West Sussex County Council
Statement of Accounts 2015/16
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Narrative Report

Introduction

The Future West Sussex Plan is the Council's blueprint for what we will deliver over the period 2015 to 2019 and sets out a pledge to the people of West Sussex about what we will achieve for them over the next four years. It was approved at the full County Council meeting in February 2015 and it is aligned to our three core priorities of:

- giving children the best start in life
- championing the West Sussex Economy
- promoting independence in later life.

The plan represents a commitment by West Sussex County Council to the diverse communities it serves. It contains our vision for West Sussex and the differences we are trying to achieve for our residents and for the county. It also sets out how we will make those differences and, equally importantly, how the residents will know whether we have been successful in achieving them. Our guiding principles are:

- Help you to help yourself
- Help the most vulnerable feel supported and safe
- Do the things that are best delivered collectively
- Be there at times of crisis, such as fire or flood
- Minimise the burden of local taxation

The Future West Sussex Plan details some of the clear challenges facing the Council over the next four years. Projections for the county by 2019 include:

- West Sussex will contain 375,000 households and we will have over 850,000 residents
- The average West Sussex home will cost over £300,000
- Care for the elderly will take up more of the council's budget
- We will recycle 50% of our household waste
- 56,600 residents in West Sussex will be living with at least one long term health condition
- 95% of residents will have access to high speed broadband
- 44,800 babies will be born in West Sussex between 2015 and 2019
- We'll need 11,000 care beds for West Sussex residents
- West Sussex will require 18,400 more school places

Further details of the Future West Sussex Plan can be found on our website: https://www.westsussex.gov.uk/campaigns/future-west-sussex-plan/.

Political Structure

The County Council is made up of 71 councillors, controlled by the Conservatives and the political composition is:

- Conservative: 44
- United Kingdom Independence Party: 9
- Liberal Democrat: 7
- Labour: 6
- Independent group: 3
- Independent councillors: 2

The Council follows the Leader and Cabinet model as its political management structure, with functions allocated across the full Council itself, the Cabinet and a range of committees. Many functions are delegated from the Cabinet and committees to officers. The Council's Constitution explains how the County Council operates, how decisions are made and the procedures which are followed to make sure that these are efficient, transparent and accountable to local people. Further details can be found on the Council's website: https://www.westsussex.gov.uk/about-the-council/how-the-council-works/council-structure/.

Management Structure

Supporting the work of the members, is the organisational structure of the Council which is headed by the Executive Leadership Team (ELT), currently led by the Chief Executive, Nathan Elvery. West Sussex County Council services are provided by four directorates, each managed by an Executive Director.

Care, Wellbeing and Education

- Social care support and public health
- Education, children and families support, including schools, childcare, adoption, fostering and other services for children and families

Communities and Public Protection

- Communities—working with our local communities to deliver services in partnership
- Public Protection—the Fire and Rescue Service and Trading Standards

Corporate Resources and Services

- Finance – provision of financial support and advice
- Workforce, organisational delivery and IT
- Law, assurance and strategy
- Commercial – waste and other contracts

Residents' Services

- Customer Services including Libraries, Archives, Registrars, and the Coroner
- Economy, Planning and Place—promoting economic development, strategic planning issues for the County, and effective use of the Council's land and buildings
- Highways and Transport, covering repair and maintenance of our highways network as well as promotion and support of sustainable transport

Council Employees

At the end of March 2016 the Council employed 4,211 people (excluding school-based employees) in both full and part time contracts. Key facts about our workforce include:

Gender – Across the Council, 65.8% of employees are female and 34.2% are male.

Age – The Council has an older age profile than the working age population of West Sussex, with employees aged 15–24 particularly under-represented in the workforce.

Ethnicity – 5.2% of the workforce are recorded as belonging to black and minority ethnic groups. However, 21.4% of employees are of unknown ethnicity, so the actual proportion could be higher or lower.

Council's Performance for 2015/16

The Performance Framework supports the Future West Sussex Plan and for 2015/16 sets out the 23 goals which measure the progress against the three priority areas for the Council – to give children the best start in life, to champion the West Sussex economy and to support independence in later life.

We have worked hard supporting residents and communities through the Shoreham air disaster and we have also had a difficult budget settlement, with on-going savings requirements. However, against these challenges we are proud of the successes we have achieved in the past 12 months, including the launch of the Customer Experience Programme and the Social Care Academy. From the 23 measures monitored in the Future West Sussex Plan, 13 were exceeded and seven nearly met their target, an 86% success rate. Some of our key successes include:

Giving Children the Best Start in Life

- **Keeping families together** – we have claimed a total of 248 successes, which is in line with the target of 244 families. There are also a further 2,213 qualifying families actively in progress since September 2014, which remains on track to deliver its 2020 target.
- **Pupil achievement at Key Stage 4** - 59.4% of West Sussex students achieve 5+A* to C grades including English and Mathematics against a national figure of 56.1%. The West Sussex figure improved by 1.8% from 2014 while the national figure declined by 0.5%. West Sussex is now ranked 9th out of the 34 Shire plus counties (target ranking was 15th), an improvement of 11 places over the last two years.
- **Pupils in schools rated good or outstanding -** 79% of pupils are in schools rated good or outstanding. West Sussex is now in the upper quartile.

Championing the Local Economy

- **GVA per head of population** – significant improvements were made, and the target of £21,180 was exceeded and now stands at £24,754. Although this remains below the regional average, we are taking forward a range of initiatives to ensure future improvements.
- **Broadband roll out** - the target number of properties has been passed and actually passed now stands at 58,628.
- **Better Roads Programme** - the programme has delivered 8% more than anticipated, repairing a total of 2,270,000 square meters of road.

Independent for Longer in Later Life

- **Quality of care received in homes** - 61% of care home providers in West Sussex are rated as good or outstanding by the Care Quality Commission, exceeding the target of 60%.
- **Quality of care received at home** – 77% of home care providers in West Sussex are rated as good or outstanding by the Care Quality Commission, significantly exceeding the target of 60%.

Full details of progress against all 23 of the goals can be found on the West Sussex Performance Dashboard - https://performance.westsussex.gov.uk/.

Financial Performance

The budget for 2015/16, agreed by County Council in February 2015, supported the objectives of the Future West Sussex Plan and was set against the background of continuing austerity in public finances. The budget aimed to support the delivery of members' vision and deliver the three priorities, which are - giving children the best start in life, championing the economy and being independent for longer in later life.

Measures to balance the portfolio budgets for both 2015/16 and 2016/17 were developed and as far as possible, the plans to balance the budget were put together on the basis of maximising efficiency, finding new ways of service provision and engaging partners in collaboration. The budget for 2015/16 assumed savings of £39.1m and by the year end, £32.8m was reported as delivered and a further £6.3m was either delivered in 2015/16 through temporary savings or the saving was achieved but will continue to be monitored in 2016/17 to ensure it is sustainable.

There was an outturn underspending of £1.7m, as set out in Table 1 below, of which £1.2m related to various carry forward requests which were approved and £0.5m was transferred to the General Fund.

Table 1: Summary of Revenue Outturn 2015/16

	Original Budget £000	Outturn Budget £000	Outturn Expenditure £000	Outturn Variance £000
Portfolio Expenditure:				
Adult Social Care and Health	167,403	167,446	167,930	484
Children - Start of Life	77,501	88,306	88,483	177
Community Wellbeing	1,479	3,932	3,586	-346
Corporate Relations	44,737	44,969	45,148	179
Education and Skills	16,144	18,873	18,801	-72
Finance	17,084	17,734	17,365	-369
Highways and Transport	41,163	40,442	40,410	-32
Leader	1,513	4,582	4,210	-372
Residents' Services	99,240	97,481	97,059	-422
Sub Total	466,264	483,765	482,992	-773
Non-Portfolio Expenditure	66,569	49,551	48,491	-1,060
Net Expenditure	532,833	533,316	531,483	-1,833
Financed By:				
Council Tax	364,142	364,142	364,142	0
Business Rates	72,608	72,840	72,840	0
Revenue Support Grant	76,658	76,655	76,655	0
Other Non-Service Government Grants	19,425	19,679	19,555	-124
	532,833	533,316	533,192	-124
Outturn Underspending			1,709	
Transferred to Earmarked Reserves			1,214	
Surplus Taken to General Fund			495	

Spending on the County Council's capital programme totalled £117.9m for the year against the revised capital programme of £119.0m (as approved at County Council on 13 February 2016), a total variation of £1.1m or 1.0%. This included spending of £13m on one of the Council's priorities – the second year of the Better Roads Programme. The main variation from the original budget relates to the Income Generating Initiatives, where it has taken longer to set up and progress activity on the Your Energy Sussex programme and the 5 Bold Ideas, so the budgets have been re-profiled into future years.

Table 2: Summary of Capital Outturn 2015/16

	Original Budget £000	Outturn Budget £000	Outturn Expenditure £000	Outturn Variance £000
Portfolio Expenditure:				
Adult Social Care and Health	681	695	126	-569
Community Wellbeing	0	1,160	1,160	0
Education and Skills / Children - Start of Life	50,221	56,969	63,754	6,785
Finance	11,475	10,548	10,280	-268
Highways and Transport	37,683	35,886	31,790	-4,096
Leader	27,550	4,912	3,009	-1,903
Residents' Services	10,416	8,856	7,751	-1,105
Total	138,026	119,026	117,870	-1,156
Financed By:				
Capital Receipts	15,123	18,073	17,868	-205
Capital Grants and Contributions	57,260	70,947	74,850	3,903
Revenue Contributions to Capital	21,210	25,405	22,166	-3,239
Borrowing	44,433	4,601	2,986	-1,615
	138,026	119,026	117,870	-1,156

In 2015/16 a further six schools obtained Academy status, at which point the buildings ceased to be County Council assets (resulting in assets to the value of £13.9m 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 £7.5m to the Balance Sheet). A further school obtained Academy status during 2015/16 however the current construction costs remain on the balance sheet until the asset is practically complete. This will be obtained in early 2016/17. As at the end of March 2016, 55 schools have obtained Academy status and 230 schools remain within the local authority control. The transfer of schools to Academies is likely to continue in the coming year.

Reserves and Balances

The Balance Sheet distinguishes between "usable" and "unusable" reserves. An analysis of the movement in reserve balances during 2015/16 is provided by the Movement in Reserves Statement, and is summarised below:

Table 3: Movement in Reserve Balances 2015/16

	Balance at 1 April 2015 £000	2015/16 Movement £000	Balance at 31 March 2016 £000
General Fund	17,840	495	18,335
Earmarked Reserves	204,322	-16,106	188,216
Capital Receipts Reserve	7,938	-7,938	0
Capital Grants Unapplied Account	2,221	-1,075	1,146
Total Usable Reserves	232,321	-24,624	207,697
Unusable Reserves	309,536	239,149	548,685
Total Authority Reserves	541,857	214,525	756,382

Unusable reserves are held to offset the impact of accounting adjustments required by International Accounting Standards; for example, charges to the Comprehensive Income and Expenditure Statement in relation to depreciation, asset revaluation and the accrued pension liability. These reserves are not cash-backed and therefore are not available to finance the provision of services. Furthermore, with the exception of the General Fund the usable reserves are earmarked for specific purposes and are not available to support general revenue spending. The General Fund balance at 31 March 2016 is £18.3m, which (at 3.4% of the net expenditure budget for 2016/17) is considered to be a prudent buffer against the significant financial pressures affecting the Council. Earmarked reserves totalling £188.2m are held as at 31 March 2016, and a detailed analysis of this balance is provided in Note 2 to the accounts.

Under International Accounting Standard 19, the Council shows the total future costs of pension liabilities for both the Local Government Pension Scheme and Firefighters. This is a purely notional figure, as the County's budget is constructed on the basis of actual contributions payable. The IAS19 notional liability of £616.5m is offset by a matching notional reserve ensuring there is no impact on the local taxpayer.

Future Capital Programme and Borrowing

The County Council approved a five year capital programme in February 2016. The programme can be summarised as follows:

Table 4: Summary of Capital Programme 2016/17 - 2020/21

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Portfolio Expenditure:					
Adult Social Care and Health	16,914	12,700	11,500	0	0
Community Wellbeing	1,000	0	0	0	0
Education and Skills / Children - Start of Life	51,238	36,841	29,512	7,464	6,887
Finance	13,804	7,467	7,121	5,404	3,845
Highways and Transport	40,171	34,998	42,742	37,035	49,538
Leader	26,035	28,245	60,243	36,910	6,910
Residents' Services	9,177	6,934	105	630	700
Total	158,339	127,185	151,223	87,443	67,880
Financed By:					
Capital Receipts	8,520	2,750	1,000	1,000	1,000
Capital Grants and Contributions	77,807	78,498	80,116	61,198	52,234
Revenue Contributions to Capital	13,308	2,615	8,532	532	532
Borrowing	58,704	43,322	61,575	24,713	14,114
	158,339	127,185	151,223	87,443	67,880

The Authority borrows prudentially for capital investment purposes. No new external borrowing was undertaken in 2015/16, and external debt repayments of £7.0m were made during the year. Outstanding Public Works Loans Board borrowing as at 31 March 2016 was £409.9m (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 £1.8 billion on the Balance Sheet.

Performance Monitoring

Financial performance, workforce information, service performance and risks are presented in the Total Performance Monitor and reported to Cabinet on a monthly basis. Select Committees also consider this and the Leader and the Cabinet Member for Finance ultimately approve the monthly Total Performance Monitor. This provides a regular challenge relating to the Council's performance.

Financial Outlook

The announcement of the Spending Review in November 2015 and the final Local Government Finance Settlement in February 2016 informed the 2016/17 budget and beyond. It confirmed the broad expectations around a continuing period of austerity impacting on local authority finances. For 2016/17, the budget was balanced with £18.8m of savings, £11.1m from savings available from earlier years and £14.5m from an increase in the council tax, with around half the tax rise supporting adult social care costs.

There continues to be uncertainty regarding the financial outlook in future years. Forecasting future funding is inexact at the best of times but there will be increased reliance on business rates under Government proposals, a volatile source of income. The yield for 2015/16 business rates will not be finalised until June 2016, which means the 2016/17 budget was set using in-year estimates, which may change considerably as a result of pending appeals. Business rates will be revalued from 2017/18 adding to the uncertainty and Government has proposed overhauling the funding system to achieve 100% retention of business rates by local authorities by 2020. Though this will be financially neutral it is a major modification with the potential to affect local funding levels.

The Government's finance settlement also provides Revenue Support Grant (RSG) figures up to 2019/20, with a reduction down to no RSG support at all in 2019/20, compared with £53m in 2016/17 for the County Council. Government has offered to guarantee the finance settlements up to 2019/20, to provide certainty, but the County Council has yet to decide to take up this offer.

With the very high level of spending reductions required over the medium-term (£153m up to 2019/20), 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 business rate retention funding system whereby a portion of the County's funding relies on local business rate proceeds, new duties and burdens and the extent to which the Government will support these with extra funding, and pressures from the outside economy such as inflation and local demographic factors, which will influence the demand for services.

These risks identified above are managed in several ways. A general contingency of £3.2m provides a buffer against in-year pressures and covers any potential risks arising from the non-delivery of planned savings as well as funding streams arising from the Education Services Grant (ESG) and the Better Care Fund (BCF). Neither the ESG or BCF funding is guaranteed.

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 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. The Volatility Reserve (subsequently renamed the Budget Management Reserve effective 1 April 2016) stands at £12.6m at 31 March 2016, and this reserve is held to smooth fluctuations in funding levels 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 £13.0m as at 31 March 2016, 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. Furthermore, given the uncertainty over future funding levels, 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. 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.

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 could 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.

Provisions and contingencies

The Council continues to hold both short and long term provisions which total £20.2m at 31 March 2016, of which £8.1m relates to the insurance provision and £3.2m relates to the NDR Appeals provision.

Changes to accounting policies

The accounting policies have been updated to reflect the recommendations coming out of the technical review carried out during the external audit of the 2014/15 accounts, along with changes to both the definition of cash and cash equivalents and the fair value of assets. A new policy on fair value measurement has been adopted to reflect the requirements of International Financial Reporting Standard 13. The impact of the revised definition of fair value is isolated to surplus assets, which will now be valued at their highest and best use rather than their most recent use. The change to cash and cash equivalents has not had any practical implications for the categorisation of our deposits.

Corporate Risks

The Council has been implementing a new risk management regime over 2015/16, following the recommendations of an Internal Audit report in 2014. Twelve key strategic risks have been identified:

1. Failure in quality, safeguarding and duty of care (Adults)
2. Failure in quality, safeguarding and duty of care (Children)
3. Failure of Control Framework including effectiveness of control framework
4. Failure of one of more of the Council's Partnership arrangements
5. Significant failure in the Council's contract letting and management arrangements
6. Contingency arrangements are found to be ineffective (Civil Emergency and Business Continuity)
7. Council fails to shape and develop the Health & Social Care market under its duty
8. The Council is unable to maximise on funding, influence for inward investment and economic growth for the region (a lost opportunity)
9. The county is unable to maximise on shared system leadership - county wide with partners (a lost opportunity)
10. The Council fails to effectively respond to/mitigate the impact of major political changes
11. Tactical planning is not used effectively (a lost opportunity)
12. Staff & Members' failure to understand/fulfil their roles (both in terms of business as usual and change).

The Council is implementing a new Risk Management framework following a review of existing arrangements. The Corporate Risk Management Strategy has been approved by the Corporate Leadership Team and Cabinet. Strategic and Directorate risks are now all recorded in a system and are reviewed as part of the business planning process.

Statement of Accounts

The Statement of Accounts on the following pages sets out the Council's income and expenditure for the year, and its financial position at 31 March 2016. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which in turn is underpinned by International Financial Reporting Standards. It comprises core and supplementary statements, together with disclosure notes.

The Core Statements are as follows:

Movement in Reserves Statement	Sets out the change in the authority's "net worth" over the year
Balance Sheet	Shows the value of the County's assets and liabilities at the year end, and how they are financed
Comprehensive Income & Expenditure Statement	Shows all the 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

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

Conclusion

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

Director of Finance

Statement of Responsibilities

The Chief Financial Officer's responsibilities:

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

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

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

The Director of Finance 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 2016, and of its income and expenditure for the year ending on that date.

Katharine Eberhart
Director of Finance
16 September 2016

The County Council's responsibilities:

The County Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance;
- 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 16 September 2016 on behalf of West Sussex County Council.

Morwen Millson
Chairman of the Regulation, Audit and Accounts Committee
16 September 2016

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 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**
Movement in reserves during 2015/16							
(Surplus) or deficit on the provision of services	28,752	0	0	0	28,752	0	28,752
Other Comprehensive Income and Expenditure	0	0	0	0	0	-243,277	-243,277
Total Comprehensive Income and Expenditure	**28,752**	**0**	**0**	**0**	**28,752**	**-243,277**	**-214,525**
Adjustments between accounting basis & funding basis under regulations (Note 1)	-13,141	0	7,938	1,075	-4,128	4,128	0
Net Increase / Decrease before Transfers to Earmarked Reserves	**15,611**	**0**	**7,938**	**1,075**	**24,624**	**-239,149**	**-214,525**
Transfers to/from Earmarked Reserves (Note 2)	-16,106	16,106	0	0	0	0	0
Increase / Decrease in 2015 / 16	**-495**	**16,106**	**7,938**	**1,075**	**24,624**	**-239,149**	**-214,525**
Balance at 31 March 2016	**-18,335**	**-188,216**	**0**	**-1,146**	**-207,697**	**-548,685**	**-756,382**

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 2015 £000		Notes	31 March 2016 £000
1,664,343	Property, Plant & Equipment	3	1,689,168
67	Heritage Assets	4	73
24,637	Investment Property	6	35,380
2,679	Intangible Assets	7	2,180
25,527	Long Term Investments	8	16,153
9,130	Long Term Debtors	8	17,316
1,726,383	**Long Term Assets**		**1,760,270**
197,903	Short Term Investments	8	150,260
1,043	Assets Held for Sale	10	5
215	Inventories	N/A	270
115,040	Short Term Debtors	11	114,905
28,581	Cash and Cash Equivalents	12	68,911
342,782	**Current Assets**		**334,351**
-15,364	Short Term Borrowing	8	-15,421
-120,197	Short Term Creditors	13	-128,556
-14,256	Short Term Provisions	14	-13,747
-2,521	Short Term PFI Liability	15	-2,496
-458	Short Term Finance Lease Liability	16	-81
-152,796	**Current Liabilities**		**-160,301**
-409,897	Long Term Borrowing	8	-402,882
-7,603	Long Term Provisions	14	-6,475
-100,059	Long Term PFI Liability	15	-113,504
-1,987	Long Term Finance Lease Liability	16	-1,906
-806,345	Pension Liability	17	-616,513
-48,621	Capital Grants Receipts in Advance	19	-36,658
-1,374,512	**Long Term Liabilities**		**-1,177,938**
541,857	**Net Assets**		**756,382**
-232,321	Usable Reserves	MIRS	-207,697
-309,536	Unusable Reserves	20	-548,685
-541,857	**Total Reserves**		**-756,382**

These financial statements replace the unaudited financial statements certified by the Chief Financial Officer on 10 June 2016.

Katharine Eberhart
Director of Finance **16 September 2016**

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.

2014/15 Gross Expenditure £000	2014/15 Gross Income £000	2014/15 Net Expenditure £000		2015/16 Gross Expenditure £000	2015/16 Gross Income £000	2015/16 Net Expenditure £000
281,286	-87,918	193,368	Adult Social Care	293,003	-107,406	185,597
6,853	-1,993	4,860	Central Services	7,240	-1,711	5,529
655,147	-504,905	150,242	Children's and Education Services	656,244	-507,127	149,117
17,813	-6,734	11,079	Cultural and Related Services	12,271	-1,210	11,061
65,819	-6,610	59,209	Environmental and Regulatory Services	112,153	-7,134	105,019
33,858	-2,826	31,032	Fire and Rescue Services	30,111	-2,722	27,389
86,050	-18,900	67,150	Highways and Transport Services	84,233	-17,307	66,926
11,994	-1,740	10,254	Housing Services	10,183	-3,301	6,882
8,955	-3,022	5,933	Planning Services	12,128	-3,335	8,793
30,770	-27,281	3,489	Public Health	37,574	-33,073	4,501
1,198,545	**-661,929**	**536,616**	**Cost of Services**	**1,255,140**	**-684,326**	**570,814**
28,618	0	28,618	Other Operating Expenditure: School Academy Transfers (Notes 21 & 22)	13,942	0	13,942
2,841	0	2,841	Other Operating Expenditure: Other (Note 22)	-10,007	0	-10,007
105,777	-53,098	52,679	Financing and Investment Income and Expenditure (Note 23)	92,127	-47,083	45,044
0	-594,657	-594,657	Taxation and Non-Specific Grant Income (Note 24)	0	-591,041	-591,041
1,335,781	**-1,309,684**	**26,097**	**(Surplus) or Deficit on Provision of Services**	**1,351,202**	**-1,322,450**	**28,752**
		-8,884	(Surplus) or Deficit on revaluation of non current assets (Note 3)			-23,765
		0	Impairment of non current assets chargeable to the Revaluation Reserve (Note 3)			115
		-271	(Surplus) or Deficit on revaluation of available for sale financial assets (Note 20)			464
		133,252	(Gains)/losses on remeasurement of pension assets/liabilities (Note 17)			-220,091
		124,097	**Other Comprehensive Income and Expenditure**			**-243,277**
		150,194	**Total Comprehensive Income and Expenditure**			**-214,525**

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.

2014/15 £000		2015/16 £000
26,097	Net (surplus) or deficit on the provision of services	28,752
-105,711	Adjustments to net surplus or deficit on the provision of services for non cash movements (Note 33)	-131,839
59,894	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 34)	76,379
-19,720	Net cash flows from Operating Activities	-26,708
15,847	Investing Activities (Note 35)	-25,098
12,310	Financing Activities (Note 36)	11,476
8,437	Net (increase)/decrease in cash and cash equivalents	-40,330
-37,018	Cash and cash equivalents at the beginning of the reporting period	-28,581
-28,581	**Cash and cash equivalents at the end of the reporting period (Note 12)**	**-68,911**

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.

2015/16	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
	Usable Reserves			
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	-52,646			52,646
Charges for amortisation of intangible assets	-499			499
Charges for impairment of non current assets	-154			154
Revaluation gains/losses on Property, Plant and Equipment and Assets Held for Sale	-32,801			32,801
Movements in the market value of Investment Properties	4,535			-4,535
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	-21,999			21,999
Capital grants and contributions applied to REFCUS	20,240			-20,240
Amounts written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-25,180			25,180
Cost of sales attributed to the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-71			71
Gains upon recognition of Donated Assets	3,781			-3,781
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	21,446			-21,446
Revenue Contribution to Capital Outlay	22,166			-22,166
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions with no conditions outstanding recognised in the Comprehensive Income and Expenditure Statement	53,535		-53,535	
Application of grants to capital financing transferred to the Capital Adjustment Account			54,610	-54,610
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	10,001	-10,001		
Use of the Capital Receipts Reserve to finance new capital expenditure		17,939		-17,939
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	-172			172
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	12,914			-12,914
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-86,317			86,317
Employer's pension contributions and direct payments to pensioners payable in year	56,058			-56,058
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	533			-533
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	1,489			-1,489
Total Adjustments	**-13,141**	**7,938**	**1,075**	**4,128**

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
Gains upon recognition of Donated Assets	0			0
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**

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 2015/16.

	Balance at 1 April 2014	Transfers Out 2014/15	Transfers In 2014/15	Balance at 31 March 2015	Transfers Out 2015/16	Transfers In 2015/16	Balance at 31 March 2016
	£000	£000	£000	£000	£000	£000	£000
Adult Social Care and Health Demand Pressures	0	0	0	0	312	-3,000	-2,688
Better Roads Programme	-15,000	15,000	0	0	0	0	0
Business Infrastructure	-5,552	1,551	0	-4,001	393	0	-3,608
Capital Expenditure	-14,753	0	-74	-14,827	10,490	-8,000	-12,337
Capital Infrastructure	0	0	0	0	0	-12,000	-12,000
Care Act	0	0	0	0	0	-3,000	-3,000
Contract Settlement	-1,030	53	0	-977	0	0	-977
Crawley Schools PFI	-5,553	0	-856	-6,409	0	-347	-6,756
Dedicated Schools Grant (DSG)	-12,840	12,840	-9,688	-9,688	9,688	-6,416	-6,416
DfE Basic Need Grant	-2,600	2,600	0	0	0	0	0
Early Intervention	-14,109	3,301	-1,675	-12,483	3,800	-1,840	-10,523
Highways and Education Buildings	-4,935	3,760	0	-1,175	733	0	-442
Infrastructure Fund	-9,140	1,107	0	-8,033	7,461	-380	-952
Insurance	-10,075	1,868	0	-8,207	655	0	-7,552
Interest Smoothing	-3,963	387	0	-3,576	96	0	-3,480
Operation Watershed	-1,641	1,607	-881	-915	750	0	-165
School Balances	-21,671	21,671	-22,192	-22,192	22,192	-18,991	-18,991
Schools Sickness and Maternity	0	0	-1,776	-1,776	0	-238	-2,014
Service Transformation	-25,928	3,176	0	-22,752	10,312	-591	-13,031
Strategic Economic Plan	0	0	0	0	1,856	-5,038	-3,182
Street Lighting PFI	-16,377	0	-997	-17,374	200	-687	-17,861
Tangmere Solar Farm	0	0	-2,000	-2,000	1,377	0	-623
Unapplied Revenue Grants	-3,968	3,968	-1,559	-1,559	1,039	0	-520
Urgent Schools Maintenance	0	165	-1,755	-1,590	1,590	0	0
Volatility	-11,141	13	-3,626	-14,754	2,684	-534	-12,604
Waste Materials Resource Management Contract (MRMC)	-29,970	0	-3,395	-33,365	1,725	-1,528	-33,168
Waste PFI	-12,363	0	-40	-12,403	28	-45	-12,420
Worthing Age of Transfer	-11,900	11,900	0	0	0	0	0
Other Earmarked Reserves	-2,140	1,820	-3,946	-4,266	3,839	-2,479	-2,906
Earmarked Reserves	**-236,649**	**86,787**	**-54,460**	**-204,322**	**81,220**	**-65,114**	**-188,216**

Earmarked Reserves - Descriptions

- The **Adult Social Care and Health Demand Pressures** reserve is intended to support the Adult Social Care and Health portfolio in managing its demand pressures, particularly through a focus on prevention.
- The **Better Roads Programme** was a programme of investment in the resurfacing of unclassified roads and other road improvements. The total value of the programme was £30m over two financial years, 2014-2016, and this reserve held a contribution towards that investment.

- The **Business Infrastructure** reserve 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 **Capital Infrastructure** reserve is held to support capital plans over the longer term, such as the A27 scheme, thus avoiding the need to borrow and incurring the associated long term capital financing costs.
- The **Care Act** reserve was established as part of the 2015/16 budget to mitigate the Authority's most pessimistic assessment of risk following the changes introduced by the Care Act.
- The **Contract Settlement** reserve provides for potential claims arising from the settlement of contractual arrangements.
- 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 **Dedicated Schools Grant (DSG)** carry forward reserve is detailed in Note 28.
- 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 **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 **Operation Watershed** reserve is held to meet the cost of drainage and highways works relating to extreme weather conditions.
- The **School Balances** reserve holds net underspending on locally managed school budgets.
- The **Schools Sickness and Maternity** reserve holds the accumulated surplus on the sickness and maternity insurance scheme operated by the Authority for its maintained schools.
- The **Service Transformation** 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 **Strategic Economic Plan** reserve is held to support the progression of the economic priorities within the Coast to Capital Local Enterprise Partnership.
- 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 programme.
- 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 was 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 **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.
- **Other Earmarked Reserves** represents the cumulative balances and transactions on a number of smaller reserves which are individually immaterial.

3. Property, Plant and Equipment

Movements in 2015/16	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 2015	1,164,622	42,214	499,106	8,679	159,015	1,873,636	128,681
Additions	32,857	8,574	52,389	16	14,133	107,969	17,480
Donations	3,781	0	0	0	0	3,781	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	9,718	0	0	8,612	0	18,330	3,544
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-38,175	0	0	-289	0	-38,464	607
Disposals	-1,009	0	0	-3,871	0	-4,880	0
Derecognition - Academies	-14,350	0	0	0	0	-14,350	0
Derecognition - Finance Leases	-1,872	0	0	0	0	-1,872	0
Derecognition - Other	-2,968	-728	0	0	0	-3,696	0
Assets reclassified (to)/from Assets Held for Sale	0	0	0	354	0	354	0
Assets reclassified (to)/from Investment Property	-1,173	0	0	0	0	-1,173	0
Transfer in asset category	83,806	62,548	0	6,658	-153,012	0	0
At 31 March 2016	**1,235,237**	**112,608**	**551,495**	**20,159**	**20,136**	**1,939,635**	**150,312**
Accumulated Depreciation and Impairment							
At 1 April 2015	-24,121	-16,556	-168,522	-94	0	-209,293	-13,454
Depreciation charge	-19,099	-5,589	-27,903	-55	0	-52,646	-4,156
Depreciation written out to the Revaluation Reserve on revaluation	5,357	0	0	78	0	5,435	1,135
Depreciation written out to the Surplus/Deficit on the Provision of Services on revaluation	5,426	0	0	237	0	5,663	356
Impairment (losses)/reversals recognised in the Revaluation Reserve	-115	0	0	0	0	-115	0
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	-154	0	0	0	0	-154	0
Disposals	4	0	0	0	0	4	0
Derecognition - Academies	408	0	0	0	0	408	0
Derecognition - Finance Leases	97	0	0	0	0	97	0
Derecognition - Other	97	0	0	0	0	97	0
Depreciation written out on newly classified Assets Held for Sale	0	0	0	0	0	0	0
Depreciation written out on newly classified Investment Property	37	0	0	0	0	37	0
Transfer in asset category	181	0	0	-181	0	0	0
At 31 March 2016	**-31,882**	**-22,145**	**-196,425**	**-15**	**0**	**-250,467**	**-16,119**
Net Book Value							
At 1 April 2015	**1,140,501**	**25,658**	**330,584**	**8,585**	**159,015**	**1,664,343**	**115,227**
At 31 March 2016	**1,203,355**	**90,463**	**355,070**	**20,144**	**20,136**	**1,689,168**	**134,193**

Comparative 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
Donations	0	0	0	0	0		0
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 - Finance Leases	0	0	0	0	0	0	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
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 Revaluation Reserve	0	0	0	0	0	0	0
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Disposals	54	0	0	0	0	54	0
Derecognition - Academies	849	0	0	0	0	849	0
Derecognition - Finance Leases	0	0	0	0	0	0	0
Derecognition - Other	8	4,202	18,728	0	0	22,938	54
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**

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 2016 for the construction or enhancement of Property, Plant and Equipment. It has commitments totalling £64.6m to be paid in 2016/17 and thereafter. The major commitments are:

Name of capital project	**Programme duration**	**Outstanding Commitments £000**
H&L Sciences	2016	16,988
A259 Corridor Enhancement Capacity, East Arun	2014-2019	14,653
A284 Lyminster Bypass	2014-2018	8,610
Worthing Academy	2014-2017	4,878
Rustington Primary School	2015-2018	3,852
Parklands Primary School	2015-2018	3,610
Tanbridge House School	2015-2018	3,225
The Weald Secondary School	2014-2017	2,850
Local Broadband Plan	2013-2017	2,021
Crawley Town Centre	2014-2017	1,311

Indexation

As part of 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 2016 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 2015/16.

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 2015/16 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 2016. 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 2016 were undertaken with reference to the 2014 manual.

Impairment

During 2015/16, the Authority has recognised an impairment loss of £0.269m in relation to the Wallis Youth Centre. On 30 December 2015 a fire broke out at the centre, causing the building to be destroyed beyond repair. The recoverable amount of the building has been reduced to zero, with £0.115m of the impairment offset against previous revaluation gains and the remaining balance of £0.154m being charged to the Children's and Education Services line in the Comprehensive Income and Expenditure Statement.

Fair Value Hierarchy

Following the 2015/16 implementation of IFRS 13, Fair Value Measurement, the Council's surplus assets have been revalued to fair value as at 31 March 2016. All surplus assets have been valued in 2015/16. A de-minimis of £250,000 has been applied in the tables below.

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

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

Details of the surplus assets and information about the fair value hierarchy as at 31 March 2016 are as follows:

	Quoted prices in active markets for identical assets (Level 1) £000	**Other significant observable inputs (Level 2) £000**	**Significant unobservable inputs (Level 3) £000**	**Fair value as at 31/03/2016 £000**
Commercial	0	3,114	2,018	5,132
Educational	0	0	9,084	9,084
Recreational	0	0	1,582	1,582
Residential	0	0	2,310	2,310
Sub Total	0	3,114	14,994	18,108
De-minimis	0	213	1,823	2,036
Total	**0**	**3,327**	**16,817**	**20,144**

Transfers between Levels of the Fair Value Hierarchy

The adoption of IFRS13 fair value measurement is prospective, so there is no comparable data. As such there were no transfers between the observable input levels during the year.

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

	Fair Value as at 31/03/2016 £000	Valuation technique used to measure Fair Value	Unobservable inputs	Range (weighted average used)	Sensitivity
Commercial	548	Comparable Method of Valuation	Office Comparables	£6.00 - £11.00 per square feet	Discounted for location, size of the unit, condition of the office space, age of the building and potential footfall. Compared stores and greenhouses with other similar sites in nearby areas to provide an opinion of market rent.
	1,470	Market Approach	Land Sale Comparables, Residential Sales, Office Comparables	£9.50 - £11.00 per square feet	Residential approach: Discounted for planning costs planning issues, site layout, location, build costs, demolition, survey. Office approach: Analysed the office market in local area and discounted for condition of property, location within the town, parking, proximity to public transport, specification.
Educational	7,402	Market Approach	Residential Land Sale Comparables	£1,150,000 - £1,400,000 per hectare	Land values with residential potential analysed in and around local area. Discounted for location, planning consent, potential residential development size, access, change of use.
	1,682	Comparable Method of Valuation / Market Approach	Land Sales, Residential Sales,	£1,150,000 - £1,400,000 per hectare	Analysed land values with residential potential in and around local area. Discounted for location, unusual nature and layout of the sites, planning consent, access, build costs and proximity to a school. Analysed commercial land comparables taking into account existing buildings on site, size and layout of site.
Recreational	795	Market Approach	Residential Land Sale Comparables	£1,600,000 - £2,000,000 per hectare for residential land	Development appraisal on the site undertaken. Comparable scheme evidence used to provide a basis of value. Discounts applied to take into account planning constraints, location of the site, change of use, demolition costs. Further discount rate applied to provide a hope value.

	Fair Value as at 31/03/2016 £000	Valuation technique used to measure Fair Value	Unobservable inputs	Range (weighted average used)	Sensitivity
	787	Market Approach	Land sale comparables, residential sales	£250,000 - £1,600,000 per hectare	Analysed land values with residential potential in and around local area. Discounted for its location, layout, planning consent, potential development, access and planning costs associated with a change of use to residential.
Residential	989	Market Approach	Land sale comparables	£1,150,000 per ha to £3,000,000 per ha	Analysed similar land sales in and around local area. Discounted for planning restrictions, location of the site, required works to demolish existing buildings, access restrictions, infrastructure costs. Comparables to ascertain prevailing new build residential sales values in the surrounding areas.
	381	Market Approach	Residential Comparables	£300 - £350 per sq ft Capital Value	Development appraisal on the site. Comparable scheme evidence to provide a basis of value. Discounted for account planning constraints, location of the site, change of use.
	290	Market Approach	Residential Land Sale Comparables	£1,600,000 to £2,000,000 per ha	Analysed land values with residential potential in and around local area. Discounted for location, planning consent, potential residential development size, access, and build costs.
	650	Market Approach	Residential Sales Comparables	£250,000 - £425,000 per dwelling	Analysed residential sales values in and around local area. Discounted for location, site layout, condition, parking, number of bedrooms, style of property.

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 2016 is £73,000, which is inclusive of additional capital expenditure of £6,000 in 2015/16.

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 £1.8billion 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

	2014/15		2015/16	
	£000	£000	£000	£000
Capital Financing Requirement				
Balance brought forward at 1 April		574,439		573,309
Capital Investment for the Year by Portfolio:				
Adult Social Care and Health	10		126	
Children - Start of Life / Education and Skills	70,156		63,754	
Community Wellbeing	1,828		1,160	
Finance	7,279		10,280	
Highways and Transport	47,094		31,790	
Leader	100		3,009	
Residents' Services	12,096		7,751	
Street Lighting PFI Notional Investment	18,364		16,346	
Waste PFI Notional Investment	1,244		1,134	
		158,171		135,350
Source of Finance:				
Capital Receipts	-7,391		-17,868	
External Contributions and Lottery	-4,600		-3,149	
External Contributions applied to REFCUS	-2,410		-1,932	
Specific Grants	-50,841		-51,461	
Specific Grants applied to REFCUS	-18,559		-18,308	
Revenue Contribution to Capital Outlay	-52,074		-22,166	
		-135,875		-114,884
Sums set aside from revenue (MRP)		-23,426		-21,446
Balance carried forward at 31 March		**573,309**		**572,329**
Change in Capital Financing Requirement		-1,130		-980

REFCUS expenditure of £21.999m is included within portfolio totals in 2015/16 (2014/15 £26.33m)

	2014/15 £000	2015/16 £000
Explanation of change in CFR:		
Increase in underlying need to borrow	2,688	2,986
Assets acquired under PFI contracts	19,608	17,480
Less the total of the Minimum Revenue Provisions	-23,426	-21,446
	-1,130	-980

Reconciliation of the Capital Financing Requirement to the Balance Sheet

	2014/15 £000	2015/16 £000
Capital Financing Requirement as at 31 March	573,309	572,329
Property Plant & Equipment (Note 3)	1,664,343	1,689,168
Heritage Assets (Note 4)	67	73
Investment Property (Note 6)	24,637	35,380
Intangible Assets (Note 7)	2,679	2,180
Equity Investments (Note 8)[1]	200	96
Assets Held for Sale (Note 10)	1,043	5
Available for Sale Financial Instruments Reserve (Note 20)[1]	0	104
Revaluation Reserve (Note 20)	-263,575	-273,551
Capital Adjustment Account (Note 20)	-856,085	-881,126
	573,309	572,329

[1] Shareholding in the UK Municipal Bond Agency plc, initially categorised as an Unquoted Equity Investment in 2014/15 (held at cost). Subsequently re-classified as a Quoted Equity Investment and held at fair value, with resulting revaluation loss charged to the Available for Sale Financial Instruments Reserve.

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:

2014/15 £000		2015/16 £000
-254	Rental income from investment property	-378
1	Direct operating expenses arising from investment property	3
-58	(Gains) and losses on sale of investment property	-695
1,342	Change in fair value of investment property	-4,535
1,031	**Net (gain)/loss**	**-5,605**

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:

2014/15 £000		2015/16 £000
25,026	Balance at 1 April	24,637
355	Additions: Subsequent expenditure	5,376
-92	Disposals of Investment Properties	-610
-1,342	Net gains from fair value adjustments	4,535
	Transfers:	
690	(To)/from Property, Plant and Equipment	1,136
0	(To)/from Assets Held for Sale	306
24,637	**Balance at 31 March**	**35,380**

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.

Fair Value Hierarchy

Following the 2015/16 implementation of IFRS 13, Fair Value Measurement, the Council's investment assets have been revalued to fair value as at 31 March 2016. All investment properties have been valued in 2015/16. A de-minimis of £250,000 has been applied in the tables below.

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

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

Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2016 are as follows:

	Quoted prices in active markets for identical assets (Level 1) £000	**Other significant observable inputs (Level 2) £000**	**Significant unobservable inputs (Level 3) £000**	**Fair value as at 31/03/2016 £000**
Agricultural	0	0	10,669	10,669
Commercial	0	0	7,889	7,889
Educational	0	0	10,127	10,127
Residential	0	0	273	273
Sub Total	0	0	28,958	28,958
De-minimis	0	0	6,422	6,422
Total	**0**	**0**	**35,380**	**35,380**

Transfers between Levels of the Fair Value Hierarchy

The adoption of IFRS13 fair value measurement is prospective, so there is no comparable data. As such there were no transfers between the observable input levels during the year.

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

	Fair Value as at 31/03/2016 £000	Valuation technique used to measure Fair Value	Unobservable inputs	Range (weighted average used)	Sensitivity
Agricultural	2,766	Market Approach	Agricultural Land Sales	£15,000 - £60,000 per hectare	Analysed land values for other agricultural land sales across the county and placed a land value on the site area. Allowances for location, development potential, layout of the site, access issues, size of the site, and demand in the area. Deductions for the current lease in place.
	3,710	Market Approach	Residential Land Comparables	£1,750,000 to £2,300,000 per hectare	Residential appraisal and land evidence searches making discounts for planning costs, demolition, build costs, affordable housing and S106 agreements. Used comparables to ascertain prevailing new build residential sales values in the surrounding areas.
	1,084	Market Approach	Residential Sales	£550,000 to £800,000 per smallholding	Analysed residential sales values in and around the local area. Discounted for location, site layout, condition, parking, number of bedrooms, demand, style of property, and previous sales figures.
	3,109	Market Approach	Residential Sales and Land Values	£15,000 - £21,000 per hectare for land and £205,000 - £320,000 for cottages	Discounted for type of property, size, layout of plot, location within the local area, and condition. Discounted on the land for shape, size, type of land, future development opportunities.
Commercial	7,590	Market Approach	Annual Income	5% - 6% Yield	Cash flow carried out adopting annual income with appropriate rate of growth. Analysed yields for equivalent sites and applied appropriate level. Discounts for purchase price and length of term certain, as well as future improvement costs and the risk associated with adopting a new scheme without external financial support.

	Fair Value as at 31/03/2016 £000	Valuation technique used to measure Fair Value	Unobservable inputs	Range (weighted average used)	Sensitivity
	299	Market Approach	Car Parking Space Values	£5,000 per space	Car parking space values analysed in local area and valued on the basis of number of spaces. Discounted based on expiry of current Management Agreement.
Educational	10,127	Market Approach	Residential Sale Prices, Land Values, Build Costs	£400,000 - £2,000,000 per hectare	Land values analysed with residential potential in and around the local area. Discounted for its location, planning consent, potential residential development size, access, build costs, finance, contingency, and agency fees.
Residential	273	Market Approach	Residential Sales Comparables	£300,000 to £400,000	Residential sales values analysed in and around local area. Discounts made to take into account location, site layout, condition, parking, number of bedrooms, style of property.

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 £499,000 charged to revenue in 2015/16 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:

	2014/15	2015/16
	£000	£000
Balance at 1 April		
- Gross carrying amounts	4,580	4,580
- Accumulated amortisation	-1,401	-1,901
Net carrying amount at start of year	3,179	2,679
Purchases	0	0
Amortisation for the period	-500	-499
Balance at 31 March	**2,679**	**2,180**
Comprising:		
Gross carrying amounts	4,580	4,580
Accumulated amortisation	-1,901	-2,400
	2,679	2,180

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 2015/16 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 2016, 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 2015/16 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, bonds (senior unsecured) & covered bonds issued by banks/building societies
- Bonds issued by the UK Government and other local authorities
- Corporate bonds issued by companies (non-bank)
- Equity investment in the UK Municipal Bond Agency

Balances in money market funds at 31 March 2016 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 2016 the Council did not have any investments to be measured at fair value through profit and loss or any unquoted equity investments.

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 2015/16.

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 2015 £000	31 March 2016 £000	1 April 2015 £000	31 March 2016 £000
Borrowing [1] (principal amount)	-409,897	-402,882	-10,852	-11,028
Accrued interest (PWLB)	0	0	-4,512	-4,393
PFI Liability	-100,059	-113,504	-2,521	-2,496
Finance Lease Liability	-1,987	-1,906	-458	-81
Trade Creditors	0	0	-91,639	-71,504
Cash and Cash Equivalents (Bank Current Accounts)	0	0	-1,237	-573
Financial liabilities at amortised cost	-511,943	-518,292	-111,219	-90,075
Financial liabilities at fair value through the CIES	0	0	0	0
Total borrowings	-511,943	-518,292	-111,219	-90,075
Investments (including accrued interest)	25,293	16,036	142,454	93,845
Cash and Cash Equivalents (Bank Call Accounts)	0	0	5	0
Loan to the Skills Funding Agency	30	15	15	15
Trade Debtors	9,130	17,316	26,298	36,889
Loans and receivables at amortised cost	34,453	33,367	168,772	130,749
Government / Local Authority Bonds	4	6	0	0
Investments (including accrued interest)	0	0	55,434	56,400
Equity investments [2]	0	96	0	0
Cash and Cash Equivalents (Money Market Funds)	0	0	29,813	69,484
Available for sale financial assets	4	102	85,247	125,884
Financial assets at fair value through the CIES	0	0	0	0
Unquoted equity investments at cost [2]	200	0	0	0
Total Investments	34,657	33,469	254,019	256,633
Soft Loans Provided [3]	298	282	16	16

[1] The County Council began long-term borrowing during 2000/01. All loans are scheduled to be repaid between 2016 and 2058.

[2] Shareholding in the UK Municipal Bond Agency plc has been reclassified from an unquoted equity at cost to an available for sale financial asset at 31 March 2016.

[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 2016/17.

Soft Loans:

In accordance with the 2015/16 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% above the prevailing Bank of England base interest rate (0.5% throughout 2015/16), resulting in additional interest of £6,000. As per accounting policies this is considered to be below the de minimis level for full disclosure in the accounting statements.

The position relating to soft loans at 31 March 2016 is therefore:

	2014/15	**2015/16**
	£000	**£000**
Balance brought forward	0	314
Loan Advance	314	0
Repayments	0	-20
Interest Charged to Comprehensive I&E Statement	0	4
Soft Loans Total (within trade debtors)	314	298

During 2015/16, with regard to financial instruments the County Council had no:
- Unusual movements
- Derecognition of instruments
- Allowance for credit losses
- Default and Breaches

b. Financial Instruments - Fair Values

The Council's financial assets classified as available for sale (and all derivative assets and liabilities if applicable) are carried on the Balance Sheet at fair value. For most assets, including bonds and shares in money market funds/pooled funds, the fair value is taken from the market price at 31 March 2016. The fair values of other available for sale financial instruments can be assessed by calculating the net present value of the cash flows that take place over the remaining life of the financial instruments, using the following assumptions:

- Certificates of deposit have been discounted at market interest rates for instruments of similar credit quality and remaining term to maturity; together with a valuation of the certificate of deposits held at 31 March 2016, as provided by the Council's provider of custodian services (King & Shaxson Ltd).

- Shares in UK Municipal Bond Agency (UKMBA) plc have been valued from the company's net assets as shown within their latest audited balance sheet (no assumptions made regarding future profits).

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. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2016, using the following methods and assumptions:

- Public Works Loan Board (PWLB) loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans (market swap rates at 31 March 2016 adjusted for a local authority credit margin). This method of valuation has been changed from 2014/15 where premature repayment rates from the PWLB had been applied to provide the fair value under PWLB debt repayment procedures. This change has been made to provide a new consistent assessment of fair value in accordance with the requirements of the new IFRS13 standard.

- 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 2016.

- In accordance with the new IFRS13 accounting standard, the fair values of PFI scheme and finance lease liabilities have been calculated by discounting the contractual cash flows, excluding service charge elements, at the appropriate AA rated corporate bond yield (previously the carrying amount was assumed to be a reasonable approximation of the fair value).

- The fair value of financial instruments with a maturity of less than 12 months, including trade payables and receivables, is assumed to approximate the carrying amount.

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

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

		2014/15		2015/16	
	Fair Value Level	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities					
PWLB Long-term Borrowing [2]	2	-416,913	-567,735	-409,897	-506,811
PFI, Finance Lease Liabilities	2	-105,025	-105,025	-117,987	-185,301
Total Debt		-521,938	-672,760	-527,884	-692,112
Liabilities for which fair value is not disclosed:[1]					
Short-term (Non-PWLB) Borrowing		-3,836		-4,013	
Accrued PWLB interest		-4,512		-4,393	
Trade Creditors [4]		-91,639		-71,504	
Bank Current Accounts		-1,237		-573	
Total Financial Liabilities		-623,162		-608,367	
Financial Assets					
Financial assets held at fair value:					
Money Market Funds	1	29,813	29,813	69,484	69,484
Government/Local Auth. Bonds	1	4	4	6	6
Short-Dated Bond Funds	1	40,313	40,313	19,985	19,985
Bank Covered Bonds	1	0	0	17,900	17,900
Non-Bank (Corporate) Bonds	1	0	0	8,525	8,525
Certificate of Deposits	2	15,121	15,121	9,990	9,990
Shares in the UKMBA plc	3	200	200	96	96
Financial assets held at amortised cost:			0		0
Long-term Investments [3]	2	25,293	25,560	16,036	16,091
Skills Funding Agency	2	45	45	30	32
		110,789	111,056	142,052	142,109
Assets for which fair value is not disclosed:[1]					
Short-term (less than1 year) investments		142,454		93,845	
Cash & Cash Equivalents		5		0	
Trade Debtors [5]		35,428		54,205	
Total Financial Assets		288,676		290,102	

NOTES:

[1] The fair value of short-term financial assets and liabilities, including trade receivables and payables respectively, is assumed to approximate the carrying amount.

[2] The fair value of financial liabilities (PWLB debt) is greater than the Balance Sheet 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.

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

[4] Excludes receipts in advance (£40.196m) and statutory creditors (£16.856m) 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.

[5] Excludes payments in advance (£50.494m) and statutory debtors (£27.522m) including HM Revenue & Customs (VAT repayment), government department accruals, council tax arrears and provision for doubtful debts.

c. Financial Instruments - Gains and Losses

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

	2014/15			2015/16		
	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	-26,122	0	0	-27,847	0	0
Interest income	0	1,487	738	0	1,876	1,211
Interest on financial instruments	-26,122	1,487	738	-27,847	1,876	1,211

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 the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council;
- Liquidity risk: The possibility that the Council might not have funds available to make its contracted payments on time;
- 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 an unplanned financial loss will 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 governed by 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 Director of Finance in implementing the Council's treasury management strategy and to widen members' involvement in treasury management decisions.

The Regulation, Audit and Accounts Committee receive 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 13 February 2015 and is available on the County Council website. The key issues within the strategy were:

- The Authorised Borrowing Limit for 2015/16 was set at £611.5m. This is the maximum limit of external borrowings and other long-term liabilities (including PFI and finance leases).
- The Operational Borrowing Limit for 2015/16 was expected to be £571.5m. This is the expected level of actual debt and other long-term liabilities during the year.
- The underlying need to borrow in 2015/16 as measured by the Capital Financing Requirement (CFR) was estimated at £618.1m.
- 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 £75m.

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 undertaken in 2015/16; the next review scheduled in June 2016).

(iii) Credit Risk

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

The transposition of two European Directives into UK legislation, together with new bail-in regimes implemented in many countries, placed the burden of rescuing failing banks disproportionately onto unsecured institutional investors (including local authorities). The 2015/16 annual investment strategy addressed the issue of bail-in risk by approving a greater use of bank secured investment products (covered bonds) and non-bank investments including cash deposits with other local authorities and bonds issued by corporate (non-bank) organisations. The diversification into securities issued by banks with underlying collateral and organisations which are not subject to bail-in legislation represented a substantial change in strategy during the year. The use of high credit quality bank unsecured deposits and short-term (AAA rated) money market funds however remained an integral part of the 2015/16 investment strategy in maintaining adequate levels of capital security and cash flow liquidity.

The minimum rating criteria for new investments with organisations considered to be of high credit quality was set at those having a long-term rating of A- (or equivalent rating across the three rating agencies) or higher. For non-UK commercial entities the minimum sovereign long-term rating was set at AA+, with a maximum non-UK exposure at any point of time being set at £90m (£30m per individual country). The annual investment strategy further approved investments in BBB+ corporate (non-bank) organisations up to a maximum duration of six months, with the total level of investment with organisations rated below A- being limited to a maximum of £30m (such investments being classified as 'non-specified' in accordance with CLG Investment Guidance).

Recognising that credit ratings are imperfect predictors of default, the Council continued to use other means of assessing an organisation's credit worthiness over and above sole reliance on credit ratings when selecting appropriate investment counterparties; including credit default swap (CDS) prices, equity prices and general media coverage.

The annual investment strategy also considered maximum monetary amounts and duration limits in respect of each counterparty (or commercial group where applicable). The following limits per counterparty were originally approved for Council investments:

- No monetary limit for deposits with the UK Government, including Treasury-Bills (T-Bills) and Gilts
- £25m for deposits with UK local authorities (of which £10m can be invested for longer than one year)
- £15m for unsecured deposits with banks meeting the high credit quality as prescribed in the strategy
- £15m for unsecured deposits with Nationwide Building Society
- £25m for secured bank deposits (covered bonds and repos), including Nationwide Building Society
- £25m combined secured and unsecured investment limit with any one bank (or banking group)
- £5m secured investment limit with any UK building society (other than Nationwide)
- £15m for investments with corporate (non-bank) organisations
- £50m maximum exposure to investments with corporate (non-bank) organisations
- £15m for investments with high credit quality registered providers of social housing
- £10m for investments with unrated (or rated below A-) registered providers of social housing
- £50m maximum exposure to investments with registered providers of social housing
- £25m for deposits with AAA rated money market funds; or 0.5% of total fund size whichever is lower
- £25m for deposits with AAA rated government backed money market funds (or 2% of total fund size)
- £25m for deposits with AAA rated externally managed pooled funds (collective investment schemes)
- £135m maximum exposure to money market funds (excluding externally managed pooled funds)
- 6 months maximum time limit for bank unsecured investments, dependent on bank credit worthiness
- 2 years maximum time limit for investments with high credit quality corporate (non-bank) entities
- 5 years maximum time limit for investments with registered providers of social housing
- 5 years maximum time limit for bank secured investments (holding a AA+ security rating)
- 10 years maximum time limit for bank secured investments (holding a AAA security rating)
- 20 years maximum time limit for investments with UK local authorities; in practice 3 years approved

Throughout 2015/16 the Council continued to make use of a custodian account with King & Shaxson Ltd, thereby diversifying its investment portfolio into financial instruments approved within the 2015/16 treasury management strategy; namely covered bonds, certificate of deposits (CDs) and corporate bonds. Additionally, the Cabinet Member for Finance and the Treasury Management Panel reviewed the on-going suitability and performance of the two externally managed pooled funds (collective investment schemes) approved for Council investment. As a result the Cabinet Member approved the full withdrawal of the Council's £20m holding in the Investec Short-Dated Bond Fund, but retained the £20m holding in the Payden Sterling Reserve Fund whilst alternative investment opportunities continued to be explored.

Whilst the Council does not generally invest in equity shares, given the inherent risks associated with such investments, the 2015/16 treasury management strategy continued to approve an equity shareholding in the UK Municipal Bond Agency plc; with the aim of promoting realistic Local Government funding alternatives as opposed to the Public Works Loan Board and other market loans.

During the second half of 2015/16, and in response to an evolving and improved credit outlook, the Council's treasury management advisor recommended an extension to duration limits for unsecured investments in certain high credit quality UK, European and non-European banks. In accordance with the advice received and having the aim of maintaining investment diversification the Cabinet Member for Finance, with support of the Treasury Management Panel and Director of Finance, recommended a revised investment strategy which was approved by County Council in February 2016 (contained within the 2016/17 treasury management strategy) and implemented during the remainder of 2015/16. Following approval, the changes made to the Council's investment strategy included:

- An increase to unsecured bank duration limits (up to a maximum of 364 days) as set out below:
  - Banks rated A- (including Barclays): 100 days (unchanged)
  - Banks rated A (including Lloyds and Nationwide): 6 months (increased from 100 days)
  - Banks rated A+ and above (including HSBC, approved Canadian and Singaporean banks): 364 days (increased from 6 months)
- An increase to the monetary limit for secured investments with UK building societies (other than Nationwide) from £5m to £15m to allow a greater use of covered bonds.
- An increase to the maximum long-term (greater than one year) investment limit with other UK local authorities (excluding fire and police) from £10m to £25m (per authority),

The table below summarises the fair value/amortised cost of the Council's investment portfolio at 31 March 2016 and confirms that all investments were made in line with the Council's approved credit rating criteria:

Counterparty	Credit rating criteria met when investment placed	Credit rating criteria met on 31 March 2016	Balance invested at 31 March 2016				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
Bank unsecured:							
-UK Bank	YES	YES	0	22,017	0	0	22,017
-Non UK Bank	YES	YES	0	12,327	14,992	0	27,319
-Building societies	YES	YES	0	15,006	0	0	15,006
-Money market funds	YES	YES	69,484	0	0	0	69,484
Bank secured	YES	YES	0	0	17,900	0	17,900
Non-Bank	YES	YES	0	6,685	1,840	0	8,525
Local authorities	YES	YES	10,015	25,470	4,008	16,036	55,529
Pooled funds [1]	YES	YES	19,985	0	0	0	19,985
Other	n/a	n/a	0	0	15	117	132
			99,484	81,505	38,755	16,153	235,897

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

The Council's exposure to credit risk in relation to its unsecured investments in banks, building societies and money market funds at 31 March 2016 (£133.8m) 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 2016 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	
	2014/15	2015/16	2014/15	2015/16
	£000	£000	£000	£000
AAA (Covered Bonds, Pooled Funds/MMF's)	0	0	70,126	107,369
AA+ (UK Government/LA Bonds)	34	21	15	15
AA (Assumed Local Authority Rating)	25,293	16,036	30,055	39,493
AA-	0	0	28,055	42,334
A+	0	0	30,232	0
A	0	0	59,227	23,041
A-	0	0	10,011	807
BBB+	0	0	0	6,685
UK Municipal Bond Agency [1]	200	96	0	0
Heritable Bank [2]	0	0	0	0
Total	25,527	16,153	227,721	219,744

[1] Credit rating pending, however 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 £20.5m of the total £54.2m debtor balance is past its due date for payment. The past due amount at 31 March 2016, none of which has been impaired, can be analysed by age as follows:

	£000
Up to one month overdue	6,188
One to two months	1,045
Three to four months	2,307
Five to six months	826
Six months to one year	2,825
One year to five years	6,153
More than five years	1,158
Total	20,502

Included within the £20.5m trade debtor balance that is past its due payment date, the Council has identified that £0.319m is at risk of being irrecoverable. At 31 March 2016, 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 2016/17, 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.

Movement in the Provision for bad/doubtful debt

	2014/15	2015/16	Movement
	£000	£000	£000
Provision for bad debts	-1,832	-819	1,013
Provision for council tax & business rate debts	-10,521	-11,033	-512
Total	-12,353	-11,852	501

Collateral – The credit quality of £17.9m of the Council's investments is enhanced by collateral held in the form of covered bonds (bank secured) collateralised by UK residential mortgages; for these investments the collateral significantly reduces the likelihood of the Council suffering a credit loss on these investments. Additionally with regard to its trade debtors, the Council initiates a legal charge on property where, for instance, clients require the assistance of the Council's Adult Services but cannot afford to pay immediately; the total debt relating to such cases at 31 March 2016 was £5.6m.

(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). As a consequence there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The maturity analysis of financial assets (including accrued interest and any fair value adjustments) is as follows:

	2014/15	2015/16
	£000	£000
Less than one year	227,721	219,744
Between one and two years	25,308	15
Between two and three years	15	6,008
Between three and four years	0	10,028
More than four years	204	102
Financial Assets Total	253,248	235,897

Trade debtors (£54.2m) are not included in the table above.

(v) Refinancing Risk

The Council maintains significant debt and investment portfolios and is therefore exposed to the risk that it will need to refinance a proportion of its investments and borrowings at a time of unfavourable interest rates. Whilst the cash flow procedures employed by the Council are considered against 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 long-term financial liabilities and long-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's approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and

- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council’s day-to-day cash flow needs, and the spread of longer-term investments provide stability of maturities and returns in relation to the longer-term cash flow needs.

The maturity analysis of the 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	2014/15	2015/16
			£000	£000
Less than 1 year	0%	15%	10,852	11,028
Between 1 and 5 years	0%	15%	28,063	28,063
Over 5 years to 10 years	0%	20%	20,579	37,578
Over 10 years to 15 years	0%	45%	122,022	141,378
Over 15 years to 20 years	0%	55%	199,233	155,863
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			420,749	413,910

(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; for instance, a rise in 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 the 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, or when economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

At 31 March 2016 the Council held no variable rate borrowings, but held 47% (£111.6m) of its investment portfolio in variable rate bank notice accounts, money market funds, pooled funds (collective investment schemes) and equities.

Total interest of £1.053m has been charged to the Comprehensive Income and Expenditure Statement in respect of the Council's variable rate investments, representing a 0.75% interest rate of return on an average investment portfolio of £139.9m. If interest rates had been 1% higher the financial impact would have been a £1.4m increase in interest charged to the Comprehensive Income and Expenditure Statement.

Price risk

With the exception of the shareholding held with UK Municipal Bond Agency the Council has not invested in equity shares during 2015/16, but does hold Government/Local Authority fixed-rate bonds to the nominal value of £12,499 (£6,277 fair value). These bonds are classified as "available-for-sale", meaning that if sold before expected maturity, movements in price will impact on gains and/or losses recognised in the Comprehensive Income and Expenditure Statement.

The market prices of the Council's fixed rate bond investments and its units held in pooled bond funds during 2015/16 (Investec Short-Dated Bond Fund and the Payden Sterling Reserve Fund) are governed by prevailing interest rates; the market risk associated with these investments is managed alongside interest rate risk. Throughout 2015/16 the Council had no exposure to either property or 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.

A further dividend of £0.5m was issued in 2015/16. The cumulative amount repaid to the Authority is therefore £12.7m; 98% of the claim value. The £0.5m dividend has been recognised as investment income in the Authority's 2015/16 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 2016 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
Dividend repayment (x1) received in 2015/16	-517
Amounts recognised in Comprehensive Income & Expenditure Statement as Investment Income (offset against original impairment)	2,416
Balance	0

10. Assets Held for Sale

2014/15 £000		2015/16 £000
6,348	**Balance outstanding 1 April**	1,043
	Assets newly classified as held for sale:	
579	- Property, Plant and Equipment	0
-73	Revaluation losses	0
	Assets declassified as held for sale:	
-4,044	- Property, Plant and Equipment	-354
0	- Investment Property	-306
-1,768	Assets sold	-378
1	Additions	0
1,043	**Balance outstanding at 31 March**	**5**

11. Short-Term Debtors

2014/15 £000		2015/16 £000
18,678	Central government bodies	12,765
11,533	Other local authorities	14,248
3,234	NHS bodies	8,952
34	Public corporations and trading funds	0
81,561	Other entities and individuals	78,940
115,040	**Total**	**114,905**

12. Cash and Cash Equivalents

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

2014/15 £000		2015/16 £000
29,818	Cash held by the Authority	69,484
-1,237	Bank current accounts	-573
28,581	**Total**	**68,911**

13. Short-Term Creditors

2014/15 £000		2015/16 £000
-13,640	Central government bodies	-10,714
-5,057	Other local authorities	-4,064
-2,381	NHS bodies	-2,360
-572	Public corporations and trading funds	0
-98,547	Other entities and individuals	-111,418
-120,197	**Total**	**-128,556**

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 2015 £000	Amounts used in 2015/16 £000	Additional provisions made in 2015/16 £000	Balance at 31 March 2016 £000
Long-Term				
Insurance	-6,967	1,661	-642	-5,948
Fire Pensions Opt-Out	-448	181	-78	-345
Teachers' Pension Scheme	-188	10	-4	-182
Total Long-Term Provisions	**-7,603**	**1,852**	**-724**	**-6,475**
Short-Term				
Employee Benefits	-7,950	7,950	-6,461	-6,461
Insurance	-2,149	1,702	-1,661	-2,108
Fire Service	-62	62	0	0
Dilapidations	-260	195	0	-65
Firefighter Injury Pensions	-653	224	0	-429
NDR Appeals	-2,282	2,282	-3,165	-3,165
Loss of Office	-665	665	-1,388	-1,388
Tax Liabilities	-201	91	-21	-131
Cousins Copse Remedial Works	-34	34	0	0
Total Short-Term Provisions	**-14,256**	**13,205**	**-12,696**	**-13,747**
Grand Total Provisions	**-21,859**	**15,057**	**-13,420**	**-20,222**

Long Term Provisions - Descriptions

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 2016. 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 six 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 2016. 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 was held in respect of a back-dated employment liability, relating specifically to Retained Light Duties for part-time workers. The obligation has now been fully settled and so the balance of the provision was released 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. An obligation in relation to one property has been identified as outstanding at the reporting date, which is expected to settle in 2016/17.

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. The obligation was partially settled during 2015/16, but dialogue between DCLG and local fire authorities is ongoing in relation to the backdating of payments and any interest chargeable. Settlement of the outstanding balance is anticipated during 2016/17.

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 2016/17.

The Authority has recognised a provision for **Tax Liabilities** payable to HMRC. The obligation at the reporting date relates to employer's National Insurance payable on remuneration made outside of payroll, and represents the Authority's best estimate of the likely settlement (inclusive of any interest and penalties). Settlement is anticipated in 2016/17.

The Authority recognised a provision in respect of an obligation for remedial works at **Cousins Copse** traveller site. In 2015/16 the Authority settled its legal obligation 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.

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 2016 £10.8m of lifecycle costs remained to be delivered. The payments to the contractor for the lifecycle costs are on a consistent basis across the life of the contract.

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

Street Lighting PFI

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

The contract initially allowed for a 5-year installation programme ending on 31 March 2015, 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 2015/16 with future commitments based on Tay Valley's financial model. At 31 March 2016 £2.1m 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 2015	Additions	Depreciation	Revaluation	Closing Balance at 31 March 2016
	£000	£000	£000	£000	£000
Crawley Schools PFI					
Ifield Community College	19,496	0	-628	5,642	**24,510**
Oriel High School	25,868	0	-497	0	**25,371**
Recycling & Waste PFI					
Infrastructure	7,599	49	-349	0	**7,299**
Land and Buildings	134	0	-4	0	**130**
Plant and Equipment	4,093	1,085	-435	0	**4,743**
Street Lighting PFI	58,037	16,346	-2,243	0	**72,140**
Total PFI Assets	**115,227**	**17,480**	**-4,156**	**5,642**	**134,193**

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

	Opening Balance at 1 April 2015	Increase due to Investment	Repayment of Liability	Closing Balance at 31 March 2016
	£000	£000	£000	£000
Crawley Schools PFI	-27,120	0	1,188	**-25,932**
Recycling & Waste PFI	-26,012	-1,134	1,488	**-25,658**
Street Lighting PFI	-49,448	-16,346	1,384	**-64,410**
Total Liability	**-102,580**	**-17,480**	**4,060**	**-116,000**

Note (iii) – Payments due under PFI Contracts

	Repayment of Liability	Interest	Service Charges	Total
	£000	£000	£000	£000
Within one year	2,496	9,715	22,648	**34,859**
Within two to five years	12,863	37,454	99,115	**149,432**
Within six to ten years	25,341	40,561	144,879	**210,781**
Within eleven to fifteen years	38,138	28,174	116,958	**183,270**
Within sixteen to twenty years	39,743	9,370	45,763	**94,876**
Total	**118,581**	**125,274**	**429,363**	**673,218**

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 2015 £000		31 March 2016 £000
26,262	Other Land and Buildings	25,907
496	Vehicles, Plant, Furniture and Equipment	248
26,758		26,155

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 2015 £000		31 March 2016 £000
2,445	Finance Lease Liability	1,987
1,549	Finance costs payable in future years	1,429
3,994	Minimum lease payments	3,416

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

	Minimum Lease Payments		Finance Lease Liabilities	
	1 April 2015 £000	31 March 2016 £000	1 April 2015 £000	31 March 2016 £000
No later than one year	578	178	458	81
Later than one year and not later than five years	712	712	348	365
Later than five years	2,704	2,526	1,639	1,541
	3,994	3,416	2,445	1,987

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 2015 £000		31 March 2016 £000
1,162	Not later than one year	838
2,245	Later than one year and not later than five years	3,584
193	Later than five years	208
3,600		4,630

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £0.942m. £0.348m was chargeable directly to Fire and Rescue Services, and a further £0.244m was chargeable directly to Highways and Transport Services. The remaining £0.350m 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 eleven 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 2015 £000		31 March 2016 £000
253	Finance lease debtor	8,040
581	Unearned finance income	4,501
0	Unguaranteed residual value of property [1]	0
834	Gross investment in the lease	12,541

[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 2015 £000	31 March 2016 £000	1 April 2015 £000	31 March 2016 £000
No later than one year	14	499	2	211
Later than one year and not later than five years	57	1,997	10	924
Later than five years	763	10,045	241	6,905
	834	12,541	253	8,040

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 2015 £000		31 March 2016 £000
337	Not later than one year	333
401	Later than one year and not later than five years	421
213	Later than five years	137
951		891

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 2014/15 £000	Local Government Pension Scheme 2015/16 £000	Uniformed Firefighters 2014/15 £000	Uniformed Firefighters 2015/16 £000
<u>Comprehensive Income and Expenditure Statement</u>				
Cost of Services:				
Current service cost	43,627	54,856	6,979	6,806
Past service cost (including curtailments)	181	429	0	0
(Gain)/loss from settlements	-1,566	-1,663	0	0
Financing and Investment Income and Expenditure:				
Interest cost on defined benefit obligation	65,687	58,292	12,683	11,215
Interest income on plan assets	-50,619	-43,618	0	0
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	57,310	68,296	19,662	18,021
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement:				
Remeasurement (gains) and losses	90,616	-175,787	42,636	-44,304
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	147,926	-107,491	62,298	-26,283
<u>Movement in Reserves Statement</u>				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	-57,310	-68,296	-19,662	-18,021
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	44,668	47,251		
Retirement benefits payable to pensioners			6,991	8,807

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	
	2014/15 £000	**2015/16 £000**	**2014/15 £000**	**2015/16 £000**
Opening balance at 1 April	-1,529,626	-1,814,815	-295,346	-350,653
Current service cost	-43,627	-54,856	-6,979	-6,806
Interest cost	-65,687	-58,292	-12,683	-11,215
Contributions by scheme participants	-11,256	-11,335	-1,726	-1,600
Remeasurement gains and (losses):				
Actuarial gains/(losses) arising from changes in demographic assumptions	0	0	0	879
Actuarial gains/(losses) arising from changes in financial assumptions	-230,695	163,761	-42,747	33,302
Other experience	12,336	27,162	111	10,123
Past service cost (including curtailments)	-181	-429	0	
Transfers to/(from) other authorities	0	0	7	9
Benefits paid	48,606	47,998	8,710	10,398
Liabilities extinguished on settlements	5,315	3,544	0	0
Closing balance at 31 March	-1,814,815	-1,697,262	-350,653	-315,563

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

	Local Government Pension Scheme		Uniformed Firefighters	
	2014/15 £000	**2015/16 £000**	**2014/15 £000**	**2015/16 £000**
Opening balance at 1 April	1,177,192	1,359,123	0	0
Interest income on plan assets	50,619	43,618	0	0
Remeasurement gains and (losses):				
Return on plan assets (excluding interest income)	127,743	-15,136	0	0
Contributions by scheme participants	11,256	11,335	1,726	1,600
Employer contributions	44,668	47,251	6,991	8,807
Benefits paid	-48,606	-47,998	-8,710	-10,398
Transfers (to)/from other authorities	0	0	-7	-9
Settlements	-3,749	-1,881	0	0
Closing balance at 31 March	1,359,123	1,396,312	0	0

Scheme History

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Present value of liabilities:					
Local Government Pension Scheme	-1,196,600	-1,384,800	-1,529,626	-1,814,815	-1,697,262
Uniformed Firefighters	-228,340	-265,940	-295,346	-350,653	-315,563
Fair value of assets:					
Local Government Pension Scheme	902,200	1,037,800	1,177,192	1,359,123	1,396,312
Uniformed Firefighters	0	0	0	0	0
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	-294,400	-347,000	-352,434	-455,692	-300,950
Uniformed Firefighters	-228,340	-265,940	-295,346	-350,653	-315,563
Total	-522,740	-612,940	-647,780	-806,345	-616,513

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £616.513m 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 2017 is £45.574m. Payments (net of employee contributions) in respect of the Uniformed Firefighters scheme for the year to 31 March 2017 are projected to be £7.011m.

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**	
	2014/15 £000	**2015/16 £000**	**2014/15 £000**	**2015/16 £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			29.5	29.7
▪ Women			31.7	31.6
Longevity at 65 for future pensioners:				
▪ Men	26.9	26.9		
▪ Women	28.5	28.5		
Longevity at 60 for future pensioners:				
▪ Men			31.1	31.2
▪ Women			33.2	33.2
Rate of increase in salaries	3.8%	3.7%	3.4%	3.2%
Rate of increase in pensions	2.4%	2.2%	2.4%	2.2%
Rate of inflation			3.3%	3.2%
Rate for discounting scheme liabilities	3.2%	3.5%	3.2%	3.5%

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

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

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

	31 March 2015 %	**31 March 2016 %**
Equity Securities	68%	67%
Debt Securities	2%	2%
Private Equity	5%	5%
Real Estate	6%	9%
Investment Funds and Unit Trusts	15%	15%
Cash and Cash Equivalents	4%	2%
	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 2015/16, the County Council paid £25.106m to Teachers’ Pensions in respect of teachers’ retirement benefits. This represented 14.1% of pensionable pay during the period 1 April 2015 to 31 August 2015, and 16.48% of pensionable pay thereafter. Employer contributions of £23.079m were made in 2014/15 (14.1% of pensionable pay). The contributions due to be paid in the next financial year are estimated to be £26.4m.

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)	**2014/15**		**2015/16**	
	£000	**£000**	**£000**	**£000**
Non Domestic Rates				
Local Retention of Business Rates	-31,362		-32,714	
Top-Up Receivable from Billing Authorities	0		-39,206	
Top-Up to Baseline Funding Level (DCLG)	-39,620		-1,171	
		-70,982		-73,091
Revenue Support Grant				
Initial Allocation (DCLG):				
Formula Funding	-60,976		-42,168	
Council Tax Freeze	-9,486		-13,291	
Local Welfare Provision	0		-926	
Early Intervention Funding	-9,602		-7,925	
Lead Local Flood Authorities Funding	-102		-100	
Learning Disability and Health Reform	-12,244		-12,009	
Returned Holdback	-207		0	
	-92,617		-76,419	
New Homes Bonus Returned Funding (DCLG)	0		-236	
		-92,617		-76,655
Other Non-Ringfenced Government Grants				
Local Services Support Grant				
- Extended Rights to Free Travel (DfE)	-480		-373	
- Inshore Fisheries Conservation (DEFRA)	-148		-148	
- Lead Local Flood Authorities (DEFRA)	-234		-156	
Council Tax Freeze Subsidy Grant (DCLG)	-3,915		-3,980	
Education Services Grant (DfE)	-11,152		-8,872	
New Homes Bonus Grant (DCLG)	-3,195		-3,810	
Section 31 Business Rates Grant (DCLG)	-2,118		-2,216	
Community Rights to Challenge New Burdens Grant (DCLG)	-9		0	
		-21,251		-19,555
Capital Grants and Contributions				
Adults' Personal Social Services Grant (DoH)	-1,812		0	
Basic Need Grant (DfE)	-3,141		-1,372	
Capital Maintenance Grant (DfE)	-8,896		-8,649	
Devolved Formula Capital Grant (DfE)	-1,246		-1,884	
Fire Capital Grant (DCLG)	-936		0	
Local Growth Fund (DCLG)	0		-3,191	
Local Sustainable Transport Fund (DfT)	-1,000		0	
Local Transport Grant (DfT)	-17,514		-1,208	
Highways Maintenance Grant (DfT)	0		-13,723	
Integrated Transport Grant (DfT)	0		-3,734	
Other Grants (DfE)	-1,064		-65	
Targeted Basic Need Grant (DfE)	-7,960		-12,989	
Pothole Recovery Fund (DfT)	-2,509		0	
Universal Infant Free School Meals Grant (DfE)	-1,439		-385	
Section 106 Contributions	-3,400		-3,655	
Other External Contributions	-1,586		-2,680	
		-52,503		-53,535
Total		**-237,353**		**-222,836**

Grants Credited to Services	**2014/15**		**2015/16**	
	£000	**£000**	**£000**	**£000**
<u>Adult Social Care</u>				
Care Act (DoH)	0		-5,668	
Independent Living Fund (DoH)	0		-3,748	
Local Reform and Community Voices Grant (DoH)	-259		-460	
NHS Social Care Grant (DoH)	-15,243		-1,039	
Social Fund (DWP)	-1,230		0	
Other	-549		-77	
		-17,281		-10,992
<u>Children's and Education Services</u>				
Adoption Reform Grant (DfE)	-637		0	
Adult and Community Learning - Skills Funding Agency (BIS)	-3,228		-3,064	
Asylum Seekers (HO)	-1,016		-1,226	
Basic Need Capital Grant (DfE) *applied to REFCUS*	-9,296		-13,661	
Children's Social Care Innovation Programme (DfE)	0		-766	
Dedicated Schools Grant (DfE)	-401,759		-397,135	
European Social Fund (DWP)	-284		-381	
Primary PE & Sports Equipment Grant (DfE)	-1,847		-1,841	
Private Finance Initiative (DCLG)	-4,532		-4,532	
Pupil Premium (DfE)	-15,195		-14,786	
SEN New Burdens Grant (DfE)	-550		0	
SEN Reform Grant (DfE)	-891		-422	
Sixth Form Funding - Education Funding Agency (DfE)	-17,438		-17,129	
Targeted Basic Need Capital Grant (DfE) *applied to REFCUS*	-1,569		-2,288	
Troubled Families (DfE)	-1,980		-1,926	
Universal Infant Free School Meals Grant (DfE)	-5,445		-7,485	
Other	-1,537		-935	
		-467,204		-467,577
<u>Cultural and Related Services</u>				
Broadband Delivery Capital Grant (DCMS) *applied to REFCUS*	-5,575		0	
Other	-10		-30	
		-5,585		-30
<u>Environmental and Regulatory Services</u>				
Private Finance Initiative (DCLG)	-2,124		-2,124	
		-2,124		-2,124
<u>Fire and Rescue Services</u>				
Fire Revenue Grant (DCLG)	-843		-775	
Sussex Control Centre Grant (DCLG)	-1,485		-939	
		-2,328		-1,714
<u>Highways and Transport Services</u>				
Local Sustainable Transport Fund (DfT)	-475		0	
Private Finance Initiative (DCLG)	-6,069		-6,069	
Other	-637		-437	
		-7,181		-6,506
<u>Housing Services</u>				
Other	-1,030		0	
		-1,030		0
<u>Planning Services</u>				
Coast to Capital LEP Core Funding (DCLG)	-503		-500	
LEP Local Growth Fund Capital Grant (DCLG) *applied to REFCUS*	0		-1,042	
Other	0		-40	
		-503		-1,582

	2014/15 £000	2014/15 £000	2015/16 £000	2015/16 £000
Public Health				
Drug & Alcohol Recovery Capital Grant (DoH) *applied to REFCUS*	0		-1,160	
Public Health Grant (DoH)	-26,762		-31,234	
Other	-337		-338	
		-27,099		-32,732
Rechargeable Services [1]				
Other	-31		-17	
		-31		-17
Total		**-530,366**		**-523,274**

[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	**2014/15 £000**	**2015/16 £000**
16-19 Demographic Growth Fund (DfE)	-504	-134
Devolved Formula Capital Grant (DfE)	-1,857	-1,574
EFA Academy Grant (DfE)	-792	-788
Local Transport Grant (DfT)	-1,208	0
Social Care Capital Grant (DoH)	0	-1,839
Targeted Basic Need Grant (DfE)	-18,478	-3,201
Universal Infant Free School Meals Grant (DfE)	-1,040	-656
Drug and Alcohol Recovery Grant (DoH)	-1,160	0
Section 106 Contributions	-21,637	-26,346
Other External Contributions	-1,945	-2,120
	-48,621	**-36,658**

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 2015 £000		31 March 2016 £000
7,950	Accumulated Absences Account	6,461
-314	Available for Sale Financial Instruments Reserve	150
-3,604	Collection Fund Adjustment Account	-4,137
-253	Deferred Capital Receipts Reserve	-12,995
806,345	Pensions Reserve	616,513
-856,085	Capital Adjustment Account	-881,126
-263,575	Revaluation Reserve	-273,551
-309,536	**Total Unusable Reserves**	**-548,685**

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.

2014/15 £000		2015/16 £000	2015/16 £000
9,493	**Balance at 1 April**		**7,950**
-9,493	Settlement or cancellation of accrual made at end of the preceding year	-7,950	
7,950	Amounts accrued at the end of the current year	6,461	
-1,543	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		-1,489
7,950	**Balance at 31 March**		**6,461**

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.

2014/15 £000		2015/16 £000	2015/16 £000
-43	**Balance at 1 April**		**-314**
-268	Upward revaluation of investments	-64	
0	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	176	
-311			112
-3	Accumulated gains and (losses) on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement		352
-314	**Balance at 31 March**		**150**

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.

2014/15		2015/16	
£000		£000	£000
-1,595	**Balance at 1 April**		**-3,604**
1,595	Settlement or cancellation of accrual made at end of the preceding year	3,604	
-3,604	Amounts accrued at the end of the current year	-4,137	
-2,009	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		-533
-3,604	**Balance at 31 March**		**-4,137**

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.

2014/15		2015/16
£000		£000
-255	**Balance at 1 April**	**-253**
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-12,914
2	Write down of Finance Lease debtor	172
0	Transfer to the Capital Receipts Reserve upon receipt of cash	0
-253	**Balance at 31 March**	**-12,995**

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.

2014/15 £000		2015/16 £000
647,780	**Balance at 1 April**	**806,345**
133,252	(Gains)/losses on remeasurement of pension assets/liabilities	-220,091
76,972	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	86,317
-51,659	Employer's pensions contributions and direct payments to pensioners payable in the year	-56,058
806,345	**Balance at 31 March**	**616,513**

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.

2014/15		2015/16	
£000		£000	£000
-815,413	**Balance at 1 April**		**-856,085**
	Reversal of items relating to capital expenditure debited/credited to the Comprehensive Income and Expenditure Statement:		
49,300	Charges for depreciation of non current assets	52,646	
500	Charges for amortisation of intangible assets	499	
0	Charges for impairment of non current assets	154	
13,080	Revaluation (gains) / losses on Property, Plant and Equipment and Assets Held for Sale	32,801	
26,330	Revenue Expenditure Funded from Capital Under Statute (REFCUS)	21,999	
37,818	Amounts written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	25,180	
32	Cost of sales attributed to the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	71	
0	Gains from Donated Assets	-3,781	
127,060			129,569
-9,741	Adjusting amounts written out of the Revaluation Reserve		-13,674
117,319	**Net written out amount of the cost of non current assets consumed in the year**		**115,895**
	Capital financing applied in the year:		
-7,423	Use of the Capital Receipts Reserve to finance new capital expenditure	-17,939	
-55,441	Application of grants to capital financing from the Capital Grants Unapplied Account	-54,610	
-20,969	Capital grants and contributions applied to REFCUS	-20,240	
-23,426	Statutory provision for the financing of capital investment charged against the General Fund balance	-21,446	
-52,074	Revenue Contribution to Capital Outlay	-22,166	
-159,333			-136,401
1,342	Movements in the market value of Investment Properties debited/ credited to the Comprehensive Income & Expenditure Statement		-4,535
-856,085	**Balance at 31 March**		**-881,126**

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.

2014/15 £000		2015/16 £000	2015/16 £000
-264,432	**Balance at 1 April**		**-263,575**
-15,659	Upward revaluation of assets	-27,851	
6,775	Downward revaluation of assets and revaluation losses not charged to the Surplus/Deficit on the Provision of Services	4,086	
0	Impairment losses not charged to the Surplus/Deficit on the Provision of Services	115	
-8,884	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**		**-23,650**
2,983	Difference between fair value depreciation and historical cost depreciation	3,063	
6,758	Accumulated gains on assets sold or scrapped	10,611	
9,741	**Amount written off to the Capital Adjustment Account**		**13,674**
-263,575	**Balance at 31 March**		**-273,551**

21. School Academy Transfers

Six of the Authority's schools obtained academy status in 2015/16. 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 £13.9m charge to the Comprehensive Income and Expenditure Statement within Other Operating Expenditure.

In addition to the above, one further school converted to academy status during 2015/16. However, the building is still under construction and so in accordance with the Authority's accounting policies the cost of construction remains on the Authority's balance sheet until the asset achieves practical completion.

22. Other Operating Expenditure

2014/15 £000		2015/16 £000
901	Levies	904
73	Assets Held for Sale (Gains)/Losses on Revaluation	0
28,618	Loss on derecognition of Academy Schools	13,942
0	Assets derecognised under finance leases	1,775
1,961	Loss on derecognition of other assets	3,599
-94	(Profit) / loss on sale of assets	-16,285
31,459	**Total**	**3,935**

23. Financing and Investment Income and Expenditure

2014/15 £000		2015/16 £000	2015/16 £000
26,122	Interest payable and similar charges	27,847	
-2,225	Interest receivable and similar income	-3,087	
			24,760
78,370	Pensions: interest cost on defined benefit obligation	69,507	
-50,619	Pensions: interest income on plan assets	-43,618	
			25,889
-253	Investment properties: income and expenditure	-375	
-58	Investment properties: (gain)/loss on disposal	-695	
1,342	Investment properties: changes in fair value	-4,535	
			-5,605
52,679	**Total**		**45,044**

24. Taxation and Non Specific Grant Income

2014/15 £000		2015/16 £000
-357,792	Council tax income	-365,042
-70,494	Non domestic rates	-72,473
-92,617	Revenue Support Grant	-76,655
-21,251	Other non-ringfenced government grants	-19,555
0	Gains from Donated Assets	-3,781
-52,503	Capital grants and contributions	-53,535
-594,657	**Total**	**-591,041**

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:

	2014/15 £000	2015/16 £000
Scale fee for audit of financial statements	157	121
Certification of grant claims and returns	0	0
Non-audit work	0	0
	157	121

The Authority incurred further costs of £4,250 in 2015/16 (2014/15 £5,400) 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.

	2014/15 £000	2015/16 £000
Basic Allowances	785	793
Other Allowances	383	389
Travel and Subsistence	93	80
Total	**1,261**	**1,262**

27. Environment Agency Services

Precepts payable to the Environment Agency in respect of flood defence for 2015/16 totalled £0.279m (2014/15 £0.274m).

28. Dedicated Schools Grant

The County Council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency (EFA), the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations 2014. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2015/16 are as follows:

Notes		Central Expenditure	ISB	Total
		£000	£000	£000
A	Final DSG for 2015/16 before academy recoupment			-525,889
B	Academy figure recouped for 2015/16			129,434
	Additional DSG receivable in relation to Early Years			-680
	Total DSG after recoupment and other adjustments			-397,135
	Plus: Brought forward from 2014/15			-9,688
	Less: Carry forward to 2016/17 agreed in advance			3,397
	Total DSG available for distribution			-403,426
C	Agreed initial budgeted distribution in 2015/16	-76,492	-319,963	-396,455
	In year adjustments	-3,105	-3,866	-6,971
	Final budgeted distribution for 2015/16	-79,597	-323,829	-403,426
	Less: Actual central expenditure	76,578		76,578
D	*Less:* Actual ISB deployed to schools		323,829	323,829
	Carry forward of unspent available funds	-3,019	0	-3,019
	Carry forward to 2016/17 agreed in advance			-3,397
E	**Total balance on DSG reserve at 31 March 2016**			**-6,416**

<u>Notes</u>

(A) Final DSG figure before any amount has been recouped from the Authority.

(B) Figure recouped from the Authority for the conversion of maintained schools into academies.

(C) Budgeted distribution of DSG as agreed with Schools Forum, March 2015.

(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 2016, £1.962m had already been committed by Schools Forum at the balance sheet date. A further £1.223m relates to net debtors which have been raised centrally for accounting purposes but which will be distributed to schools in the new financial year. Therefore the uncommitted balance on the DSG reserve at 31 March 2016 is £3.231m.

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.

2015/16

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	-10,992	-90,544	-31,572	0	-360,448	-18	-6,506	-540	-3,868	**-504,488**
Customer and Client Receipts	-42,261	-2,487	-169	-2,559	-6,213	-1,730	-7,830	-152	-3,200	**-66,601**
Other Income	-57,690	-4,685	-728	-5,266	-23,871	-1,633	-4,561	-130	-5,334	**-103,898**
Total Income	**-110,943**	**-97,716**	**-32,469**	**-7,825**	**-390,532**	**-3,381**	**-18,897**	**-822**	**-12,402**	**-674,987**
Employee Expenses	37,797	77,849	4,973	24,158	303,106	8,693	12,496	1,461	34,678	**505,211**
Premises Expenses	189	2,220	66	4,081	30,007	8,318	2,977	66	1,940	**49,864**
Transport Expenses	1,523	1,960	58	245	13,534	32	1,704	14	1,132	**20,202**
Supplies and Services Expenses	12,153	21,020	10,624	24,223	56,560	2,888	23,713	3,484	6,001	**160,666**
Third Party Payments	227,193	80,252	20,330	260	6,013	810	18,412	6	65,704	**418,980**
Transfer Payments	18	2,898	4	6	113	5	5	1	6	**3,056**
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	**278,873**	**186,199**	**36,055**	**52,973**	**409,333**	**20,746**	**59,307**	**5,032**	**109,461**	**1,157,979**
Net Expenditure	**167,930**	**88,483**	**3,586**	**45,148**	**18,801**	**17,365**	**40,410**	**4,210**	**97,059**	**482,992**

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	482,992
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	77,795
Less Amounts in the Service Analysis not included in the Comprehensive Income & Expenditure Statement Cost of Services	10,027
Cost of Services: Comprehensive Income & Expenditure Statement	570,814

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	-170,499		-1,514	377	10,567	**-161,069**	-4,159	**-165,228**
Interest and investment income	0					**0**	-46,705	**-46,705**
Income from council tax	0					**0**	-365,042	**-365,042**
Government grants and contributions	-504,488		-18,786		17	**-523,257**	-222,218	**-745,475**
Total Income	**-674,987**	**0**	**-20,300**	**377**	**10,584**	**-684,326**	**-638,124**	**-1,322,450**
Employee expenses	505,211		12,309		-34,524	**482,996**	0	**482,996**
Other service expenses	651,864		-11,758	-3	-37,637	**602,466**	3	**602,469**
Support service recharges	0				61,667	**61,667**	0	**61,667**
Depreciation, amortisation and revaluation loss	0		97,544	10,557	-90	**108,011**	-4,535	**103,476**
Interest payments	0					**0**	97,354	**97,354**
Precepts & Levies	904			-904		**0**	904	**904**
Gain or Loss on Disposal of Non Current Assets	0					**0**	2,336	**2,336**
Total Expenditure	**1,157,979**	**0**	**98,095**	**9,650**	**-10,584**	**1,255,140**	**96,062**	**1,351,202**
Surplus or deficit on the provision of services	**482,992**	**0**	**77,795**	**10,027**	**0**	**570,814**	**-542,062**	**28,752**

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
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	62,699
Amounts in the Analysis not included in the Comprehensive Income & Expenditure Statement	-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**

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:

2014/15 Non schools	2014/15 School based	Banding	2015/16 Non schools	2015/16 School based
83	136	£50,000 - £54,999	118	147
51	114	£55,000 - £59,999	55	110
31	52	£60,000 - £64,999	31	66
7	31	£65,000 - £69,999	9	27
7	16	£70,000 - £74,999	6	14
4	9	£75,000 - £79,999	4	8
1	5	£80,000 - £84,999	5	5
3	6	£85,000 - £89,999	2	5
3	3	£90,000 - £94,999	2	2
3	0	£95,000 - £99,999	1	2
2	2	£100,000 - £104,999	4	1
2	2	£105,000 - £109,999	3	0
1	1	£110,000 - £114,999	0	5
1	0	£115,000 - £119,999	1	0
1	0	£120,000 - £124,999	0	0
1	0	£125,000 - £129,999	1	0
0	1	£130,000 - £134,999	2	0
1	0	£135,000 - £139,999	0	0
1	0	£140,000 - £144,999	0	0
0	0	£145,000 - £149,999	1	0
0	0	£150,000 - £154,999	2	0
		then		
0	0	£165,000 - £169,999	1	0
1	0	£170,000 - £174,999	1	0
		then		
0	0	£190,000 - £194,999	1	0
204	**378**	**Total**	**250**	**392**

The number of staff with remuneration above £50,000 in 2015/16 was 642, an increase from 582 in 2014/15.

Senior Officer Disclosure

The remuneration payable to the Authority's senior employees for 2015/16 was as follows:

		Amounts payable in period 1 April 2015 - 31 March 2016							
Post title (as at 31 March 2016)	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	176,008		18,267		95	194,370	31,594	**225,964**
Acting Chief Operating Officer[3]	Sean Ruth	150,662				3,055	153,717	28,334	**182,051**
Executive Director of Residents' Services[4]	Cathryn James	142,729			30,000	48	172,777	18,610	**191,387**
Executive Director of Residents' Services[5]	Bernadette Marjoram	Post holder not directly employed by West Sussex County Council - please see footnote below							
Executive Director Corporate Resources and Services[6]	Peter Lewis	Post holder not directly employed by West Sussex County Council - please see footnote below							
Executive Director Care, Wellbeing & Education	Avril Wilson	133,108				20,877	153,985	24,492	**178,477**
Acting Executive Director Communities & Public Protection and Acting Chief Fire Officer[7]	Lee Neale	116,352				1,590	117,942	25,248	**143,190**
Director of Communities[8]		108,684			20,000		128,684	77,448	**206,132**
Director of Communities & Acting Deputy Chief Fire Officer[9]		101,000				3,315	104,315	21,917	**126,232**
Director of Public Health & Social Care Commissioning[10]		22,725			110,681		133,406	3,250	**136,656**
Director of Public Health[11]		36,342					36,342	3,395	**39,737**
Director of Public Health[12]		Post holder not directly employed by West Sussex County Council - please see footnote below							
Director of Public Health[13]		21,452					21,452	3,067	**24,519**
Director of Education and Skills[14]		Post holder not directly employed by West Sussex County Council - please see footnote below							
Director of Family Operations		104,005					104,005	19,137	**123,142**
Director of Adults' Services[15]		55,217			77,706	10	132,933	9,948	**142,881**
Director of Adults' Services[16]		Post holder not directly employed by West Sussex County Council - please see footnote below							
Director of Adults' Operations[17]		12,974					12,974	2,387	**15,361**
Acting Director of Operations & Assistant Chief Fire Officer[18]		24,676				375	25,051	2,692	**27,743**
Acting Director of Public Protection[19]		1,426				25	1,451	275	**1,726**
Director of Customer Service		105,000					105,000	19,320	**124,320**
Director of Law, Assurance & Strategy		104,750					104,750	19,274	**124,024**
Director of Finance[20]		17,500					17,500	3,220	**20,720**
Deputy Director of Finance[21]		21,324				4	21,328	3,924	**25,252**
Deputy Director of Finance[22]		Post holder not directly employed by West Sussex County Council - please see footnote below							
Director of Strategic Planning & Place[23]		67,808			101,000		168,808	12,477	**181,285**
Director of Highways & Transport[24]		69,919				11	69,930	12,865	**82,795**
Director of Highways & Transport[25]		Post holder not directly employed by West Sussex County Council - please see footnote below							
Director of Workforce, OD & Delivery Support		104,750					104,750	19,274	**124,024**

Notes to 2015/16 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 Chief Operating Officer until 24 March 2016 (NB. An additional salary payment of £37,000 has been expensed in April 2016)
[3] Sean Ruth appointed Acting Chief Operating Officer effective 25 March 2016; previously Executive Director of Communities and Public Protection and Chief Fire Officer
[4] Cathryn James in post as Executive Director of Residents' Services until 22 January 2016 (absent from late Summer 2015)
[5] Director of Strategic Planning & Place from 17 August 2015, as well as Executive Director of Residents' Services from 9 September 2015
[6] Peter Lewis Executive Director Corporate Resources and Services for duration of financial year (also covering Director of Finance for period 1 April 2015 to 31 January 2016)
[7] Lee Neale appointed Acting Executive Director Communities & Public Protection and Acting Chief Fire Officer effective 25 March 2016; previously Director of Public Protection & Deputy Chief Fire Officer
[8] Substantive Director of Communities post holder until 31 March 2016; disclosed employer's pension contributions includes early retirement pension strain costs
[9] Director of Communities from 21 December 2015 covering the absence of the substantive postholder until her departure on 31 March 2016 and Acting Deputy Chief Fire Officer from 25 March 2016; previously Director of Operations & Assistant Chief Fire Officer
[10] Director of Public Health & Social Care Commissioning to 31 May 2015
[11] Director of Public Health from 1 June 2015 to 30 October 2015
[12] Director of Public Health from 1 November 2015 to 17 January 2016
[13] Director of Public Health from 18 January 2016
[14] Director of Education and Skills from 18 May 2015
[15] Director of Adults' Services to 2 August 2015
[16] Director of Adults' Services from 26 June 2015 to 31 January 2016
[17] Director of Adults' Operations from 16 February 2016
[18] Acting Director of Operations & Assistant Chief Fire Officer effective 21 December 2015
[19] Acting Director of Public Protection from 25 March 2016
[20] Director of Finance from 1 February 2016
[21] Deputy Director of Finance to 12 July 2015
[22] Deputy Director of Finance from 13 July 2015
[23] Director of Strategic Planning & Place to 16 August 2015 and refocussed on project work until his departure on 30 November 2015
[24] Director of Highways & Transport to 10 January 2016
[25] Director of Highways & Transport from 18 January 2016

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

Payments of £117,714 were made to Penna PLC for the services of Bernadette Marjoram, who was covering the absence of the Executive Director of Residents' Services from 9 September 2015 (and the Director of Strategic Planning & Place from 17 August 2015)

Payments of £199,772 were made to Integrex Solutions Ltd for the services of Peter Lewis, who held the post of Executive Director Corporate Resources and Services for the duration of the financial year

Payments of £47,458 were made to Gatenby Sanderson Ltd for the services of the Director of Public Health for the period 1 November 2015 to 17 January 2016

Payments of £123,480 were made to Gatenby Sanderson Ltd for the services of the Director of Education and Skills from 18 May 2015

Payments of £121,393 were made to Gatenby Sanderson Ltd for the services of the Director of Adults' Services for the period 26 June 2015 to 31 January 2016

Payments of £105,508 were made to Harpwood Solutions Ltd for the services of the Deputy Director of Finance from 13 July 2015

Payments of £25,790 were made to Surrey County Council for the secondment of the Director of Highways & Transport from 18 January 2016

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

Exit Packages

The Authority terminated, or made provision to terminate, the contracts of a number of employees in 2015/16. Total liabilities of £3.458m were incurred for the period (£2.056m in 2014/15).

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	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
£0 - £20,000	31	32	122	44	153	76	£911,057	£597,791
£20,001 - £40,000	7	9	15	14	22	23	£622,828	£710,466
£40,001 - £60,000	3	3	3	10	6	13	£288,171	£645,223
£60,001 - £80,000	1	0	1	5	2	5	£143,786	£368,185
£80,001 - £100,000	0	1	1	0	1	1	£90,000	£89,657
£100,001 - £150,000	0	3	0	4	0	7	£0	£821,417
then								
£200,001 - £250,000	0	0	0	1	0	1	£0	£224,971
Total	42	48	142	78	184	126	£2,055,842	£3,457,710

31. Pooled Budgets

Learning Disabilities Partnership Agreement

In the twelfth 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 2015 to 31 March 2016

	Cash £000	Staff £000	Other £000	Grant £000	**Total £000**	2014/15 Total £000
Gross Funding						
West Sussex County Council	55,530	9,274	0	0	**64,804**	64,140
Clinical Commissioning Groups	12,724	0	2,095	0	**14,819**	14,699
Total Funding (a)	68,254	9,274	2,095	0	**79,623**	78,839
Expenditure						
Independent Sector	32,660	0	0	0	**32,660**	30,722
Community Support	4,470	0	0	0	**4,470**	3,639
Supported Living	24,062	0	0	0	**24,062**	25,461
Other Commissioned Services	2,601	0	0	0	**2,601**	2,564
WSCC In-House Services	2,305	9,274	0	0	**11,579**	11,417
SP Trust	3,106	0	0	0	**3,106**	2,886
Section 256 (previously 28a)	0	0	2,095	0	**2,095**	2,150
Total Expenditure (b)	69,204	9,274	2,095	0	**80,573**	78,839
Net overspend / (underspend) (b) - (a) to be funded by Section 75 agreement partners	**950**	**0**	**0**	**0**	**950**	**0**

Telecare Services Partnership Agreement

This is the sixth 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 2015 to 31 March 2016

	Cash £000	Staff £000	Other £000	Grant £000	**Total £000**	2014/15 Total £000
Gross Funding						
Clinical Commissioning Groups	161	0	0	0	**161**	159
West Sussex County Council	372	0	0	0	**372**	519
Better Care Fund	300	0	0	0	**300**	0
Total Funding (a)	833	0	0	0	**833**	678
Expenditure						
Mobile Response	38	0	0	0	**38**	34
Installation & Monitoring	763	0	0	0	**763**	628
Assistive Technology	3	0	0	0	**3**	5
Training, IT & Administration	29	0	0	0	**29**	11
Total Expenditure (b)	833	0	0	0	**833**	678
Net overspend / (underspend) (b) - (a) to be returned to the Better Care Fund	**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 2015 to 31 March 2016

	Cash £000	Staff £000	Other £000	Grant £000	**Total £000**	2014/15 Total £000
Gross Funding						
West Sussex County Council	8,395	0	0	0	**8,395**	8,221
Clinical Commissioning Groups	55,058	0	0	0	**55,058**	54,236
Total Funding (a)	63,453	0	0	0	**63,453**	62,457
Expenditure						
West Sussex County Council	8,299	0	0	0	**8,299**	8,377
NHS	46,020	340	0	0	**46,360**	46,282
NON-NHS	10,158	0	0	0	**10,158**	8,696
Total Expenditure (b)	64,477	340	0	0	**64,817**	63,355
Net overspend / (underspend) (b) - (a)					**1,364**	**898**

West Sussex County Council's share of the 2015/16 overspend is £0.115m (2014/15 £0.120m overspend).

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 2015/16 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 2015/16 works and services to the value of £178,102 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 2015/16 works and services to the value of £364,284 and £7,595 respectively were commissioned from these organisations. Contracts were entered into in full compliance with the Authority's standing orders. This Member also represented the Authority on the Board of Aspire Sussex Ltd, from which goods and services to the value of £2.8m were commissioned in 2015/16. The Authority has judged that it does not have significant influence over Aspire Sussex Ltd as detailed in Note 41.

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 £12,499 were commissioned in 2015/16. 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 2015/16 the Council incurred costs of £0.810m (2014/15 £0.814m) 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 £42.3m to the Fund in 2015/16 (2014/15 £39.9m). 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 2016 the Fund had a daily average investment balance of £37.923m (31 March 2015 £63.885m), earning interest of £0.168m (2014/15 £0.242m) in these funds at a rate of return of 0.44% (2014/15 0.38%).

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. An interest was declared by the Director of Family Operations, whose husband provided consultation to the Think Family service under the operating name of MacIver Maher Ltd. Services to the value of £10,000 were commissioned from this organisation by the Authority during 2015/16.

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 2015/16 the precept on the County Council was £0.104m (2014/15 precept £0.105m).

The Authority has identified interests in two other entities in the reporting period, West Sussex Music Trust and Aspire Sussex Ltd, as it was represented on the Board of both organisations during the reporting period. 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 230 maintained schools. Non-current assets with a net book value of £847m 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

	2014/15	2015/16
	£000	£000
Charges for depreciation of non current assets	-49,300	-52,646
Charges for amortisation of intangible assets	-500	-499
Revaluations gains/losses on Property, Plant and Equipment and Assets Held for Sale charged to the Surplus/Deficit on Provision of Services	-13,080	-32,801
Impairment of non current assets	0	-154
Movements in the market value of Investment Property	-1,342	4,535
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	-37,818	-25,180
Gains upon recognition of Donated Assets	0	3,781
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-76,972	-86,317
Employer's pension contributions and direct payments to pensioners payable in year	51,659	56,058
(Increase) / decrease in creditors	13,130	-8,359
Increase / (decrease) in debtors	7,646	8,051
Increase / (decrease) in inventories	-3	55
Contributions (to) / from provisions	869	1,637
Net adjustments for non-cash movements	**-105,711**	**-131,839**

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

	2014/15	2015/16
	£000	£000
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	7,391	22,844
Capital grants and contributions recognised in the Comprehensive Income and Expenditure Statement	52,503	53,535
	59,894	**76,379**

35. Cash Flow Statement – Investing Activities

	2014/15	2015/16
	£000	£000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	112,033	95,871
Net position of short-term and long-term investments	-19,544	-56,553
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	-7,391	-22,844
Capital grants and contributions recognised in the Comprehensive Income and Expenditure Statement	-52,503	-53,535
Net position on capital grants and contributions receipts in advance	-16,748	11,963
Net cash flows from investing activities	**15,847**	**-25,098**

36. Cash Flow Statement – Financing Activities

	2014/15	2015/16
	£000	£000
Repayment of PFI and finance lease liabilities	5,440	4,518
Net position of short and long term borrowing	6,870	6,958
Net cash flows from financing activities	**12,310**	**11,476**

37. Events after the Balance Sheet date

Following the majority vote to end the UK's membership of the European Union (EU) in the EU Referendum held on 23 June 2016, there is a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. All three major rating agencies (Fitch, Moody's and Standard & Poor's) took action on the UK Sovereign credit rating, and this has implications for the Authority's ability to achieve a return on its investments and finance its contractual liabilities. The Authority has adopted a number of procedures for managing the risk arising from financial instruments, and these are detailed in Note 8 to the accounts. Credit risk is managed through the Investment Strategy, which limits deposits with counterparties and requires that investments are not made with organisations unless they meet identified minimum credit criteria. The Authority maintains an Interest Smoothing reserve to guard against any shortfall in investment income, and has limited short-term debt maturities. Furthermore, the Authority has no financial assets or liabilities denominated in foreign currencies, and so is not exposed to losses arising from movements in exchange rates.

Wider implications of the Referendum result include the rate of return on Local Government Pension Scheme assets, and the impact of any potential slowdown of the net defined benefit obligation. However, the statutory arrangements for the valuation and funding of the scheme ensure that sufficient provision will be made to finance the scheme's liabilities. Furthermore, business rates are a significant source of financing for local authorities and these are variable linked to the performance of the wider economy. As set out in the Narrative Statement, the Authority maintains a number of contingencies and reserves to guard against this volatility. Finally, there may be an impact on property valuations which are made on a fair value basis (such as Investment Property and Surplus Assets) if confidence in the wider UK property market falls; however, the impact of any revaluation losses is negated through the Capital Adjustment Account and the Revaluation Reserve and so there will be no implications for the local government taxpayer.

As the Referendum took place after 31 March 2016, there is no impact on the figures disclosed in the financial statements or supporting notes. Therefore, for the purposes of these financial statements, the Referendum is considered to be a non-adjusting event. However, whilst it is too early to estimate the quantum of any impact on the financial statements, there is likely to be significant ongoing uncertainty for a number of months while the UK renegotiates its relationships with the EU and other nations.

There have been no other events occurring after the reporting date that would have a material impact on these financial statements.

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 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.

(4) A potential liability exists in relation to the 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 current litigation, 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.

(5) The Authority has a very early indication of a potential claim for longstanding asbestos related death or illness to firefighters involved in the 1984 Brighton bombing. The Authority will be informing some current and former staff who were involved in the incident, and there is a low risk that they may in future make a claim. However there is no certainty that any liability will materialise and it is anticipated that any obligation would be covered by the Authority's insurers, and so no provision has been made in the accounts.

(6) A potential liability exists in relation to the Firefighters' Pension Scheme. This follows a settlement made by DCLG on a case brought by the Fire Brigades Union regarding pension contributions paid by firefighters employed before age 20 who served for over 30 years before reaching the minimum retirement age of 50. Anticipated changes to the Firefighters' Pension Scheme Regulations 1992 may require a refund of contributions to be made. Detailed guidance is awaited in relation to identifying affected scheme members, how any liability is to be calculated and the extent to which any payments are recoverable through government grant. As such no provision has been recognised in the accounts at this time.

(7) A potential liability exists in relation to NHS Trusts who are seeking mandatory charitable relief on business rates. Should this appeal be successful NHS Trusts will be entitled to an 80% discount, backdated for a period of six years. The cost of paying the Trusts will be split between DCLG and Local Government – the Authority's share would be 10%. No provision has been recognised in the accounts at this stage as the outcome of the claims cannot be predicted.

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 2015 to prepare an annual Statement of Accounts in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom ('the Code') 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 2.1.1.4 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 that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority, that the cost of the item can be measured reliably, and that it exceeds the Authority's de minimis threshold. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

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

Recognition - Schools

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.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Authority does not capitalise borrowing costs.

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

- Infrastructure and short-lived assets such as vehicles, plant and equipment – depreciated historical cost
- Assets under construction – historical cost
- Surplus assets – fair value, estimated at the highest and best use from a market participant's perspective
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use.

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

The Code requires that assets included in the Balance Sheet at 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.

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.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation

The 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 – these assets are not currently considered for componentisation as they are either held individually on the asset register, or held as a group with consistent useful lives
- 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 Authority has determined that assets with a gross carrying value below a de minimis of £10m shall not be considered for componentisation.

Disposals and Non-Current Assets Held for Sale

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

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

The asset will be revalued immediately before being reclassified as an Asset Held for Sale and then carried at the lower of this amount and fair value less costs of sale. 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) 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.

MRP – Finance Lease and PFI

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.

(v) 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.

(vi) Government Grants and Contributions

Government grants and third party contributions and donations are recognised as due to the Authority where there is reasonable assurance that:

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund 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.

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

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year.

Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax (see Note 5 on capital expenditure and financing).

(viii) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the Property, Plant or Equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

The Authority as Lessee

Finance Leases

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the beginning of the lease at its fair value measured at the lease’s inception (or the present value of the minimum lease payments, if lower).

The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the Property, Plant or Equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset’s estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased Property, Plant or Equipment.

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.

(ix) 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.

(x) Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

In particular:

- Revenue from 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.

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.

(xi) 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.

(xii) Reserves

The County Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund balance in the Movement in Reserves Statement.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund 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.

(xiii) Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority 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.

(xiv) Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in Note 39 to the accounts.

(xv) Financial Instruments

a) Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

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

b) Financial Assets

Financial assets are classified 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.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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.

(xvi) Cash and Cash Equivalents

Cash and Cash Equivalents represents cash in hand and cash equivalents, defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are not held for the purposes of an investment gain, but rather are retained so that the Authority has monies available to settle its liabilities. The Authority therefore recognises as cash equivalents only those deposits held for the purposes of cash management and repayable without penalty on notice of not more than 24 hours.

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

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

(xvii) 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.

(xviii) 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.

(xix) Value Added Tax

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

(xx) Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (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 can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

(xxi) 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).

(xxii) Senior Officer Remuneration

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

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

There are two related disclosures required by the regulations:

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

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

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

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

The policy of the Authority is to identify each member of the Corporate Leadership Team (i.e. Chief Operating Officer and direct reports) by name, even where the individual's salary is not in excess of £150,000. The Authority therefore exceeds the minimum requirements of the legislation in this regard.

(xxiii) Early Retirement Costs

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

(xxiv) 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.

(xxv) Fair Value Measurement

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

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

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

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

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

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Authority's financial statements are categorised within the fair value hierarchy, as follows:

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

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 governing bodies of these schools 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 nominal 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 98% of the original claim 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 £1.1m for every year that useful lives are reduced. As part of its rolling revaluation programme, an asset is subject to formal valuation at a minimum every five years. Therefore over a five year period the cumulative impact of a one year reduction in the useful lives of buildings would be an increase in depreciation charges of £5.5m, which is not considered to be material in the context of the Authority’s £1.8billion 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 2016	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	10%	172,723
1 year increase in member life expectancy	3%	50,918
0.5% increase in the Salary Increase Rate	3%	46,149
0.5% increase in the Pension Increase Rate	7%	124,468

Firefighters

Change in assumptions at 31 March 2016	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	9%	28,394
1 year increase in member life expectancy	3%	9,344
0.5% increase in the Salary Increase Rate	1%	3,638
0.5% increase in the Pension Increase Rate	8%	24,363

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 on Local Authority Accounting (the 'Code').

A number of accounting changes will become applicable from 1 April 2016, and are being adopted in the 2016/17 Code. The majority of these, including the adoption of amendments to *IAS 16 Property Plant and Equipment*, *IAS 19 Employee Benefits*, *IAS 38 Intangible Assets* and *IFRS 11 Joint Arrangements*, and the changes introduced by the *Annual Improvements to IFRSs 2010-12* and *2012-14 Cycles*, are not expected to impact on the Authority. However, the changes introduced by the amendments to *IAS 1 Presentation of Financial Statements* and the Code's adoption of the measurement requirements of the *Code of Practice on the Highways Network Asset* will impact on the Authority. These changes are summarised below.

IAS 1 Presentation of Financial Statements; Amendments to IAS 1 adopted by the 2016/17 Code introduce a number of presentational changes to the core financial statements. These changes align the presentation of the Comprehensive Income and Expenditure Statement with organisational financial reporting, provide a more streamlined Movement in Reserves Statement, and introduce a new Expenditure and Funding Analysis to bridge the management and financial accounts. However, the *Surplus/Deficit on Provision of Services*, *Total Comprehensive Income and Expenditure* and the *Movement on the General Fund Balance* are unaffected by any of these presentational changes and therefore the Authority has concluded that these amendments will not have a material impact on the information provided in its financial statements.

Code of Practice on the Highways Network Asset; The 2016/17 Code adopts the measurement requirements of the *CIPFA Code of Practice on the Highways Network Asset*. This change to the Code will require the establishment of a separate asset on the Authority's balance sheet, the Highways Network Asset, through the disaggregation of the relevant transport infrastructure assets from the existing Infrastructure Assets class (currently accounted for within Property, Plant and Equipment). Whereas existing Infrastructure Assets are measured at depreciated historical cost, the new Highways Network Asset is to be measured at depreciated replacement cost. This will therefore represent a change in accounting policy from 1 April 2016. However, under an exceptional adaptation to *IAS 1 Presentation of Financial Statements*, the requirement to restate opening balances and prior year comparators for the Highways Network Asset has been removed from the 2016/17 Code. The change will instead be accounted for as an adjustment to opening balances (as at 1 April 2016) in the 2016/17 financial statements. As such, the closing 31 March 2016 balances reported in this document will not be directly impacted by this accounting change.

44. Firefighters' Pension Scheme

2014/15 £000	2014/15 £000		2015/16 £000	2015/16 £000
		Contributions receivable		
	-1,725	Employees		-1,626
		Employers		
-2,524		Normal	-2,075	
0		Early retirements	0	
	-2,524			-2,075
	0	Transfer values from employers of contributors joining the fund		0
	-50	Charges in respect of ill-health early retirements		-50
	-4,299			-3,751
		Benefits payable		
	6,634	Pensions		6,971
		Lump sum benefits		
1,284		Commutations	1,848	
0		Interest on backdated commutations	208	
1		Lump sum retirement benefits	31	
0		Death benefits	0	
	1,285			2,087
		Payments to and on account of leavers		
	7	Transfer values to employers of contributors leaving the fund		9
	0	Refunds of contributions		0
	7,926			9,067
	3,627	Net amount payable/receivable for the year before top up grant/amount payable to DCLG		5,316
	-3,005	Top up grant received from DCLG		-5,029
	-622	Top up grant receivable from DCLG		-287
	0	**Net amount payable/receivable for the year**		**0**

Net Assets Statement

At 31 March 2015 £000		At 31 March 2016 £000
	Current Assets	
622	Pension top up grant receivable from DCLG in respect of year to reporting date	287
0	Payments in advance	0
0	Cash	0
622		287
	less: Current Liabilities	
-622	Creditors	-287
0	**Net Assets - balance of scheme**	0

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.
Fair Value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Finance Lease A lease that transfers substantially all the risks and rewards incidental to ownership of an asset. 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 Scheme financial statements

We have audited the financial statements and the Firefighters' Pension Scheme financial statements of West Sussex County Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- The related notes 1 to 43 and
- The Firefighters' Pension Scheme financial statements comprising the Fund Account, the Net Assets Statement in 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 2015/16.

This report is made solely to the members of West Sussex County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. 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 Chief Financial Officer and auditor

As explained more fully in the Chief Financial Officer's Statement of Responsibilities set out on page 12, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the Authority financial statements and the Firefighters Pension Scheme 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 2015/16, 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 Scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 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 2016 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 2015/16.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2015/16 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 is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Conclusion on West Sussex County Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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.

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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 National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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 criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether West Sussex County Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether West Sussex County Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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, West Sussex County Council 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 issued by the C&AG in November 2015, 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 2016.

Certificate

We certify that we have completed the audit of the accounts of West Sussex County Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Paul King

Paul King (senior statutory auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Southampton
29 September 2016

West Sussex Pension Fund

Statement of Accounts 2015/16

Declaration

Under Regulation 9 of the Accounts and Audit Regulations 2015, 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 2016.

Katharine Eberhart
Director of Finance

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 2016 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

2014/2015 £000		Notes	2015/2016 £000
	Dealings with members, employers and others directly involved in the scheme		
	Contributions received	7	
	From employers		
87,097	Normal		92,005
-	Additional		43
	From employees		
24,566	Normal		24,849
426	Additional voluntary		458
	Transfers in		
2,266	Individual transfers in from other schemes		3,547
32	**Other income**		314
114,387			**121,216**
	Benefits paid	8	
(78,983)	Pensions		(81,189)
(14,223)	Commutation of pension to lump sum		(15,086)
(1,702)	Lump sum death benefit		(3,239)
	Payments to and on account of leavers		
(90)	Refunds of contributions		(195)
(1,660)	Individual transfers out to other schemes		(2,654)
(39,832)	Bulk transfers to other schemes		(1,429)
	Management Expenses		
(457)	Administrative expenses		(637)
(10,554)	Investment management expenses	10	(8,448)
(810)	Oversight and governance costs	11	(577)
(148,311)			**(113,454)**
(33,924)	**Net additions/(withdrawals) from dealings with members**		**7,762**
	Investment income		
2,059	Interest from fixed interest securities		1,639
35,554	Dividends from equities		37,047
742	Income from pooled investment vehicles		1,490
9,221	Net rents from direct properties	12	11,370
343	Income from stock lending		1,991
342	Interest on cash deposits		366
	Profit and (losses) on disposal of investments and change in market value		
345,148	Profit and (losses) on disposal of investments and changes in the market value of investments	14	(51,146)
(812)	**Taxes on income**	13	(570)
392,598	**Net return on investments**		**2,187**
358,673	**Net increase in net assets available for benefits during the year**		**9,949**
2,617,178	**Add opening net assets of the scheme**		**2,975,852**
2,975,852	**Closing net assets of the scheme**		**2,985,801**

Net Asset Statement

At 31 March 2015 £000		Notes	At 31 March 2016 £000
	Investment assets	14	
	Fixed-interest securities		
59,079	UK public sector		48,612
	Equities		
333,650	UK		320,301
1,686,001	Overseas		1,669,471
	Pooled investments		
440,090	Fixed interest and currency funds		447,328
557	Indirect property investments		271
158,984	Private equity investments		150,318
	Direct property		
115,665	Freehold		163,250
99,650	Leasehold		105,325
37,132	Cash deposits		81,660
8,543	Investment income due		8,418
1,255	Amounts receivable for sales		2,341
-	Derivatives		(2)
2,940,606	**Total investment assets**		**2,997,293**
	Investment liabilities		
(1,514)	Property rent receipts in advance	15	(74)
(918)	Amounts payable for purchases	14	(28,746)
(2,432)			**(28,820)**
2,938,174	**Net investment assets / (liabilities)**		**2,968,473**
	Current assets	19	
4,057	Contributions due		4,586
3,298	Other debtors including prepayments		2,096
32,996	Cash balances		12,224
665	Taxation		1,453
41,016			**20,359**
	Current liabilities	20	
(17)	Contributions		(5)
-	Taxation		-
(3,321)	Other current liabilities inc. benefits payable		(3,026)
(3,338)			**(3,031)**
37,678	**Net current assets / (liabilities)**		**17,328**
2,975,852	**Net assets of the scheme available to fund benefits at the period end**		**2,985,801**

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 2016 the West Sussex Pension Fund had a diversified portfolio totalling £2,986m 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 0.1% compared with the customised benchmark return of 0.9%.

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 2015/16 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 (currently vacant) and an employee representative. A Pension Advisory Board has also been established to assist the County Council to ensure the scheme complies with legislative requirements and any requirements of the Pensions Regulator.

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: 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 scheme under an admission agreement between the administering authority 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 161 active employer organisations within the West Sussex Pension Fund including the County Council itself, as detailed below:

	31 March 2015	31 March 2016
Number of employers with active members	154	161
Number of active members in Scheme		
County Council	13,587	13,053
Other employers	11,340	11,549
Total	**24,927**	**24,602**
Number of pensioners		
County Council	9,220	9,549
Other employers	8,240	8,524
Total	**17,460**	**18,073**
Number of deferred pensioners		
County Council	13,312	14,856
Other employers	9,117	9,578
Total	**22,429**	**24,434**

The number of deferred pensioners excludes 1,752 frozen refunds (2014/15 - 1,762) and 34 leavers for whom no formal paperwork has been received (2014/15 - 195).

c. Funding

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

- Active members in accordance with the LGPS regulations and range from 5.5% to 12.5% of pensionable pay for the reporting period ending 31 March 2016.

- Employers 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 36.8%. 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 Revalued Earnings 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 2015/16, 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 at the percentage rate recommended by the Fund actuary in the payroll period to which they relate.

Employer additional deficit funding contributions are accounted for upon 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, where relevant 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 by the Fund 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 an investment 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 an investment asset.

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

d. 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.

e. 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 an expense as it arises.

f. Management expenses

Pension fund management expenses are accounted for in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs as summarised below.

Administrative expenses

All administrative expenses are accounted for on an accruals basis representing the annual charge relating to the Capita Pensions Administration, 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 recharged. Associated management, accommodation and other overheads are apportioned to this activity.
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's performance related fees were zero in 2015/16 (2014/15 - £2.6m).

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

g. Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the Fund 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 18).

Net Asset Statement

h. Financial assets

Investments are shown 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. The values of investments 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 31 March 2016 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 the 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 they manage. Partners Group gather 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 2016 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).
  Pantheon’s audited valuation is available each May following their December year end. 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 Pantheon Ventures have been given an unqualified opinion.

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 at the reporting date 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".

i. 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.

j. 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.

k. 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.

l. 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.

m. 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 18).

n. 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 discount rate at year ended 31 March 2016 would result in an approximate 11% increase to employer liability (£383m). A one year increase in member life expectancy at year ended 31 March 2016 would result in an approximate 3% increase in employer liability (£109m). A 0.5% increase in the salary increase rate at year ended 31 March 2016 would result in an approximate increase in employers liability of 3% (£126m). A 0.5% increase in the pension increase rate at year ended 31 March 2016 would result in an approximate 7% increase in employer liability (£251m).
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 is £150.3m. 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 2016 was £150.3m (£159.0m at 31 March 2015).

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

The result of the EU referendum was announced on Friday, 24 June 2016 with a vote in favour of the UK leaving the EU.

The immediate response was fairly negative, as predicted, with the FTSE 100 opening 8.7% down and sterling at a 30 year low versus the US Dollar.

The longer term implications and the reality of the 'Leave' vote are uncertain. For the moment the UK remains in the EU, and the process of leaving could take two years or more. Together with potential domestic political disruption, this could lead to a prolonged period of uncertainty.

A diversified portfolio invested in UK and overseas equities and bonds, property, cash and private equity significantly reduces the risk of negative impact to the Fund but its investment managers, analysts and advisors will monitor the situation carefully over the coming months and years.

As the Referendum took place after 31 March 2016, there is no impact on the figures disclosed in the financial statements or supporting notes. Therefore, for the purposes of these financial statements, the Referendum is considered to be a non-adjusting event.

There have been no other events occurring after the reporting date that would have a material impact on these financial statements.

NOTE 7: Contributions received

By Category

2014/15		2015/16
£000		£000
87,097	Employers	92,048
24,992	Members	25,307
112,089		117,355

By Authority

2014/15		2015/16
£000		£000
92,845	Scheduled bodies	95,995
4,061	Resolution bodies	4,626
9,027	Admitted bodies	9,676
6,156	Academies	7,058
112,089		117,355

NOTE 8: Benefits paid

By Category

2014/15		2015/16
£000		£000
78,983	Pensions	81,189
14,223	Commutation and lump sum retirement benefit	15,086
1,702	Lump sum death benefit	3,239
94,908		99,514

By Authority

2014/15		2015/16
£000		£000
85,560	Scheduled bodies	90,428
952	Resolution bodies	1,419
7,920	Admitted bodies	6,775
476	Academies	892
94,908		99,514

Pensions paid increased by £2.2m (2.8%) when the two years are compared. LGPS pension payments are increased each April based on September CPI. The pensions increase for 2015/16 was set at 1.7% with effect from 6 April 2015. In addition the number of pensioners increased by 3.3% over the twelve month period.

The pensions increase for 2016/17 has been set at 0% and takes effect from 11 April 2016.

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 £0.05m in respect of individuals transferring out of the pension scheme upon whom the Fund is awaiting a final decision.

NOTE 10: Investment management expenses

2014/15 £000		2015/16 £000
8,392	Fund management fees	6,258
548	Property management fees	604
184	Custody fees	168
1,427	Transaction costs	1,416
3	In-house treasury management expenses	2
10,554		8,448

NOTE 11: Oversight and governance costs

2014/15 £000		2015/16 £000
334	Governance expenses	217
26	External audit fees	26
233	Actuary fees	200
4	Bank charges	2
66	Performance monitoring service	54
128	Advisory fees	64
19	Other expenses	14
810		577

NOTE 12: Property income

2014/15 £000		2015/16 £000
10,158	Rental income	12,277
(937)	Direct operating expenses	(907)
9,221		11,370

NOTE 13: Taxes on income

2014/15 £000		2015/16 £000
1,763	Tax paid on dividend payments	1,434
(951)	Tax recoverable	(864)
812		570

NOTE 14: Investments

NOTE 14a: Reconciliation of movements in investments and derivatives

	Market Value at 1 April 2015 £000	Net Transactions £000	Current Year Realised / Unrealised Profit or Loss £000	Cash Movement £000	Market Value at 31 March 2016 £000
Fixed-interest securities					
UK public sector	59,079	(10,180)	(287)	-	48,612
Equities					
UK	333,650	30,259	(43,608)	-	320,301
Overseas	1,686,001	24,328	(40,858)	-	1,669,471
Pooled investment vehicles					
Fixed-interest and currency funds	440,090	2,702	4,536	-	447,328
Indirect property	557	(279)	(7)	-	271
Private equity	158,984	(27,389)	18,723	-	150,318
Direct property				-	
Freehold property	115,665	40,457	7,128	-	163,250
Leasehold property	99,650	100	5,575	-	105,325
Derivatives	-	(21)	19	-	(2)
Sub total	2,893,676	59,977	(48,779)	-	2,904,874
Other investment balances					
Cash	37,132	16,419	(2,367)	30,476	81,660
Amount receivable for sales	1,255				2,341
Investment income due	8,543				8,418
Amount payable for purchases	(918)				(28,746)
Rental receipts in advance	(1,514)				(74)
Total assets	2,938,174	76,395	(51,146)	30,476	2,968,473

	Market Value at 1 April 2014 £000	Net Transactions £000	Previous 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					
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)
Rental receipts in advance	(1,114)				(1,514)
Total assets	2,591,479	(1,260)	345,148	3,000	2,938,174

NOTE 14b: Analysis of investments

31 March 2015 %	31 March 2015 £000		31 March 2016 £000	31 March 2016 %
		Quoted		
69.8	2,019,651	Equities	1,989,772	68.5
2.0	59,079	Fixed-interest securities	48,612	1.7
		Pooled investments		
15.2	440,090	Fixed-interest and currency funds	447,328	15.4
		Unquoted		
5.5	158,984	Private equity	150,318	5.2
7.5	215,315	Direct property investments	268,575	9.2
0.0	557	Indirect properties	271	0.0
0.0	0	Derivatives	(2)	0.0
100.0	**2,893,676**	**Total**	**2,904,874**	**100.0**
	37,132	Cash deposits	81,660	
	8,543	Investment income due	8,418	
	1,255	Amounts receivable for sales	2,341	
	2,940,606	**Total investment assets**	**2,997,293**	

31 March 2015 %	31 March 2015 £000		31 March 2016 £000	31 March 2016 %
		UK investments		
11.6	333,650	Equities	320,301	11.0
2.0	59,079	Fixed-interest securities	48,612	1.7
7.5	215,315	Investment properties	268,575	9.2
		Pooled investments		
4.4	128,077	Corporate Bond UK Plus Fund	134,972	4.6
0.0	557	Indirect properties	-	0.0
		Overseas investments		
58.2	1,686,001	Equities	1,669,471	57.5
		Pooled investments		
0.0	0	Indirect properties	271	0.0
		Other		
5.5	158,984	Private equity	150,318	5.2
		Pooled investments		
0.8	23,691	Currency Allocation Return Fund	22,058	0.8
10.0	288,322	Sterling Aggregate Bond Fund	290,298	10.0
0.0	0	Derivatives	(2)	0.0
100.0	**2,893,676**		**2,904,874**	**100.0**
	37,133	Cash	81,660	
	8,543	Investment income	8,418	
	1,255	Amounts receivable for sales	2,341	
	2,940,606	**Total investment assets**	**2,997,293**	

The above analysis does not include investment liabilities of £28.8m which relates to property receipts in advance (£0.1m) and amounts payable for purchases (£28.7m).

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 2015 %	**31 March 2015** £000		**31 March 2016** £000	**31 March 2016** %
		Baillie Gifford managed funds		
10.0	288,322	Sterling Aggregate Bond Fund	290,298	10.0
		UBS managed funds		
0.8	23,691	Currency Allocation Return Fund	22,058	0.8
4.4	128,077	UK Corporate Bond Plus Fund	134,972	4.6
15.2	**440,090**		**447,328**	**15.4**

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

31 March 2016	**Value £000**	**Value %**
Amazon	51,833	1.7
Naspers	45,404	1.5
Alphabet C class	42,749	1.4
Royal Caribbean Cruises	37,842	1.3
Prudential	34,885	1.2
AIA Group	29,920	1.0
Taiwan Semiconductor	29,836	1.0
SAP SE	29,383	1.0
CRH PLC	29,327	1.0
Anthem	24,300	0.8
	355,479	**11.9**

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	**11.5**

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 has 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 £181m of stock on loan, the value of which is included in the Net Asset Statement as the stock remains a Fund asset. As security for the stock on loan, the Fund received collateral at 31 March 2016 valued at £194m, which represents 107% 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 2015 %	31 March 2015 £000		31 March 2016 £000	31 March 2016 %
		Book cost and market value of investments		
	2,225,111	Book cost	2,424,362	
	2,893,675	Market value	2,904,875	
		Share of market (bid) value held by fund managers		
38.7	1,118,943	UBS Global Asset Management	1,073,893	37.0
48.4	1,399,877	Baillie Gifford & Co	1,411,817	48.6
3.3	95,545	Pantheon Ventures	86,654	3.0
2.2	63,439	Partners Group	63,665	2.2
7.5	215,872	Aberdeen Asset Management	268,846	9.3
100.0	**2,893,675**		**2,904,875**	**100.0**
		Analysis of investment assets - UBS Global Asset Management		
23.1	258,546	UK equities	254,350	23.7
58.0	649,550	Overseas equities	613,901	57.2
5.3	59,079	Fixed-interest securities	48,612	4.5
13.6	151,768	Fixed-interest and currency funds	157,030	14.6
100.0	**1,118,943**		**1,073,893**	**100.0**
		Analysis of investment assets - Baillie Gifford & Co		
5.4	75,104	UK equities	65,951	4.7
74.0	1,036,451	Overseas equities	1,055,570	74.7
20.6	288,322	Fixed-interest fund	290,298	20.6
0.0	-	Derivatives	(2)	0.0
100.0	**1,399,877**		**1,411,817**	**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 0.1% compared with the customised benchmark return of 0.9%. Over the three years to 31 March 2016 the Fund's rate of return was 8.2% per annum compared with the customised benchmark return of 7.7% per annum.

NOTE 14e: Direct property holdings

31 March 2015 £000		31 March 2016 £000
164,225	Opening balance	215,315
43,535	Additions	45,792
(3,060)	Disposals	(5,235)
10,615	Net increase in market value	12,703
215,315	Closing balance	**268,575**

Future minimum lease payments receivable by the Fund

	31 March 2016 £000
Within one year	12,022
Between one and five years	42,899
Later than five years	75,719
Total	**130,640**

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 2015			**31 March 2016**	
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		
59,079	-	Fixed-interest securities	48,612	-
2,019,650	-	Equities	1,989,772	-
440,090	-	Fixed-interest and currency funds	447,328	-
557	-	Pooled property investments	271	-
158,984	-	Private equity	150,318	-
37,132	-	Cash deposits	81,660	-
-	32,996	Internally managed cash	-	12,224
1,255	8,543	Investment balances	2,341	8,418
-	3,963	Debtors	-	3,549
2,716,747	**45,502**		**2,720,302**	**24,191**
		Financial liabilities		
(918)	(1,514)	Investment balances	(28,746)	(74)
(2,516)	-	Other current liabilities	(2,021)	-
-	-	Derivatives	(2)	-
(3,433)	**(1,514)**		**(30,769)**	**(74)**
2,713,313	**43,988**		**2,689,533**	**24,117**

NOTE 15b: Net gains and losses on financial instruments

31 March 2015 £000		31 March 2016 £000
	Financial assets	
334,533	Fair value through profit and loss	- 63,849
-	Loans and receivables	-
-	Financial liabilities measured at amortised cost	-
	Financial liabilities	
-	Fair value through profit and loss	-
-	Financial liabilities measured at amortised cost	-
334,533	**Total**	- 63,849

NOTE 15c: 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.

Values at 31 March 2016	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial assets				
Financial assets at fair value through profit and loss	2,569,713	271	150,318	2,720,301
Loans and receivables	24,192	-	-	24,192
Total financial assets	**2,593,904**	**271**	**150,318**	**2,744,493**
Financial liabilities				
Financial liabilities at fair value through profit and loss	(30,769)	-	-	(30,769)
Loans and receivables	(74)	-	-	(74)
Total financial liabilities	**(30,843)**	**-**	**-**	**(30,843)**
Net financial assets	**2,563,062**	**271**	**150,318**	**2,713,650**

Values at 31 March 2015	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £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**

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 Fund has determined that the following movements in market price risk are reasonably possible for the 2016/17 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	11.58%
Overseas equities	10.73%
Fixed-interest securities	6.26%
Fixed-interest funds	6.26%
Cash	0.01%
Property	3.21%
Private equity	5.06%
Currency fund	5.06%

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 2016 £000	**Change %**	**Value on Increase £000**	**Value on Decrease £000**
Asset type				
UK equities	320,301	11.58	357,392	283,210
Overseas equities	1,669,471	10.73	1,848,606	1,490,337
Fixed-interest securities	48,612	6.26	51,655	45,569
Fixed-interest funds	425,270	6.26	451,892	398,648
Cash	81,660	0.01	81,668	81,652
Property	268,846	3.21	277,476	260,216
Private equity	150,318	5.06	157,924	142,712
Currency fund	22,058	5.06	23,174	20,942
Investment income due	8,418	0.00	8,418	8,418
Amounts receivable for sales	2,341	0.00	2,341	2,341
Investment liabilities				
Amounts payable for purchases	(28,746)	0.00	(28,746)	(28,746)
Derivatives	(2)	0.00	(2)	(2)
Property rent receipts in advance	(74)	0.00	(74)	(74)
Total assets	**2,968,473**		**3,231,724**	**2,705,223**

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 County Council's treasury management team.

The Fund's direct exposure to interest rate movements as at 31 March 2016 and 31 March 2015 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

	Value at 31 March 2015	Value at 31 March 2016
	£000	**£000**
Asset type		
Cash and cash equivalents	43,787	81,660
Cash balances	32,996	12,224
Fixed-interest securities	360,242	48,612
Total assets	**437,025**	**142,496**

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 2016	Change in year in net assets available to pay benefits	
		+100 BPS	**-100 BPS**
	£000	**£000**	**£000**
Asset type			
Cash and cash equivalents	81,660	817	(817)
Cash balances	12,224	122	(122)
Fixed-interest securities	48,612	486	(486)
Total assets	**142,496**	**1,425**	**(1,425)**

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 2016 and 31 March 2015 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 2015 £000	**Value at 31 March 2016 £000**
Currency		
Overseas equities	1,742,984	1,628,316
Overseas fixed-interest securities	30,740	46,427
Overseas bonds	-	3,364
Overseas Private equity	158,983	150,318
Overseas indirect property	558	271
Cash	12,328	1,958
Total	**1,945,593**	**1,830,654**

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 2016	**Change**	**Value on Increase**	**Value on Decrease**
	£000	**%**	**£000**	**£000**
Currency				
Overseas equities	1,628,316	6.63	1,736,273	1,520,359
Overseas fixed-interest securities	46,427	5.62	49,036	43,818
Overseas bonds	3,364	7.78	3,626	3,102
Overseas private equity	150,318	6.07	159,442	141,193
Overseas indirect property	271	6.77	289	253
Cash	1,958	6.68	2,088	1,827
Total	**1,830,654**		**1,950,754**	**1,710,552**

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 £81.7m in cash (31 March 2015: £37.1m) and cash internally managed by WSCC at 31 March 2016 was £12.2m (31 March 2015: £33.0m). This was held by institutions with the following credit ratings :

	Nominal amount 31 March 2015	Nominal amount 31 March 2016
	£000	£000
AAA rated counterparties	64,176	93,880
AA- rated counterparties	9	-
A rated counterparties	5,943	4
TOTAL	**70,128**	**93,884**

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 2016, 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 better than expected since the last formal valuation (excluding the effect of any membership movements). Real bond yields have fallen placing a higher value on liabilities. The effect of this has been offset by the effect of strong asset returns. Funding levels are therefore likely to have improved and deficits decreased over the 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 2015/16 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 Fund actuary has provided the necessary information for the West Sussex Pension Fund.

	31 March 2015 £m	31 March 2016 £m
Active members	(1,854)	(1,829)
Deferred pensioners	(692)	(610)
Pensioners	(1,320)	(1,198)
Present value of promised retirement benefits	(3,866)	(3,637)
Fair value of scheme assets (bid value)	2,976	2,986
Net liability	(890)	(651)

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 2016 is to decrease the actuarial present value by £358m.

Financial assumptions

	31 March 2015 % p.a.	31 March 2016 % p.a.
Inflation / pensions increase rate	2.4	2.2
Salary increase rate	3.8	3.7
Discount rate	3.2	3.5

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.

Please note that the assumptions are identical to last year's IAS26 disclosure for the Fund.

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 2015 £000		31 March 2016 £000
	Debtors:	
1,219	Contributions due - employees	1,146
2,838	Contributions due - employers	3,440
192	Prepayments	581
3,106	Other debtors	1,515
665	Taxation	1,453
8,020		8,135
32,996	Cash balances	12,224
41,016		**20,359**

Analysis of debtors

31 March 2015 £000		31 March 2016 £000
1,732	Central government bodies	2,929
3,626	Other local authorities	2,360
-	Public corporations and trading funds	-
1,567	Educational establishments	1,235
1,095	Other entities and individuals	1,611
8,020		**8,135**

NOTE 20: Current liabilities

31 March 2015 £000		31 March 2016 £000
17	Contributions	5
-	Tax	-
821	Benefits payable	1,010
2,499	Other current liabilities	2,016
3,338		**3,031**

Analysis of creditors

31 March 2015 £000		31 March 2016 £000
991	Central government bodies	370
763	Other local authorities	369
-	NHS bodies	-
88	Educational establishments	256
1,496	Other entities and individuals	2,036
3,338		**3,031**

NOTE 21: Additional voluntary contributions

Market Value 31 March 2015 £000		Market Value 31 March 2016 £000
1,699	Standard Life	1,728
487	Equitable Life	471
2,186		2,199

AVC Contributions of £163,243 were paid directly to Standard Life during the year (2014/15 £163,488). 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 (2014/15 £0.8m) 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 £42.3m to the Fund in 2015/16 (2014/15 £39.9m). 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 2016, the Fund had a daily average investment balance of £37.923m (31 March 2015 £63.885m) earning interest of £0.168m (2014/15 £0.242m) in these funds at a rate of return of 0.44% (2014/15 0.38%).

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 2016 totalled £38.5m (31 March 2015 : £46.6m).

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 in 2014 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 2016 under the Local Audit and Accountability Act 2014. 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 2015/16.

This report is made solely to the members of West Sussex County Council in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. 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 Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on page 12, the Director of Finance 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 2015/16, 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 Chief Financial Officer and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 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 pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2016 and the amount and disposition of the fund's assets and liabilities as at 31 March; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the Annual Report 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

T Sadler

Tim Sadler (senior statutory auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Southampton
29 September 2016