchanging pension benefits for cash lump sums. The Firefighters' Pension Scheme therefore has an outstanding liability in respect of underpaid lump sums due to firefighters who retired between 1 December 2001 and 21 August 2006.

The Authority has now received guidance from GAD on how lump sums should be recalculated. A return is due to DCLG by December 2015, with the majority of payments being made to individuals by 1st April 2016. Whilst detailed work to calculate the additional lump sums payable is therefore on-going, the Authority has estimated the cumulative obligation to be in the region of £1.05m. It is anticipated that payments made by the Firefighters' Pension Scheme will be reimbursed by DCLG in full.

There are no other post balance sheet events.

38. Contingent Assets

West Sussex County Council currently has no material contingent assets.

39. 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). Such claims may relate (but are not limited) to gradually occurring pollution at a former landfill site. An Insurance reserve (see Note 2) is maintained to provide for the risk of unknown future claims.

(2) In 2012/13 the Council awarded a five year contract for the provision of adult and community learning in West Sussex to Aspire Sussex Ltd. Aspire is a company limited by guarantee and employs staff previously employed by the Council, who transferred over to the new company upon its inception. The Council retains a minority interest in the company.

The Council has a potential liability in respect of contributions towards redundancy costs incurred by Aspire Sussex. The Council's maximum annual liability is £1.5m and reduces over the five year contract. The contribution is not automatic and is dependent on the financial health of Aspire. By default, any redundancy liabilities are funded by Aspire's reserves, but where this would push Aspire into a budget deficit the Council would be called upon to pay its contribution.

The Council also undertook to underwrite all additional redundancy costs associated with a withdrawal of central government funding at any point during the five year contract. The Council's liability is again limited to the extent to which Aspire is unable to meet the liability using its reserves. Furthermore, the Council acts as guarantor for any accrued deficit for Aspire staff with continued membership of the Local Government Pension Scheme.

(3) A potential liability exists in relation to the on-going acceptance testing of the Waste Mechanical Biological Treatment Plant at Brookhurst Wood, and an associated dispute between the Authority's contractor and a previous sub-contractor. Subject to the outcome of this initial dispute, the Authority may be liable for compensation in relation to the composition of waste used during testing. At this stage the outcome cannot be predicted with any certainty and therefore no provision has been recognised in the accounts.

(4) A potential liability exists in relation to tax obligations payable to HMRC. This relates to contractors who have been employed on a consultancy basis. Under certain circumstances, such contractors are considered by HMRC to be employees of the Authority, which then becomes liable for employer's national insurance contributions. Income Tax is also payable in respect of the individual.

The Authority has been in discussions with HMRC, and has raised a provision (see Note 14) where an obligation has been identified and estimated with some certainty. However, there are areas of the organisation which are still subject to detailed work with HMRC, and as such any obligation in these areas is far less certain. The Authority recognises a contingent liability in that regard.

(5) 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.

40. Accounting Policies

(i) General Principles and Concepts

The Statement of Accounts summarises the Authority's transactions for the reported financial year and its position at the end of the reporting period. The Authority is required by the Accounts and Audit Regulations 2011 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') and the Service Reporting Code of Practice (SeRCOP) for the relevant reporting period, supported by International Financial Reporting Standards (IFRS). The County Council has followed these practices except where stated otherwise. 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.

The Code prescribes the accounting treatment and disclosures for all normal transactions of a local authority, and is based on the following hierarchy of standards:

- IFRS as adopted by the European Union (i.e. EU-adopted IFRS)
- International Public Sector Accounting Standards (IPSAS)
- UK Generally Accepted Accounting Practice (GAAP) Financial Reporting Standards (FRS)
- Statements of Standard Accounting Practice (SSAP) and Urgent Issues Task Force (UITF) Abstracts.

International Accounting Standards (IAS) were issued by the International Accounting Standards Committee (IASC) from 1973 to 2001, while the International Accounting Standards Board (IASB) has from 2001 issued IFRS. The IASB is in effect the successor of the IASC.

These are interpreted in the light of pronouncements by the IFRS Interpretations Committee (until recently known as the International Financial Reporting Interpretations Committee or IFRIC) and its predecessor, the Standing Interpretations Committee (SIC).

The Code requires that local authorities prepare their financial statements in accordance with the IASB Framework for the Preparation and Presentation of Financial Statements ('the Framework') as interpreted by the Code. The Framework sets out the concepts that underlie the preparation and presentation of financial statements for external users of the accounts.

Paragraph 2.1.1.2 of the Code uses the sections of the Framework as its reference when it states that in presenting the financial statements authorities shall have regard to the following:

- Objective of financial statements
- Underlying assumptions
- Qualitative characteristics of financial statements
- Elements of financial statements
- Recognition of the elements of financial statements
- Measurement of the elements of financial statements.

Qualitative characteristics are the attributes that make the information provided in the financial statements useful to users. The Framework sets out two principal qualitative characteristics of financial statements that have been adopted by the Code:

- Relevance
- Faithful Representation

The Code also includes consideration of materiality as a qualitative characteristic, although the Framework considers it as a subsidiary concept of relevance.

Furthermore, the framework identifies four additional qualitative characteristics that enhance the usefulness of information that is relevant and faithfully represented:

- Comparability
- Verifiability
- Timeliness
- Understandability

(ii) Property, Plant and Equipment

Assets held for the supply of services, or 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 it is above the Authority's de minimis threshold (see below). 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.

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

- Infrastructure, community assets and short-lived assets such as vehicles, plant and equipment – depreciated historical cost
- Assets under construction – current cost
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use.

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

The Authority applies a de minimis level of £10,000 for the recognition of 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.

The Code requires that assets included in the Balance Sheet at fair value are revalued as a minimum every five years. The Authority undertook a full revaluation of all its non-current assets at 1 April 2013, and has adopted a rolling approach to revaluations with effect from 31 March 2014 to ensure that all assets are subject to revaluation at least once every five years.

As part the rolling programme, approximately 20% of Property, Plant and Equipment are revalued annually at 31 March. A stratified sample approach is used to select the 20% of assets to be valued each year. To facilitate this approach, two characteristics have been identified for every asset; asset class and geographical location. Each year, the Authority revalues 20% of assets from each asset class. The geographical location of the assets selected for this 20% is representative of the location of assets across the entire asset class.

The Authority uses the results of the valuations commissioned annually to assess whether there has been a general movement in value across an asset class or within a geographical location. If it determines that the movement is material, the Authority uses the valuations received as a basis for indexation to be applied across the asset class or geographical location.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to that Statement).

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

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.

Recognition - Schools

In accordance with the Code, the Authority recognises school assets on its balance sheet only where it controls the flow of future service potential. Community and voluntary controlled school assets are therefore recognised on the balance sheet as the Authority directly employs the staff, sets the admissions criteria and is the freeholder of the premises at these schools. Foundation schools are off-balance sheet as the school's governing body sets the admissions criteria, holds the freehold and has responsibility for the maintenance of the assets. Buildings at voluntary aided schools are off-balance sheet for the same reasons, but land is held on-balance sheet as the Authority retains the statutory responsibility for the maintenance of this.

A number of schools in the County now hold Academy status. Although the Authority retains the freehold of the land and short-term operating leases are granted to enable the Academies access to the sites where building work is underway, once any building work has been completed on these sites a 125 year lease for the land is granted. As a result, the land is revalued to reflect its minimal value due to its restricted use. As legal ownership of the building transfers to the Academy, all building assets relating to Academies are removed from the balance sheet.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

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

- Buildings (new) – new builds (post 1 April 2008) are depreciated on a straight-line basis over an original useful life of 60 years
- Buildings (existing) –
  (a) For existing buildings below the componentisation de minimis, the asset is not componentised and continues on its existing useful life, depreciating on a straight–line basis from an original 35 years, unless otherwise stated
  (b) For existing buildings over the componentisation de minimis, the asset is componentised according to the model percentages and depreciation is determined by its current useful life, unless otherwise stated. Where assets are formally revalued, useful lives are "reset" and the remaining useful life is used for that component. This is depreciated on a straight-line basis and accounted for according to the accounting practices specified in the Code
- Vehicles, plant, furniture and equipment – individual estimated useful life on a straight line basis
- Infrastructure – straight line basis over a period of 30 years for major projects and 15 years for structural maintenance of carriageways and bridges.

Componentisation

The objective of component accounting is to follow proper accounting practice as prescribed by IAS 16 Property, Plant and Equipment, which sets out the criteria for recognising, valuing and depreciating non-current assets.

Significant Cost

Each part of an item of Property, Plant and Equipment with a cost that is "significant" in relation to the total cost of the item is depreciated separately. This applies only to assets which are subject to enhancement, acquisition or revaluation. Where there is more than one significant part of the same asset, which has the same useful life and depreciation method, such parts are grouped in determining the depreciation charge.

The County's componentisation model, based upon similar useful lives, has established that the "significant" cost for an individual asset must be more that 15% of the total cost to be considered for componentisation. Where the percentage costs are less than 15%, these elements remain under the host/main asset.

The impact of componentisation on the individual asset classes is considered below:

- Land – This element continues to be considered as a separate asset with its own valuation, which, in almost all cases, will not be subject to depreciation
- Vehicles, Plant & Equipment – there are a range of assets but it is deemed that any significant components in these assets will last as long as the main asset, unless specifically stated, and therefore are not subject to componentisation
- Infrastructure – as determined by the Highways Infrastructure Code of Practice
- Community – these assets are not currently subject to componentisation because there are no significant components within West Sussex County Council that would result in a material change in depreciation
- Non-operational assets – this includes surplus and assets under construction, which are not normally depreciated
- Investment properties – these are normally non-depreciating assets, revalued annually and are not considered for componentisation
- Building assets - considered below

Component accounting is satisfied by separately accounting for only those significant components that have different useful lives and/or depreciation methods to the remainder of the asset. The policy determines which components will be recognised and depreciated separately, giving regard to the accounting concept of materiality, the levels of which have been determined after extensive analysis of the Council's asset register.

Useful Lives and Depreciation

The Council has established the following significant components (based upon similar useful lives) in addition to the host asset (main structure), which would have a continuation to its existing useful life:

- Building Structure (new – 60 years)
- Building Roof: Traditional and Externals (new - 40 years)
- Building Roof: Non traditional and Mechanical & Electrical (new – 25 years)

Where the host/main asset is the structure and only other elements are being componentised then the structure continues to depreciate on its existing useful life.

Revaluations

Any Revaluation Reserve balances associated with componentised assets are attributed to the building's host component(s) as it is considered unlikely that plant and equipment components will give rise to revaluation gains and losses independently of the structure of the building. To avoid double counting, where a component is replaced or restored the old component is written off in accordance with the accounting concepts in the Code.

De Minimis

De minimis thresholds are used to identify individual assets that can be disregarded for componentisation. The assumption being made is that lower value assets can be excluded from component accounting, as they are unlikely to impact materially on the Authority's core financial statements.

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 County has determined a de minimis of £10m for consideration to componentise.

<u>Disposals and Non-Current Assets Held for Sale</u>

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

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

The asset will be revalued immediately before being reclassified as an Asset Held for Sale and then carried at the lower of this amount and fair value less costs of sale. Depreciation is not charged on Assets Held for Sale.

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts, while amounts below this are charged to revenue. 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.

(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.

In 1983 the Authority undertook a long-term policy for the gradual disposal of the smallholdings estate. Smallholdings with tenancy agreements post 1983 are therefore classified as Investment Properties because they are being held solely to earn rentals; assets relating to rescinded highways schemes are also shown under this category.

Investment Properties are measured initially at cost and subsequently at fair value. 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 sales 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) Heritage Assets

There is no IFRS that deals with heritage assets, and paragraphs 9 to 12 of IPSAS 17 Property, Plant and Equipment provide only limited guidance. The County therefore accounts for heritage assets in accordance with FRS 30 Heritage Assets.

The Code defines a tangible heritage asset as "a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture". Heritage assets are held by the reporting entity in pursuit of its overall objectives in relation to the maintenance of heritage. Examples of heritage assets include historical buildings, archaeological sites, military and scientific equipment of historical importance, historic motor vehicles, civic regalia, orders and decorations (medals), museum and gallery collections and works of art.

Operational heritage assets (i.e. those that, in addition to being held for their heritage characteristics, are also used by the Authority for other activities or to provide other services) are accounted for as operational assets, and are valued in the same way as other assets of that general type.

The Council has adopted the following criteria for its recognition of heritage assets:

- An item must be identifiable as a heritage asset and exceed the County's capital de minimis of £10,000
- Properties that have graded/listed status (and their contents) are considered for classification as heritage assets
- Where available, insurance values shall be considered when valuing heritage assets. Where no reasonable valuation can be attributed to a heritage asset it has not been recognised on the Balance Sheet.

Heritage assets included in the Statement of Accounts are recognised on the following basis:

<u>Measurement and Valuation</u>

- Where a market for the heritage asset exists, it is recognised at fair value – the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's-length transaction (market value)
- Where no market for the heritage asset exists, fair value is the replacement cost of the asset.

In some cases it is not practicable to establish a fair value for a heritage asset. Where no value can be established the asset is not recognised on the Balance Sheet, but the existence of the asset is disclosed in the notes to the accounts.

<u>Valuation</u>

The Code, following the requirements of FRS 30, has relaxed its valuation approach for heritage assets. Valuations may be made by any method that is appropriate and relevant. There is no requirement for valuations to be carried out or verified by external valuers, nor is there any prescribed minimum period between valuations.

However, where heritage assets are measured at valuation, the carrying amount is reviewed with sufficient frequency to ensure the valuations remain current.

<u>Depreciation and Impairment</u>

There is no depreciation or amortisation on assets with indefinite lives such as heritage assets. Impairment addresses primarily physical deterioration, damage or authenticity rather than changes in value.

<u>Disclosure Requirements</u>

Heritage assets are reported separately on the Balance Sheet, with an analysis of classes or groups of heritage assets (subject to materiality) that are valued at cost or valuation. Where material, a summary of transactions is provided in the notes to the accounts, including: costs of acquisition (or value on donation), disposal and proceeds, and impairments for the period.

Where heritage assets are not reported in the Balance Sheet, the notes to the financial statements explain the significance and nature of those assets and the reasons why the assets have not been recognised. These ensure that, when read in the context of information about capitalised assets, the financial statements provide useful and relevant information on the Authority's overall holding of heritage assets.

(v) Charges to Revenue

Services are debited with the following amounts to record the cost of holding fixed 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.

In accordance with the Local Authorities (Capital and Accounting) (England) Regulations 2003, the Authority is also required to make an annual contribution from revenue to repay long-term borrowing – its Minimum Revenue Provision (MRP). The 2008 amendment to these regulations gives authorities the flexibility to set its MRP at a level it considers to be prudent.

The Department for Communities and Local Government has issued statutory guidance on determining the prudent level of MRP, which presents four ready-made options for the calculation. The Authority has adopted two of these options, as follows:

The CFR (Capital Financing Requirement) Method has been applied to all government-supported borrowing, and all historical (pre 1 April 2008) self-financed borrowing. This method involves the calculation of MRP on the basis of 4% of the CFR.

The Asset Life Method has been adopted for all unsupported (self-financed) borrowing post 1 April 2008. This method provides MRP on the basis of equal instalments over the estimated life of the asset for which the borrowing is undertaken.

<u>MRP – Finance Lease and PFI</u>

In line with DCLG 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.

(vi) Intangible Fixed Assets

Intangible fixed assets included in the balance sheet are capitalised at cost and represent the rights to use software licences over a period of more than 12 months. Intangible assets are amortised over their useful life to the relevant service line in the Comprehensive Income and Expenditure Statement.

(vii) 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 in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve.

Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have applied to fund capital expenditure.

(viii) 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 (see Note 5 on capital expenditure and financing).

(ix) 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.

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 credited to the Comprehensive Income and Expenditure Statement is reversed out of the General Fund balance and posted to the Deferred Capital Receipts reserve in the Movement in Reserves Statement.

Leased payments received are apportioned as follows and transferred from Deferred Capital Receipts to the Capital Receipts Reserve:

- 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.

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.

(x) Private Finance Initiative (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 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.

(xi) 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 the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority
- 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 (subject to materiality)
- 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.

The Framework sets out the basic principles regarding the recognition and measurement of revenue. The revenue accounts are maintained on an accruals basis in accordance with the Code.

This means that the accounts are prepared on the basis of income becoming due and expenditure becoming payable in the financial year to 31 March. The cost of supplies and services should be accrued and accounted for in the period during which they were consumed or received. Accruals should be made for all material sums unpaid at the year-end for goods or services received or work completed.

Payments to creditors processed by 1 April which related to the reporting year have been included in the accounts, together with further amounts due for goods and services provided up to 31 March (with a normal de minimis of £10,000). Sundry debtors have been raised in respect of outstanding income.

Under local management, the accounts for schools have been closed down at a slightly earlier date. These accounts have been closed prior to the full reconciliation of individual school accounts with the result that creditors, debtors and schools reserves are shown on an estimated basis. The difference is not material.

There are some exceptions to the accruals basis in the statement of accounts. Examples include parental contributions for the maintenance of children in care where no debtors have been raised. This is a consistent policy applied each year.

Capital expenditure is also recorded and financed on a cash basis but material accruals have been included in Property, Plant and Equipment shown in the balance sheet in accordance with capital accounting requirements. Payments in advance, which include PFI payments to contractors, and receipts in advance, are included within debtors and creditors on the balance sheet.

An examination of debtors outstanding at 31 March has been made and a provision has been included for doubtful debts. This includes a provision for general doubtful debts, which is reviewed annually.

(xii) Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. For West Sussex all inventories that are recorded in the Balance Sheet are valued at cost. The cost of inventories is assigned using the First In First Out (FIFO) and weighted average costing formula, where applicable. Inventories not shown on the Balance Sheet are charged to the revenue account in the year of purchase.

(xiii) Costs of Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of SeRCOP. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation
- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for within the Central Services heading on the Comprehensive Income and Expenditure Statement, as part of the Net Cost of Services.

The bases of allocations used for recharges to services are:

Chief Executive
Finance and Assurance Directorate
Director of Finance and Assurance

- Charged to Corporate and Democratic Core

Remaining Services
Other Directorates providing Support Functions

- Charged to front line services on basis of gross expenditure or headcount

(xiv) 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 in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

The County Council maintains a reserve for financing capital expenditure on County services, and PFI reserves to equalise the costs to the taxpayer of building and maintaining the Authority's three PFI facilities over the duration of the respective contracts. An Early Intervention reserve is held to fund a programme which aims to help vulnerable families requiring County Council help.

A Service Transformation reserve is held to meet the costs of major organisational transformation, and a Volatility reserve to mitigate against the revenue pressures arising from the volatilities in local government financing, particularly since the introduction of the local Business Rates Retention Scheme. In addition, an Interest Account reserve has been set up to protect revenue budgets from persistently low interest rates.

Schools reserves represent the net cumulative underspending on locally managed budgets at 31 March. These balances are available for use by individual schools up to the amount which each has contributed.

Details of these accounts and other earmarked reserves can be found in Note 2.

(xv) 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 becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settling 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.

Main provisions include where the County Council self-funds significant elements of risk whilst retaining external insurance for major risks and some specific areas. An insurance provision is maintained which receives contributions from premiums charged to services, meets the cost of claims and attracts interest on the balance. The balance on the provision represents the estimated value of outstanding claims.

Details of these accounts and their purpose are shown in disclosure Note 14. Where the obligation is within a 12-month period these are classed as short-term provisions on the Balance Sheet.

(xvi) 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 Note 39 to the accounts.

(xvii) Financial Instruments

In line with the introduction of Financial Reporting Standards 25, 26 & 29, financial liabilities and financial assets are recognised on the County Council's Balance Sheet when the County Council becomes a party to contractual provisions of the financial instrument.

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 into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables:

Loans and receivables 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 loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Available for Sale:

Available-for-sale assets 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.

Where the asset has fixed or determinable payments, 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 amortised cost of the asset multiplied by the effective rate of interest for the instrument.

Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations.

Note 8 presents the accounting for financial instruments with disclosure pertinent to the scope, significance and risk of financial instruments held by the County Council.

c) Soft Loans

A soft loan is a loan (made to a voluntary organisation) issued at a below market rate. The code states that de minimis principles can be applied to soft loans. For the purposes of the Statement of Accounts, it might not be necessary to apply the detailed accounting treatment where only a low value of such advances have been made and/or there has not been significant discounting of interest rates.

With this principle in mind, the County Council has decided to treat soft loans below £500,000 in value as de minimis. For the reporting period any soft loans transactions have fallen below this de minimis level, and thus there are no accounting entries in the Statement of Accounts.

(xviii) Financial Instrument Impairment

The County Council held £12.9m with Heritable Bank when it was taken into administration in October 2008. The potential loss arising from this was accounted for in the Income and Expenditure Account in 2008/09. The anticipated cash loss was £2.6m, based on a recovery of 80% of the principal sum outstanding.

At the end of the reporting period, the Authority had recovered £12.2m (94%) of its investment, as detailed in Note 9. The Authority has therefore reversed its original impairment by £1.9m. This was credited to Financing and Investment Income in the 2013/14 Comprehensive Income and Expenditure Statement.

The value of the impairment outstanding is therefore £0.7m. As the likelihood of any further dividends is uncertain, the Authority has adopted a policy not to recognise any further income until it materialises.

(xix) Cash and Cash Equivalents

In the Balance Sheet, Cash and Cash Equivalents represents cash in hand (net of bank overdrafts) and cash equivalents, which are defined as deposits with financial institutions repayable without penalty on notice of not more than 24 hours from date of acquisition. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

(xx) Internal Interest

Interest is not credited to internal funds as treasury management receipts are treated as a corporate resource. The only exception is where it is good practice or regulatory requirement to pay interest, for instance schools' balances.

(xxi) Precept Income, Non-Domestic Rates and Collection Funds

Precept

Council Tax income for the year is included at the figure precepted on district and borough councils' collection funds and is not subject to revision. Payments have also been received or made relating to the surpluses or deficits on district council collection funds as at the end of the reporting period.

Non-Domestic Rates

A new system for the operation of Non-Domestic Rates was introduced on 1 April 2013. Under the new system, local authorities retain 50% of the Non-Domestic Rates they collect locally. The other 50% is paid over to central government, which redistributes the funds as Revenue Support Grant. Of the 50% retained locally, 80% is withheld by the billing authority, and 20% is precepted by the County Council. The County Council therefore receives 10% of the total Non-Domestic Rates collected. In addition, the County Council receives a top-up Non-Domestic Rates payment directly from the Department for Communities and Local Government.

As part of the new arrangements for Non-Domestic Rates, local authorities have assumed potential liabilities for refunding ratepayers who successfully appeal against the rateable value of their properties. This includes any liability in respect of appeals against amounts paid to central government prior to the introduction of the new arrangements on 1 April 2013. In liaison with its billing authorities, the Authority reviews its liability in respect of appeals on an annual basis, and considers the requirement to raise a provision or disclose a contingent liability in accordance with the respective accounting policies.

Collection Funds

Historically the Council Tax income included in the Income and Expenditure Account was the amount that under regulation was paid from the Collection Funds of the billing authorities to the County Council. The Code now requires that the Council Tax income included in the Comprehensive Income and Expenditure Statement be the accrued income for the year. With the introduction of the new Business Rates Retention Scheme in 2013/14, this concept now also extends to Non-Domestic Rates.

Whilst the Council Tax and Non-Domestic Rates income disclosed in Taxation and Non Specific Grant Income is recognised on an accruals basis, regulation dictates that the amount credited to the General Fund must be equal to the amount precepted as part of the annual setting of budgets (i.e. the cash flow for the year). Therefore an adjustment is posted via the Movement in Reserves Statement to the Collection Fund Adjustment Account to mitigate the impact of the accrual on the General Fund.

The collection of Council Tax and Non-Domestic Rates is in substance an agency arrangement. The Code requires that the County Council recognise on its Balance Sheet its share of arrears, impairment allowances for doubtful debts, overpayments and prepayments and collection fund surpluses and deficits for both Council Tax and Non-Domestic Rates.

In addition, there is a debtor/creditor relationship between the County Council and its billing authorities, as the net cash paid to the County Council is not equal to its share of cash collected from Council Tax and Non-Domestic Rate payers.

(xxii) 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.

(xxiii) 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 (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year.

The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement 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 is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

(xxiv) Pensions

The pension costs included in the accounts in respect of all these schemes have been determined in accordance with relevant government regulations. In accordance with the Code, the County Council complies in full with the accounting requirements of IAS19 Retirement Benefits.

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

Service cost, comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

Remeasurements, comprising:

- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows, rather than as benefits earned by employees.

Since June 2010 the calculations have been based on future pension increases being linked to the Consumer Prices Index (CPI) and not the Retail Prices Index (RPI).

(xxv) 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 2003 (SI 2003 No 533), as amended by SI 2009 No 3322

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 on an accruals basis rather than a cash basis is in line with the definition of remuneration set out in Reg. 7(2A) of the Accounts and Audit Regulations 2003, as amended where it states that it means "all amounts paid to or receivable by a person..."

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 should be disclosed.

(xxvi) Early Retirement Costs

The County Council's policy is to recognise 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.

(xxvii) Prior Period Adjustments

It is sometimes necessary for the Authority to make changes to its accounting policies. This may be as a direct consequence of changes to the Code, which dictates standard accounting practices for local authorities, or for some other reason. Additionally, the Authority may discover an error in the application of its accounting policies which requires correction.

In either scenario, it is the policy of the Authority to adopt the change for the period in which it becomes known. Where this adjustment is material in value or in nature, the prior year comparator is also restated. In addition, a further comparator (for two years' prior) is restated and included in the relevant disclosure note. Finally, a 'third balance sheet' is also presented, showing the additional comparator for two years' prior for all components of the balance sheet. A 'Prior Period Adjustments' disclosure note is presented, highlighting the prior period adjustments made, the reason for the adjustments and the impact of the adjustments on the financial statements. This policy is consistent with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

41. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 40, 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:

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

- CIPFA's Code of Practice requires school assets to be recognised on the Authority's balance sheet only where the future economic benefits or service potential associated with those assets will flow to the Authority. On this basis, the Authority has judged that community schools and voluntary controlled schools are on-balance sheet, as the Authority directly employs the staff at these schools, sets the admission criteria and is the freeholder of the premises. Foundation Trust schools are judged to be off-balance sheet as the schools' governing body set the admissions criteria and the Authority does not hold the freehold or have responsibility for the maintenance of the school. Buildings at voluntary aided schools are off-balance sheet for the same reasons but land is held on-balance sheet as the Authority retains the statutory responsibility for maintenance of the land. Academies are managed completely independently of the local authority, and funding is provided directly by central government. Premises are leased to the academy on a finance lease basis. Therefore academy buildings are off-balance sheet and land is retained at a minimal value reflecting the Authority's restricted use.

- 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. The Authority was represented on the Board of both entities during the reporting period. However, the Authority has concluded that it does not have significant influence over either West Sussex Music Trust or Aspire Sussex and therefore consolidated group accounts have not been prepared.

- The Authority has recognised an impairment in respect of an investment deposited with Heritable Bank Plc, which entered administration in October 2008. Full details of the deposit and the resulting impairment are disclosed in Note 9. CIPFA LAAP 82 recommended an impairment on the basis of 88% of the original investment being recovered. However, the Authority judged that a recovery rate of 80% would be a more prudent assumption. This judgement increased the value of the impairment by £1m. The Authority proposed only to recognise any amounts recovered in excess of 80% of the original investment at the time the cash is received. Subsequently, dividends to the value of 94% of the original investment have been recovered. Dividends in excess of the impaired principal have been recognised in the Comprehensive Income and Expenditure Statement. The Authority has made no further adjustments to its original impairment and will continue to recognise any subsequent dividends in its Comprehensive Income and Expenditure Statement as they are realised.

- 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 access 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 39 respectively.

42. Assumptions made about the future and other major sources of estimation uncertainty

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

Property, Plant and Equipment

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 makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall. It is estimated that the annual depreciation charge for buildings would increase by £1.4m 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 of £7.0m, which is not considered to be material in the context of the Authority's £1.7billion long term asset base.

Defined Benefit Pension Schemes

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries and pensions are projected to increase and mortality rates. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Local Government

Change in assumptions at 31 March 2015	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	10%	182,299
1 year increase in member life expectancy	3%	54,444
0.5% increase in the Salary Increase Rate	3%	54,918
0.5% increase in the Pension Increase Rate	7%	123,830

Firefighters

Change in assumptions at 31 March 2015	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2%	6,906
1 year increase in member life expectancy	3%	10,555
0.5% increase in the Salary Increase Rate	2%	6,274
0.5% increase in the Pension Increase Rate	8%	29,293

43. 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.

A number of accounting changes will become applicable from 1 April 2015, and are being adopted in the 2015/16 Code of Practice. Two of these, *IFRIC 21 Levies* and *Annual Improvements to IFRSs 2011-2013 Cycle*, are expected to have a negligible impact on the Authority's Statement of Accounts. The changes introduced by the adoption of *IFRS 13 Fair Value Measurement*, which are summarised below, will however impact on the Authority. The Authority has ascertained that the changes to its Statement of Accounts arising from the adoption of this standard will not be material.

IFRS13 Fair Value Measurement; The concept of fair value is used throughout the Code. The Code currently adopts different definitions of fair value for different classes of assets and liabilities. IFRS 13 introduces a consistent definition of fair value which will be adopted by the 2015/16 Code. The primary impact of this change is anticipated to be in relation to Property, Plant and Equipment assets, for which fair value is currently based on existing use but which under the new standard will be measured at "highest and best" use. The 2015/16 Code is expected to require operational Property, Plant and Equipment to be measured on a service potential basis ("current value") in line with the existing fair value measurement, and therefore the change to the definition of fair value is not anticipated to impact on these assets. The impact of the adoption is therefore expected to be restricted to surplus assets, and will not therefore have a material effect on the accounts. The changes to IFRS 13, which do not represent a change in accounting policy, will be applied prospectively and will not therefore require a prior period restatement.

44. Firefighters' Pension Scheme

2013/14 £000	2013/14 £000		2014/15 £000	2014/15 £000
		Contributions receivable		
	-1,603	Employees		-1,725
		Employers		
-2,359		Normal	-2,524	
0		Early retirements	0	
	-2,359			-2,524
	-36	Transfer values from employers of contributors joining the fund		0
	0	Charges in respect of ill-health early retirements		-50
	-3,998			-4,299
		Benefits payable		
	6,492	Pensions		6,634
		Lump sum benefits		
1,398		Commutations	1,284	
9		Lump sum retirement benefits	1	
0		Death benefits	0	
	1,407			1,285
		Payments to and on account of leavers		
	0	Transfer values to employers of contributors leaving the fund		7
	0	Refunds of contributions		0
	7,899			7,926
	3,901	Net amount payable/receivable for the year before top up grant/amount payable to DCLG		3,627
	-2,988	Top up grant received from DCLG		-3,005
	-913	Top up grant receivable from DCLG		-622
	0	**Net amount payable/receivable for the year**		**0**

Net Assets Statement

At 31 March 2014 £000		At 31 March 2015 £000
	Current Assets	
913	Pension top up grant receivable from DCLG in respect of year to reporting date	622
0	Payments in advance	0
0	Cash	0
913		622
	less: Current Liabilities	
-913	Creditors	-622
0	**Net assets - balance of scheme**	0

The Authority has identified a non-adjusting post-balance sheet event in relation to the Firefighters' Pension Scheme. This is detailed in note 37 to these accounts.

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	Income and expenditure are recognised as they are earned or incurred, not as money is received or paid.
Actuary	An independent professional who advises on the position of the pension fund.
Actuarial Valuation	The Actuary reviews the assets and liabilities of the pension fund every three years.
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	An asset that meets the following criteria: (a) the asset (or disposal group) is available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets; (b) the sale is highly probable; (c) the asset (or disposal group) is being actively marketed for a sale at a price that is reasonable in relation to its current fair value; (d) the sale is expected to qualify for recognition as a completed sale within one year of the date of classification.
Balance Sheet	A statement of recorded assets and liabilities as at the end of an accounting period.
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	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 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 Reserves	Represent resources earmarked to fund capital schemes as part of the authority's capital investment strategy.
Cash Flow Statement	Shows the movement in cash and cash equivalents of the authority during the reporting period.

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, prepared by the CIPFA/LASAAC Local Authority Code Board (CIPFA/LASAAC). 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 of net cost for the year of all the authority's services, together with how this cost is financed – i.e. government grants and local 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	The local tax payable which is based upon dwellings. Each dwelling is placed into one of eight bands, which determines the level of council tax payable and a 25% reduction is granted for one-person households.
Creditors	Amounts owed by the authority for goods and services received where payment has not been made as at the Balance Sheet date.
Current Asset	Assets which are either cash (or an equivalent), held for trading, or expected to be realised within the next financial year.
Current Liability	An amount which will become payable within 12 months of the reporting date.
Debtors	Amounts owed to the authority for goods and services provided but are unpaid as at the Balance Sheet date.
Dedicated Schools Grant (DSG)	The County Council's expenditure on schools 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 Schools' Forum.
Depreciation	A reduction in value of a long-term asset due to age, wear and tear, deterioration or obsolescence.
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 derive 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.
Finance Lease	A lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.
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	The accumulated surplus of income over expenditure in the revenue fund. Balances form part of the County Council's reserves.
Gross Expenditure	Total expenditure before deducting income.
Impairment	Reduction in the value of fixed assets as a result of a fall in prices or consumption of economic benefits.
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. Income includes both revenue arising in the course of ordinary activities and gains such as the revaluation of non-current assets.
Intangible Assets	An identifiable non-monetary asset without physical substance. It must be controlled by the authority as a result of past events and future economic or service benefits must be expected to flow from the intangible asset to the authority.
International Accounting Standards (IAS)	Standards for the preparation and presentation of financial statements created by the International Accounting Standards Committee (IASC).
International Financial Reporting Standards	Advise the accounting treatment and disclosure requirements of transactions so that the authority's accounts present fairly the financial position.
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	The value of 'fixed' assets for capital accounting purposes represents depreciated replacement cost or open market value for land and buildings and the depreciated historic cost of other assets.
Materiality	Information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information about the authority. An authority need not comply with the Code where the information is not material by this definition.
Minimum Revenue Provision (MRP)	An amount chargeable to the General Fund annually to provide for the repayment of debt.
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)	The rate in the pound charged on non-domestic properties. It is the same for all businesses in England and is set annually by government, on whose behalf it is collected by billing authorities. Under the localised system introduced in April 2013, the authority retains 10% of the rates collected by its billing authorities. The authority also receives a top-up to its funding baseline, determined by central government, and funded by tariffs on authorities where the local retention is in excess of their baseline.
Operating Lease	A lease arrangement where the rights and rewards of ownership of the asset have not been transferred to the lessee.
Outturn	The actual level of income and expenditure for the financial year.
Pooled Budgets	Pooled budgets are formal arrangements under Section 75 of the National Health Service Act 2006, between local authorities and primary care trusts, to share the costs of various services which overlap in terms of the responsibilities of the various authorities. One authority hosts the entire activity for the partnership, and the other parties contribute towards the total costs on an agreed basis.
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.
Private Finance Initiative (PFI) Arrangements	PFI arrangements involve the operator undertaking an obligation to provide infrastructure (and related services) that is used to provide services to the public. Features of PFI arrangements are: (a) the entity granting the service arrangement (the grantor) is a public sector entity; (b) the operator is responsible for at least some of the management of the infrastructure and related services and does not merely act as an agent of the grantor; (c) the contract sets initial prices levied by the operator and regulates price revisions over the period of the service arrangement; (d) the operator is obliged to hand over the infrastructure to the grantor in a specified condition at the end of the period of the arrangement, for little or no incremental consideration, irrespective of which party initially financed it. The arrangement will typically involve 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.
Prudential Code	Introduced in April 2004 to replace previous regulatory framework of capital controls with a system based on self-regulation by local authorities.
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.
Reserves	Reserves are set up to meet expenditure occurring in future years. They include the working balances, reserves for financing capital spending and those maintained by schools.
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 un-realised revaluation gains arising from holding long term 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	Regular expenditure incurred in providing services e.g. employee costs.
Revenue Expenditure Funded from Capital under Statute	Revenue expenditure incurred that may be funded from capital resources under statutory provisions but does not result in the creation of long term assets. Items generally include grants, advances and financial assistance to others, cost of stock issues, expenditure on property not owned by the authority and amounts directed under section 16(2) of Part 1 of the Local Government Act 2003 by the Secretary of State.
Revenue Support Grant	A general government grant in support of local authority expenditure.
Service Reporting Code of Practice	The CIPFA Service Reporting Code of Practice (SeRCOP) replaced the previous Best Value Accounting Code of Practice (BVACOP). SeRCOP establishes proper practices with regard to consistent financial reporting for services.
Specific Grants	Represents central government financial support towards particular local authority services, which the government wishes to target.
Support Services	Professional, technical and administrative activities that support front line services.
Total Net Expenditure	The total net spending requirement of the authority after deducting specific grants.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST SUSSEX COUNTY COUNCIL

Opinion on the Authority and firefighters' pension fund financial statements

We have audited the financial statements and the firefighters' pension fund financial statements of West Sussex County Council for the year ended 31 March 2015 under the Audit Commission Act 1998 (as transitionally saved). The West Sussex County Council financial statements comprise the

Movement in Reserves Statement, Balance Sheet, Comprehensive Income and Expenditure Statement, Cash Flow Statement, and the related notes 1 to 43 and include the firefighters' pension fund financial statements comprising the Fund Account and the Net Assets Statement at note 44.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of West Sussex County Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Executive Director Corporate Resources and Services and auditor

As explained more fully in the Statement of the Executive Director Corporate Resources and Services' Responsibilities set out on page 9, the Executive Director Corporate Resources and Services is responsible for the preparation of the Statement of Accounts, which includes the Authority financial statements and the firefighters pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's and the firefighters pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director Corporate Resources and Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2014/15 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of West Sussex County Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2014/15 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012);
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under its Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, West Sussex County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

We certify that we have completed the audit of the accounts of West Sussex County Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Kate Handy
for and on behalf of Ernst & Young LLP, Appointed Auditor
Southampton
28 September 2015

West Sussex Pension Fund

Statement of Accounts 2014/15

Declaration

Under paragraph 8(2) of the Accounts and Audit (England) Regulations 2011, I certify that the Statement of Accounts set out in the following pages presents a true and fair view of the West Sussex Pension Fund as at 31 March 2015.

Peter Lewis
Executive Director Corporate Resources and Services (interim)

Notes: The West Sussex Pension Fund is a defined benefit scheme and the following accounts do not take account of liabilities to pay pensions and other benefits after the 31st March 2015 year end. Further information relating to these liabilities and other benefits is contained in the Valuation Report. The full valuation report can be found on the West Sussex County Council website. (www.westsussex.gov.uk/pensions).

The Local Government Pension Fund Scheme
Pension Fund Account

2013/2014 £000		Notes	2014/2015 £000
	Dealings with members, employers and others directly involved in the scheme		
	Contributions received	7	
	from employers		
81,503	normal		87,097
1,500	additional		-
	from employees		
23,239	normal		24,566
468	additional voluntary		426
	Transfers in		
2,801	Individual transfers in from other schemes		2,266
1,250	Bulk transfers from other schemes		0
4	**Other income**		32
110,765			**114,387**
	Benefits paid	8	
(76,327)	Pensions		(78,983)
(12,985)	Commutation of pension to lump sum		(14,223)
(1,798)	Lump sum death benefit		(1,702)
	Payments to and on account of leavers		
(13)	Refunds of contributions		(90)
(5,110)	Individual transfers out to other schemes		(1,660)
(2,952)	Bulk transfers to other schemes		(39,832)
	Management Expenses		
(470)	Administrative expenses *		(457)
(11,257)	Investment management expenses *	10	(10,554)
(1,379)	Oversight and governance costs *	11	(810)
(112,291)			**(148,311)**
(1,526)	**Net additions/(withdrawals) from dealings with members**		**(33,924)**
	Investment income		
2,584	Interest from fixed interest securities		2,059
34,283	Dividends from equities		35,554
3,601	Income from pooled investment vehicles		742
8,347	Net rents from direct properties	12	9,221
-	Income from stock lending		343
116	Interest on cash deposits		342
	Profit and (losses) on disposal of investments and change in market value		
202,521	Profit and (losses) on disposal of investments and changes in the market value of investments *	14	345,148
(574)	**Taxes on income**	13	(812)
250,878	**Net return on investments**		**392,598**
249,352	**Net increase in net assets available for benefits during the year**		**358,673**
2,367,826	**Add opening net assets of the scheme**		**2,617,178**
2,617,178	**Closing net assets of the scheme**		**2,975,852**

* Amounts for 13/14 have been restated in accordance with CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

Net Asset Statement

At 31 March 2014 £000		Notes	At 31 March 2015 £000
	Investments assets	14	
	Fixed-interest securities		
75,936	UK public sector		59,079
	Equities		
312,850	UK		333,650
1,432,368	Overseas		1,686,001
	Pooled investments		
351,170	Fixed interest and currency funds		440,090
45,967	Indirect property investments		557
158,358	Private equity investments		158,984
	Direct property		
107,900	Freehold		115,665
56,325	Leasehold		99,650
43,045	Cash deposits		37,132
7,764	Investment income		8,543
10,038	Amounts receivable for sales		1,255
2,601,721	**Total investment assets**		**2,940,606**
	Investment liabilities		
(1,114)	Property rent receipts in advance		(1,514)
(9,128)	Amounts payable for purchases	14	(918)
(10,242)			**(2,432)**
	Current assets	19	
3,925	Contributions due		4,057
3,305	Other debtors including prepayments		3,298
19,893	Cash balances		32,996
1,229	Taxation		665
28,352			**41,016**
	Current liabilities	20	
-	Contributions		(17)
(1)	Taxation		-
(2,653)	Other current liabilities inc. benefits payable		(3,321)
(2,653)			**(3,338)**
25,699	**Net current assets / (liabilities)**		**37,678**
2,617,178	**Net assets of the scheme available to fund benefits at the period end**		**2,975,852**

Notes to the Accounts

NOTE 1: Description of the Fund

The Local Government Pension Scheme (LGPS) is a national defined benefit funded scheme, managed locally by administering authorities.

At 31 March 2015 the West Sussex Pension Fund had a diversified portfolio totalling £2,976m invested in equities and bonds, property, cash and private equity. This figure includes current assets and liabilities.

Fund managers have been appointed to manage these investments. The Fund's return for the year was 14.9% compared with the customised benchmark return of 17.1%. Aberdeen Asset Managers (AAM) were appointed to manage the Fund's property portfolio from April 2014.

The following description of the Fund is a summary only. For more detail, reference should be made to the West Sussex Pension Fund Annual Report 2014/15 and the underlying statutory powers underpinning the Scheme, namely the Public Service Pensions Act 2013 and The Local Government Pension Scheme (LGPS) regulations.

a. General

The Scheme is governed by the Public Service Pensions Act 2013 and is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) regulations 2009.

The pension scheme is administered by West Sussex County Council to provide pensions and other benefits for pensionable employees of West Sussex County Council, the District and Borough Councils in West Sussex and a range of other scheduled and admitted bodies.

The Fund is overseen by the Pensions Panel which is a committee of West Sussex County Council and comprises seven County Councillors, a district and borough representative, a scheduled body representative and an employee representative.

b. Membership

Membership of the LGPS is open to all local government employees who have contracts of employment for more than three months and employees of certain specified employers (such as Colleges, Academies, and those who are providing a service transferred from a local authority) can join the Scheme. Organisations participating in the Fund include:

- Scheduled Bodies including Academies and Resolution Bodies: regulations allow employees of certain specified bodies to join the Scheme (including the County Council, District and Borough Councils, non-uniformed personnel employed by the Police and Crime Commissioner for Sussex or the Office of the Chief Constable and employees within Colleges, Academies, Town and Parish Councils).

- Admitted Bodies: Other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

Police officers, teachers and fire-fighters have their own unfunded statutory arrangements.

There are 154 active employer organisations within the West Sussex Pension Fund including the County Council itself, as detailed below:

	31 March 2014	31 March 2015
Number of employers with active members	138	154
Number of active members in Scheme		
County Council	12,340	13,587
Other employers	10,193	11,340
Total	**22,533**	**24,927**
Number of pensioners		
County Council	8,954	9,220
Other employers	7,973	8,240
Total	**16,927**	**17,460**
Number of deferred pensioners		
County Council	13,077	13,312
Other employers	8,630	9,117
Total	**21,707**	**22,429**

The number of deferred pensioners excludes 1,762 frozen refunds (2013/14 - 1,765) and 195 leavers for whom no formal paperwork has been received (2013/14 - 277).

The increase in the number of employers with active members in 2014/15 is due to twelve schools converting to academy status during the last reporting period, ten admitted bodies joining due to the externalisation of services and four parish council being admitted to the Fund. Ten employers ceased to be active during the year.

The overall increase in employees is due to the introduction of Auto Enrolment.

c. Funding

Benefits are funded by contributions and investment earnings. Contributions are made by:

- Active members of the Fund in accordance with the LGPS regulations and range from 5.5% to 12.5% of pensionable pay for the reporting period ending 31 March 2015. (5.5% to 7.5% 2013/14).
- Employers in the Fund in accordance with the rate calculated by the Fund actuary at the triennial valuation exercise, or on admission between valuations. The last valuation was carried out at 31 March 2013 and the new rates became effective on 1 April 2014. Employer Future Service Rates range from 8.8% to 35.0%. A deficit amount (also known as past service adjustment) may also be charged.

d. Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below.

	Service pre 1 April 2008	Service 31 March 2008-1 April 2014
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary
Lump sum	Automatic lump sum of 3 x salary	No automatic lump sum

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index (CPI).

There are a number of ancillary benefits provided under the Scheme including early retirement, ill-health retirement and death benefits. More details can be found on the Fund's website.

NOTE 2: Basis of preparation

The accounts have been prepared in accordance with the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, which is based upon International Financial Reporting Standards (IFRS), as amended for UK public sector, and Guidance on Investment Valuations issued by the Pensions Research Accountants Group (PRAG).

The accounts summarise the transactions and net assets of the Fund. They do not take account of future liabilities to pay pensions and other benefits after the end of the reporting period. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) basis, is disclosed at Note 17.

NOTE 3: Summary of significant accounting policies

Fund Account – revenue recognition

a. Contribution income
Normal contributions, both from members and employers, are accounted for on an accruals basis and on the basis set by the Fund actuary in the payroll period to which they relate.

Employer additional deficit funding contributions are accounted for on receipt.

Employers' augmentation contributions and pensions strain contributions are accounted for in line with the payment schedule. Any amount due in year but unpaid will be classed as a current financial asset.

b. Transfers to and from other Schemes
Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the reporting period and are calculated in accordance with the Local Government Pension Scheme regulations.

Individual transfers in/out are accounted for when received/paid which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase Scheme benefits are accounted for on a receipts basis and are included in transfers in.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c. Investment income

i. Interest income
Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii. Dividend income
Dividend income is recorded on the date that the shares are quoted as ex-dividend. Any amount not received at the end of the reporting period is disclosed in the net asset statement as a current financial asset.

iii. Distributions from pooled funds
Distributions from pooled funds are recognised at the date of issue. Any amount not received at the end of the reporting period is disclosed in the net asset statement as a current financial asset. Income from pooled investments was overstated by £821,044 in 2013/14 and this has been reflected by way of a corresponding reduction in 2014/15.

iv. Property-related income
Property income consists primarily of rental income and is accounted for on an accruals basis.

v. Movement in the net market value of investments
Changes to the net market value of investments (including investment properties) are recognised as income or expense and comprise all realised and unrealised profit/loss during the year.

Fund Account - Expense items

a. Benefits payable
Pensions and lump sum benefits payable include all amounts known to be due at the end of the reporting period. Any amounts due but unpaid are disclosed in the net asset statement as current liabilities.

b. Taxation
The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffer withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

c. Management Expenses

Pension fund management expenses are accounted for in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs. The comparator figures for 2013/14 have been restated to reflect the implementation of the CIPFA guidance. Consequently management expenses reported in the Fund Account for 2013/14 have been increased by £3.696m to £13.106m and Profit and Loss on disposal of investments and changes in market value of investments has similarly been increased by £3.696m to £202.521m to reflect the fees which have been deducted at source.

Administrative expenses

All administrative expenses are accounted for on an accruals basis representing the annual charge relating to the Capita Pensions SSO Contract, staff costs for officers related to interaction with employers and associated management, accommodation and other overheads relating to those officers.

Oversight and governance costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

The Fund's external advisor fees are also included in oversight and governance costs.

Investment management expenses

All management expenses are accounted for on an accruals basis.

Fees of the external managers and custodian are agreed in the respective mandates governing their appointment and are mainly based on the market value of the investments under management and therefore increase or reduce as the value of these investments change.

In addition the Fund has negotiated that an element of Baillie Gifford's fee is performance related. Baillie Gifford outperformed against the benchmark for the past two years and performance related fees were £2.6m (2014/15) and £3.1m (2013/14).

The cost of the council's in-house treasury management team is charged to the Fund based on a proportion of the council's cost representing time spent by officers on treasury management. This is included in investment management costs.

d. Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the Scheme actuary. As permitted under IAS26 the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net asset statement (Note 17).

Net Asset Statement

a. Financial assets

Investments are shown in the net assets statement at market value at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of assets are recognised by the Fund. The values of investments as shown on the net asset statement have been determined as follows:

i. Market quoted investments
The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

ii. Fixed-interest securities
Fixed-interest securities are recorded at net market value based on their current yield.

iii. Unquoted investments
Private equity investments are recorded as detailed below. Because of the uncertainty associated with the valuation of such investments and the absence of a liquid market, the fair values of these assets may differ from their authorised values.

- The valuation of Partners Group portfolio is taken from the unaudited 31st March 2015 fund-of-fund reports. Partners Group performs independent valuations of its underlying investments through a fair market valuation process, which is in accordance with International Financial Reporting Standards (IFRS) and United States Generally Accepted Accounting Principles (US GAAP). This process was implemented in 2003 and has been refined based on feedback received from PricewaterhouseCoopers (PwC), the auditor of most of the firm’s programmes and mandates. On an annual basis, the monitoring and valuation process based on fair valuation principles (sample selection, valuation methodologies, etc.) is discussed and approved by the auditors of programs managed by Partners Group. Partners Group complies with the defined process and applies it as the basis for the year-end valuation and subsequent quarterly Net Asset Value determinations of the programs managed by the firm. Partners Group gathers the valuation-relevant information by systematically screening a broad set of sources for valuation-relevant information about portfolio companies which are held directly or indirectly by Partners Group's programs and mandates. This includes information supplied by the firm's due diligence and monitoring professionals, underlying fund managers and information published in industry journals and/or other publications.
  The Fund monitors audited year end to unaudited quarterly valuations to check the consistency of the unaudited and audited information. To date, the audited accounts for Partners Group have been given an unqualified opinion.
- The valuation of Pantheon’s portfolio is taken from the unaudited 31 March 2015 fund-of-fund reports Pantheon’s quarterly valuation is produced in accordance with US GAAP and UK GAAP. Fund investments are carried at “fair value”. Pantheon ensures that the valuation methodologies employed by underlying fund managers fulfil the measurement criteria of the International Private Equity and Venture Capital Valuation Guidelines (IPEV).
  The Fund monitors audited year end to unaudited quarterly valuations to check the consistency of the unaudited and audited information. To date, the audited financial statements for Pantheon Ventures have been given an unqualified opinion. Pantheon’s audited valuation is available each May following their December year end.

v. Pooled investment vehicles
Pooled investment vehicles are valued at closing bid price at the closing date. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

Indirect properties have been valued at their open market value by the fund administrator.

vi. Freehold and leasehold properties
Freehold and leasehold properties are included on the basis of fair value. A full independent valuation of the Fund's direct property portfolio was carried out by Savills (UK) Ltd, Chartered Surveyors, in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards (January 2014) Global and UK Edition, issued by the Royal Institution of Chartered Surveyors. The properties have been valued on the basis of fair value as required by the International Financial Reporting Standards (IFRS). The definition of fair value is set out in IFRS 13 and is adopted by the International Accounting Standards Board as follows: "The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.". The RICS Red Book considers that fair value is consistent with the concept of market value, the definition of which is set out in Valuation Practice Statement (VPS) 4 1.2 of the Red Book as follows: "The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

b. Foreign currency transactions
Dividends, interest and purchases and sales of investments in foreign currency have been recorded at the spot exchange rate and translated into sterling at the rate ruling at the date of the transaction. End of year spot market exchange rates are used to value cash balances in foreign currency, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

c. Derivatives
The Fund does not invest directly in derivatives. However, the Fund may use derivatives to assist with the efficient transition of portfolio assets during a portfolio restructure or fund manager change.

d. Cash and cash equivalents
Cash comprises cash in hand and demand deposits.

Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of change in value.

The day-to-day activity of the fund managers includes forward dated trades which means that assets and liabilities can be generated with a settlement date falling outside the accounting period. This is reflected in the accrued values for investments shown in the statements.

e. Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net asset statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in fair value of the liabilities are recognised by the Fund.

f. Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the Scheme actuary. As permitted under IAS26 the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net asset statement (Note 17).

g. Additional voluntary contributions

Some members of the Scheme have made additional voluntary contributions (AVC) to boost the value of their pensions. These have been invested separately with Standard Life Assurance and Equitable Life Assurance Society and are not included in the Pension Fund accounts but are disclosed as a note (Note 21).

NOTE 4: Assumptions made about the future and other major sources of estimation uncertainty

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of assumptions relating to the discount rate used, salary and pension increases, retirement age, mortality rates and investment returns. The Fund actuary has been appointed to provide advice about the assumptions applied.	Actual experience relative to the assumptions (for example in respect of investment returns, salary growth etc.) will result in a deficit or surplus emerging over time. A 0.5% decrease in real discount rate at year ended 31 March 2015 would result in an approximate 9% increase to employer liability (£361m). A one year increase in member life expectancy at year ended 31 March 2015 would result in an approximate 3% increase in employer liability (£116m). A 0.5% increase in the salary increase rate at year ended 31 March 2015 would result in an approximate increase in employers liability of 2% (£63m). A 0.5% increase in the pension increase rate at year ended 31 March 2015 would result in an approximate 7% increase in employer liability (£266m).
Sensitivity analysis	The sensitivity analysis is based on historical data.	Actual experience relative to assumptions will result in a greater or lesser impact on the financial assets of the Fund.
Private equity	Private equity investments are valued at fair value in accordance with industry guidelines based on the fund manager report as at the end of the reporting period or the latest fund manager report adjusted for net cashflows. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investment in the financial statements are £159.0m. There is a risk that this investment may be under or overstated in the accounts.

NOTE 5: Critical judgements in applying accounting policies

Unquoted private equity investments

Determining the fair value of private equity investments is subjective. They are based on forward looking estimates and judgements involving many factors. Unquoted private equities are valued at fair value in accordance with industry guidelines based on the fund manager report as at the end of the reporting period. The value of unquoted private equities at 31 March 2015 was £159.0m (£158.4m at 31 March 2014).

Pension fund liability

The pension liability is valued every three years by the actuary.

In addition, the Fund receives an IAS26 report, the assumptions for which are summarised in Note 17. This estimate is subject to significant variances based on changes to the underlying assumptions.

NOTE 6: Events after the balance sheet date

It has been agreed that all deferred and pension members of the West Sussex Probation Committee will transfer to Greater Manchester Pension Fund. Details of this transfer amount is still to be confirmed and the final date of the transfer agreed. This will not affect their benefits.

NOTE 7: Contributions received

By Category

2013/14 £000		2014/15 £000
83,003	Employers	87,097
23,707	Members	24,992
106,710		112,089

By Authority

2013/14 £000		2014/15 £000
92,011	Scheduled bodies	92,845
666	Resolution bodies	4,061
9,609	Admitted bodies	9,027
4,424	Academies	6,156
106,710		112,089

NOTE 8: Benefits paid

By Category

2013/14 £000		2014/15 £000
76,327	Pensions	78,983
12,985	Commutation and lump sum retirement benefit	14,223
1,798	Lump sum death benefit	1,702
91,110		94,908

By Authority

2013/14 £000		2014/15 £000
83,068	Scheduled bodies	85,560
547	Resolution bodies	952
7,152	Admitted bodies	7,920
343	Academies	476
91,110		94,908

Pensions paid increased by £3.8m (4.2%) when the two years are compared.
LGPS pension payments are increased each April in based on September CPI. The pensions increase for 2014/15 was set at 2.7% with effect from 7 April 2014.
In addition the number of pensioners increased by 3.1% over the twelve month period.

The pensions increase for 2015/16 has been set at 1.7% and will be applied from 6 April 2015.

NOTE 9: Payments to and on account of leavers

In addition to the figure shown in the Fund Account, there are potential liabilities of a further £0.760m in respect of individuals transferring out of the pension scheme upon whom the Fund is awaiting a final decision.

NOTE 10: Investment management expenses

2013/14 £000		2014/15 £000
8,665	Fund management fees*	8,392
777	Property management fees	548
176	Custody fees	184
1,616	Transaction costs**	1,427
23	In-house treasury management expenses*	3
11,257		10,554

Of the investment management expenses in 2014/15, a total of £2.6m was in respect of performance-related fees paid to the Fund's investment managers (£3.1m in 2013/14).

* Costs have been restated for 2013/14 to reflect CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

** Transaction costs have been reported separately for the first time this year.

NOTE 11: Oversight and governance costs

2013/14 £000		2014/15 £000
509	Staff costs*	334
26	External audit fees	26
363	Actuary fees	233
5	Bank charges*	4
73	Performance monitoring service	66
64	Advisory fees*	128
339	Other expenses	19
1,379		810

* Costs have been restated for 2013/14 in accordance with CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

NOTE 12: Property income

2013/14 £000		2014/15 £000
9,831	Rental income	10,158
(1,484)	Direct operating expenses	(937)
8,347		9,221

NOTE 13: Taxes on income

2013/14 £000		2014/15 £000
1,472	Tax paid on dividend payments	1,763
(898)	Tax recoverable	(951)
574		812

NOTE 14: Investments

NOTE 14a: Reconciliation of movements in investments and derivatives

	Market Value at 1 April 2014 £000	Net Transactions £000	Current Year Realised / Unrealised Profit or Loss £000	Cash Movement £000	Market Value at 31 March 2015 £000
Fixed-interest securities					
UK public sector	75,936	(22,557)	5,700	-	59,079
Equities					
UK	312,850	5,216	15,584	-	333,650
Overseas	1,432,368	13,517	240,116	-	1,686,001
Pooled investment vehicles					
Unit trusts	-	-	-	-	-
Fixed-interest and currency funds	351,170	39,178	49,742	-	440,090
Indirect property	45,967	(43,028)	(2,382)	-	557
Private equity	158,358	(25,741)	26,367	-	158,984
Direct property				-	
Freehold property	107,900	(1,943)	9,708	-	115,665
Leasehold property	56,325	42,418	907	-	99,650
Derivatives	-	(4)	4	-	-
Sub total	2,540,874	7,056	345,746	-	2,893,676
Other investment balances					
Cash	43,045	(8,316)	(597)	3,000	37,132
Amount receivable for sales	10,038				1,255
Investment income due	7,764				8,543
Amount payable for purchases	(9,128)				(918)
Total assets	2,592,593	(1,260)	345,148	3,000	2,939,688

	Market Value at 1 April 2013 £000	Net Transactions £000	Previous Year Realised / Unrealised Profit or Loss £000	Cash Movement £000	Market Value at 31 March 2014 £000
Fixed-interest securities					
UK public sector	87,548	(6,802)	(4,810)	-	75,936
Equities					
UK	451,165	(176,007)	37,692	-	312,850
Overseas	813,294	468,241	150,833	-	1,432,368
Pooled investment					
Unit trusts	383	(394)	11	-	-
Fixed-interest and currency funds	627,197	(269,251)	(6,776)	-	351,170
Indirect property	37,116	5,550	3,301	-	45,967
Private equity	158,007	(12,189)	12,540	-	158,358
Direct property				-	
Freehold property	79,535	21,366	6,999	-	107,900
Leasehold property	67,645	(15,201)	3,881	-	56,325
Derivatives	-	(912)	912	-	-
Sub total	2,321,890	14,401	204,583	-	2,540,874
Other investment balances					
Cash	20,756	11,351	(2,062)	13,000	43,045
Amount receivable for sales	15,201				10,038
Investment income due	5,319				7,764
Amount payable for purchases	(13,202)				(9,128)
Total assets	2,349,964	25,752	202,521	13,000	2,592,593

Transaction costs for equities, bonds, fixed-interest and currency funds have been recorded seperately for the first time this year (see Note 10).

In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

NOTE 14b: Analysis of investments

31 March 2014 %	31 March 2014 £000		31 March 2015 £000	31 March 2015 %
		Quoted		
68.7	1,745,218	Equities	2,019,651	69.8
3.0	75,936	Fixed-interest securities	59,079	2.0
		Pooled investments		
13.8	351,170	Fixed-interest and currency funds	440,090	15.2
		Unquoted		
		Pooled investments		
6.2	158,358	Private equity	158,984	5.5
6.5	164,225	Direct property investments	215,315	7.5
1.8	45,967	Indirect properties	557	0.0
100.0	**2,540,874**	**Total**	**2,893,676**	**100.0**
	43,045	Cash deposits	37,132	
	7,764	Investment income	8,543	
	10,038	Amounts receivable for sales	1,255	
	2,601,721	**Total investment assets**	**2,940,606**	
		UK investments		
12.4	312,850	Equities	333,650	11.6
3.0	75,936	Fixed-interest securities	59,079	2.0
		Pooled investments		
4.5	114,955	Fixed-interest and currency funds	128,077	4.4
1.7	43,558	Indirect properties	-	0.0
6.6	164,225	Investment properties	215,315	7.5
		Overseas investments		
56.3	1,432,368	Equities	1,686,001	58.3
		Pooled investments		
0.1	2,409	Indirect properties	557	0.0
		Other		
6.2	158,358	Private equity	158,984	5.5
0.8	19,897	Currency Allocation Return Fund	23,691	0.8
8.4	216,318	Sterling Market Cap Bond Fund	288,322	10.0
100.0	**2,540,874**		**2,893,676**	**100.0**
	43,045	Cash	37,132	
	7,764	Investment income	8,543	
	10,038	Amounts receivable for sales	1,255	
	2,601,721	**Total investment assets**	**2,940,605**	

The above analysis does not include investment liabilities of £2.3m which relates to property receipts in advance (£1.4m) and amounts payable for purchases (£0.9m).

No individual investment exceeded 5% of the total value of the Fund’s net assets. However the Fund holds investments in fixed-interest and currency funds, the values of which, shown as a percentage of the total fund value, have been set out in the following table.

31 March 2014 %	31 March 2014 £000		31 March 2015 £000	31 March 2015 %
		Baillie Gifford managed funds		
8.3	216,318	Sterling Market Cap Bond	288,322	9.7
		UBS managed funds		
0.8	19,897	Currency Allocation Return Fund	23,691	0.8
4.4	114,955	UK Corporate Bond Plus	128,077	4.3
13.5	**351,170**		**440,090**	**14.8**

The Fund's top ten holdings shown as a percentage of the total fund value are set out below.

31 March 2015	**Value £000**	**Value %**
Naspers	55,385	1.9
Royal Caribbean Cruises	50,531	1.7
Google	37,344	1.3
Prudential	37,193	1.2
AIA Group	32,719	1.1
Samsung	28,945	1.0
Anthem	26,149	0.9
Taiwan Semiconductor	23,910	0.8
Amazon	23,848	0.8
Ryanair	23,226	0.8
	339,250	**11.6**

31 March 2014	**Value £000**	**Value %**
Naspers	38,109	1.5
Google	37,102	1.4
Prudential	30,520	1.2
Nestle	26,247	1.0
Samsung	25,675	1.0
Royal Caribbean Cruises	24,419	0.9
BP	24,356	0.9
Roche	21,738	0.8
Taiwan Semiconductor	19,894	0.8
TD Ameritrade	19,609	0.7
	267,669	**10.2**

NOTE 14c: Stock lending

The LGPS (Management & Investment of Funds) regulations 2009 permit the Fund to lend stock on the basis that the total value to be transferred is not in excess of 25% of the total market value of the stock held by the Fund. The Fund entered into a stock-lending agreement with its custodian (Northern Trust) allowing stock to be lent to third parties. At the end of the reporting period the Fund had £135.1m of stock on loan, the value of which is included in the Net Asset Statement as the stock is only on loan and therefore remains an asset of the Fund. As security for the stock on loan, the Fund received collateral at 31st March 2015 valued at £145.0m which represents 107.32% of the value of the stock on loan. The collateral is held as insurance against borrower default. Income from stock lending is recognised on the date at which the stock is borrowed.

NOTE 14d: Analysis of investments excluding cash

31 March 2014			31 March 2015	
%	£000		£000	%
		Book cost and market value of investments		
	2,095,450	Book cost	2,225,111	
	2,540,874	Market value	2,893,675	
		Share of market (bid) value held by fund managers		
39.3	1,002,205	UBS Global Asset Management	1,118,943	38.7
46.1	1,170,120	Baillie Gifford & Co	1,399,877	48.4
4.1	103,286	Pantheon Ventures	95,545	3.3
2.2	55,071	Partners Group	63,439	2.2
8.3	210,192	Aberdeen Asset Management	215,872	7.5
100.0	**2,540,874**		**2,893,675**	**100.0**
		Analysis of investment assets - UBS Global Asset Management		
22.5	225,283	UK equities	258,546	23.1
56.4	566,134	Overseas equities	649,550	58.0
7.6	75,936	Fixed-interest securities	59,079	5.3
13.5	134,852	Fixed-interest and currency funds	151,768	13.6
100.0	**1,002,205**		**1,118,943**	**100.0**
		Analysis of investment assets - Baillie Gifford & Co		
7.5	87,568	UK equities	75,104	5.4
74.0	866,234	Overseas equities	1,036,451	74.0
18.5	216,318	Fixed-interest fund	288,322	20.6
100.0	**1,170,120**		**1,399,877**	**100.0**

The Fund's objective is to maximise returns and to seek to outperform the customised benchmark by 1% pa over a rolling three year period, with aspiration that performance will not fall more than 3% below the benchmark as calculated by the WM Company in any one year. Each fund manager is monitored against their own customised benchmark and outperformance target. The Fund's rate of return for the year was 14.9% compared with the customised benchmark return of 17.1%. Over the three years to 31 March 2015 the Fund's rate of return was 13.6% per annum compared with the customised benchmark return of 12.1% per annum.

NOTE 14e: Direct property holdings

31 March 2014 £000		31 March 2015 £000
147,180	Opening balance	164,225
26,140	Additions	43,535
(19,975)	Disposals	(3,060)
10,880	Net increase in market value	10,615
-	Other changes in fair value	-
164,225	Closing balance	**215,315**

NOTE 15: Financial instruments

NOTE 15a: Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised.

The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and net asset statement headings. No financial assets were reclassified during the accounting period.

31 March 2014			**31 March 2015**	
Designated as fair value through profit and loss	**Loans and receivables**		**Designated as fair value through profit and loss**	**Loans and receivables**
£000	**£000**		**£000**	**£000**
		Financial assets		
75,936	-	Fixed-interest securities	59,079	-
1,745,218	-	Equities	2,019,650	-
351,170	-	Fixed-interest and currency funds	440,090	-
45,967	-	Pooled property investments	557	-
158,358	-	Private equity	158,984	-
43,045	-	Cash deposits	37,132	-
-	19,893	Internally managed cash	-	32,996
10,038	7,764	Investment balances	1,255	8,543
-	8,458	Debtors	-	3,963
2,429,732	**36,115**		**2,716,747**	**45,502**
		Financial liabilities		
(9,128)	(1,114)	Investment balances	(918)	(1,514)
(2,652)	-	Other current liabilities	(2,516)	-
(11,780)	**(1,114)**		**(3,433)**	**(1,514)**
2,417,952	**35,001**		**2,713,313**	**43,988**

NOTE 15b: Net gains and losses on financial instruments

31 March 2014 £000		31 March 2015 £000
	Financial assets	
187,033	Fair value through profit and loss	334,533
-	Loans and receivables	-
-	Financial liabilities measured at amortised cost	-
	Financial liabilities	
-	Fair value through profit and loss	-
-	Financial liabilities measured at amortised cost	-
187,033	**Total**	334,533

NOTE 15c: Fair value of financial instruments and liabilities

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values.

31 March 2014 Carrying Value £000	31 March 2014 Fair value £000		31 March 2015 Carrying Value £000	31 March 2015 Fair value £000
		Financial assets		
2,429,732	2,429,732	Fair value through profit and loss	2,716,747	2,716,747
36,115	36,115	Loans and receivables	45,502	45,502
2,465,847	**2,465,847**	**Total financial assets**	**2,762,249**	**2,762,249**
		Financial liabilities		
(11,780)	(11,780)	Fair value through profit and loss	(3,433)	(3,433)
-	-	Financial liabilities measured at amortised cost	-	-
(11,780)	**(11,780)**	**Total financial liabilities**	**(3,433)**	**(3,433)**

The Fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

NOTE 15d: Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1
Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed-interest securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid price. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2
Financial instruments at Level 2 are those where quoted market prices are not available; for example where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based largely on observable market data.

Level 3
Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is based on observable market data.

Such instruments would include unquoted equity investments which are valued using various valuation techniques that require professional judgement in determining appropriate assumptions.

The valuation of both private equity portfolios have been prepared in accordance with industry guidelines.

The following table provides an analysis of the financial assets and liabilities of the Fund grouped by level, based on the level at which the fair value is observable.

	Quoted market price	**Using observable inputs**	**With significant unobservable inputs**	
Values at 31 March 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Financial assets				
Financial assets at fair value through profit and loss	2,557,207	557	158,984	2,716,748
Loans and receivables	45,502	-	-	45,502
Total financial assets	**2,602,709**	**557**	**158,984**	**2,762,250**
Financial liabilities				
Financial liabilities at fair value through profit and loss	(3,433)	-	-	(3,433)
Loans and receivables	(1,514)	-	-	(1,514)
Total financial liabilities	**(4,948)**	**-**	**-**	**(4,948)**
Net financial assets	**2,597,761**	**557**	**158,984**	**2,757,302**

	Quoted market price	**Using observable inputs**	**With significant unobservable inputs**	
Values at 31 March 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Financial assets				
Financial assets at fair value through profit and loss	2,225,407	45,967	158,358	2,429,732
Loans and receivables	36,116	-	-	36,116
Total financial assets	**2,261,523**	**45,967**	**158,358**	**2,465,848**
Financial liabilities				
Financial liabilities at fair value through profit and loss	(11,780)	-	-	(11,780)
Loans and receivables	(1,114)	-	-	(1,114)
Total financial liabilities	**(12,894)**	**-**	**-**	**(12,894)**
Net financial assets	**2,248,629**	**45,967**	**158,358**	**2,452,954**

NOTE 16: Nature and extent of risks arising from financial instruments and other assets

Risk and risk management

The primary long term risk is that the Fund's assets will fall short of its liabilities. The combined portfolio is diversified by assets and fund managers. In addition, the Fund manages its liquidity risk to ensure there are sufficient resources to meet the forecast cash requirement. The Pensions Panel reviews the Fund's funding strategy, in consultation with the actuary, based on the Funds funding position and performance objective and taking into consideration factors including interest rates, inflation, liquidity and collateral. Prudent assumptions are used both in the strategy modelling work and when setting employer contribution rates. Performance is monitored on a quarterly basis by the Pensions Panel.

The Fund’s Statement of Investment Principles (SIP) identifies the risks managed by its investment managers, sets appropriate risk limits and monitors adherence to those limits. The SIP is reviewed regularly to reflect changes in approaches to the Fund’s activities.

Responsibility for the Fund’s risk management strategy rests with the Pensions Panel. The Panel receives regular reports from each of the managers on the nature of the investments made on the Fund’s behalf and the associated risks. Divergence from benchmark asset allocations and the composition of each portfolio is monitored by the Panel. Consideration of the Fund’s investment strategy is on-going.

a. Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Fund’s income or the value of its assets.

The object of market risk management is to identify, manage and control market risk exposures within acceptable parameters while optimising returns.

Market risk is inherent in the investments that the Fund makes, particularly through its equity holdings, and is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. A customised benchmark has been adopted which includes maximum exposures to individual investments, and risk associated with the strategy and investment return are regularly monitored and reviewed by the Pensions Panel.

Fund managers are expected to maintain a diversified portfolio and each manager has to adhere to investment guidelines that specify the managers' investment powers and restrictions. Also, under the LGPS regulations, there are statutory thresholds designed to limit funds concentration of risks in specific areas.

Other price risks

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than arising from interest rate risk or foreign exchange risk) whether those changes are caused by factors specific to the individual instruments or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share price risk, and derivative price risk during periods of transition. This arises from investments held by the Fund for which the future price is uncertain. All investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's investment managers mitigate price risk through diversification and the selection of securities. Exposure is monitored to ensure it is within limits specified in the Fund's investment strategy.

Other price risks – sensitivity analysis

The Council has determined that the following movements in market price risk are reasonably possible for the 2015/16 reporting period. This data has been provided by the Fund's performance monitoring consultant, State Street Investment Analytics, and is based on historical data.

Asset type	**Potential market movement +/-**
UK equities	11.35%
Overseas equities	9.85%
Fixed-interest securities	6.55%
Fixed-interest funds	6.55%
Cash	0.01%
Property	3.68%
Private equity	6.98%
Currency fund	6.98%

Had the market price of the fund investments increased/decreased in line with the above the change in the net assets available to pay benefits in the market price would have been as follows. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

	Value at 31 March 2015	**Change**	**Value on Increase**	**Value on Decrease**
	£000	**%**	**£000**	**£000**
Asset type				
UK equities	333,650	11.35	371,519	295,780
Overseas equities	1,686,001	9.85	1,852,072	1,519,930
Fixed-interest securities	59,079	6.55	62,949	55,209
Fixed-interest funds	416,399	6.55	443,673	389,124
Cash	37,132	0.01	37,136	37,129
Property	215,872	3.68	223,816	207,928
Private equity	158,984	6.98	170,081	147,887
Currency fund	23,691	6.98	25,344	22,037
Investment income due	8,543	0.00	8,543	8,543
Amounts receivable for sales	1,255	0.00	1,255	1,255
Investment liabilities				
Amounts payable for purchases	(918)	0.00	(918)	(918)
Total assets	**2,939,687**		**3,195,469**	**2,683,905**

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk is monitored by the investment managers and the council's treasury management team.

The Fund's exposure to interest rate movements as at 31 March 2015 and 31 March 2014 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value. The analysis of fixed-interest and currency funds reflects the underlying securities held in those funds where information is available.

	Value at 31 March 2014	**Value at 31 March 2015**
	£000	**£000**
Asset type		
Cash and cash equivalents	161,130	43,787
Cash balances	19,893	32,996
Fixed-interest securities	300,181	360,242
Total assets	**481,204**	**437,025**

Interest rate risk - sensitivity analysis

The Fund recognises that interest rates vary and can affect both income and the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The analysis in the table below assumes that all other variables, in particular exchange rates, remain constant and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates.

	Value at 31 March 2015	**Change in year in net assets available to pay benefits**	
		+100 BPS	**-100 BPS**
	£000	**£000**	**£000**
Asset type			
Cash and cash equivalents	43,787	438	(438)
Cash balances	32,996	330	(330)
Fixed-interest securities	360,242	3,602	(3,602)
Total assets	**437,025**	**4,370**	**(4,370)**

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than sterling. The Fund holds monetary and non-monetary assets issued in currencies other than sterling.

Fund managers monitor the currency risk and this is considered by the Pensions Panel when making asset allocation decisions.

The table below summarises the Fund's currency exposure as at 31 March 2015 and 31 March 2014 is set out below. The analysis of fixed-interest and currency funds reflects the underlying securities held in those funds where information is available.

	Value at 31 March 2014 £000	Value at 31 March 2015 £000
Currency		
Overseas equities	1,410,357	1,742,984
Overseas fixed-interest securities	36,084	30,740
Overseas Private equity	158,358	158,984
Overseas indirect property	2,409	557
Cash	7,493	12,328
Total	**1,614,701**	**1,945,594**

Currency risk – sensitivity analysis

An analysis of major currencies (as per the FTSE AW Index) provides an indication of the volatility associated with foreign exchange rate movements. This information has been provided by the Fund's performance consultant State Street Investment Analytics. With the exception of private equity investments which have been treated on a global basis the analysis has been done on an individual stock basis and summarised by asset class for the purpose of the accounts.

The analysis assumes that all other variables, in particular interest rates, remain constant.

If sterling strengthens/weakens against other currencies in which the Fund holds investments, it would increase/decrease the net assets available to pay benefits as follows:

	Value at 31 March 2015 £000	Change %	Value on Increase £000	Value on Decrease £000
Currency				
Overseas equities	1,742,984	6.46	1,855,603	1,630,366
Overseas fixed-interest securities	30,740	5.56	32,451	29,029
Overseas private equity	158,984	5.70	168,045	149,922
Overseas indirect property	557	6.15	592	523
Cash	12,328	7.14	13,209	11,448
Total	**1,945,594**		**2,069,901**	**1,821,287**

b. Credit risk

Credit risk is the risk that the counterparty to a transaction or financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. Credit risk is related to the potential return of any investment, the most obvious being that the yields on bonds are strongly correlated to the perceived credit risk. Therefore, the risk of loss is implicit in the carrying value of the Fund's financial assets and liabilities.

The Fund is exposed to credit risk. However, this risk is minimised by selecting high quality counterparties, brokers and financial institutions.

Deposits are made only with banks and financial institutions that are rated independently and meet the Fund's credit criteria. The Fund has also set out in its Treasury Management Policy the limits of exposure to any one financial institution.

The Fund has not had any experience of default or uncollectible deposits. The fund managers held £37.1m in cash (31 March 2014: £43.0m) and cash internally managed by WSCC at 31 March 2015 was £33.0m (31 March 2014: £19.7m). This was held by institutions with the following credit ratings :

	Nominal amount 31 March 2014	Nominal amount 31 March 2015
	£000	£000
AAA rated counterparties	62,746	64,176
AA- rated counterparties	7	9
A rated counterparties	22	5,943
TOTAL	**62,775**	**70,128**

The Fund's total exposure to credit risk cannot be assessed generally as the risks of default will be specific to each financial institution. At 31 March 2015, there was no evidence that such risks were likely to materialise.

c. Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations when they fall due, without incurring unacceptable losses or risking damage to the Fund's reputation. Cash is required to fund acquisitions and settle various other commitments. The Fund maintains a working cash balance held in instant access money market and bank accounts. A cash flow forecast is maintained to ensure sufficient funds are available. The Fund manages liquidity risk by:

- giving careful consideration to the anticipated income and expenditure required for the administration of the Fund and the payment of benefits and by maintaining in-house managed cash balances sufficient to meet day-to-day cash flows.
- keeping a significant proportion of the Fund's assets in highly liquid investments such as actively traded equities, fixed-interest securities and unit trusts.

The Fund is currently cash flow positive.

The Fund's strategic allocation to property and private equity, which are relatively illiquid, is limited to 15% of the total portfolio. As the Fund is not mature, i.e. it does not need to sell assets in order to pay benefits, it is considered appropriate to hold such investments to increase diversification, minimise risk and improve long-term investment performance.

Under the regulations, the Fund is authorised to borrow in its own right to fund cash flow deficits on a short term basis.

d. Refinancing risk

The key risk is that the Fund is bound to replenish its investments at a time of unfavourable interest rates. The Fund does not hold any financial instruments that have a refinancing risk as part of its treasury management or investment strategies.

e. Counterparty risk

The Fund has appointed Northern Trust as a global custodian with responsibility for safeguarding the assets of the Fund. Its duties include maintaining a repository of underlying information on the Fund's assets and arranging settlement of transactions, income collection and cash management. The Fund monitors Northern Trust's performance and is in regular contact with the custodian. Monthly reconciliations are performed between the custodian's and the investment managers' records.

The Fund has appointed a number of segregated and pooled fund managers to manage portions of the Fund. An Investment Management Agreement is in place for each relationship. All appointments meet the requirements set out in the LGPS (Management and Investment of Funds) regulations 2009 (as amended). Reports on manager performance are monitored by the Pensions Panel on a quarterly basis. The Fund makes use of a third party performance measurement service. In addition to presenting to the Pensions Panel, managers also meet with Fund officers and advisers regularly to review activity and results.

NOTE 17: Funding arrangements - Actuarial Statement

Description of funding policy

The funding policy is set out in the administering authority's Funding Strategy Statement (FSS), dated 25 March 2014. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long term view. This will help ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the administering authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

Funding position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) regulations 2008 was as at 31 March 2013. This valuation revealed that the Fund's assets, which at 31 March 2013 were valued at £2,370 million, were sufficient to meet 86.4% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2013 valuation was £371 million.

Individual employers' contributions for the period 1 April 2014 to 31 March 2017 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal actuarial assumptions and method used to value the liabilities

Method
The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions
A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2013 valuation were as follows:

	% pa nominal	% pa real
Discount rate	4.6	2.1
Pay increases *	3.8	1.3
Price inflation / pension increases	2.5	-

* plus an allowance for promotional pay increases.

The key demographic assumption was the allowance made for longevity. The Fund is a member of Club Vita. The life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2010 model assuming long term improvements of 1.25% p.a., with allowance for short term rates of improvement and declining mortality for the over 90s. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	24.4 years	25.8 years
Future Pensioners	26.9 years	28.5 years

Copies of the 2013 valuation report and FSS are available on the Funds website or on request from West Sussex County Council.

Experience over the period since April 2013

Experience has been mixed over the two years to 31 March 2015 (excluding the effect of any membership movements). Real bond yields have fallen dramatically and the effect of this has been offset by the effect of strong asset returns, meaning that funding levels are likely to have increased marginally over this period.

The next actuarial valuation will be carried out as at 31 March 2016. The FSS will also be reviewed at that time.

NOTE 18: Actuarial present value of promised retirement benefits

CIPFA's Code of Practice on Local Authority Accounting 2014/15 requires administering authorities of LGPS Funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits.

The actuarial present value of promised retirement benefits is to be calculated similarly to the defined benefit obligation under IAS19.

The Fund actuary has provided the necessary information for the West Sussex Pension Fund.

Balance sheet

	31 March 2014	31 March 2015
	£m	£m
Employee members	1,372	1,854
Deferred pensioners	572	692
Pensioners	1,275	1,320
Present value of promised retirement benefits	3,219	3,866

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2013.

The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, the aggregate liability appears to be a reasonable estimate of the actuarial present value of benefit promises.

No allowance has been made for unfunded benefits.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

It should be noted the above figures are appropriate for the administering authority only for preparation of the accounts of the Pension Fund. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the administering authority's IAS19 report as required by the CIPFA Code of Practice.

The Fund actuary estimates that the impact of the change of assumptions to 31 March 2015 is to increase the actuarial present value by £513m.

Financial assumptions

	31 March 2014	31 March 2015
	% p.a.	% p.a.
Inflation / pensions increase rate	2.8	2.4
Salary increase rate	4.1	3.8
Discount rate	4.3	3.2

Longevity assumption

The life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the CMI 2010 model assuming long term improvements of 1.25% p.a., with allowance for short term rates of improvement and declining mortality for the over 90s.

Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	24.4 years	25.8 years
Future pensioners *	26.9 years	28.5 years

* Future pensioners are assumed to be currently aged 45.

Commutation assumption

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.

NOTE 19: Current assets

31 March 2014 £000		31 March 2015 £000
	Debtors:	
1,081	Contributions due - employees	1,219
2,844	Contributions due - employers	2,838
97	Prepayments	192
3,208	Other debtors	3,106
1,229	Taxation	665
8,459		8,020
19,893	Cash balances	32,996
28,352		**41,016**

Analysis of debtors

31 March 2014 £000		31 March 2015 £000
1,271	Central government bodies	1,732
3,466	Other local authorities	3,626
-	Public corporations and trading funds	-
961	Educational establishments	1,567
2,761	Other entities and individuals	1,095
8,459		**8,020**

NOTE 20: Current liabilities

31 March 2014 £000		31 March 2015 £000
-	Contributions	17
1	Tax	-
718	Benefits payable	821
1,934	Other current liabilities	2,499
2,653		**3,338**

Analysis of creditors

31 March 2014 £000		31 March 2015 £000
1,239	Central government bodies	991
5	Other local authorities	763
-	NHS bodies	-
1	Educational establishments	88
1,408	Other entities and individuals	1,496
2,653		**3,338**

NOTE 21: Additional voluntary contributions

Market Value 31 March 2014 £000		Market Value 31 March 2015 £000
1,493	Standard Life	1,699
517	Equitable Life	487
2,010		2,186

AVC Contributions of £163,488 were paid directly to Standard Life during the year (2013/14 £162,883). The Equitable Life contributions ceased in 2001. AVCs are separately invested and are therefore not included in the Pension Fund accounts in accordance with regulations 4(2)(b) of the LGPS Management and Investment of Funds regulations 2009 (as amended).

NOTE 22: Related party transactions

West Sussex County Council

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.

The Council incurred costs of £0.8m (2013/14 £1.0m) 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 £39.9m to the Fund in 2014/15 (2013/14 £37.9m). 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 2015, the Fund had a daily average investment balance of £63.885m (31 March 2014 £13.239m) earning interest of £0.242m (2013/14 £0.056m) in these funds at a rate of return of 0.38% (2013/14 0.43%).

Governance

No members of the Pensions Panel are in receipt of pension benefits from the West Sussex Pension Fund.

Each member of the Pensions Panel is required to declare their interests at each meeting.

Key management personnel

Paragraph 3.9.4.3 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulation 7(2)–(4) of The Accounts and Audit (England) regulations 2011 and Regulation 7A of The Accounts and Audit (Wales) regulations 2005) satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 24. This applies in equal measure to the accounts of the West Sussex County Council Pension Fund.

The disclosures required by Regulation 7(2)–(4) of The Accounts and Audit (England) regulations can be found in the main accounts of West Sussex County Council.

NOTE 23: Contingent liabilities and contractual commitments

Outstanding commitments in private equity at 31 March 2015 totalled £46.6m (31 March 2014 : £60.9m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity part of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over the period of investment.

NOTE 24: Contingent assets

Some admitted employers in the West Sussex Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default.

The fund has made provision for a contingent asset to the value of £100,000. Upon completion of sale of Castlebridge Office Village, Nottingham it was agreed that the buyer would hold £100,000 of the sale price until April 2016 and at this date the sum will transfer to West Sussex Pension Fund should the tenant continue to trade.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST SUSSEX COUNTY COUNCIL

Opinion on the pension fund financial statements

We have audited the pension fund financial statements for the year ended 31 March 2015 under the Audit Commission Act 1998 (as transitionally saved). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of West Sussex County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Executive Director of Corporate Resources and Services and auditor

As explained more fully in the Statement of the Executive Director of Corporate Resources and Services Responsibilities set out on page 1, the Executive Director of Corporate Resources and Services is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director of Corporate Resources and Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2014/15 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the pensions fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2015 and the amount and disposition of the fund's assets and liabilities as at 31 March 2015; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2014/15 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Baldeep Singh
for and on behalf of Ernst & Young LLP, Appointed Auditor
Reading

28 September 2015