



West Sussex County Council

Statement of Accounts 2022/23

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Narrative Report 2022/23

Introduction from the Director of Finance and Support Services

This Statement of Accounts for 2022/23 draws to a close another challenging but successful financial year for the County Council. The impact of the Covid-19 pandemic and the uncertain economic conditions we have all experienced over the last year has continued to have an impact on the cost of delivering our services – both in terms of increased demand and the price. Our areas of most pressure continued to be within social care, rising inflation and at the same time as many of our income streams were still low and not fully recovered from the Covid-19 pandemic.

Despite these many challenges, the County Council has continued to deliver good quality services to our residents and in line with the priorities set out in Our Council Plan and as a result of our excellent financial management, the County Council has again finished the year in a strong and resilient financial position and one which provides the essential foundations for future years.

Looking ahead, our finances are in a strong position to enable us to continue the delivery of our Council Plan and organisational priorities. We will continue to focus on areas which will make the biggest difference to the lives of our residents and the future prosperity of the county – all within the context of the continuing low levels of public finances and growing demands.

It is important for the County Council to plan across the medium term. This is extremely challenging given the many uncertainties facing the sector but our financial position means that we are able to take a longer term view to balancing the books, maintain our financial resilience and all whilst continuing to deliver services for our residents that make a difference.

Further details of our performance and spending in 2022/23 are set out in these Statement of Accounts. The accounts themselves are very complex and technical in nature, but the remainder of this narrative report is designed to give you a summary and can be read together with our end of year [Performance and Resources Report](#) (due to be published in June 2023).

Taryn Eves

Director of Finance and Support Services

(written in May 2023)

West Sussex County Council

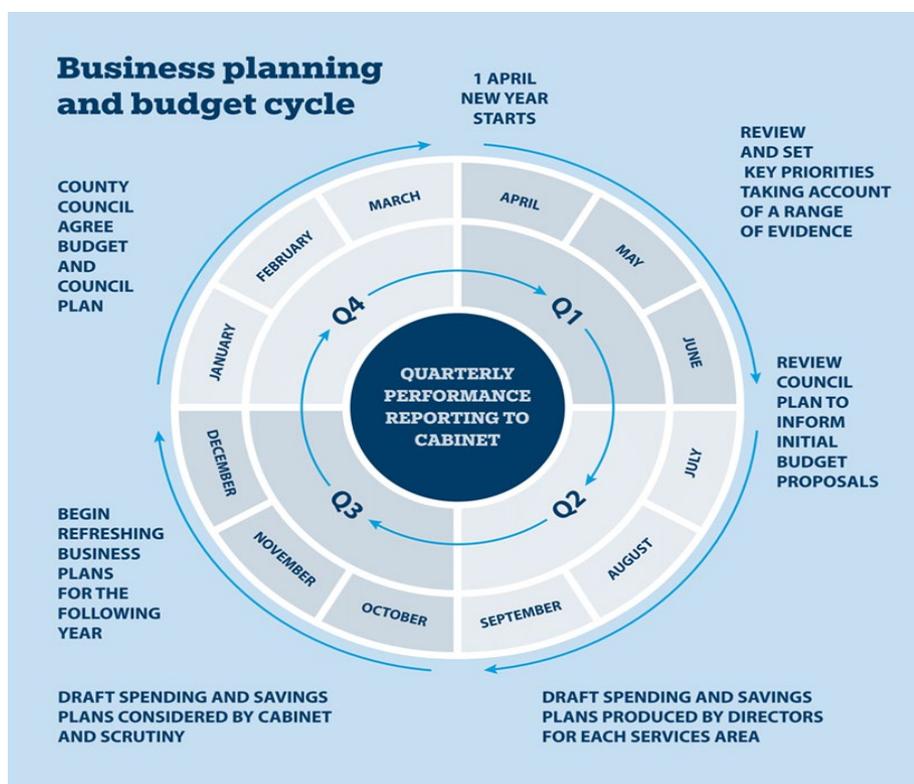
About West Sussex

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

The Council forms the upper tier of local government within West Sussex, providing a wide range of services such as social care, education, planning, libraries, waste management and trading standards to residents in the county. There are seven districts and boroughs and 158 parish and town councils, providing a further range of services to both businesses and residents.

West Sussex County Council's vision

The importance of the services provided by this Council to the residents, businesses and communities of West Sussex continues to be very evident, especially the crucial support provided for those in vulnerable situations. The Council is influencing and responding to a range of significant national policy developments which will have implications for the Council's services. Our ambitions are captured each year as we refresh the detailed Council Plan, which sets out what we propose to do and the specific targets we will use to judge how well we have performed during the year. The Council Plan, revenue budget and capital programme are fully integrated throughout the business planning process:



Our Council Plan sets out our shared priorities, and has been built with significant input from members, residents, staff and a number of our partners. As we developed the plan in 2020, we spoke to community groups and residents to understand the effects of Covid-19, and what they needed from us going forward.

The Council Plan is reviewed and refreshed annually, as part of our integrated business and financial planning process - bringing together business planning, financial planning and risk management processes. The process provides the framework for the County Council's decision making and planning to ensure our focus is on priority outcomes, making the best use of the resources available and enabling the Council to track delivery and value for money. This ensures that the implications of choices that need to be made in the face of changing national policy and operating environment, together with resource and demand challenges and other uncertainties, can all be considered together.

Our Council Plan priorities are:

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

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

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

Political and Democratic Structures

At the end of March 2023, the County Council was made up of 70 councillors (known as members), controlled by the Conservatives. The political composition was:

- Conservative: 45
- Liberal Democrat: 11
- Labour: 9
- Green and Independent Alliance: 4
- Vacancy: 1

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

Management Structure

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

The Executive Leadership Team is comprised of:

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

Council Employees

At the end of March 2023, the Council employed 5,414 full time equivalents (6,031 people), excluding school-based employees, on both full and part time contracts. Key facts about our workforce include:

- Gender – Across the Council, 69.7% of employees are female and 30.3% are male. The Council is required to publish its [gender pay gap](#) report on its website.
- Age – The Council has an older age profile than the working age population of West Sussex with 27.9% of employees aged 55+, and those aged 16–24 are particularly under-represented at only 3.3% of the workforce.
- Ethnicity – 3.1% of the workforce are recorded as belonging to black and minority ethnic groups. However, 41.7% of employees are of unknown ethnicity, so the actual proportion could be higher.

Sickness levels for the year are higher than the indicator, with 15.9 calendar days lost due to sickness absence per FTE compared to the indicator of 15 calendar days. Full details including the top reason for both short and long term absences are reported in the workforce section of the Quarter 4 Performance and Resources Report (PRR), which will be reported to [Cabinet](#) on 20 June 2023.

Our Council Plan Performance for 2022/23



The Council Plan sets out our strategic priorities and includes a set of 52 measures with targets against which we measure our performance. Quarterly reviews of performance and resources are undertaken by ELT, Scrutiny Committees and Cabinet. Results are available for all measures, although some annual measures are reporting the latest results published this year, which is not necessarily for the period 2022/23. Some measures have data lags and will continue to be monitored in 2023/24.

In summary we have met or exceeded our targets on 31 of 52 measures (60%) with a further 11 measures (21%) close to meeting their target, providing an overall total of 81% of measures that were exceeded, met, or nearly met. We did not meet our targets on 10 measures (19%).

Full details of the County Council's performance during the year is set out in the Quarter 4 PRR that will be considered by [Cabinet](#) on 20 June 2023.

Some key highlights and challenges are summarised below.

Keeping People Safe from Vulnerable Situations

The Council continues to ensure that appropriate and timely support is provided when extra support is required in people's lives. The measures within this priority include both children and adults.

The health and social care system in West Sussex continues to experience significant pressure and dominated the work of Adults Services. The reasons for this are complex and include high demand from our partners, in particular our NHS partners, requiring support in the timely and safe discharge of patients from hospitals within the county. Nevertheless, there were a number of measures still meeting their targets including the number of contacts progressing to a social care assessment at 12.5% against a target of 20-30%, reflecting the impact of interventions throughout the customer journey to meet people's needs through information and advice as well as the provision of preventative services. The level of risk remaining for safeguarding outcomes also exceeds target at 7.8% against a target of 8.26% or below. There will always be a percentage of outcomes where risk remains as people are able to choose to live with risk and no further action being required from adult social care, however professionals may remain involved should risk be deemed high and the customer continues to require support.

The introduction of the Covid-19 vaccination had a positive impact on the flu jab take-up and for over 65s and at-risk groups West Sussex has exceeded its targets. For over 65s performance was 83.5% against a target of 75% and compared well against the national averages of 79.9%. Healthy weight in 10-11 year-olds also improved from the previous results (63.2%) and continued to exceed its target with performance currently at 65.7%.

Following a drop in performance in the previous year due to limited opportunities for face-to-face visits, Safe and Well visits exceeded their target of 4,000 visits at 4,680, exceeding the target by 17%. In addition, 2,245 home visits were carried out on risk reduction activity such as installing smoke alarms and carbon monoxide sensors and supplying fire safety equipment. These are the highest number of visits completed since 2018.

More challenging this year is the percentage of Child Protections Plans (CPP) that result in step down within 12 months reporting an annual average of 63.7% against a target of 83%. Children subject to CPP over 12 months are scrutinised by managers and there is ongoing work to identify any trends which may be contributing to the increase in number of CPPs. The percentage of re-referrals to children's social care within 12 months of the previous referral was also below target with an annual average of 26% against a target of 22%. Service managers continue to review re-referrals to understand themes and progress learning within their teams.

A Sustainable and Prosperous Economy

The global economic situation, the pandemic and its legacy have continued to have significant impact on local people, places and the local economy. Despite this there is a significant number of measures within this priority that continue to meet or exceed their targets.

A key focus of the Council's Economy Plan is to provide support to enterprises, encouraging successful start-ups and helping established businesses to revive, innovate, and grow. Over the year work continued on a range of initiatives and in total 3,270 enterprises were supported, greatly exceeding the target of 1,760.

Progress continues well towards achieving the government target for providing gigabit capable connectivity to 85% of premises by 2025. Performance to date shows we have exceeded the milestone target of 55% for 2022/23, achieving 60.3% overall.

Carbon emissions from Council activities continues to exceed targets (29,910 CO₂te), at 27,442 CO₂te. This reduction primarily results from reduced electricity and gas demand, largely due to electricity grid decarbonisation, building decarbonisation works and a warmer winter period.

New cycle paths also continued to exceed the target, with 21.7km of new cycle infrastructure across the county against a target of 15km over a two year period.

The impact of the recent severe weather continues to be felt on the West Sussex highway network. The main challenge for this priority this year was the level of A and B roads that require maintenance. Results show 15.8% of A and B roads require maintenance, a marginal change compared to the previous year (15.6%) against a target of 14%.

Helping People and Communities Fulfil Their Potential

There have been a number of key successes this year, in particular for educational attainment. Following the unsettled period during Covid-19 where school exams and assessments did not take place, the latest results for Key Stage 4 show West Sussex have exceeded their target for the percentage of young people attaining Grade 4 and above for Maths and English GCSE by the age of 16 years old (69.6% against a target of 67.5%) and are performing better than the national average, which is currently at 64.4%. The number of pupils accessing schools with OFSTED rating of Good or Outstanding has also reached a high of 94.2% against a target of 89%.

Challenges remain especially at Key Stage 2 attainment where West Sussex achieved 55% against a target of 68%. West Sussex is in line with the national outcomes for reading but 4% below the national outcomes for writing. It is a priority to understand the underlying reasons behind this underachievement and to address the root causes. The attainment gap with disadvantaged pupils compared with non-disadvantaged peers at the end of Key Stage 2 also remains higher than target achieving 24% gap against a target of 20%, although there has been improvement compared to last year (25.3%).

Performance for responses to 'critical fires' (where the first appliance in attendance meets our emergency response standard) also met its target of 89% and finished the year with Q4 results at 92.1%. Response to critical special service incidents also exceeded target at 80.8% for Q4 compared to the 80% target.

The use of virtual/digital library services continues to improve and reached 6.3m compared to 5.81m last year and exceeded the annual target of 5.45m; the Community Hub supported 92,436 people against an expected 36,000.

For adult social care there has been unprecedented demand across the services, mirroring a national picture and this has impacted on the ability to meet all the targets. These include the percentage of adults using direct payments to purchase their services (22.5% against a target of 27.4%), level of adult services reviews carried out in the last 12 months (52.4% against a target of 77%) and the percentage of adults with learning disability in paid employment (2.9% against a target of 3.8%).

Making the Best Use of Resources

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

This year the Council has successfully further reduced the size of its operational property estate exceeding the target of 162,000m² to 119,534m².

West Sussex County Council had the 4th highest average unit cost for services in 2020/21 when compared to statistical neighbours. The budgeted position for 2021/22 and 2022/23 shows an improvement to 8th position for both years, thus meeting this year's target.

County Councillor learning and development average attendance for the year is 44%, just below forecasted performance of 45%, however satisfaction levels with the development sessions exceeded target at 96% against a target of 91%.

Full details of the outcomes against all 52 measures can be found on the [West Sussex Performance Dashboard](#).

External Performance Assessment and Review

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

Children's Services

In May 2023 Ofsted Inspectors praised West Sussex County Council's Children's Services for its 'relentless approach to improving practice,' giving the service an overall rating of 'requires improvement', with 'good' judgements for children in care and leadership and management. The judgements on children needing help and protection and children leaving care are they 'require improvement to be good'. This rating is up from the last full inspection of Children's Services back in 2019, when all areas were rated as inadequate.

Inspectors recognised the 'strong, determined and cohesive leadership team' who have made significant improvements since 2019 and their commitment and focus to make further improvements. The areas requiring further improvements are being addressed as part of a new continuous improvement plan. County Council received an [update](#) on the latest inspection report at their meeting on 26 May 2023 and the full Ofsted report is available [here](#).

Fire and Rescue Service

In November 2018, Her Majesty's Inspectorate of Constabulary and Fire and Rescue Service (HMICFRS) undertook an inspection of our Fire and Rescue Service. The report was published in June 2019 and rated the service as requiring improvement in areas of service effectiveness and efficiency and as inadequate in relation to supporting its people. Since then the Council has invested in the improvements needed and as at 31 March 2022 had spent over £5m addressing the areas of concern raised by HMICFRS in their original report. From 2022/23 onwards, the base budget was increased to allow further improvements to be embedded in service delivery. There was a further inspection of the service in October 2021 and the report was published on 27 July 2022. HMICFRS reported that the service has made significant progress since the last inspection in 2018 and must maintain and build on this improvement. A further inspection is planned for Autumn 2023.

Financial Performance

The budget for 2022/23, agreed by County Council in February 2022, supported the objectives of the Council Plan. Despite significant overall reductions in government funding since 2009/10, the Council continued to make progress in delivering its ambitions on behalf of the residents of West Sussex, while achieving this within the resources available. The County Council continued to focus on the areas which made the biggest difference to the lives of its residents and the future prosperity of the county and aimed to support the delivery of members' vision and deliver the priorities of the plan.

Measures to balance the portfolio budgets for both 2022/23 and 2023/24 were developed as part of the budget process, based on maximising efficiency, finding new ways of service provision and engaging partners in collaboration. The budget for 2022/23 assumed savings of £11.0m. In addition to these planned savings, £12.4m remained from 2020/21 and 2021/22 savings which were not delivered on an on-going basis, largely due to the Covid-19 pandemic. Therefore the overall savings to be achieved in 2022/23 was £23.4m, and by the year end £13.3m was achieved as originally envisaged or was delivered by other means. The balance, £10.1m, was not delivered in the financial year and is reflected in the outturn position for 2022/23. These are expected to be delivered in full in 2023/24.

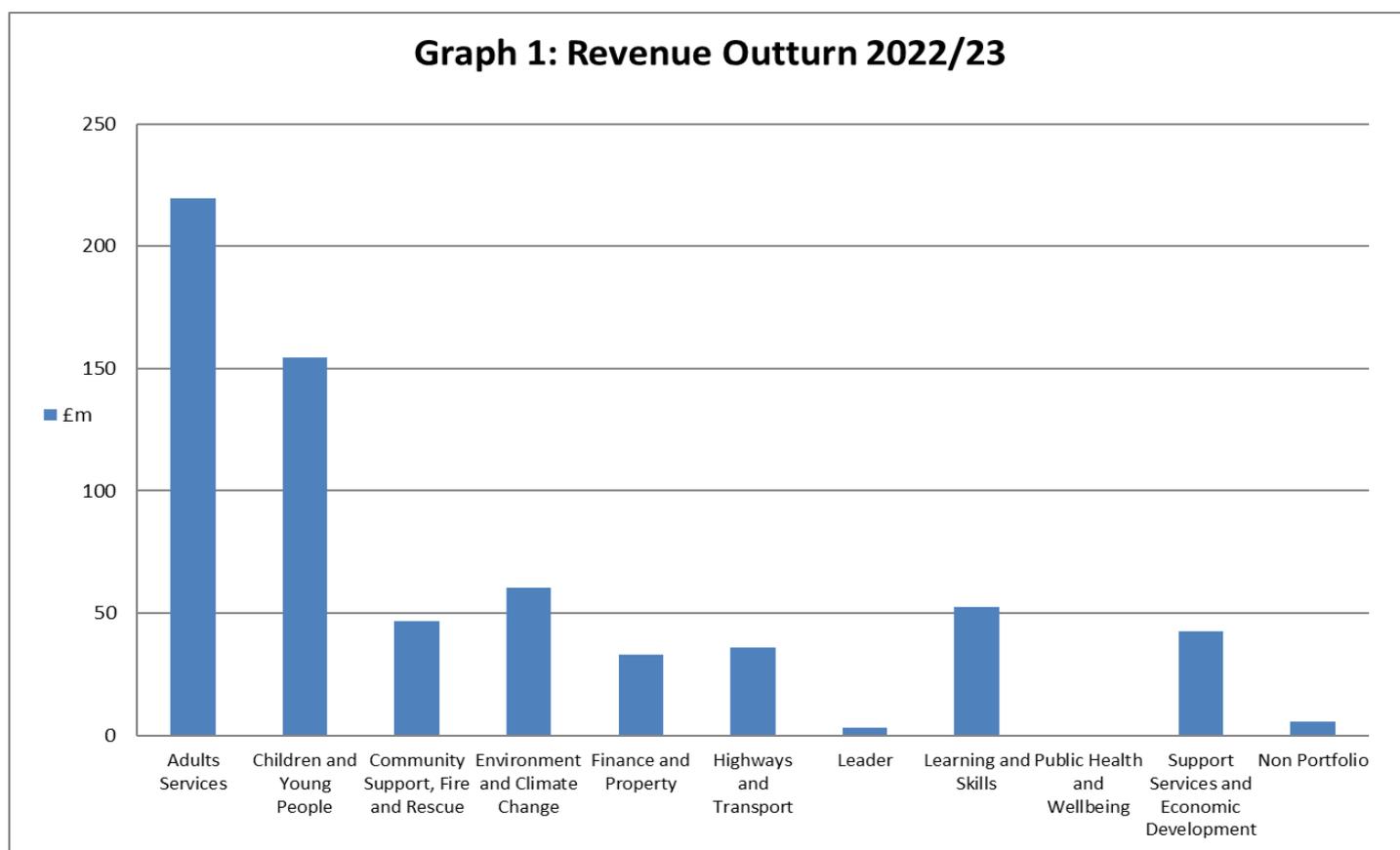
As part of the budget approved in February 2022, the County Council approved the use of up to £10.0m of capital receipts in 2022/23 to fund qualifying transformational expenditure in line with the Government's statutory Flexible Use of Capital Receipts guidance. This figure was then updated to £9.0m as part of the budget approved in February 2023 to fund specific transformation projects. Within the outturn there is £4.2m of revenue transformational projects which meet the eligibility criteria under the Flexible Use of Capital Receipts principles and was transferred to the Capital Programme.

Net revenue expenditure for 2022/23 on portfolio budgets is £648.9m, representing a £10.5m overspend. There are a number of pressures within all individual portfolios but overall overspendings within Children and Young People (£10.5m), Finance and Property (£1.3m), Highways and Transport (£1.3m) and Learning and Skills (£3.5m) portfolios, largely offset by underspending within Environment and Climate Change (£3.4m) and Support Services and Economic Development (£1.8m) portfolios.

The portfolio overspend has been financed from the contingency budget (£4.7m), additional investment income (£5.0m), additional funding from the Business Rates Levy (£0.6m) and a drawdown from the Inflation Contingency Reserve (£0.2m).

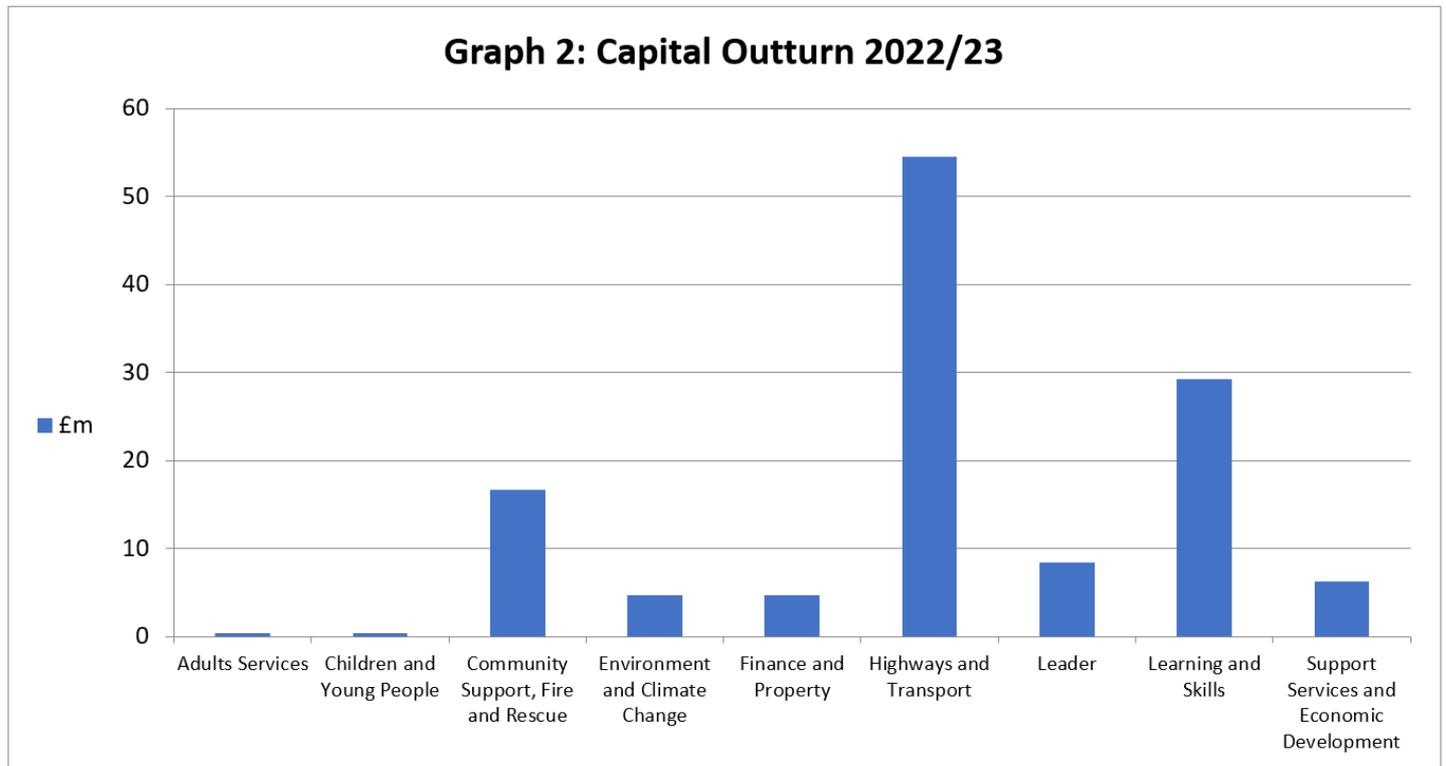
Full details are set out in the [outturn PRR](#), which is going to the Public Cabinet on 20 June 2023, and is the Council’s monitoring and reporting mechanism for finance performance (revenue and capital), savings delivery, business performance and the workforce. It is regularly scrutinised by individual scrutiny committees and the Performance and Finance Scrutiny Committee. The outturn PRR will be presented to the Performance and Finance Scrutiny Committee on 16 June 2023 and papers can be found [here](#).

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



County Council, in February 2022, agreed a capital programme totalling £120.4m for 2022/23. In addition, £7.3m which was originally profiled to be spent in 2022/23 was transferred to other years, reducing the capital programme to £113.0m. The actual spend for 2022/23 was £124.7m. Full details are set out in the [outturn PRR](#) with areas of greatest investment within roads and highways, educational facilities and the new Horsham fire station which will become operational from summer 2023.

Graph 2 below sets out the capital outturn for 2022/23 by portfolio:



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

Month of completion	Project	Location	Description
May	Children's In-House Phase 1 – Brightstar (Cissbury Lodge)	Worthing	Improvement works - the creation of two wings - one for children with complex health needs and one for learning disabilities.
May	Children's In-House Phase 1 – Blue Cove (May House)	Worthing	Internal and external reconfiguration and refurbishment to provide suitable accommodation for young people with complex needs.
May	Children's In-House Phase 1 – Breakwater (Seaside)	Adur	Internal and external reconfiguration and refurbishment to provide suitable accommodation for children on the edge of care.
May	Worthing Community Hub	Worthing	Refurbishment of Worthing library to create a new community hub space, to bring a range of services into the library building.
June	Nyewood CoE School	Arun	New Hall and alterations to car park / landscaping and reconfiguring of Reception area.
September	Forest School - Co-Ed works	Horsham	Adaptation works to enable girls to be admitted (female toilets/changing rooms and investment in PE, Technology & STEM facilities including strip out and refurbishment of two Science labs).
January	Martlets, County Hall	Chichester	Conversion of space to meeting hub.
March	Palatine SEN Primary School	Worthing	Provision of four-classroom block with associated facilities, provision of temporary accommodation and removal of an existing modular unit in poor condition.
March	River Beach Primary School	Arun	Permanent build to accommodate a current bulge class and remodelling and extension of existing changing rooms funded from Section 106 developer contributions.

The main sources of funding used to finance the 2022/23 capital programme spend of £124.7m included Government grants (£73.8m), borrowing (£37.3m), capital receipts (£5.2m), external contributions (£5.1m) and revenue contributions (£3.3m). The actual borrowing needed to fund the capital programme for 2022/23 was £6.7m less than the amount approved in February 2022 due to a variety of reasons such as reprofiling of schemes and an increase in the other sources of funding.

In 2022/23 a further six schools obtained academy status. Only one building (valued at £1.37m) was written out of the Authority's Balance Sheet as a result; the remaining five conversions, as voluntary aided schools, were not previously recognised on the Council's Balance Sheet. Furthermore, the Council has revalued the land that these academies occupy to reflect the restricted use to the authority (resulting in a further reduction of £5.18m to the Balance Sheet). As of March 2023, there are 86 schools with academy status in the County, with a further 199 schools remaining under local authority control. As at March 2023, it is expected that a further three academy transfers will take place during 2023/24.

Reserves and Balances

The Balance Sheet distinguishes between “usable” and “unusable” reserves. An analysis of the movement in reserve balances during 2022/23 is provided by the Movement in Reserves Statement, and is summarised below:

Movement in Reserve Balances 2022/23	Balance at 1 April 2022	2022/23 Movement	Balance at 31 March 2023
	£000	£000	£000
General Fund	20,286	0	20,286
Earmarked Reserves	231,131	-2,598	228,533
Capital Grants Unapplied Account	21,229	117	21,346
Capital Receipts Reserve	4,789	1,231	6,020
Total Usable Reserves	277,435	-1,250	276,185
Unusable Reserves	468,589	334,587	803,176
Total Authority Reserves	746,024	333,337	1,079,361

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 2023 is £20.3m, representing 2.9% of the net expenditure budget for 2023/24. Whilst this is considered to be a prudent buffer against the significant financial pressures affecting the Council, as part of the approved budget for 2023/24 a further £16m has been transferred to the General Fund, given that the County Council is facing a period of financial uncertainty. This represents 5% of net expenditure for 2023/24 and will provide some additional means for the County Council to protect itself from future demand pressures that could adversely impact on our financial position and strengthen the Council’s financial resilience. Earmarked reserves totalling £228.5m are held as at 31 March 2023; this includes the Budget Management reserve of £40.4m, £16.7m for the one-off business rates pilot funding that the Council is committed to spending in conjunction with the districts and boroughs, and £11.8m for the Service Transformation Fund. A detailed analysis of this balance is provided in Note 3 to the accounts.

Included within unusable reserves is a Dedicated Schools Grant (DSG) deficit balance of £41.9m as at 31 March 2023, which incorporates an annual deficit for 2022/23 of £16.9m (reduced by £0.5m retrospective adjustment for 2021/22 early years). The deficit is classified as an unusable reserve in accordance with regulatory changes which took effect during 2020/21. The temporary legislation, which states that any DSG deficits are to be recovered from future DSG income over time rather than from local authority General Funds, was set to expire at the end of March 2023, but this has now been extended for a further three years to March 2026. The reserve is forecast to have a balance of £63.7m at the end of March 2024.

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 £290.7m is offset by a matching notional reserve ensuring there is no impact on the local taxpayer.

Future Capital Programme and Borrowing

The Council's Capital Strategy, approved by full Council in February 2023, sets out the five-year capital programme. The strategy is the foundation for proper long-term planning of capital investment and how this links into the Council's overall corporate objectives and strategic priorities. The total value of schemes in the 2023/24 to 2027/28 capital programme is £747.2m.

The Authority borrows prudentially for capital investment purposes. The Council did not undertake any external borrowing during 2022/23, and £10.0m of debt was repaid during the year relating to a 20-year maturity loan originally taken out in 2002. Outstanding Public Works Loans Board borrowing as at 31 March 2023 was £461.3m (excluding accrued interest), with an average interest rate of 4.1%. This borrowing should be seen in the context of the long-term assets valued at £1.8billion on the Balance Sheet.

Performance and Financial Monitoring

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

Covid-19 Overview

This year, we have seen the impact of the pandemic continuing to affect council services which has led to a continuation of some support including the Community Hub, health and prevention initiatives, additional social care requirements and continued working with schools and colleges on targeted mental health support for children and young people.

The cost of the Covid-19 pandemic has been monitored separately from the portfolio budgets agreed by County Council. The table below details the remaining Covid-19 grants carried forward into 2022/23, the use of these grants in-year and the remaining balance to be spent in 2023/24.

Covid-19 Grant	Details	Grant Balance at 1 April 2022	Expenditure in 2022/23	Funding Committed in 2023/24
		£000	£000	£000
Non-Ringfenced Grant	To support pressures created by the pandemic	12,976	11,941	1,035
Local Council Tax Support	To fund the local council tax hardship scheme	3,000	2,684	316
Contain Outbreak Management Fund	To help reduce the spread of coronavirus and support public health	3,651	1,777	1,874
Emergency Active Travel Fund	To protect and increase travel services	170	170	0
Travel Demand Management	Support in developing travel demand management programme	21	21	0
Total		19,818	16,593	3,225

The remaining funds from the non-ringfenced Covid-19 grant and the Local Council Tax Support at the end of 2022/23 are fully committed towards projects which are already underway; these projects include the recruitment of qualified overseas children's social workers, the cost of specific psychology assessments, and funding for a short-term HR resource to assist with social worker recruitment, as well as funding the £25 Local Council Tax Support rebate announced as part of the County Council's 2023/24 Budget.

In addition, there was £3.651m from the Contained Outbreak Management Fund brought forward from the 2021/22 financial year. Of this balance, £1.777m has been spent in 2022/23 on public health initiatives and staffing. The grant balance remaining at the end of 2022/23 totals £1.874m. This funding will be available next year to help control any further Covid-19 outbreaks and dealing with its management and consequences as well as any on-going costs that are being incurred.

Going forward, the longer-term impacts of the pandemic and corresponding cost implications remain uncertain and it is unknown whether 2022/23 will prove to be the new 'normal'. Although some grant has been carried forward into 2023/24, there is a risk of additional ongoing impact and costs over and above the funding available, which would result in additional pressure on resources.

Planning for the Future

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

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

The process matches available resources with delivery of priority outcomes in order to focus and protect our efforts and spending where it will have most effect. Our Council Plan has been reviewed in parallel with the budget for 2023/24 and the integrated business and financial planning process brings together business planning, financial planning and risk management processes. It provides the framework for decision making and planning to ensure focus is on priority outcomes, making the best use of the resources available and enabling the Council to track delivery and value for money. It also ensures we understand the implications of the tough choices that will need to be made in the face of changing national policy and operating environment, together with resource and demand challenges and other uncertainties.

Financial Outlook

Throughout 2022/23 a programme of work was undertaken to set a balanced budget for 2023/24, in accordance with statutory responsibilities and to review the medium-term financial position. The County Council's budget for 2023/24 utilises the flexibilities announced in the Spending Review which keeps within the 3% threshold for core council tax rises and uses the flexibility to raise a further 2% precept for Adult Social Care. The announcements also confirmed the continuation of Services Grant, New Homes Bonus and additional Social Care Support Grant.

For 2023/24 detailed work has taken place to anticipate and model budget pressures expected in the year. Although the overall position for 2023/24 is showing a balanced budget, there are a number of inherent risks for next year and subsequent years. Significant challenges remain from the ongoing cost of living crisis, labour shortages in key occupations, increasing service demand and uncertainty around future years funding.

The medium-term outlook remains a challenge and the position is based on best estimates of Government funding, demographic growth and budget pressures and the latest forecast of economic conditions. In February 2023, the County Council considered the latest position and for 2024/25 to 2026/27 there remains a budget gap of between £50m to £100m depending on the level of council tax increase in these years. The gap excludes the effect of any fair funding formula changes, the full impact of social care reforms (if they are implemented from 2025/26), the DSG deficit which is currently ringfenced until 2025/26, and any of the other policy changes Government may introduce in the future which could have the impact of significantly increasing the budget gap further. In July 2023, the Cabinet will consider the Medium-Term Financial Strategy (MTFS) which, during such a period of uncertainty, will provide the latest update on the financial position and budget gap across the next four years. It will set the foundations for the 2024/25 budget planning process.

Given the level of uncertainty facing the Council and the country, it is important we continue to deliver even more sustainable efficiencies and respond innovatively to the challenges we face. As always there is a risk that the savings levels needed will not be achieved or will be delivered late and this will remain closely monitored.

It is more important than ever that the County Council holds adequate reserves for the future given the continuing uncertainty. As at the end of March 2023, the total earmarked reserves (excluding School Balances) is £204.4m, with full details set out in the Reserves and Balances section above. Many of the earmarked reserves are held to fund future commitments that the County Council has entered into. These relate to large programmes of work which include the Service Transformation Fund and reserves for specific long-term contracts (e.g. Waste Management MRMC, Street Lighting PFI Reserve and Waste Management PFI Reserve) as well as the two new reserves created in 2022/23 for Social Care Pressures and Inflation Contingency.

The Council is currently in a solvent position; however, the impact of the cost-of-living crisis and longer-term impacts of the pandemic present significant risk. The financial resilience of the Council will need continued vigilance and resourcefulness to provide the strengthening it will need in future years, in the face of the on-going financial challenges reflected within the MTFS and the inflationary challenges in the wider economy. Work has started on developing a longer-term approach to balancing the books that will continue to identify efficiencies but will also require a more structured approach that considers how services are provided and prioritised within the County Council's limited financial resources, using the Council Plan as the foundations to these discussions.

Future Opportunities

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

Corporate Risks

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

The latest corporate risk register which went to the Regulation, Audit and Accounts Committee in March 2023 can be found [here](#). The current key corporate risks and summary mitigating actions are as follows:

Risk	Mitigation
Cyber-security – loss of data and system failure	Robust IT governance and education of staff, collaborative working and periodic testing.
Recruitment and retention - skill shortages and less attractive employment offers	Service and organisational workforce strategies and longer-term retention strategies (i.e., apprenticeships, growing our own).
Financial sustainability - uncertain funding from central government and economic conditions	Monthly monitoring of financial position and use of funds, and regular financial planning sessions.
Failure of social care provisions – failure leading to personal and/or reputational harm	Improvement/development of current governance arrangements and stakeholder groups.

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

West Sussex Statement of Accounts

The Statement of Accounts on the following pages sets out the Council’s income and expenditure for the year, and its financial position at 31 March 2023. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, which in turn is underpinned by International Financial Reporting Standards. It comprises core and supplementary statements. The Core Statements are as follows:

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

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

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

Provisions and Contingencies

The Council continues to hold both short and long term provisions which total £8.6m at 31 March 2023, of which £6.0m relates to the insurance provision and £2.4m relates to the National Non-Domestic Rates (NNDR) Appeals provision.

Changes to Accounting Policies

Only minor amendments to the accounting policies for West Sussex County Council are proposed for 2022/23. The policy for Property, Plant and Equipment, which was updated during the 2021/22 audit as a result of the Code Update and Statutory Instrument issued in November 2022 relating to infrastructure assets, has been further augmented to incorporate the provisions of CIPFA Bulletin 12. These policy enhancements do not reflect a change in historic accounting practice. The policy for Intangible Assets has been removed as the Authority does not currently recognise any such assets on its balance sheet. In accordance with a recommendation made by EY last year, the general accruals de minimis (as specified in the policy for Accruals of Income and Expenditure) has been disapplied in relation to exit packages. The policy for Financial Instruments has been updated to reflect the extension of the statutory override relating to fair value movements on pooled investment funds. Other minor revisions have been made to ensure ongoing alignment with the example accounting policies in CIPFA's Code of Practice Guidance Notes where appropriate, and to provide clarification, streamline, or to address previous omissions. These revisions are not intended to reflect a change in existing practice.

There was one minor change to the accounting policies for the Pension Fund, relating to the treatment of infrastructure income.

Conclusion

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

West Sussex Pension Fund

The Local Government Pension Scheme (LGPS) is one of the largest public sector pension schemes in the UK. It is a nation-wide pension scheme with five million members across 10,000 employers. The LGPS in England and Wales is administered locally through 90 local pension funds. The scheme regulations are made nationally.

West Sussex County Council is the Administering Authority responsible for maintaining and managing the West Sussex Pension Fund on behalf of its stakeholders: the scheme members and employers participating in the Fund.

Responsibility for maintaining and managing the West Sussex Pension Fund on behalf of its stakeholders: the scheme members and employers participating in the Fund sits with the Pensions Committee supported by the Director of Finance and Support Services.

At 31 March 2023 the Pension Fund was valued at £5.3bn, had 86,000 members (actively contributing, with deferred benefits or in receipt of a pension) and over 200 employers actively paying contributions into the Scheme.

The Annual Report and Financial Statements for the Pension Fund set out the benefit arrangements for the LGPS, the details of the governance structure in which it operates and the investment and administrative performance of the West Sussex LGPS.

Business Plan and Performance for 2022/23

The Pensions Committee's Business Plan sets out the aims and objectives of the fund over the coming year and the outcomes the Committee want to achieve for its stakeholders. The overarching objectives are set out by theme:

- **Governance:** To put stakeholders at the centre of everything the Committee does, act with integrity and be accountable for decisions made. This will be achieved through a robust, and well based governance framework which considers risk management, compliance and appropriate resourcing.
- **Investments and Funding:** To make the best use of the Pension Fund's resources and minimise the long-term cash contributions which employers need to pay to the Fund. This will be achieved through recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return.
- **Administration and Communications:** To build on the improvement journey in relation to the administration and deliver a high-quality administration service to all stakeholders. This will be done through working closely with our partners and the establishment of processes and procedures to ensure that the Fund receives all income due and payments are made to the right people at the right time, clear communication and robust accounting and reports.

During the 2022/23 financial year the Fund successfully:

- Completed the 31 March 2022 Actuarial Valuation by the statutory deadline (31 March 2023) which showed an improvement in the funding position of the Pension Fund (from 112% in 2019 to 125%) and meant that 88% of employers saw a reduction in their contribution rate from 1 April 2023. An updated Funding Strategy Statement was published alongside the Actuarial Valuation report, following consultation with employers.
- Undertook a review of the Pension Fund's investment strategy taking into consideration the Fund's liability characteristics (e.g. membership profile, benefit cashflows and contribution schedule) and the suitability (in terms of risks and returns) of the current strategic asset allocations to allow the Pension Fund to meet its objectives.
- Continued to meet all performance standards for the administration of the Scheme and collected data from most employers in readiness to implement changes to benefits required following the McCloud judgements in October 2023.

- Completed its external audit of its Statement of Accounts and Annual Report, by the required statutory deadlines and with an unqualified audit opinion, with the Statements agreed by the Regulation, Audit and Accounts Committee in November 2022).

The full business plan can be found [here](#).

The West Sussex Pension Fund manages a substantial investment portfolio which is there to help pay for benefits to members and their dependents now, and in the future (liabilities). The balance of cost between the value of member benefits, employee contributions and the return on investments is paid for through employer contributions.

During the year, the Pension Fund received £116.6m in employer and £35.1m in employee contributions (2021/22 £111.5m and £32.1m).

In the same period, it paid benefits of £129.4m (2021/22 £120.4m).

The investment portfolio comprises a mix of assets which reflects the Fund's investment strategy to support stable employer contributions (through holding bonds), maintaining affordability (through holding growth assets, such as equities) and providing additional cashflows (through investment in income producing assets such as infrastructure and private debt). The assets at 31 March 2022 and 31 March 2023 are shown below:

Asset	31 March 2022	31 March 2023
	£m	£m
Equities	2,478	2,702
Private Equity	127	147
Direct Property	594	490
Private Debt	143	199
Infrastructure	249	259
Bonds	1,877	1,508
Cash or Cash Equivalents	16	32
Total	5,484	5,337

Income from the portfolio over the year was £122.9m.

The choice of strategy and manager to implement the strategy reflects the Pension Committee's commitment to responsible investment and the integration of Environmental, Social and Governance (ESG) principles throughout the investment decision-making process, from setting investment strategy to monitoring the Fund's investment managers. In turn, the fund managers invest considerable resources to support their research driven investment decision-making, long-term stewardship, and engagement with companies on the future direction and the risks associated with their business, including climate change.

Since 31 March 2022, markets continued to be disrupted by the ongoing war in Ukraine, a short-term change in UK fiscal policy and global inflationary pressures. As a result, asset returns have lagged expectations. The Fund's portfolio also underperformed compared to the market. This was primarily driven by the Fund's equity holdings and whilst this has also impacted longer term figures, as a long-term active investor, short term underperformance can be expected.

Performance	Return over 12 months	Annualised Return over 3 years	Annualised Return over 10 years
Total Fund	-2.8%	7.0%	7.9%
Market Index	-4.6%	7.3%	7.6%
Difference	1.8%	-0.3%	0.3%

Statement of Responsibilities

The Chief Financial Officer's responsibilities:

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

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

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

The Director of Finance and Support Services has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts set out in the following pages presents a true and fair view of the financial position of the County Council as at 31 March 2023, and of its income and expenditure for the year ending on that date.

These financial statements replace the unaudited financial statements certified by my predecessor on 31 May 2023.

Mike Suarez
Interim Director of Finance and Support Services
22 November 2024

The County Council's responsibilities:

The County Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance and Support Services;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

I confirm that the Statement of Accounts was considered and approved by the Regulation, Audit and Accounts Committee at its meeting on 22 November 2024 on behalf of West Sussex County Council.

Councillor Stuart Condie
Chairman of the Regulation, Audit and Accounts Committee
22 November 2024

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves. The Statement shows how the movements in year of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund balance movements in the year following those adjustments.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 1 April 2021	-20,286	-216,246	-4,789	-55,031	-296,352	-280,209	-576,561
Movement in Reserves during 2021/22:							
Total Comprehensive Income and Expenditure	24,039	-	-	-	24,039	-193,502	-169,463
Adjustments between Accounting and Funding Basis (Note 2)	-38,924	-	-	33,802	-5,122	5,122	-
(Increase)/Decrease before Reserve Transfers	-14,885	-	-	33,802	18,917	-188,380	-169,463
Transfers to/from Earmarked General Fund Reserves (Note 3)	14,885	-14,885	-	-	-	-	-
(Increase)/Decrease in 2021/22	-	-14,885	-	33,802	18,917	-188,380	-169,463
Balance at 31 March 2022	-20,286	-231,131	-4,789	-21,229	-277,435	-468,589	-746,024
Movement in Reserves during 2022/23:							
Total Comprehensive Income and Expenditure	75,833	-	-	-	75,833	-409,170	-333,337
Adjustments between Accounting and Funding Basis (Note 2)	-73,235	-	-1,231	-117	-74,583	74,583	-
(Increase)/Decrease before Reserve Transfers	2,598	-	-1,231	-117	1,250	-334,587	-333,337
Transfers to/from Earmarked General Fund Reserves (Note 3)	-2,598	2,598	-	-	-	-	-
(Increase)/Decrease in 2022/23	-	2,598	-1,231	-117	1,250	-334,587	-333,337
Balance at 31 March 2023	-20,286	-228,533	-6,020	-21,346	-276,185	-803,176	-1,079,361

The total General Fund of the Council is equal to the sum of the General Fund Balance and the Earmarked General Fund Reserves as disclosed in the Movement in Reserves Statement. The total General Fund of the Council, including Earmarked General Fund Reserves, is therefore £248,819,000 as at 31 March 2023.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between Accounting and Funding Basis'.

Description	Notes	1 April 2022 £000	31 March 2023 £000
Property, Plant & Equipment	4	1,554,037	1,669,810
Heritage Assets	5	280	292
Investment Property	7	107,147	84,278
Long Term Investments	9	52,659	45,595
Long Term Debtors	9	29,450	29,912
Long Term Assets		1,743,573	1,829,887
Short Term Investments	9	271,715	261,543
Assets Held for Sale	10	5,329	6,884
Inventories	N/A	519	661
Short Term Debtors	11	108,909	118,825
Cash and Cash Equivalents	12	118,582	90,394
Current Assets		505,054	478,307
Short Term Borrowing	9	-20,250	-10,524
Short Term Creditors	13	-214,721	-222,466
Short Term Provisions	14	-6,007	-4,182
Short Term PFI Liability	15	-3,645	-3,933
Short Term Finance Lease Liability	16	-113	-118
Current Liabilities		-244,736	-241,223
Long Term Borrowing	9	-461,287	-461,272
Long Term Provisions	14	-4,826	-4,372
Long Term PFI Liability	15	-88,079	-84,146
Long Term Finance Lease Liability	16	-2,002	-1,884
Pension Liability	17	-574,725	-290,727
Capital Grants Receipts in Advance	25	-125,324	-143,732
Other Long Term Liabilities	9	-1,624	-1,477
Long Term Liabilities		-1,257,867	-987,610
Net Assets		746,024	1,079,361
Usable Reserves	MIRS	-277,435	-276,185
Unusable Reserves	19	-468,589	-803,176
Total Reserves		-746,024	-1,079,361

Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. The Expenditure and Funding Analysis is a note to the financial statements. However, it is positioned here as it provides a link from the portfolio-based analysis of the revenue outturn presented in the Narrative Report to the analysis within the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

2022/23	Net Expenditure Chargeable to the General Fund £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Portfolio			
Adults Services	219,752	-10,307	209,445
Children and Young People	154,387	9,363	163,750
Community Support, Fire and Rescue	46,706	-1,948	44,758
Environment and Climate Change	60,492	1,667	62,159
Finance and Property	33,241	4,873	38,114
Highways and Transport	36,138	29,424	65,562
Leader	3,166	1,292	4,458
Learning and Skills	52,407	-3,364	49,043
Public Health and Wellbeing	0	962	962
Support Services and Economic Development	42,632	9,159	51,791
Net Cost of Services	648,921	41,121	690,042
Other Income and Expenditure	-646,323	32,114	-614,209
(Surplus) or Deficit	2,598	73,235	75,833
Opening General Fund Balance			-20,286
Add (Surplus)/Deficit on General Fund Balance in Year			2,598
Add Transfers to/(from) Earmarked General Fund Reserves in Year			-2,598
Closing General Fund Balance			-20,286

The total General Fund of the Council is equal to the sum of the General Fund Balance and the Earmarked General Fund Reserves as disclosed in Note 3 to the accounts. The total General Fund of the Council, including Earmarked General Fund Reserves, is therefore £248,819,000 as at 31 March 2023.

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

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both in the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2022/23	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Adults Services	430,781	-221,336	209,445
Children and Young People	190,660	-26,910	163,750
Community Support, Fire and Rescue	75,481	-30,723	44,758
Environment and Climate Change	78,271	-16,112	62,159
Finance and Property	42,940	-4,826	38,114
Highways and Transport	97,785	-32,223	65,562
Leader	4,543	-85	4,458
Learning and Skills	630,740	-581,697	49,043
Public Health and Wellbeing	23,150	-22,188	962
Support Services and Economic Development	55,536	-3,745	51,791
Cost of Services	1,629,887	-939,845	690,042
Other Operating Expenditure (Note 22)	23,095	-	23,095
Financing and Investment Income and Expenditure (Note 23)	139,182	-67,271	71,911
Taxation and Non-Specific Grant Income (Note 24)	-	-709,215	-709,215
(Surplus) or Deficit on Provision of Services	1,792,164	-1,716,331	75,833
(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Chargeable to the Revaluation Reserve (Note 4)			-64,825
Actuarial (Gains) and Losses on Remeasurement of Pension Scheme Assets and Liabilities (Note 17)			-344,345
Other Comprehensive Income and Expenditure			-409,170
Total Comprehensive Income and Expenditure			-333,337

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

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

Cash Flow Statement (Indirect Method)	2021/22 £000	2022/23 £000
Net (surplus) or deficit on the provision of services	24,039	75,833
Adjustments to net surplus or deficit on the provision of services for non cash movements (Note 33a)	-138,339	-138,202
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 33b)	65,401	79,933
Net cash flows from Operating Activities	-48,899	17,564
Investing Activities (Note 33c)	75,053	-4,341
Financing Activities (Note 33d)	7,177	14,965
Net (increase)/decrease in cash and cash equivalents	33,331	28,188
Cash and cash equivalents at the beginning of the reporting period	-151,913	-118,582
Cash and cash equivalents at the end of the reporting period (Note 12)	-118,582	-90,394

Notes to the Accounts

1. Prior Period Adjustment

There are no prior period adjustments.

2. Adjustments between Accounting Basis and Funding Basis under Regulations

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

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

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid, and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Summary of Adjustments to Usable Reserves

2022/23	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
• Pensions costs (transferred to or from the Pensions Reserve)	-60,347	-	-
• Financial instrument revaluations (transferred to the Pooled Investment Funds Adjustment Account or, for equity investments, the Capital Adjustment Account)	-7,064	-	-
• Council tax and NDR (transferred to or from the Collection Fund Adjustment Account)	5,667	-	-
• Holiday pay (transferred to the Accumulated Absences Account)	-1,490	-	-
• DSG deficits (transferred to the Dedicated Schools Grant Adjustment Account)	-16,351	-	-
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	-17,272	-	-73,535
Total Adjustments to Revenue Resources	-96,857	-	-73,535
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	6,439	-6,439	-
Transfer of deferred sales proceeds from revenue to the Deferred Capital Receipts Reserve	-4,096	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-41	41	-
Write down of finance lease debtor (transfer from Deferred Capital Receipts Reserve)	598	-	-
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	17,380	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	3,342	-	-
Total Adjustments between Revenue and Capital Resources	23,622	-6,398	-
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	-	5,167	-
Application of capital grants to finance capital expenditure	-	-	73,418
Cash payments in relation to deferred capital receipts	-	-	-
Total Adjustments to Capital Resources	-	5,167	73,418
Total Adjustments	-73,235	-1,231	-117

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

3. Transfers to/from Earmarked Reserves

Reserve	Balance at 1 April 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31 March 2022 £000	Transfers Out 2022/23 £000	Transfers In 2022/23 £000	Balance at 31 March 2023 £000
Adult Social Care Reform Risk	-4,700	-	-263	-4,963	-	-15,000	-19,963
Ash Dieback	-1,200	-	-	-1,200	-	-	-1,200
Budget Management	-54,417	11,391	-18,631	-61,657	33,770	-12,493	-40,380
Business Rates & Collection Fund Smoothing	-460	-	-	-460	-	-11,197	-11,657
Business Rates Pilot Fund	-21,870	4,490	-	-17,380	673	-	-16,707
Children First Improvement Plan	-2,285	2,285	-	-	-	-	-
Covid-19 Fund	-6,972	57,692	-66,696	-15,976	14,748	-123	-1,351
Domestic Abuse	-	-	-	-	-	-2,775	-2,775
Economic Growth	-2,059	75	-	-1,984	192	-	-1,792
Highways Commuted Sums	-4,069	402	-1,498	-5,165	408	-3,609	-8,366
Highways On-Street Parking	-1,921	2,605	-2,081	-1,397	1,928	-1,873	-1,342
Inflation Contingency	-	-	-4,969	-4,969	182	-	-4,787
Infrastructure Works Feasibility	-1,436	1,029	-1,523	-1,930	1,412	-1,523	-2,041
Insurance	-5,845	2,516	-	-3,329	1,921	-5,000	-6,408
Interest Smoothing Account	-2,254	-	-524	-2,778	-	-	-2,778
Lane Rental Scheme	-	-	-	-	-	-1,153	-1,153
Recycling & Waste PFI	-10,547	200	-15	-10,362	164	-230	-10,428
School Balances	-24,778	1,643	-4,605	-27,740	5,959	-2,390	-24,171
Schools Sickness & Maternity Scheme	-1,771	368	-	-1,403	-	-	-1,403
Service Transformation Fund	-13,569	820	-597	-13,346	2,940	-1,419	-11,825
Social Care Pressures	-	-	-	-	-	-5,028	-5,028
Social Care Support Grant 2018/19	-1,517	1,018	-	-499	499	-	-
Statutory Duties	-2,437	191	-	-2,246	188	-56	-2,114
Street Lighting PFI	-23,362	442	-33	-22,953	442	-508	-23,019
Unapplied Revenue Grants	-1,045	565	-2,325	-2,805	2,222	-1,909	-2,492
Waste Materials Resource Management Contract (MRMC)	-25,364	1,900	-33	-23,497	1,400	-500	-22,597
Other Earmarked Reserves	-2,368	936	-1,660	-3,092	1,184	-848	-2,756
Earmarked Reserves	-216,246	90,568	-105,453	-231,131	70,232	-67,634	-228,533

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 2022/23.

- The Adult Social Care Reform Risk reserve is held to guard against ongoing pressures within the Adult Services and Public Health and Wellbeing portfolios, including those materialising from the coronavirus pandemic, and to support future national reforms in social care.
- The Ash Dieback reserve is held to mitigate against budgetary pressures arising from the need to accelerate critical tree felling work.
- The Budget Management reserve is held to guard against uncertainty and volatility over future Local Government Finance Settlements, as well as mitigation towards the risk of slippage and re-phasing of savings and unforeseen service pressures.
- The Business Rates & Collection Fund Smoothing reserve is held to manage short-term fluctuations in income from council tax and business rates which may vary as a result of factors outside of the Council's control, such as changes in the tax base, collection rates or economic conditions.
- The Business Rates Pilot Fund holds the gains arising from the 75% local retention pilot scheme in 2019/20. The fund will be invested jointly by the County Council and its billing authorities on project work with economic benefit, but the income is initially recognised in the County's accounts as the lead authority in the Pilot.
- The Children First Improvement Plan reserve was created to support the delivery of the improvement plan following the 2019 Ofsted inspection of Children's Services.
- The Covid-19 Fund holds the unspent balance of monies allocated by central government to support local authorities with pressures arising from the coronavirus pandemic.
- The Domestic Abuse reserve holds the unspent balance of grant monies received from central government to support the Authority in its duties to provide support to victims of domestic violence and their children under the Domestic Abuse Act 2021.
- The Economic Growth reserve is held to support the delivery of the Economic Growth Plan 2018-2023, including the progression of the economic priorities within the Coast to Capital Local Enterprise Partnership.
- The Highways Commuted Sums reserve holds a balance of contributions received from developers in respect of future maintenance costs of non-standard highways infrastructure.
- The Highways On-Street Parking reserve holds the surplus of charges over enforcement and associated costs, which is used to finance on street parking development and eligible transport network expenditure.
- The Inflation Contingency reserve was created using the unspent element of the base contingency budget in 2021/22. It is held to supplement the inflation allowance built into subsequent years' base budgets, in recognition of accelerating inflationary pressures and general economic uncertainty.
- The Infrastructure Works Feasibility reserve provides revenue funding for feasibility works to support the development of the Council's capital programme.
- The Insurance reserve is held in respect of the Authority's self-funding insurance scheme, and provides for the risk of unknown future claims (i.e. in excess of the known claims as provided for in the insurance provision - see Note 14).
- The Interest Smoothing Account is held to meet temporary shortfalls arising from fluctuations in interest rates, such as a reduction in investment returns or increased costs of borrowing.
- The Lane Rental Scheme reserve holds the proceeds of charges raised to promoters of street and road works for the time their works occupy the highway network, pending application of those proceeds towards eligible highways network improvement schemes.

- The Recycling & Waste PFI and Street Lighting PFI reserves hold the surplus of government credits and other sources of finance over unitary charge payments and other expenditure in the early years of the respective contracts, to meet future expenditure over the life of the PFI arrangements. This equalises the costs to the taxpayer of building and maintaining the facilities over the duration of the contracts.
- The School Balances reserve holds net underspending on locally managed school budgets.
- The Schools Sickness & Maternity reserve holds the accumulated surplus on the sickness and maternity insurance scheme operated by the Authority for its maintained schools.
- The Service Transformation Fund is held to meet the costs of major organisational changes or service re-designs. It is used to fund short-term costs in order to deliver ongoing savings, and as a source of investment to finance improvements to services so that they become more efficient and provide better outcomes.
- The Social Care Pressures reserve is held to mitigate pressures and risks associated with adults' and children's social care, to ensure that the services remain sustainable despite demographic and market pressures and associated uncertainty and volatility.
- The Social Care Support Grant 2018/19 reserve held the balance of monies allocated to the Council in the 2018/19 Local Government Finance Settlement to support the provision of adult social care. The residual balance was applied as a contribution towards funding the cost of delivering the Adults' Improvement Programme in 2022/23.
- The Statutory Duties reserve holds funding to meet statutory obligations over and above that which the Authority has made provision for.
- The Unapplied Revenue Grants reserve represents the unspent balance on revenue grants which are received for specific purposes but where there are no outstanding conditions on the grant which could require its repayment. The grant has therefore been recognised in full in the Comprehensive Income and Expenditure Statement, but the unapplied balance is held in a reserve to fund future expenditure plans relevant to the purpose of the grant.
- The Waste Materials Resource Management Contract (MRMC) reserve is the County Council's investment fund to meet the 25-year contract with Biffa Waste Services Ltd for the treatment and disposal of waste, including the development of appropriate facilities.
- Other Earmarked Reserves represents the cumulative balances and transactions on a number of smaller reserves which are individually immaterial.

4. Property Plant and Equipment

Movements in 2022/23

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment excluding Infrastructure Assets £000
Cost or Valuation					
At 1 April 2022	1,051,889	95,967	41,727	8,954	1,198,537
Additions	20,694	5,088	23	16,450	42,255
Donations	-	-	-	-	-
Revaluation increases /(decreases) recognised in the Revaluation Reserve	49,455	-	-288	-	49,167
Revaluation increases /(decreases) recognised in the Surplus/Deficit on the Provision of Services	32,301	-	2,839	-	35,140
Disposals	-137	-408	-2,261	-	-2,806
Derecognition - Academies	-1,417	-	-	-	-1,417
Derecognition - Lessor Finance Leases	-	-	-	-	-
Derecognition - Other	-11,986	-8,619	-2,750	-	-23,355
Assets reclassified (to)/from Assets Held for Sale	-2,001	-	-3,394	-	-5,395
Assets reclassified (to)/from Investment Property	-415	-	-	-	-415
Transfer in asset category	-4,919	-	4,919	-	-
At 31 March 2023	1,133,464	92,028	40,815	25,404	1,291,711

Movements in 2022/23	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment excluding Infrastructure Assets £000
Accumulated Depreciation and Impairment					
At 1 April 2022	-	-41,343	-	-	-41,343
Depreciation charge	-27,781	-9,826	-863	-	-38,470
Depreciation written out to the Revaluation Reserve on revaluation	15,251	-	407	-	15,658
Depreciation written out to the Surplus/Deficit on the Provision of Services on revaluation	11,597	-	254	-	11,851
Disposals	2	-	24	-	26
Derecognition - Academies	43	-	-	-	43
Derecognition - Lessor Finance Leases	-	-	-	-	-
Derecognition - Other	496	8,186	-	-	8,682
Depreciation written out on newly classified Assets Held for Sale	115	-	438	-	553
Depreciation written out on newly classified Investment Property	17	-	-	-	17
Transfer in asset category	260	-	-260	-	-
At 31 March 2023	-	-42,983	-	-	-42,983
Net Book Value At 1 April 2022	1,051,889	54,624	41,727	8,954	1,157,194
Net Book Value At 31 March 2023	1,133,464	49,045	40,815	25,404	1,248,728

**Comparative
Movements
in 2021/22**

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

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

Infrastructure Assets

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

Furthermore, an amendment to the Local Authorities (Capital Finance and Accounting) Regulations was also laid in November 2022 which permits local authorities, when they replace a component of an infrastructure asset, to determine the carrying amount to be derecognised in respect of that replaced component as nil. This statutory override also applies up to and including 2024/25. West Sussex County Council has made this determination in respect of its 2022/23 Statement of Accounts.

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

Movements in 2022/23	Infrastructure Assets £000	Other Property, Plant & Equipment £000	Total Property, Plant & Equipment £000	PFI Assets included in Property, Plant & Equipment £000
Net Book Value				
At 1 April 2022	396,843	1,157,194	1,554,037	115,528
Additions	62,235	42,255	104,490	1,362
Donations	-	-	-	-
Depreciation charge	-35,927	-38,470	-74,397	-4,862
Revaluation increases /(decreases) recognised in the Revaluation Reserve	-	64,825	64,825	9,902
Revaluation increases /(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	46,991	46,991	-
Disposals	-	-2,780	-2,780	-
Derecognition - Academies	-	-1,374	-1,374	-
Derecognition - Lessor Finance Leases	-	-	-	-
Derecognition - Other	-2,069	-14,673	-16,742	-
Assets reclassified (to)/from Assets Held for Sale	-	-4,842	-4,842	-
Assets reclassified (to)/from Investment Property	-	-398	-398	-
Transfer in asset category	-	-	-	-
At 31 March 2023	421,082	1,248,728	1,669,810	121,930

**Comparative
Movements
in 2021/22**

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

Depreciation

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

The useful lives used in the calculation of depreciation are set out in Note 37 Accounting Policies.

Capital Commitments

The Authority has entered into a number of contracts prior to 31 March 2023 for the construction or enhancement of Property, Plant and Equipment. It has commitments totalling £76.7m to be paid in 2023/24 and thereafter (commitments at 31 March 2022 were £95.4m). The major commitments are:

Name of capital project	Programme duration	Outstanding commitments £000
A284 Lyminster Bypass	2015-2025	21,145
Woodlands Meed College	2019-2024	9,559
Local Roads Micro Asphalt	2022-2024	2,679
A2300 Corridor Capacity Enhancement, Burgess Hill	2018-2024	2,261
Bedelands Academy	2022-2026	2,087
Principal Roads Resurfacing	2022-2024	1,734
Live Training Centre and Horsham Fire Station	2019-2024	1,710
A259 Corridor Capacity Enhancement, East Arun	2015-2024	1,659
Queen Elizabeth II Silver Jubilee School	2020-2024	1,594
Countywide Carriageway Patching	2022-2024	1,563
Halewick Lane - Energy Services	2021-2025	1,544
Felpham Community College	2021-2024	1,453
Local Transport Investment Programme	2022-2024	1,403
West Park Primary School	2021-2024	1,105
St Margaret's C of E Primary School	2021-2024	1,104
Western Gateway - Burgess Hill Growth Programme	2022-2034	1,055

Revaluations

The Authority carries out a rolling revaluation programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. Further detail on the Authority's revaluation programme and the measurement bases for its Property, Plant and Equipment assets can be found in Note 37 Accounting Policies.

The Authority undertook a number of valuations at 31 March 2023. Valuations were instructed by the Director of Finance and Support Services, and carried out by external independent valuers: Bruton Knowles LLP Chartered Surveyors, 60 Church Street, Birmingham, B3 2DJ. Valuations were undertaken in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS) and the CIPFA Code of Practice.

Fair Value Hierarchy

The Council's Surplus Property, Plant and Equipment assets are valued at fair value in accordance with the requirements of IFRS 13 Fair Value Measurement. All surplus assets have been subject to revaluation in 2022/23.

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

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

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

Level 3 – unobservable inputs for the asset

Details of the Authority's Surplus Assets, and information about the fair value hierarchy as at 31 March 2023, are as follows:

Market	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	De minimis £000	Fair value as at 31 March 2023 £000
Commercial	-	-	5,126	-	5,126
Residential	-	2,250	25,107	-	27,357
Agricultural	-	1,205	1,484	-	2,689
De minimis	-	-	-	5,643	5,643
Total	-	3,455	31,717	5,643	40,815

Assets with a carrying value of under £500,000 have been treated as de minimis for the purpose of the above table. Comparative figures as at 31 March 2022 (with a de minimis threshold of £250,000) are as follows:

Market	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	De minimis £000	Fair value as at 31 March 2022 £000
Commercial	-	-	8,688	-	8,688
Residential	-	-	31,762	-	31,762
De minimis	-	-	-	1,277	1,277
Total	-	-	40,450	1,277	41,727

A small number of asset valuations were re-classified from fair value hierarchy level 3 to level 2 during the year. This is as a result of a review of the fair value hierarchy classification by the Authority's external property valuers, Bruton Knowles, who have determined that the valuation inputs (such as evidence of market conditions) are sufficiently observable to warrant a level 2 classification. No change in valuation approach is implied. The carrying value of Surplus Assets reclassified from level 3 to level 2 at 31 March 2023 is £1.205m (31 March 2022 value £1.175m).

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

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

Commercial

Valuation technique used to measure Fair Value	Unobservable Inputs	Range (weighted average used)	Valuation Process	Fair Value at 31 March 2023 £000
Market Approach	Commercial land values	Estimated £327,000 - £1,250,000 per acre for commercial land	Analysed comparable evidence, taking into consideration the location, layout and quality of the land and any site restrictions.	5,126

Residential

Valuation technique used to measure Fair Value	Unobservable Inputs	Range (weighted average used)	Valuation Process	Fair Value at 31 March 2023 £000
Market Approach	Residential land values	Estimated £124,000 - £1,355,000 per acre for residential development land	Analysed comparable evidence data from across the county (obtained from either CoStar or EIG) to place a value on the subject property/site, then made adjustments for site location, site restrictions, layout and quality.	25,107

Agricultural

Valuation technique used to measure Fair Value	Unobservable Inputs	Range (weighted average used)	Valuation Process	Fair Value at 31 March 2023 £000
Market Approach	Agricultural land values	Estimated £7,000 - £22,000 per acre for agricultural land	Analysed comparable evidence data from across the county (obtained from either CoStar or EIG) to place a value on the subject property/site, then made adjustments for site location, site restrictions, layout and quality.	1,484

5. Heritage Assets

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

The Authority recognises one Heritage Asset on its balance sheet. Halnaker Windmill is a tower mill which stands on Halnaker Hill, northwest of Chichester. Originally built as the feudal mill of the Goodwood Estate, the surviving mill is thought to date from the 1740s. The carrying value of the mill on the Authority's balance sheet at 31 March 2023 is £292,000, which is inclusive of additional capital expenditure of £12,000 in 2022/23.

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.

6. Capital Expenditure and Capital Financing

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

	2021/22	2022/23
	£000	£000
<u>Capital Financing Requirement</u>		
Balance brought forward at 1 April	599,949	586,945
Capital Investment for the Year by Portfolio		
Adults Services	4,796	100
Children and Young People	541	321
Community Support, Fire and Rescue	7,214	16,722
Environment and Climate Change	2,890	4,633
Finance and Property	6,488	4,668
Highways and Transport	55,238	54,460
Leader	5,487	8,369
Learning and Skills	23,158	29,201
Support Services and Economic Development	6,209	6,204
Finance Lease Notional Investment	-	-
Recycling & Waste PFI Notional Investment	515	1,362
Total Capital Investment for the Year	<u>112,536</u>	<u>126,040</u>
Source of Finance		
Capital Receipts	-12,043	-5,167
External Contributions	-9,917	-1,945
External Contributions applied to REFCUS	-1,611	-3,115
Government Grants	-77,243	-71,473
Government Grants applied to REFCUS	-1,857	-2,325
Revenue Contribution to Capital Outlay	-6,358	-3,342
Total Source of Finance	<u>-109,029</u>	<u>-87,367</u>
Sums set aside from revenue (MRP)	<u>-16,511</u>	<u>-17,380</u>
Balance carried forward at 31 March	<u>586,945</u>	<u>608,238</u>
Change in Capital Financing Requirement	-13,004	21,293

REFCUS expenditure of £17.909m is included within portfolio totals in 2022/23 (2021/22 £14.019m). Included within this total is £4.167m (2021/22 £4.381m) that has been capitalised in accordance with a direction issued by the Secretary of State for Levelling Up, Housing and Communities under the Local Government Act 2003. This direction provides local authorities with the freedom to use capital receipts from the sale of assets to help fund the revenue costs of transformation projects in order to achieve ongoing savings and reduce costs or demand for public services.

Explanation of change in CFR	2021/22 £000	2022/23 £000
Increase in underlying need to borrow	2,992	37,311
Assets acquired under finance leases	-	-
Assets acquired under PFI contracts	515	1,362
Less the total of the Minimum Revenue Provision	-16,511	-17,380
	<u>-13,004</u>	<u>21,293</u>

Reconciliation of the Capital Financing Requirement to the Balance Sheet

	31 March 2022 £000	31 March 2023 £000
Capital Financing Requirement	<u>586,945</u>	<u>608,238</u>
Property Plant & Equipment (Note 4)	1,554,037	1,669,810
Heritage Assets (Note 5)	280	292
Investment Property (Note 7)	107,147	84,278
Intangible Assets (Note 8)	-	-
Long Term Equity Investments (Note 9)	2	2
Other Long Term Liabilities (Note 9)	-1,624	-1,477
Assets Held for Sale (Note 10)	5,329	6,884
Capital Adjustment Account (Note 19)	-819,248	-842,392
Revaluation Reserve (Note 19)	-258,978	-309,159
	<u>586,945</u>	<u>608,238</u>

Note to the table:

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

Other Long Term Liabilities - Deferred income to be released to the Comprehensive Income and Expenditure Statement over the remaining term of the Recycling and Waste Handling Private Finance Initiative.

7. Investment Property

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

	2021/22 £000	2022/23 £000
Rental income from investment property	-2,310	-2,421
Direct operating expenses arising from investment property	-	-
(Gains) and losses on sale of investment property	241	-
Net (gains)/losses from fair value adjustments	-16,088	26,896
Net (gain)/loss	-18,157	24,475

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:

	2021/22 £000	2022/23 £000
Balance at 1 April	89,172	107,147
Additions		
Purchases	-	-
Construction	519	3,627
Subsequent expenditure	768	2
Disposals of Investment Properties	-519	-
Net gains/(losses) from fair value adjustments	16,088	-26,896
Transfers		
(To)/from Property, Plant and Equipment	1,394	398
(To)/from Assets Held for Sale	-275	-
Balance at 31 March	107,147	84,278

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

Fair Value Hierarchy

The Council's Investment Property assets are valued at fair value in accordance with the requirements of IFRS 13 Fair Value Measurement. All Investment Property assets have been subject to revaluation in 2022/23.

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

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

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

Level 3 – unobservable inputs for the asset.

Details of the Authority's Investment Property, and information about the fair value hierarchy as at 31 March 2023, are as follows:

Market	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	De minimis £000	Fair value as at 31 March 2023 £000
Residential	-	623	10,558	-	11,181
Offices	-	-	27,558	-	27,558
Solar	-	-	21,040	-	21,040
Agricultural	-	4,727	-	-	4,727
Retail	-	-	4,692	-	4,692
Community	-	747	-	-	747
De minimis	-	-	-	10,981	10,981
Total	-	6,097	63,848	10,981	80,926

The above table excludes Investment Property under construction which, in accordance with the provisions of the Code, is carried on the balance sheet at cost until such time as its fair value can be determined reliably (or its construction is complete, whichever comes sooner). The carrying value of Investment Property under construction at 31 March 2023 is £3.352m (31 March 2022 £Nil).

Assets with a carrying value of under £500,000 have been treated as de minimis for the purpose of the above table. Comparative figures as at 31 March 2022 (with a de minimis threshold of £250,000) are as follows:

Market	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	De minimis £000	Fair value as at 31 March 2022 £000
Commercial	-	-	77,946	-	77,946
Residential	-	-	21,665	-	21,665
Agricultural	-	-	4,417	-	4,417
De minimis	-	-	-	3,119	3,119
Total	-	-	104,028	3,119	107,147

A small number of asset valuations were re-classified from fair value hierarchy level 3 to level 2 during the year. This is as a result of a review of the fair value hierarchy classification by the Authority’s external property valuers, Bruton Knowles, who have determined that the valuation inputs (such as evidence of market conditions) are sufficiently observable to warrant a level 2 classification. No change in valuation approach is implied. The carrying value of Investment Property reclassified from level 3 to level 2 at 31 March 2023 is £4.298m (31 March 2022 value £4.678m).

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

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

Residential

Valuation technique used to measure Fair Value	Unobservable Inputs	Range (weighted average used)	Valuation Process	Fair Value at 31 March 2023 £000
Market Approach	Residential land values	£267,000 and £600,000 per acre	Analysed comparable evidence data from across the county (obtained from either CoStar or EIG) to place a land value on the subject property/site, then made adjustments for site location, site restrictions, layout and quality.	10,033
Market Approach	Residential property values	£262,500 per dwelling	Analysed comparable evidence data from across the county (obtained from either CoStar or EIG) to place a land value on the subject property/site, then made adjustments for site location, site restrictions, layout and quality.	525

Offices

Valuation technique used to measure Fair Value	Unobservable Inputs	Range (weighted average used)	Valuation Process	Fair Value at 31 March 2023 £000
Income Approach	Lease revenue	Commercial yield evidence ranges between 5% - 10% typically with a gross yield 0.5% higher	Capitalisation of the current passing rent until lease expiry where assumptions for when the tenant will vacate the property are made. Full market value to the land has been applied and deferred for the appropriate number of years. Where a break clause has been triggered, an estimation for the void period has been included.	27,558

Solar

Valuation technique used to measure Fair Value	Unobservable Inputs	Range (weighted average used)	Valuation Process	Fair Value at 31 March 2023 £000
Income Approach	Solar energy income rates	Income/profits forecasts	Based on a discounted cashflow methodology, considering the net income and remaining life of the assets. The calculation assesses the internal rate of return for the site. Yield evidence from CoStar and EIG has been used to assist in a cross reference exercise against the adopted multiplier within the valuation.	20,250
Income Approach	Solar energy income rates	Income/profits forecasts	Estimated net income to the landowner over the lifetime of the project has been capitalised.	790

Retail

Valuation technique used to measure Fair Value	Unobservable Inputs	Range (weighted average used)	Valuation Process	Fair Value at 31 March 2023 £000
Income Approach	Lease revenue	Estimated £900,000 per acre for commercial rental	Consideration of commercial land sales adjusted to reflect size. Further adjusted for uncertainty e.g. to reflect risks associated with planning consent, lack of pre-lets and other unknowns.	4,692

8. Intangible Assets

The Authority does not currently recognise any Intangible Assets on its balance sheet.

9. Financial Instruments

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

Financial Assets

A Financial Asset is a right to future economic benefits controlled by the County Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Council during 2022/23 are classified in accordance with the Code of Practice as follows:

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

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

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

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

At 31 March 2023 the County Council did not have (or elect to hold) any investments to be measured at fair value through other comprehensive income. Balances in bank call accounts and money market funds (both instant access) are shown under 'Cash and Cash Equivalents' in the Balance Sheet as they represent highly liquid investments that are readily convertible to known amounts of cash.

Financial Liabilities

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

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

- Long-term borrowing from the Public Works Loan Board (PWLB)
- Short-term borrowing from the Chichester Harbour Conservancy (and its associated charities)

- Overdraft facility with Lloyds Bank plc
- Private Finance Initiative (PFI) contracts
- Finance leases on land and buildings
- Trade payables (creditors) for goods and services received

The County Council's Treasury Management Strategy approves temporary borrowing for cash flow purposes from UK local authorities and financial institutions authorised by the Prudential Regulation Authority (PRA) to operate in the UK. Excluding the Council's main provider of banking service (Lloyds) where overdraft facilities exist, no such borrowing was taken during 2022/23. Additionally the County Council holds cash on behalf of the Chichester Harbour Conservancy as part of the Harbour's own investment strategy. This is presented as short term borrowing as the amount held is available for repayment back to the Chichester Harbour Conservancy on any given notice.

At 31 March 2023, the County Council did not hold any derivative financial liabilities, for example forward contracts on fixed rate investments where interest rates had moved in the other party's favour since the contract was agreed.

Transaction Costs

During 2022/23 no transaction costs relating to the County Council's financial instruments (loans and investments) have been charged to the Comprehensive Income and Expenditure Statement. However, due to the short-term nature of the Council's financial instruments held in custodian services provided by King & Shaxson Ltd, all related transaction costs (£38,532) have been amortised against the carrying value of the respective financial assets.

a. Financial Instruments Balances

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

Long Term	1 April 2022	31 March 2023
	£000	£000
<u>Financial Assets</u>		
Investments	-	-
Trade Debtors	29,450	29,912
Amortised cost	29,450	29,912
Fair value through other comprehensive income	-	-
Pooled investment funds	52,657	45,593
Equity investments	2	2
Fair value through profit and loss	52,659	45,595
Total Financial Assets	82,109	75,507
<u>Financial Liabilities</u>		
Borrowing (principal amount)	-461,287	-461,272
PFI liability	-88,079	-84,146
Finance lease liability	-2,002	-1,884
Other long-term liabilities	-1,624	-1,477
Amortised cost	-552,992	-548,779
Fair value through profit and loss	-	-
Total Financial Liabilities	-552,992	-548,779

The County Council began long-term borrowing during 2000/01 all arranged with the Public Works Loan Board (PWLB); no additional PWLB long-term borrowing was arranged during 2022/23. All outstanding loans at 31 March 2023 are scheduled to be repaid between 2025 and 2069.

Current	1 April 2022	31 March 2023
	£000	£000
<u>Financial Assets</u>		
Investments (including accrued interest)	271,379	261,204
Cash and cash equivalents	118,983	91,189
Trade Debtors	55,685	64,927
Amortised cost	446,047	417,320
Fair value through other comprehensive income	-	-
Pooled funds (accrued income)	336	339
Fair value through profit and loss	336	339
Total Financial Assets	446,383	417,659
<u>Financial Liabilities</u>		
Borrowing (principal amount)	-15,977	-6,294
Accrued interest (PWLB)	-4,273	-4,230
PFI liability	-3,645	-3,933
Finance lease liability	-113	-118
Trade Creditors	-134,177	-126,579
Cash and cash equivalents	-401	-795
Amortised cost	-158,586	-141,949
Fair value through profit and loss	-	-
Total Financial Liabilities	-158,586	-141,949

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 2023/24.

(i) Soft Loans

In accordance with the 2022/23 Code of Practice, where loans are advanced at below market (commercial) rates they are classified as 'soft loans' and included within the County Council's trade debtor totals. The County Council made one such loan during March 2015; a twenty-year loan advanced to the Littlehampton Harbour Board for the purchase of a multi-purpose vessel at a borrowing rate of 2.56%. The County Council estimates that had interest been charged at market rates (assumed as 4% above the prevailing Bank of England base interest rate for such business loans) interest receivable in the Comprehensive Income and Expenditure Statement would have increased by £7,431 (considered below de minimis for full disclosure).

Additionally, during 2019/20 the County Council introduced the "Financial Support for Recruitment and Retention-Employee Loan" scheme, whereby eligible employees (in posts designated by the Council as hard to fill) could apply for interest free loans up to £10,000 with repayment terms over a maximum 5-year period. The County Council estimates that had interest on these loans been charged at market rates (assumed as 2% above the prevailing Bank of England base interest rate; illustrative APR ranging between 5% to 6% for such personal loans) interest receivable in the Comprehensive Income and Expenditure Statement would have increased by £53,788. Again this is considered to be below the de minimis for full disclosure in the financial statements as per the County Council's accounting policy for soft loans as detailed at Note 37.

The position relating to soft loans at 31 March 2023 is therefore:

	2021/22 £000	2022/23 £000
Balance brought forward	1,423	1,553
Loans advance	620	398
Repayments Received	-497	-648
Interest charged to Comprehensive I&E Statement (CIES)	6	5
Expected credit loss allowance (movement charged to CIES)	1	1
Soft Loans Total (within trade debtors)	1,553	1,309
Long-Term	1,070	832
Short-Term	483	477
Soft Loans Total (long/short-term disclosure)	1,553	1,309

(ii) Other

During 2022/23, with regard to financial instruments the County Council had no unusual movements, reclassification of instruments, derecognition of instruments or defaults and breaches.

b. Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments in 2022/23 are made up as follows:

	Financial Liabilities	Financial Assets	Financial Assets
	Amortised Cost	Amortised Cost	Fair Value
	£000	£000	through Profit and Loss
			£000
<u>Interest</u>			
Expense	-30,439	-	-
Income	-	7,388	1,910
Total Interest	-30,439	7,388	1,910
<u>Fair value gains/losses</u>			
Equity	-	-	-
Multi-asset income funds	-	-	-2,387
Property funds	-	-	-4,677
Ultra-short dated bond funds	-	-	-
Total fair value gains/losses	-	-	-7,064
<u>Other</u>			
Fee expense (brokerage)	-	-	-
ECL allowance (prior year reversal)	-	30	-
ECL allowance at 31 March	-	-26	-
Total gains/losses (other)	-	4	-
Total gains and losses recognised in Surplus or Deficit on Provision of Services (CIES)	-30,439	7,392	-5,154

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments in 2021/22 are made up as follows:

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

During 2022/23 the Department for Levelling Up, Housing and Communities (DLUHC) extended the 5-year statutory override for English local authorities, effective from 1 April 2018, for an additional 2-year period up to 31 March 2025, whereby fair value movements on qualifying pooled funds are accounted for through the pooled investment funds adjustment account. The County Council has maintained this accounting policy throughout 2022/23 with regard to its multi-asset income and property pooled funds.

c. Financial Instruments - Fair Values

The basis for recurring fair value measurements are:

Level 1 - Fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date (for example bond prices).

Level 2 - Fair value is calculated from inputs other than quoted prices that are observable for the asset or liability (for example interest rates or yields for similar instruments).

Level 3 - Fair value is determined using unobservable inputs for the asset or liability.

(i) Fair Value of Financial Assets

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

Financial Assets (measured at fair value through profit & loss)	Fair Value Level	1 April 2022 Nominal £000	31 March 2023 Nominal £000	1 April 2022 Fair Value £000	31 March 2023 Fair Value £000
Fidelity Multi-Asset Income Fund	1	13,500	13,500	12,990	11,297
Ninety-One Diversified Income Fund	1	13,500	13,500	12,852	12,158
Accrued income (multi-asset funds)	1	n/a	n/a	123	126
Federated Hermes Property Unit Trust	2	10,000	10,000	10,644	8,952
Local Authorities' Property Fund	2	10,000	10,000	11,078	9,252
Lothbury Property Trust	2	5,001	5,001	5,093	3,934
Accrued income (property funds)	2	n/a	n/a	213	213
Shareholding in the UKMBA Plc	3	200	200	2	2
Total		52,201	52,201	52,995	45,934

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

1. The County Council's fair value measurement of its multi-asset income pooled funds is based directly from quoted market prices at 31 March 2023.
2. The County Council's fair value measurement of its property pooled funds is based directly from the bid/redemption prices obtained from the respective fund managers at 31 March 2023; indicating the value that units can be sold (in accordance with the Code of Practice). However, given that monthly prices are calculated using the respective property fund's valuers valuation of the underlying assets and that subscription and/or redemption trades are typically set on a forward pricing basis with the trading price agreed at a future point in time, the County Council has maintained property funds at Level 2 of the fair value hierarchy.
3. Equity in the UK Municipal Bond Agency (UKMBA) plc have been valued at the company's share capital valuation (£0.01 per share) as shown within their latest audited financial statements (no assumptions made regarding future profits).

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

Except for the financial assets carried at fair value through profit and loss, all other financial assets and financial liabilities (including trade debtors and creditors) held by the County Council are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For Public Works Loan Board (PWLB) loans, New Loan Rates effective at 31 March 2023 from the PWLB (discounted by the 0.2% "Certainty Rate" available to local authorities) have been applied to provide the fair value under PWLB debt redemption procedures; as set out in PWLB Interest Rate Notice No. 127/23.
- The fair values of PFI schemes and finance lease liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA rated corporate bond yield.
- For bonds, certificate of deposits and other securities held by the County Council's custodian, quoted market rates have been used to provide the fair value at 31 March 2023.
- The fair value of other financial instruments (including those with a maturity of less than 12 months), trade debtors and trade creditors, is assumed to approximate the carrying amount (no fair value hierarchy level).

Financial Liabilities	Fair Value Level	2021/22 Carrying Amount £000	2021/22 Fair Value £000	2022/23 Carrying Amount £000	2022/23 Fair Value £000
PWLB borrowing (including accrued interest)	2	-475,576	-539,019	-465,517	-426,172
PFI and finance lease liabilities	2	-93,839	-168,543	-90,081	-138,014
Other liabilities (Waste PFI deferred income)		-1,624	-1,624	-1,477	-1,477
Short-term (non-PWLB) borrowing		-5,961	-5,961	-6,279	-6,279
Trade creditors ¹		-134,177	-134,177	-126,579	-126,579
Bank current accounts		-401	-401	-795	-795
Total Financial Liabilities		-711,578	-849,725	-690,728	-699,316

¹ Excludes receipts in advance (£53.925m at 31 March 2023) and statutory creditors (£41.962m at 31 March 2023) including HM Revenue & Customs (Tax/National Insurance pay-over and Construction Industry Tax Deduction Scheme), Teachers Pensions, government department accruals, council tax prepayments and leave accrued by employees.

The fair value of the County Council's financial liabilities is greater than the carrying amount thereby showing a notional future loss (based on economic conditions at 31 March 2023) arising from a commitment to pay interest to lenders above current market rates. In particular, the contractual rates (implicit rate of return) for the County Council's PFI projects were higher than current market rates observed at 31 March 2023. The fair values are lower than last year due to the higher interest rate environment at 31 March 2023 which impacts the prevailing market rates used in calculating fair value.

Financial Assets (held at amortised cost)	Fair Value Level	2021/22 Carrying Amount £000	2021/22 Fair Value £000	2022/23 Carrying Amount £000	2022/23 Fair Value £000
Securities (via custodian)	1	93,717	93,575	64,554	64,379
Short-term investments (less than 1-year to maturity)		177,662	177,662	196,650	196,650
Cash & cash equivalents		118,983	118,983	91,189	91,189
Trade debtors ¹		85,135	85,135	94,839	94,839
Total Financial Assets		475,497	475,355	447,232	447,057

¹ Excludes payments in advance (£11.556m at 31 March 2023) and statutory debtors (£42.342m at 31 March 2023) including HM Revenue & Customs (VAT repayment), government department accruals, council tax arrears and provision for doubtful debts.

The fair value of financial assets is lower than the carrying amount because the County Council's investment portfolio includes a number of fixed rate securities where the interest rate payable is lower than the actual market price sourced from the custodian manager at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2023) arising from a commitment to pay interest to lenders below current market rates.

d. Nature and Extent of Risk Arising from Financial Instruments

(i) Key Risks

The County Council's activities expose it to a variety of financial risks. The key risks are:

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

(ii) Overall Procedures for Managing Risk

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

Risk management is carried out by a central treasury management team, under policies approved by County Council in the annual Treasury Management Strategy. The Council maintains written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk, and the investment of surplus cash through treasury management practices (TMPs).

(iii) Credit Risk

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

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

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

Throughout 2022/23 the County Council continued to make use of an HSBC custodian service provided by King & Shaxson Ltd, thereby diversifying its investment portfolio into financial instruments approved within the annual investment strategy; namely UK Gilts, covered bonds, certificate of deposits (CDs) and corporate bonds. Additionally, investments in externally managed pooled funds (including multi-asset income, property and ultra-short dated bond funds) continued to be approved for County Council investment.

The table below summarises the fair value/amortised cost of the Council's investment portfolio at 31 March 2023 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 2023	Up to 1 month £000	>1 month; <6 months £000	>6 month; <1 Year £000	>1 year £000	Total £000
Bank Unsecured ¹							
- UK Bank	YES	YES	34	34,876	10,065	-	44,975
- Non-UK Bank	YES	YES	5,099	40,350	19,640	-	65,089
- MMFs	YES	YES	91,155	-	-	-	91,155
Bank Secured ²							
UK Government	YES	YES	30,018	-	-	-	30,018
Local Authorities	YES	YES	10,099	35,458	75,599	-	121,156
Pooled Funds ³	n/a	n/a	219	120	-	45,593	45,932
Other	n/a	n/a	-	-	-	2	2
			136,624	110,804	105,304	45,595	398,327

¹ Bank Unsecured - The County Council's exposure to credit risk in relation to its unsecured investments in banks and Money Market Funds (MMFs) at 31 March 2023 (£201.2m) cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sums will be specific to each institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2023 that such risks were likely to materialise.

² Bank Secured - The credit quality of County Council investments during 2023/23 (none held at 31 March 2023) was enhanced by collateral held in the form of covered bonds (bank secured); collateralised by residential mortgages. For such investments the collateral significantly reduces the likelihood of the County Council suffering a credit loss on these investments.

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

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

	2021/22 Long Term £000	2022/23 Long Term £000	2021/22 Short Term £000	2022/23 Short Term £000
AAA (Covered Bonds, Pooled Funds/MMFs)	-	-	134,042	91,155
AA- (Assumed UK Local Authority Rating)	-	-	167,520	176,530
A+	-	-	44,272	54,853
A	-	-	44,528	29,855
A-	-	-	-	-
Multi-Asset Income Funds	25,842	23,455	123	126
Property Funds	26,815	22,138	213	213
UK Municipal Bond Agency	2	2	-	-
Total	52,659	45,595	390,698	352,732

Note – Future bonds issued by the UK Municipal Bond Agency are expected to receive investment grade credit ratings given that participants (and shareholders of the Agency) are primarily individual local authorities.

(iv) Amounts Arising from Expected Credit Losses

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

Additionally, the County Council had a third-party loan outstanding with the Littlehampton Harbour Board which is considered as low credit risk given that annual repayments continue to be deducted from precepts paid by the Council to the Harbour Board. As a consequence, the County Council has applied a 12-month expected credit loss model to this loan in 2022/23.

Expected Credit Loss Allowance (Trade Debtors): The County Council does not generally allow credit for its trade debtors, however £48m of the total £94.8m trade debtor balance is past its due date for payment. The amount overdue at 31 March 2023 can be analysed by age as follows:

Time Period	£000
Up to one month overdue	8,401
Greater than one month up to three months	3,286
Greater than three months up to six months	4,870
Greater than six months up to one year	6,927
Greater than one year up to two years	9,322
Greater than two years up to five years	11,161
More than five years	4,048
Total	48,015

Included within the £48m trade debtor balance that is past its due payment date, the County Council has identified that £9.5m is potentially at risk of being irrecoverable, and has made an allowance for doubtful debtors accordingly. This is based on an assessment of overdue debt at 31 March 2023 and the likelihood of recovery, reflecting that recovery reduces as the age of the debt increases, with anticipated recovery of 90% of debts aged up to one year old and no expected recovery of debts over six years old. At 31 March 2023, none of this liability has actually been subject to formal write-off due to continued negotiations between the County Council's Legal Services team and the relevant debtors.

Movement in Expected Credit Loss Allowances	2021/22 £000	2022/23 £000	Movement £000
Financial investments held at amortised cost (12-month ECL)	-24	-21	3
Loan to the Littlehampton Harbour Board (12-month ECL)	-6	-5	1
Provision for bad debts (Lifetime ECL model; detailed above)	-7,025	-9,527	-2,502
Provision for council tax & business rate debts	-18,398	-17,975	423
Total	-25,453	-27,528	-2,075

Collateral (Trade Debtors): The County Council initiates a legal charge on property where, for instance, clients require the assistance of the Council's Adult Services but cannot afford to pay immediately; the total debt relating to such cases at 31 March 2023 was £12.6m.

(v) Liquidity Risk

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

The County Council has ready access to borrowings at favourable rates from the money markets to cover any day-to-day cash flow need, and the Public Works Loan Board (and other financial institutions) provide access to longer-term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. As a consequence there is no significant risk that the County Council will be unable to raise finance to meet its commitments under financial instruments.

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

Time Period	2021/22 £000	2022/23 £000
Less than one year	390,698	352,732
More than one year	52,659	45,595
Financial Assets Total	443,357	398,327

Trade debtors (£94.8m) are not included in the table above.

(vi) Refinancing Risk

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

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

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

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

Time Period	Minimum Approved Limit	Maximum Approved Limit	2021/22 Principal Maturity £000	2022/23 Principal Maturity £000	2021/22 Interest Obligation £000	2022/23 Interest Obligation £000
Less than 1 year	0%	25%	16,378	7,089	19,050	18,998
Between 1 and 5 years	0%	35%	28,763	74,898	73,675	71,309
Over 5 years to 10 years	0%	60%	207,677	194,143	68,550	59,442
Over 10 years to 15 years	0%	50%	84,847	52,231	24,786	21,478
Over 15 years to 20 years	0%	25%	-	-	19,987	19,988
Over 20 years to 25 years	0%	25%	15,000	15,000	17,464	16,805
Over 25 years to 30 years	0%	25%	-	-	16,695	16,695
More than 30 years	0%	50%	125,000	125,000	42,215	38,876
Borrowing Liabilities Total			477,665	468,361	282,422	263,591

(vii) Market Risk

Interest Rate Risk

The County Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);

- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the Council's balance sheet, so nominal gains and losses on fixed rate debt would not impact the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund balance.

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

The central treasury team monitor markets and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods where economic circumstances make it favourable (including periods of rising interest rates) fixed rate investments may be taken for shorter durations to secure more advantageous returns over a longer-term period; similarly the drawing of long term fixed rate borrowings may be reintroduced.

At 31 March 2023 the County Council held no variable long term borrowings, but held 34% (£136.3m) of its investment portfolio in variable rate bank call/notice accounts, money market funds, bank floating rate notes, pooled funds (collective investment schemes) and equities.

During 2022/23 total interest of £4.7m has been charged to the Comprehensive Income and Expenditure Statement in respect of all the County Council's variable rate investments, representing a 2.46% rate of return on an average investment portfolio of £192.6m. If all applicable rates had been 1% higher the financial impact would have been a £1.9m increase in interest charged to the Comprehensive Income and Expenditure Statement.

Price Risk

The market prices of the County Council's fixed and variable rate investments held during 2022/23 are governed by prevailing interest rates; the market risk associated with these investments is managed alongside interest rate risk.

At 31 March 2023 the County Council held £45.9m (including accrued income) in multi-asset income and property pooled funds which is subject to price variations. During 2022/23 the underlying assets for these instruments weakened considerably, with fund portfolios becoming stressed both in terms of value and liquidity. However at 31 March 2023, the price movements in these funds did not impact the General Fund Balance due to statutory regulations currently in force to ameliorate the impact of fair value movements. Given the market volatility, without these current regulations the County Council would have recognised a £7.1m loss in the Surplus or Deficit on the Provision of Services in relation to both its property fund and multi-asset income fund investments. As a consequence, the total accumulated loss in the County Council's pooled investment funds adjustment account at 31 March 2023 was £6.4m. The County Council does however hold a separate interest smoothing earmarked reserve (£2.8m) to help manage future risks of fair value movements within the Council's pooled fund investments.

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

Inflationary Risk

Inflationary risk relates to the diminution of the spending powers of the County Council's cash holdings, or the potential escalation of financial liabilities if linked to inflation indices. Throughout 2022/23 the County Council achieved a 2.22% return on its investment portfolio as compared against average UK CPI inflation of 10.04% during the same period. Latest Bank of England forecasts report that UK CPI inflation was 10.1% in the twelve months to March 2023, but is likely to decrease quickly to around 5% by the end of 2023 and then continue to fall back towards the Bank's 2% target by late 2024. Additional market forecasts indicate CPI falling below the target inflation rate by late 2024 before returning to around 2% by 2027. With investment rates likely to remain below inflation over the next few months the County Council will seek to partially mitigate resulting inflationary risks through its prescribed cash flow procedures; including the temporary deployment of cash into higher yielding short-term deposits. The County Council does not currently hold any inflation linked borrowings.

Foreign Exchange Risk

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

10. Assets Held for Sale

	2021/22	2022/23
	£000	£000
Balance outstanding 1 April	845	5,329
Assets newly classified as held for sale		
Property, Plant and Equipment	5,809	6,432
Investment Property	275	-
Assets declassified as held for sale		
Property, Plant and Equipment	-	-1,590
Revaluation gains/(losses)	-755	-1,097
Assets sold	-845	-2,190
Balance outstanding at 31 March	5,329	6,884

11. Short Term Debtors

	2021/22	2022/23
	£000	£000
Classification		
Central government bodies	29,731	28,336
Other local authorities	13,701	18,897
NHS bodies	14,556	7,962
Other entities and individuals	50,921	63,630
Total	108,909	118,825

12. Cash and Cash Equivalents

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

	2021/22	2022/23
	£000	£000
Classification		
Cash held by the Authority	118,983	91,189
Bank current accounts	-401	-795
Total	118,582	90,394

13. Short Term Creditors

	2021/22	2022/23
	£000	£000
Classification		
Central government bodies	-44,945	-55,898
Other local authorities	-17,476	-19,490
NHS bodies	-19,648	-7,688
Public corporations and trading funds	-1	-2
Other entities and individuals	-132,651	-139,388
Total	-214,721	-222,466

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 2022 £000	Amounts used in 2022/23 £000	Additional provisions made in 2022/23 £000	Balance at 31 March 2023 £000
<u>Long-Term</u>				
Insurance	-4,704	1,935	-1,491	-4,260
Teachers' Pension Scheme	-122	10	-	-112
Total Long-Term Provisions	-4,826	1,945	-1,491	-4,372
<u>Short-Term</u>				
Insurance	-1,617	1,834	-1,935	-1,718
Loss of Office	-32	32	-32	-32
NNDR Appeals	-4,169	4,169	-2,432	-2,432
Property Dilapidations	-189	189	-	-
Total Short-Term Provisions	-6,007	6,224	-4,399	-4,182
Grand Total Provisions	-10,833	8,169	-5,890	-8,554

Long Term Provisions - Descriptions

The **Insurance** provision is maintained to meet claims relating to the County Council's self-funding insurance scheme, including for property, vehicle and liability risks. The balance on the provision represents the estimated obligation in relation to known claims as at 31 March 2023, adjusted to remove amounts for part-settled claims. The long-term element of the provision represents the value of claims estimated to be settled at various intervals over the next number of years (but not within one year).

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

Short Term Provisions - Descriptions

The **Insurance** provision is maintained to meet claims relating to the County Council's self-funding insurance scheme, including for property, vehicle and liability risks. The balance on the provision represents the estimated obligation in relation to known claims as at 31 March 2023, adjusted to remove amounts for part-settled claims. The short-term element of the provision represents the value of claims estimated to be settled within one year.

The **Loss of Office** provision provides for the cost of redundancies to which the Authority was committed at the balance sheet date. All obligations are expected to be settled in 2023/24.

As part of the introduction of the localised business rates system on 1 April 2013, a liability was assumed by NNDR (National Non-Domestic Rates) billing authorities for refunding ratepayers who successfully appeal against the rateable value of their properties. This includes the liability in respect of appeals against amounts paid to central government prior to that date. As a precepting authority, West Sussex is liable for a share of any successful **NNDR Appeals**, and this provision represents the Authority's estimate of its cumulative liability based upon the total liabilities estimated by its individual billing authorities. In accordance with statutory arrangements, the movement in this provision is mitigated via the Collection Fund Adjustment Account, and so there is no impact on Usable Reserves.

The **Property Dilapidations** provision was held to meet the Authority's legal obligation to make good the general dilapidations of a leased property previously used for the delivery of youth services. The Authority declared the site as surplus and the freeholder consequentially terminated the lease. Settlement of this obligation was made in 2022/23.

15. Private Finance Initiatives and Similar Contracts

Crawley Schools PFI

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

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

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

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

Recycling and Waste Handling PFI

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

Throughout the contract the contractor is responsible for the replacement of equipment at the facilities. The lifecycle costs incurred to date have been included in the balance sheet on the basis of the actual provision. As at 31 March 2023 £12.3m of lifecycle costs remained to be delivered. The payments to the contractor for the lifecycle costs are on a consistent basis across the life of the contract.

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

Street Lighting PFI

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

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

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

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

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

Scheme/Asset	Opening Balance at 1 April 2022 £000	Additions £000	Depreciation £000	Revaluation £000	Closing Balance at 31 March 2023 £000
Crawley Schools PFI					
Ifield Community College	15,616		-510	4,864	19,970
Oriel High School	19,395		-462	4,093	23,026
Recycling & Waste PFI					
Infrastructure	5,190	86	-351		4,925
Land and Buildings	12,434	42	-311	945	13,110
Plant and Equipment	3,949	1,234	-584		4,599
Street Lighting PFI	58,944		-2,644		56,300
Total PFI Assets	115,528	1,362	-4,862	9,902	121,930

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

Scheme	Opening Balance at 1 April 2022 £000	Increase due to Investment £000	Repayment of Liability £000	Closing Balance at 31 March 2023 £000
Crawley Schools PFI	-23,227	-	969	-22,258
Recycling & Waste PFI	-11,078	-1,362	1,866	-10,574
Street Lighting PFI	-57,419	-	2,172	-55,247
Total Liability	-91,724	-1,362	5,007	-88,079

Note (iii) – Payments due under PFI Contracts

Timeframe	Repayment of Liability £000	Interest £000	Service Charges £000	Total £000
Within one year	3,933	10,396	29,458	43,787
Within two to five years	20,775	38,936	127,185	186,896
Within six to ten years	42,183	38,833	174,867	255,883
Within eleven to fifteen years	21,188	7,028	22,367	50,583
Total Commitments	88,079	95,193	353,877	537,149

16. Leases

Authority as Lessee

Finance Leases

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

	1 April 2022	31 March 2023
	£000	£000
Asset Net Book Values		
Land and Buildings	28,759	27,714
Vehicles, Plant, Furniture and Equipment	2,512	1,884
Infrastructure Assets	10,163	9,813
Total	41,434	39,411

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 2022	31 March 2023
	£000	£000
Minimum Lease Payments		
Finance lease liability	2,115	2,002
Finance costs payable in future years	1,712	1,621
Total	3,827	3,623

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

	1 April 2022	31 March 2023
	£000	£000
Minimum Lease Payments		
No later than one year	204	204
Later than one year and not later than five years	815	815
Later than five years	2,808	2,604
Total	3,827	3,623

	1 April 2022	31 March 2023
	£000	£000
Finance Lease Liabilities		
No later than one year	113	118
Later than one year and not later than five years	510	535
Later than five years	1,492	1,349
Total	2,115	2,002

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 2022	31 March 2023
	£000	£000
Minimum Lease Payments		
Not later than one year	1,774	1,234
Later than one year and not later than five years	2,719	1,843
Later than five years	535	696
Total	5,028	3,773

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

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £1.409m. Of this total, £0.827m was chargeable to the Highways and Transport portfolio, £0.417m was chargeable to the Community Support, Fire and Rescue portfolio, and £0.156m was chargeable to the Finance and Property portfolio. A small residual balance of £0.009m was charged to other portfolios.

Authority as Lessor

Finance Leases

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

	1 April 2022	31 March 2023
	£000	£000
Gross Investment in the Lease		
Finance lease debtor	6,618	3,120
Unearned finance income	2,877	1,502
Unguaranteed residual value of property ¹	-	-
Gross investment in the lease	9,495	4,622

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:

	1 April 2022	31 March 2023
	£000	£000
Gross Investment in the Lease		
No later than one year	496	241
Later than one year and not later than five years	1,984	964
Later than five years	7,015	3,417
Total	9,495	4,622

	1 April 2022	31 March 2023
	£000	£000
Minimum Lease Payments		
No later than one year	259	128
Later than one year and not later than five years	1,133	560
Later than five years	5,226	2,432
Total	<u>6,618</u>	<u>3,120</u>

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 2022	31 March 2023
	£000	£000
Minimum Lease Payments		
Not later than one year	3,565	3,444
Later than one year and not later than five years	8,681	7,428
Later than five years	4,854	4,681
Total	<u>17,100</u>	<u>15,553</u>

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

17. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a requirement to disclose these commitments at the time that employees earn their future entitlement.

The Authority participates in two post-employment schemes:

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

Transactions Relating to Post-Employment Benefits

The cost of retirement benefits are recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement (see Note 2). The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund via the Movement in Reserves Statement during the year.

	2021/22	2022/23
	£000	£000
Local Government Pension Scheme		
<u>Comprehensive Income and Expenditure Statement</u>		
Cost of Services:		
Current service cost	113,269	101,406
Past service cost (including curtailments)	403	186
(Gain)/loss from settlements	-207	-2,527
Financing and Investment Income and Expenditure:		
Interest cost on defined benefit obligation	53,958	70,399
Interest income on plan assets	-48,833	-65,839
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	118,590	103,625
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement:		
Remeasurement (gains) and losses	-135,454	-213,273
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	-16,864	-109,648
<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	-118,590	-103,625
Actual amount charged against the General Fund Balance in the year for employer's contributions payable to the scheme	52,643	51,177
	2021/22	2022/23
	£000	£000
Uniformed Firefighters		
<u>Comprehensive Income and Expenditure Statement</u>		
Cost of Services:		
Current service cost	8,201	7,014
Past service cost (including curtailments)	247	293
(Gain)/loss from settlements	-	-
Financing and Investment Income and Expenditure:		
Interest cost on defined benefit obligation	8,943	11,448
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	17,391	18,755
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement:		
Remeasurement (gains) and losses	-29,994	-131,072
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	-12,603	-112,317
<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	-17,391	-18,755
Actual amount charged against the General Fund Balance in the year for retirement benefits payable to pensioners	9,117	10,856

Assets and Liabilities in Relation to Post-Employment Benefits

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

Local Government Pension Scheme	2021/22	2022/23
Funded Liabilities:	£000	£000
Opening balance at 1 April	-2,666,205	-2,585,568
Current service cost	-113,269	-101,406
Interest cost	-53,958	-70,399
Contributions by scheme participants	-14,437	-16,075
Remeasurement gains and (losses):		
Actuarial gains/(losses) arising from changes in demographic assumptions	15,795	139,898
Actuarial gains/(losses) arising from changes in financial assumptions	189,898	954,971
Other experience	-3,665	-237,511
Past service cost (including curtailments)	-403	-186
Transfers to/(from) other authorities	-	-
Benefits paid	59,921	62,579
Liabilities extinguished on settlements	755	5,882
Closing balance at 31 March	<u>-2,585,568</u>	<u>-1,847,815</u>
Uniformed Firefighters	2021/22	2022/23
Unfunded Liabilities:	£000	£000
Opening balance at 1 April	-447,559	-425,839
Current service cost	-8,201	-7,014
Interest cost	-8,943	-11,448
Contributions by scheme participants	-1,873	-1,871
Remeasurement gains and (losses):		
Actuarial gains/(losses) arising from changes in demographic assumptions	4,483	4,988
Actuarial gains/(losses) arising from changes in financial assumptions	27,146	144,324
Other experience	-1,635	-18,240
Past service cost (including curtailments)	-247	-293
Transfers to/(from) other authorities	-27	-
Benefits paid	11,017	12,727
Liabilities extinguished on settlements	-	-
Closing balance at 31 March	<u>-425,839</u>	<u>-302,666</u>

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

Local Government Pension Scheme	2021/22	2022/23
Scheme Assets:	£000	£000
Opening balance at 1 April	2,447,812	2,436,682
Interest income on plan assets	48,833	65,839
Remeasurement gains and (losses):		
Return on plan assets (excluding interest income)	-66,574	-142,211
Change in the effect of the asset ceiling	-	-522,260
Other experience	-	20,386
Contributions by scheme participants	14,437	16,075
Employer contributions	52,643	51,177
Benefits paid	-59,921	-62,579
Transfers (to)/from other authorities	-	-
Settlements	-548	-3,355
Closing balance at 31 March	<u>2,436,682</u>	<u>1,859,754</u>

Uniformed Firefighters	2021/22	2022/23
Scheme Assets:	£000	£000
Opening balance at 1 April	-	-
Contributions by scheme participants	1,873	1,871
Employer contributions	9,117	10,856
Benefits paid	-11,017	-12,727
Transfers (to)/from other authorities	27	-
Settlements	-	-
Closing balance at 31 March	<u>-</u>	<u>-</u>

Scheme History

	2018/19	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000	£000
Present value of liabilities:					
Local Government Pension Scheme	-2,376,650	-2,047,182	-2,666,205	-2,585,568	-1,847,815
Uniformed Firefighters	-394,183	-357,306	-447,559	-425,839	-302,666
Fair value of assets:					
Local Government Pension Scheme	1,952,269	1,930,503	2,447,812	2,436,682	1,859,754
Uniformed Firefighters	-	-	-	-	-
Net defined asset/(liability):					
Local Government Pension Scheme	-424,381	-116,679	-218,393	-148,886	11,939
Uniformed Firefighters	-394,183	-357,306	-447,559	-425,839	-302,666
Total	<u>-818,564</u>	<u>-473,985</u>	<u>-665,952</u>	<u>-574,725</u>	<u>-290,727</u>

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total net liability of £290.727m 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:

- Any 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 2024 is £45.932m. Payments (net of employee contributions) in respect of the Uniformed Firefighters scheme for the year to 31 March 2024 are projected to be £10.008m.

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. The latest triennial actuarial valuation of the West Sussex County Council Local Government Pension Scheme took place as at 31 March 2022.

The principal assumptions used by the actuary for the Local Government Pension Scheme have been:

Mortality assumptions	2021/22	2022/23
Longevity at 65 for current pensioners:		
Men	21.9 years	21.9 years
Women	24.2 years	24.3 years
Longevity at 65 for future pensioners:		
Men	22.8 years	22.2 years
Women	25.9 years	25.8 years
Rate of increase in salaries	3.70%	4.45%
Rate of increase in pensions	3.20%	2.95%
Rate for discounting scheme liabilities	2.70%	4.75%

For the Local Government Pension Scheme, a commutation allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits.

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

Mortality assumptions	2021/22	2022/23
Longevity at 60 for current pensioners:		
Men	26.3 years	25.9 years
Women	28.7 years	28.5 years
Longevity at 60 for future pensioners:		
Men	27.7 years	27.3 years
Women	30.1 years	29.8 years
Rate of increase in salaries	3.65%	3.20%
Rate of increase in pensions	3.20%	2.95%
Rate for discounting scheme liabilities	2.70%	4.75%

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

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

Asset Category:	31 March	31 March
	2022	2023
	%	%
Private Equity	2%	3%
Real Estate	10%	10%
Investment Funds and Unit Trusts	88%	86%
Cash and Cash Equivalentents	0%	1%
Total	100%	100%

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

18. Pension Schemes Accounted for as Defined Contribution Schemes

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

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

In 2022/23, the County Council paid £38.375m to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. Employer contributions of £38.116m were made in 2021/22 (23.68% of pensionable pay).

Allowing for the estimated impact of pay awards and academy conversions, employer contributions to be paid in the 2023/24 financial year are forecasted to be £39.2m.

19. Unusable Reserves

	1 April 2022	31 March 2023
	£000	£000
Accumulated Absences Account	10,236	11,726
Capital Adjustment Account	-819,248	-842,392
Collection Fund Adjustment Account	6,446	779
Dedicated Schools Grant Adjustment Account	25,504	41,855
Deferred Capital Receipts Reserve	-6,618	-3,120
Pensions Reserve	574,725	290,727
Pooled Investment Funds Adjustment Account	-656	6,408
Revaluation Reserve	-258,978	-309,159
Total Unusable Reserves	-468,589	-803,176

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.

	2021/22	2022/23
	£000	£000
Balance at 1 April	12,155	10,236
Settlement or cancellation of accrual made at end of the preceding year	-12,155	-10,236
Amounts accrued at the end of the current year	10,236	11,726
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	-1,919	1,490
Balance at 31 March	10,236	11,726

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 2 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2021/22	2022/23
	£000	£000
Balance at 1 April	-748,952	-819,248
Charges for depreciation of non current assets	72,469	74,397
Charges for amortisation of intangible assets	-	-
Charges for impairment of non current assets	-	-
Revaluation (gains) / losses on Property, Plant and Equipment and Assets Held for Sale	-24,349	-45,894
Revaluation (gains) / losses on equity investments	-	-
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	14,019	17,909
Amounts written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	22,390	23,086
Release of deferred income from Private Finance Initiatives	-148	-147
Gains from Donated Assets	-3,545	-
Reversal of items relating to capital expenditure debited/credited to the Comprehensive Income and Expenditure Statement	80,836	69,351
Adjusting amounts written out of the Revaluation Reserve	-9,504	-14,644
Net written out amount of the cost of non current assets consumed in the year	71,332	54,707
Use of the Capital Receipts Reserve to finance new capital expenditure	-12,043	-5,167
Application of grants to capital financing from the Capital Grants Unapplied Account	-87,160	-73,418
Capital grants and contributions applied to REFCUS	-3,468	-5,440
Statutory provision for the financing of capital investment charged against the General Fund balance	-16,511	-17,380
Revenue Contribution to Capital Outlay	-6,358	-3,342
Capital financing applied in the year	-125,540	-104,747
Movements in the market value of Investment Properties debited/ credited to the Comprehensive Income & Expenditure Statement	-16,088	26,896
Balance at 31 March	-819,248	-842,392

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.

	2021/22	2022/23
	£000	£000
Balance at 1 April	25,831	6,446
Settlement or cancellation of accrual made at end of the preceding year	-25,831	-6,446
Amounts accrued at the end of the current year	6,446	779
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	-19,385	-5,667
Balance at 31 March	6,446	779

Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant adjustment account holds accumulated deficits relating to the schools budget. Where the authority has incurred a deficit on its schools budget in years beginning 1 April 2020 ending 31 March 2026, the Local Authorities (Capital Finance and Accounting) Regulations do not allow for such amounts to be included in the General Fund and instead must be held in this adjustment account.

	2021/22	2022/23
	£000	£000
Balance at 1 April	10,388	25,504
School budget deficit transferred from General Fund in accordance with statutory arrangements	15,116	16,351
Balance at 31 March	25,504	41,855

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.

	2021/22	2022/23
	£000	£000
Balance at 1 April	-6,869	-6,618
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	4,096
Write down of Finance Lease debtor	251	-598
Transfer to the Capital Receipts Reserve upon receipt of cash	-	-
Balance at 31 March	-6,618	-3,120

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.

	2021/22	2022/23
	£000	£000
Balance at 1 April	665,952	574,725
(Gains)/losses on remeasurement of pension assets/liabilities	-165,448	-344,345
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	135,981	122,380
Employer's pensions contributions and direct payments to pensioners payable in the year	-61,760	-62,033
Balance at 31 March	574,725	290,727

Pooled Investment Funds Adjustment Account

Owing to a temporary statutory override (currently due to expire March 2025), the Authority transfers all fair value movements recognised in the Surplus or Deficit on the Provision of Services relating to its pooled investment funds (categorised as fair value through profit or loss) into this reserve.

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

	2021/22 £000	2022/23 £000
Balance at 1 April	1,714	-656
Upward revaluation of investments	-3,841	-
Downward revaluation of investments	1,471	7,064
Net (gain)/loss on revaluation of investments	-2,370	7,064
Accumulated gains and (losses) on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement	-	-
Balance at 31 March	-656	6,408

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.

	2021/22 £000	2022/23 £000
Balance at 1 April	-240,428	-258,978
Upward revaluation of assets	-48,809	-86,424
Downward revaluation of assets and revaluation losses not charged to the Surplus/Deficit on the Provision of Services	20,755	21,599
Impairment losses not charged to the Surplus/Deficit on the Provision of Services	-	-
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	-28,054	-64,825
Difference between fair value depreciation and historical cost depreciation	4,649	5,433
Accumulated gains on assets sold or scrapped	4,855	9,211
Amount written off to the Capital Adjustment Account	9,504	14,644
Balance at 31 March	-258,978	-309,159

20. Note to the Expenditure and Funding Analysis

1 Adjustments for Capital Purposes

- This column adds in depreciation, impairment, revaluation gains and losses and Revenue Expenditure Funded by Capital Under Statute in the **services line**, and for:
- **Other Operating Expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets, and for revaluation gains and losses on Assets Held for Sale.
- **Financing and Investment Income and Expenditure** – adjusts for revaluation gains and losses on Investment Property.
- **Taxation and Non-Specific Grant Income** – credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year and for gains on donated assets.

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

2 Net Pensions Adjustment

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For **services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and Investment Income and Expenditure** the net interest on the defined benefit liability is charged to the CIES

3 Other Differences

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

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

Adjustments between Funding and Accounting Basis 2022/23

Adjustments from General Fund to Comprehensive Income and Expenditure Statement	Adjustments for Capital Purposes ¹ £000	Net Pensions Adjustments ² £000	Other Differences ³ £000	Total Adjustments £000
Adults Services	8,985	7,192	-26,484	-10,307
Children and Young People	165	9,212	-14	9,363
Community Support, Fire and Rescue	-1,279	-693	24	-1,948
Environment and Climate Change	3,088	799	-2,220	1,667
Finance and Property	7,264	208	-2,599	4,873
Highways and Transport	33,794	2,125	-6,495	29,424
Leader	987	307	-2	1,292
Learning and Skills	-23,954	21,097	-507	-3,364
Public Health and Wellbeing	-	471	491	962
Support Services and Economic Development	5,579	3,621	-41	9,159
Net Cost of Services	34,629	44,339	-37,847	41,121
Other Income and Expenditure	-40,979	16,008	57,085	32,114
Difference between General Fund Deficit and Comprehensive Income and Expenditure Deficit	-6,350	60,347	19,238	73,235

Adjustments between Funding and Accounting Basis 2021/22

Adjustments from General Fund to Comprehensive Income and Expenditure Statement	Adjustments for Capital Purposes ¹ £000	Net Pensions Adjustments ² £000	Other Differences ³ £000	Total Adjustments £000
Adults Services	-657	8,988	-18,243	-9,912
Children and Young People	778	11,390	44	12,212
Community Support, Fire and Rescue	-2,988	2,545	13	-430
Environment and Climate Change	4,652	998	-2,194	3,456
Finance and Property	2,458	3,198	1,287	6,943
Highways and Transport	32,425	2,493	-6,663	28,255
Leader	351	351	4	706
Learning and Skills	10,461	25,726	-3,942	32,245
Public Health and Wellbeing	-	665	-18	647
Support Services and Economic Development	6,401	3,799	1	10,201
Net Cost of Services	53,881	60,153	-29,711	84,323
Other Income and Expenditure	-80,620	14,068	21,153	-45,399
Difference between General Fund Surplus and Comprehensive Income and Expenditure Deficit	-26,739	74,221	-8,558	38,924

21. Segmental Income

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

Services	2021/22 £000	2022/23 £000
Adults Services	-59,438	-62,051
Children and Young People	-213	-239
Community Support, Fire and Rescue	-3,531	-4,018
Environment and Climate Change	-5,658	-4,317
Finance and Property	-4,332	-4,367
Highways and Transport	-13,027	-17,645
Leader	-8	-8
Learning and Skills	-4,157	-4,662
Public Health and Wellbeing	-13	-58
Support Services and Economic Development	-1,393	-813
Total income analysed on a segmental basis	-91,770	-98,178

22. Other Operating Expenditure

	2021/22	2022/23
	£000	£000
Levies	1,183	1,214
Assets Held for Sale (Gains)/Losses on Revaluation (Profit) / loss on sale of assets	755	1,097
Loss on derecognition of Academy Schools	-3,948	-1,428
Loss on derecognition of other assets	1,981	1,374
Assets derecognised under finance leases as lessor	12,073	16,742
	-	4,096
Total	12,044	23,095

23. Financing and Investment Income and Expenditure

	2021/22	2022/23
	£000	£000
Interest payable and similar charges	30,429	30,439
Interest receivable and similar income	-5,238	-2,238
Net interest payable/(receivable)	25,191	28,201
Pensions: interest cost on defined benefit obligation	62,901	81,847
Pensions: interest income on plan assets	-48,833	-65,839
Net pensions interest cost/(income)	14,068	16,008
Investment Property: income and expenditure	-2,310	-2,421
Investment Property: (gain)/loss on disposal	241	-
Investment Property: changes in fair value	-16,088	26,896
Net Investment Property expenditure/(income)	-18,157	24,475
Impairment losses on financial instruments (including allowance for doubtful debtors)	-	3,227
Total	21,102	71,911

24. Taxation and Non Specific Grant Income

	2021/22	2022/23
	£000	£000
Council tax income	-513,672	-534,684
Non domestic rates	-88,425	-93,436
Other non-service government grants	-24,791	-7,560
Gains from Donated Assets	-3,545	-
Capital grants and contributions	-53,358	-73,535
Total	-683,791	-709,215

25. Grant Income

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

Grants Credited to Services	2021/22 £000	2022/23 £000
<u>Adults Services</u>		
Adult Social Care Discharge Fund (DHSC)	-	-1,517
Afghanistan Resettlement Grant (DfE)	-1,101	-
Changing Futures Programme (DLUHC)	-	-613
Covid-19 Adult Social Care Infection Control & Testing Fund (DHSC)	-6,664	-
Covid-19 Contain Outbreak Management Fund (DHSC)	-400	-
Covid-19 Omicron Support Fund (DHSC)	-826	-
Covid-19 Workforce Recruitment & Retention Fund (DHSC)	-6,069	-
Domestic Abuse Duties (DLUHC)	-1,498	-1,502
Improved Better Care Fund (DLUHC)	-18,248	-30,833
Independent Living Fund (DHSC)	-4,309	-4,309
Market Sustainability and Fair Cost of Care Fund (DHSC)	-	-2,230
Social Care Capital Grant (DHSC) <i>applied to REFCUS</i>	-750	-
Social Care Support Grant (DLUHC)	-18,169	-25,827
Other	-1,231	-1,334
Adults Services Total	-59,265	-68,165
<u>Children and Young People</u>		
Public Health Grant (DHSC)	-12,571	-12,683
Troubled Families (DfE)	-1,644	-1,857
Unaccompanied Asylum Seeking Children (HO)	-3,632	-4,245
Unaccompanied Asylum Seeking Children: Leaving Care (HO)	-2,178	-2,559
Youth Justice Board Youth Offending Teams (MoJ)	-618	-676
Other	-1,356	-1,162
Children and Young People Total	-21,999	-23,182
<u>Community Support, Fire and Rescue</u>		
Afghan Resettlement Education Grant (DfE)	-	-1,233
Afghan Schemes Hotel Wraparound Support (HO)	-	-2,223
Covid-19 Household Support Fund (DWP)	-4,870	-
Covid-19 Local Support Grant (DWP)	-3,163	-
Fire Pensions Top-Up Grant (HO)	-1,724	-1,725
Firelink Grant (HO)	-409	-350
Homes for Ukraine Education Grant (DfE)	-	-1,298
Homes for Ukraine Sponsor Thank You Grant (DLUHC)	-	-2,404
Homes for Ukraine Tariff Grant (DLUHC)	-	-4,447
Household Support Fund (DWP)	-	-9,462
Public Health Grant (DHSC)	-832	-832
Other	-253	-1,279
Community Support, Fire and Rescue Total	-11,251	-25,253

Grants Credited to Services (continued)	2021/22 £000	2022/23 £000
<u>Environment and Climate Change</u>		
Private Finance Initiative (DLUHC)	-2,124	-2,124
Other	43	-180
Environment and Climate Change Total	-2,081	-2,304
<u>Finance and Property</u>		
Inshore Fisheries & Conservation Support Grant (DEFRA)	-148	-148
Other	-26	-268
Finance and Property Total	-174	-416
<u>Highways and Transport</u>		
Bus Service Improvement Plan (DfT)	-	-959
Bus Service Operators Grant (DfT)	-436	-436
Covid-19 Active Travel Fund (DfT)	-300	-
Covid-19 Bus Services Support Grant (DfT)	-328	-
Local Transport Authority Bus Capacity Grant (DfT)	-503	-
Local Transport Fund (DfT)	-	-741
Private Finance Initiative (DLUHC)	-6,069	-6,069
Other	-621	-466
Highways and Transport Total	-8,257	-8,671
<u>Leader</u>		
Other	-100	-26
Leader Total	-100	-26
<u>Learning and Skills</u>		
16 to 19 Education 'Sixth Form' Funding (DfE)	-11,085	-10,836
Adult Education (DfE)	-3,174	-2,785
Basic Need Capital Grant (DfE) <i>applied to REFCUS</i>	-389	-1,863
Covid-19 Additional Dedicated School and College Transport (DfE)	-644	-
Covid-19 National Schools Testing Programme (DfE)	-1,195	-162
Covid-19 School Led National Tutoring Programme (DfE)	-745	-1,373
Covid-19 Schools Catch-up Premium (DfE)	-2,450	-
Covid-19 Schools Recovery Premium (DfE)	-794	-2,831
Covid-19 Summer Schools Programme (DfE)	-393	-
Dedicated Schools Grant (DfE)	-471,155	-487,224
Extended Rights to Free Travel Grant (DfE)	-635	-742
Holiday Activities and Food Programme Grant (DfE)	-996	-1,674
PE & Sport Premium Grant (DfE)	-3,287	-3,231
Private Finance Initiative (DLUHC)	-4,532	-4,532
Pupil Premium (DfE)	-13,351	-14,260
School Condition Allocation (DfE) <i>applied to REFCUS</i>	-562	-138
School Improvement Monitoring and Brokering Grant (DfE)	-752	-340
Schools Supplementary Grant (DfE)	-	-8,770
Teachers' Pension Employer Contribution Grant (DfE)	-559	-516
Universal Infant Free School Meals Grant (DfE)	-6,497	-7,056
Other	-1,352	-2,070
Learning and Skills Total	-524,547	-550,403

Grants Credited to Services (continued)	2021/22 £000	2022/23 £000
<u>Public Health and Wellbeing</u>		
Covid-19 Contain Outbreak Management Fund (DHSC)	-19,273	-1,777
Covid-19 Self-Isolation Practical Support Fund (DHSC)	-1,570	-
Covid-19 Test and Trace Service Support Grant (DHSC)	-1,312	-
Local Reform and Community Voices Grant (DHSC)	-316	-316
Public Health Grant (DHSC)	-18,431	-18,213
Rough Sleeping Drug and Alcohol Treatment Grant (DLUHC)	-	-622
Supplementary Substance Misuse Treatment and Recovery (DHSC)	-	-480
Other	-616	-15
Public Health and Wellbeing Total	-41,518	-21,423
<u>Support Services and Economic Development</u>		
Public Health Grant (DHSC)	-1,210	-1,298
Other	-53	-263
Support Services and Economic Development Total	-1,263	-1,561
Total Grants Credited to Services	-670,455	-701,404

Grants Credited to Taxation and Non Specific Grant Income	2021/22 £000	2022/23 £000
<u>Non Domestic Rates (DLUHC)</u>		
Business Rates Levy Surplus Distribution Grant	-	-665
Section 31 Business Rates Relief	-13,282	-14,626
Top-Up to Baseline Funding Level	-45,792	-442
Total Non Domestic Rates (DLUHC)	-59,074	-15,733
<u>Other Non-Service Government Grants</u>		
Covid-19 Expenditure Pressures Grant (DLUHC)	-15,618	-
Covid-19 Income Loss Compensation Scheme (DLUHC)	-158	-123
Local Council Tax Support Grant (DLUHC)	-6,632	-
Local Tax Income Guarantee Scheme (DLUHC)	-25	-
New Homes Bonus Grant (DLUHC)	-2,358	-1,960
Revenue Support Grant (DLUHC)	-	-13
Services Grant (DLUHC)	-	-5,464
Total Other Non-Service Government Grants	-24,791	-7,560
<u>Capital Grants and Contributions</u>		
Basic Need Grant (DfE)	-6,646	-6,194
Devolved Formula Capital Grant (DfE)	-1,354	-1,697
Emergency Active Travel Fund (DfT)	-	-1,091
Highways Maintenance Block Incentive Element (DfT)	-1,904	-1,904
Highways Maintenance Block Needs Element (DfT)	-7,616	-7,616
Integrated Transport Block (DfT)	-3,763	-3,763
Local Growth Fund (DLUHC)	-3,164	-11
Local Authority Major Schemes Grant - A259 (DfT)	-	-637
Local Authority Major Schemes Grant - A284 (DfT)	-	-8,078
Local Authority Major Schemes Grant - A2300 (DfT)	-4,156	-
Potholes Fund (DfT)	-5,331	-7,616
School Conditions Allocation (DfE)	-8,388	-8,650
SEND Special Provision Capital Fund (DfE)	-772	-24,273
Section 106 Contributions	-9,712	-1,661
Other Grants and External Contributions	-552	-344
Total Capital Grants and Contributions	-53,358	-73,535
Total Grants Credited to Taxation and Non Specific Grant Income	-137,223	-96,828

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	2021/22 £000	2022/23 £000
Brownfield Land Release Fund (DLUHC)	-	-987
Devolved Formula Capital Grant (DfE)	-2,054	-1,744
Devolved Formula Capital Grant - Energy Efficiency (DfE)	-	-3,064
Emergency Active Travel Fund (DfT)	-1,958	-867
Local Authority Major Schemes Grant - A259 (DfT)	-778	-141
Local Authority Major Schemes Grant - A284 (DfT)	-	-3,714
Local Electric Vehicle Infrastructure Fund (DfT)	-	-1,786
Local Full Fibre Networks Challenge Fund (DCMS)	-1,977	-1,585
Local Growth Fund (DLUHC)	-841	-
On-Street Residential Chargepoint Scheme (DfT)	-	-1,509
Potholes Fund (DfT)	-3,874	-3,308
SEND Special Provision Capital Fund (DfE)	-7,995	-
Section 106 Contributions	-104,654	-123,298
A Place to Live	-650	-650
Other Grants and External Contributions	-543	-1,079
Total Capital Grants Receipts in Advance	-125,324	-143,732

Key to Central Government Departments:

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

26. External Audit Costs

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

	2021/22	2022/23
	£000	£000
Fees payable to EY with regard to external audit services carried out by the appointed auditor for the year	165	159
Fees payable in respect of other services provided by EY during the year	-	-
Total	165	159

The Authority received a grant of £44,903 from the Department for Levelling Up, Housing and Communities in 2022/23 (2021/22 £46,684) in recognition of an increase in audit fees associated with new burdens, including those arising from the 'Redmond Review' into the effectiveness of external audit and transparency of financial reporting in local authorities and the National Audit Office's Code of Audit Practice.

The Authority incurred further costs of £4,550 in 2022/23 (2021/22 £4,375) in relation to grant certification services provided by another audit firm.

27. Members' Allowances

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

	2021/22	2022/23
	£000	£000
Basic Allowances	870	945
Other Allowances	375	409
Travel and Subsistence	13	30
Total	1,258	1,384

28. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency (ESFA), the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations 2022. 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 2022/23 are as follows:

	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2022/23 before academy and high needs recoupment			-727,114
Academy and high needs figure recouped for 2022/23			240,412
Total DSG after academy and high needs recoupment for 2022/23			-486,702
Plus: Brought forward from 2021/22			-
Less: Carry-forward to 2023/24 agreed in advance			-
Agreed initial budgeted distribution in 2022/23	-152,464	-334,238	-486,702
In year adjustments	-522	-	-522
Final budget distribution for 2022/23	-152,986	-334,238	-487,224
Less: Actual central expenditure	169,337		169,337
Less: Actual ISB deployed to schools		334,238	334,238
Plus: Local authority contribution for 2022/23	-	-	-
In year carry forward to 2023/24	16,351	-	16,351
Plus: Carry forward to 2023/24 agreed in advance			-
DSG unusable reserve as at 31 March 2022			25,504
Total deficit balance to be carried forward at 31 March 2023			41,855

29. Expenditure and Income Analysed by Nature

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

Expenditure/Income	2021/22 £000	2022/23 £000
Expenditure		
Employee benefits expenses	646,127	671,334
Other service expenses	864,149	931,147
Depreciation, amortisation and impairment	32,032	55,399
Interest payments	93,330	112,286
Precepts and levies	1,183	1,214
(Gain)/loss on the disposal of non-current assets	10,347	20,784
Total Expenditure	1,647,168	1,792,164
Income		
Fees, charges and other service income	-214,812	-238,441
Interest and investment income	-54,071	-67,271
Income from Council Tax and Non-Domestic Rates	-602,097	-628,120
Gains from Donated Assets	-3,545	-
Government grants and contributions	-748,604	-782,499
Total Income	-1,623,129	-1,716,331
(Surplus)/Deficit on the Provision of Services	24,039	75,833

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

Staff at voluntary aided and foundation schools are not employees of the Authority, as at these schools the governing body is considered to be the employer. For 2022/23, employee expenses of £70.572m (£75.199m in 2021/22) in relation to staff employed at the Authority's voluntary aided and foundation schools are included within Employee benefits expenses above.

30. Officers' Remuneration

Bandings Disclosure

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

Banding	2021/22		2022/23	
	Non schools	School based	Non schools	School based
£50,000 - £54,999	197	214	214	254
£55,000 - £59,999	182	102	203	126
£60,000 - £64,999	45	93	80	94
£65,000 - £69,999	39	44	50	60
£70,000 - £74,999	25	41	30	30
£75,000 - £79,999	3	22	8	30
£80,000 - £84,999	10	8	11	10
£85,000 - £89,999	2	7	6	11
£90,000 - £94,999	2	4	2	4
£95,000 - £99,999	3	4	2	5
£100,000 - £104,999	-	6	3	2
£105,000 - £109,999	1	5	1	7
£110,000 - £114,999	6	1	6	3
£115,000 - £119,999	4	1	6	1
£120,000 - £124,999	2	-	2	-
£125,000 - £129,999	2	-	1	2
£130,000 - £134,999	1	-	2	-
£135,000 - £139,999	-	-	-	-
£140,000 - £144,999	1	-	1	-
£145,000 - £149,999	1	-	1	-
£150,000 - £154,999	2	-	1	-
£155,000 - £159,999	-	-	1	-
Total	528	552	631	639

The number of staff with remuneration above £50,000 in 2022/23 was 1,270, an increase from 1,080 in 2021/22. This increase is primarily attributable to the impact of pay awards and pay progression moving existing employees over the threshold during the year.

Senior Officer Disclosure

The remuneration payable to the Authority's senior employees for the period 1 April 2022 - 31 March 2023 was as follows (no bonuses or expense allowances were payable for the year):

Post title (as at 31 March 2023)	Salary, fees and allowances £	Benefits in kind £	Compensation for loss of employment £	Employer's pension contribution £	Total remuneration including pension contributions £
Assistant Chief Executive ¹	89,132			18,740	107,872
Chief Executive	Post holder not directly employed by West Sussex County Council - please see footnote below				
Chief Fire Officer	144,375			41,580	185,955
Director of Adults and Health ²	Post holder not directly employed by West Sussex County Council - please see footnote below				
Director of Adults and Health ^{3a, 4}	130,280			27,841	158,121
Director of Children, Young People and Learning ^{3b}	154,550	159		33,027	187,736
Director of Finance and Support Services ⁵	66,305			14,169	80,474
Director of Finance and Support Services (Interim) ⁶	Post holder not directly employed by West Sussex County Council - please see footnote below				
Director of Finance and Support Services ⁷	52,000			11,112	63,112
Director of Human Resources and Organisational Development	116,925			24,987	141,912
Director of Law and Assurance	122,156			26,105	148,261
Director of Place Services	148,292			31,690	179,982
Senior Coroner ^{3c, 8}	159,153	682		34,011	193,846

Notes to 2022/23 Senior Officer Remuneration Disclosure

1. Departed 31 December 2022.
2. Contracted until 26 May 2022.
3. In accordance with legislation, senior officers are only identified by name where they have an annual salary of £150,000 or greater. The relevant senior officers during 2022/23 were as follows:
 - a. Alan Sinclair
 - b. Lucy Butler
 - c. Penny Schofield
4. Appointed 23 May 2022.
5. Departed 30 September 2022.
6. Contracted from 13 September 2022 until 3 November 2022.
7. Appointed 7 November 2022.
8. 'Salary, fees and allowances' payable to the Senior Coroner includes an additional responsibility allowance to reflect additional work undertaken for the Brighton & Hove jurisdiction on an interim basis. A total allowance of £30,000 was payable for the period and was recovered in full from Brighton & Hove City Council, who also made a further contribution of £52,418 towards the Senior Coroner's pay and associated costs.

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

- Payments of £163,681 have been made to East Sussex County Council for the shared services of Becky Shaw, Chief Executive (including £40,911 accrued expenditure).
- Payments of £37,745 were made to East Sussex County Council for the shared services of the Director of Adults and Health up until 26 May 2022, representing an 80%/20% split of time between West Sussex and East Sussex County Councils.
- Payments of £41,536 were made to Faerfield Ltd for the services of the Interim Director of Finance and Support Services for the period 13 September 2022 until 3 November 2022.

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

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

Notes to 2021/22 Senior Officer Remuneration Disclosure

1. Appointed 10 January 2022.
2. In accordance with legislation, senior officers are only identified by name where they have an annual salary of £150,000 or greater. The relevant senior officers during 2021/22 were as follows:
 - a. Lucy Butler
 - b. Penny Schofield
3. Contracted until 25 February 2022.
4. Appointed 1 March 2022.
5. 'Salary, fees and allowances' payable to the Senior Coroner includes an additional responsibility allowance to reflect additional work undertaken for the Brighton & Hove jurisdiction on an interim basis from 11 September 2021. A total allowance of £16,750 was payable for the period and was recovered in full from Brighton & Hove City Council, who also made a further contribution of £24,204 towards the Senior Coroner's pay and associated costs.

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

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

Exit Packages

The Authority terminated, or made provision to terminate, the contracts of a number of employees in 2022/23. Total liabilities of £0.482m were incurred for the period (£0.959m in 2021/22).

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

2022/23

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies	(c) Number of other departures agreed	(d) Total number of exit packages by cost band (b + c)	(e) Total cost of exit packages in each band
£0 - £20,000	7	9	16	£71,161
£20,001 - £40,000	2	2	4	£131,226
£40,001 - £60,000	2	1	3	£141,256
£60,001 - £80,000	-	-	-	£0
£80,001 - £100,000	-	-	-	£0
£100,001 - £150,000	1	-	1	£138,583
Total	12	12	24	£482,226

2021/22

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies	(c) Number of other departures agreed	(d) Total number of exit packages by cost band (b + c)	(e) Total cost of exit packages in each band
£0 - £20,000	28	21	49	£374,673
£20,001 - £40,000	11	2	13	£383,224
£40,001 - £60,000	-	-	-	£0
£60,001 - £80,000	1	-	1	£64,414
£80,001 - £100,000	-	-	-	£0
£100,001 - £150,000	1	-	1	£136,351
Total	41	23	64	£958,662

31. Pooled Budgets

The Authority has entered into a number of pooled budget arrangements with the NHS and other local authorities for the provision of integrated health and social care. Memo accounts, demonstrating the funds provided by each partner and expenditure incurred against these funds, are presented below. Detail on the Authority's accounting treatment for each of the arrangements is provided in the summary of accounting policies at Note 37.

Learning Disabilities

An agreement under section 75 of the National Health Service Act 2006, this pooled budget (hosted by West Sussex County Council) seeks to exploit the benefits of Health Act flexibilities by means of integrated provision and lead commissioning. The budget is a means to enhance partnership working under the governance of the West Sussex Partnership Board, merging financial resources between the County Council and NHS Sussex Integrated Care Board (or, prior to 1 July 2022, the West Sussex Clinical Commissioning Group).

	2021/22	2022/23
	£000	£000
<u>Funding provided to the pooled budget:</u>		
West Sussex County Council	-84,946	-89,130
NHS Sussex Integrated Care Board	-19,346	-20,299
Total funding provided to the pooled budget	-104,292	-109,429
<u>Expenditure met by the pooled budget:</u>		
West Sussex County Council	89,766	100,087
NHS Sussex Integrated Care Board	20,444	22,794
Total expenditure met by the pooled budget	110,210	122,881
Net (surplus)/deficit arising on the pooled budget during the year	5,918	13,452
Authority's share of the net (surplus)/deficit	4,820	10,957

Mental Health

This Section 75 agreement under the National Health Service Act 2006 provides for a pooled budget. This seeks to exploit the benefits of Health Act flexibilities by means of integrated provision and lead commissioning via the enhancement of joined up working in health and social care. The budget, hosted by the NHS, is a means to achieve partnership working under the governance of the Joint Commissioning Board, merging financial resources between the County Council and NHS Sussex Integrated Care Board (or, prior to 1 July 2022, the West Sussex Clinical Commissioning Group).

	2021/22	2022/23
	£000	£000
<u>Funding provided to the pooled budget:</u>		
West Sussex County Council	-9,481	-10,142
NHS Sussex Integrated Care Board	-85,777	-67,102
Total funding provided to the pooled budget	-95,258	-77,244
<u>Expenditure met by the pooled budget:</u>		
West Sussex County Council	9,622	10,419
NHS Sussex Integrated Care Board	86,794	68,932
Total expenditure met by the pooled budget	96,416	79,351
Net (surplus)/deficit arising on the pooled budget during the year	1,158	2,107
Authority's share of the net (surplus)/deficit	141	277

Better Care Fund

The County Council has entered into a pooled budget arrangement with NHS Sussex (an Integrated Care Board which with effect from 1 July 2022 has inherited on the commissioning functions previously undertaken by the West Sussex Clinical Commissioning Group) for the pooling of resources with all commissioning partners to provide a joint programme of work to deliver better outcomes for people and improve services. The Council acts as host and banker in the arrangement but shares control jointly with NHS Sussex.

	2021/22 £000	2022/23 £000
<u>Funding provided to the pooled budget:</u>		
West Sussex County Council	-11,337	-12,793
NHS Sussex Integrated Care Board	-83,919	-70,885
Total funding provided to the pooled budget	-95,256	-83,678
<u>Expenditure met by the pooled budget:</u>		
West Sussex District and Boroughs	9,415	9,415
West Sussex County Council	28,810	31,779
NHS Sussex Integrated Care Board	37,031	51,962
Total expenditure met by the pooled budget	75,256	93,156
Net (surplus)/deficit arising on the pooled budget during the year	-20,000	9,478
Underspending brought forward	-345	-20,424
Underspending returned to partners	-	-
Interest earned on cash balances	-79	-373
Balance carried forward	-20,424	-11,319

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

In accordance with the provisions of the Section 75 agreement, the partners agreed to an additional £20m contribution by the West Sussex CCG in March 2022 to support the activity of the pool. This was carried forward into 2022/23, when it was expected that it would be returned to NHS Sussex (the successor body to the CCG) to fund expenditure consistent with the purposes for which the contribution had been provided. As of 31 March 2023, £10m had been claimed, so leaving a balance of £10m which will transfer through the pool into 2023/24. Under the terms of the agreement made between the partners this remains funding which is returnable to NHS Sussex. Consequently, West Sussex County Council has not recognised any share of this surplus in its single entity financial statements.

In addition to the pooled funds disclosed above, the Authority receives the Improved Better Care Fund (iBCF) and Adult Social Care Discharge Fund (ASCDF) directly from central government. Whilst both grants are required to be pooled within the BCF, neither allocation is subject to joint control arrangements, and so the grants are not accounted for as part of the pooled budget.

West Sussex County Council received an iBCF allocation of £20.6m in 2022/23, of which £16.6m has been recognised in the Comprehensive Income and Expenditure Statement for the period (in addition to £14.2m carried forward from 2021/22) as per Note 25. The unspent balance of the 2022/23 allocation, £4.0m, has been carried forward as a receipt in advance as there are outstanding conditions on the grant which will only be met when the funds are applied.

The Authority's ASCDF allocation for 2022/23 was £2.7m. Of this, £1.5m was recognised in the Comprehensive Income and Expenditure Statement (see Note 25). The balance of £1.2m has been carried forward as a receipt in advance, pending confirmation from central government regarding whether it is required to be repaid or will remain available to fund future discharge-related expenditure.

32. Related Parties

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

Central Government

Central government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides a significant proportion of its funding in the form of grants, and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills). The total of grants received from government departments is set out in the subjective analysis of income and expenditure in Note 29. Grants receivable for the period are further detailed in Note 25.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2022/23 is shown in Note 27.

A survey of the related party interests of Members and their immediate family members was carried out in preparing this Statement of Accounts. Three positive declarations were received from Members as follows:

One Member acts as Director and Trustee of Crawley Open House, and also as a member of the Executive Committee of South-East Employers. In 2022/23 goods and services to the value of £269,433 and £12,770 respectively were commissioned from these organisations. All contracts were entered into in full compliance with the Authority's standing orders for procurement.

Two further interests were declared; one Member acts as a trustee for the Les Alden Foundation, and another as Vice Chairman and Director for Sussex Community Rail Partnership. West Sussex County Council did not transact with either of these entities during 2022/23.

Officers

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

Other Public Bodies

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

During the reporting period, the Council incurred costs of £0.7m (2021/22 £0.7m) in relation to the administration of the Fund, and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund, and contributed £68.3m (including employee contributions) to the Fund in 2022/23 (2021/22 £63.1m). 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 2023 the Fund had a daily average investment balance of £37.9m held in Sterling (31 March 2022 £45.0m), earning interest of £0.74m (2021/22 £0.02m) in these funds at a rate of return of 1.9% (2021/22 0.04%). Additionally, the Fund has earned interest of £0.03m on investments held in foreign currency (2021/22 £Nil).

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 2022/23 the precept on the County Council was £0.181m (2021/22 precept £0.161m). A further payment of £0.017m was accrued for, representing the County Council's share of the 2022/23 levy shortfall.

The Authority has identified interests in two other entities, West Sussex Music Trust and Aspire Sussex Ltd. However, the Authority has judged that it does not have significant influence over either entity. Further details are provided in Note 38.

The Authority has an interest in Edes Estates Ltd (and through it, West Sussex Property Development LLP), but has determined not to produce consolidated group accounts for the period. Further detail on the nature of this relationship, and the judgement not to produce group accounts, is provided in Note 38. During 2022/23, the Council made direct payments to West Sussex Property Development LLP totalling £97,491 (excluding VAT) in respect of feasibility work on sites that may be optioned to the joint venture in the future following the appropriate County Council governance. There were no transactions between West Sussex County Council and Edes Estates Ltd during the period.

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 199 maintained schools (205 at 31 March 2022). Non-current assets with a net book value of £781m (£687m at 31 March 2022) were recognised in relation to these schools.

33. Notes to the Cash Flow Statement

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

	2021/22 £000	2022/23 £000
Charges for depreciation of non current assets	-72,469	-74,397
Charges for amortisation of intangible assets	-	-
Revaluations gains/losses on Property, Plant and Equipment and Assets Held for Sale charged to the Surplus/Deficit on Provision of Services	24,349	45,894
Impairment of non current assets	-	-
Movements in the market value of Investment Property	16,088	-26,896
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	-22,390	-23,086
Gains upon recognition of Donated Assets	3,545	-
Net reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-74,221	-60,347
Revaluation of financial instruments including expected credit losses	2,370	-7,060
(Increase) / decrease in creditors	5,658	-7,702
Increase / (decrease) in debtors	-20,295	12,971
Increase / (decrease) in inventories	163	142
Contributions (to) / from provisions	-1,137	2,279
Net adjustments for non-cash movements	-138,339	-138,202

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

	2021/22 £000	2022/23 £000
Proceeds from the sale of Property, Plant and Equipment, Investment Property, Intangible Assets and Assets Held for Sale	12,043	6,398
Capital grants and contributions recognised in the Comprehensive Income and Expenditure Statement	53,358	73,535
Adjustments for items that are investing and financing activities	65,401	79,933

(c) Investing Activities

	2021/22	2022/23
	£000	£000
Purchase of Property, Plant and Equipment, Investment Property and Heritage Assets	98,002	106,769
Purchase of short-term and long-term investments	402,581	831,742
Proceeds from short-term and long-term investments	-343,942	-844,511
Proceeds from the sale of Property, Plant and Equipment, Investment Property, Intangible Assets and Assets Held for Sale	-12,043	-6,398
Capital grants and contributions recognised in the Comprehensive Income and Expenditure Statement	-53,358	-73,535
Net position on capital grants and contributions receipts in advance	-16,187	-18,408
Net cash flows from investing activities	75,053	-4,341

(d) Financing Activities

	2021/22	2022/23
	£000	£000
Repayment of PFI and finance lease liabilities	4,058	5,267
Receipts from short and long term borrowing	-	-
Repayment of short and long term borrowing	3,516	10,016
Cash held for third parties	-397	-318
Net cash flows from financing activities	7,177	14,965

34. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Interim Director of Finance and Support Services on 22 November 2024. Events taking place after this date are not reflected in the financial statements or notes.

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

35. Contingent Assets

West Sussex County Council currently has no material contingent assets.

36. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note to the accounts.

West Sussex County Council recognises the following contingent liabilities:

- (1) A potential liability exists in respect of the insolvency of Independent Insurance Company Ltd, and its failure to enter into a scheme of arrangement with its creditors. This liability is ongoing but cannot be quantified. Known claims are provided for in the Insurance provision (see Note 14), but there is a risk of new claims arising from the period when the Independent Insurance Company provided cover to the Council (September 1992 to September 2000). An Insurance reserve (see Note 3) is maintained to provide for the risk of unknown future claims.
- (2) A potential liability exists in relation to any future costs of maintaining six closed landfill sites in the County. The Authority is responsible for monitoring these sites to ensure that they are being maintained correctly, and that there is no harm being caused to the surrounding environment. No provision has been recognised in the accounts as it is not currently possible to measure the size of any such obligation with sufficient reliability.
- (3) The Council is on notice of the potential for claims associated with the possible exposure of a small number of individuals to harm during some building work undertaken for the Council. An investigation identified a low risk but the likelihood of future claims and any necessary provision for their resolution cannot be assessed at this time.
- (4) In June 2021 the Council notified the Pensions Regulator of a breach of the Teachers' Pension Regulations. This related to a failure over a number of years to auto-enrol some part time and casual teaching staff onto the teachers' pension scheme as required following a change to the regulations in 2007.

The Council appointed an external adviser to investigate the extent of the breach. During 2021/22 the Council continued to make progress to identify those individuals in scope, although it was not possible to accurately quantify the obligation to the Council for inclusion in the 2021/22 accounts. The individuals identified as potentially in scope were sent letters in both March 2021 and February 2022.

During 2022/23 the Council worked with the Teachers' Pension Scheme (TPS) to agree those individuals in scope. TPS are in the process of doing an options exercise for the impacted employees in scope, which due to the complexity of the exercise, will not now be complete until late 2023/early 2024 with the expectation the issue will be fully resolved by March 2024.

The obligation to the Council only exists should the individual take up their option to join the scheme. As the options exercise is still ongoing, no provision for backdated employer contributions or interest charges can currently be made, as existence of the obligation is uncertain and cannot be reliably quantified.

37. Accounting Policies

(i) General Principles

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

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom ('the Code') for the relevant reporting period, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

(ii) Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

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

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

Recognition - Schools

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

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

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

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

Measurement

Assets are initially measured at cost, comprising:

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

The Authority does not capitalise borrowing costs.

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

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

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

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

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in Balance Sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost.

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

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Surplus or Deficit on Provision of Services where they arise from the reversal of a loss previously charged to that service).

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

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

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

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

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

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

Depreciation

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

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

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

Componentisation

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

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

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

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

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

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

Disposals and Non-Current Assets Held for Sale

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

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs of sale. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts, while amounts below this are credited to revenue. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment (or set aside to reduce the Authority's underlying need to borrow i.e. the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance via the Movement in Reserves Statement.

The Code requires that, where expenditure is capitalised in relation to the replacement of a component of an item of Property, Plant and Equipment, the carrying amount of the replaced component shall be written out of the balance sheet as a disposal. For infrastructure assets, the Authority has determined the carrying value of any components replaced during the accounting period to be nil, in accordance with the provisions of the Local Authorities (Capital Finance and Accounting) (Amendment) Regulations 2022. Further detail regarding the accounting arrangements for infrastructure assets is provided at Note 4 Property, Plant and Equipment.

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

(iii) Investment Property

Investment Properties are assets that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment Properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, Investment Properties are valued at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains or losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Rentals received in relation to Investment Properties are credited to the Financing and Investment income line and result in a gain for the General Fund balance.

(iv) Charges to Revenue for Non-Current Assets

Services are charged an accounting estimate of the cost of holding non-current assets during the year. This comprises:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible assets attributable to the service.

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

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

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

Supported Borrowing

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

Unsupported Borrowing

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

MRP – Finance Lease and PFI

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

(v) 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 in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Grants Unapplied Account via the Movement in Reserves Statement. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have applied to fund capital expenditure.

(vi) 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.

(vii) 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.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

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

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

Lease payments are apportioned between:

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

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased Property, Plant or Equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over an item of property, plant or equipment, the relevant asset 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.

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 within Other Operating Expenditure in the Comprehensive Income and Expenditure Statement with the debtor representing the sale proceeds.

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

Lease rentals receivable are apportioned between:

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

Operating Leases

Where the Authority grants an operating lease over an item of property, plant or equipment, the asset is retained in the Balance Sheet and rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

IFRS Transitional Rules

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

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

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

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

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

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

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

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Financing and Investment Income and Expenditure 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.

(ix) Accruals of Income and Expenditure

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

In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet at the lower of cost and net realisable value
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

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

Where income or expenditure is to be recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. The Council has applied a de minimis threshold of £10,000 for all manual accruals of income and expenditure, except for the accrual of expenditure relating to termination benefits (no de minimis has been applied to these payments).

Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. An examination of debtors outstanding at 31 March has been undertaken and an allowance for doubtful debts has been made.

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

(x) Overheads and Support Services

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

(xi) Reserves

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

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund via the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

(xii) Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority recognises the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

(xiii) 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 with sufficient reliability.

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

(xiv) Financial Instruments

a) Financial Liabilities

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

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

b) Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI) - the Authority has currently not designated any financial asset into this category.

The Authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost:

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

For most of the financial assets held by the Authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement. Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

Expected Credit Loss Model:

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

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. No loss allowance is recognised for assets where the counterparty is central government or a local authority whereby relevant statutory provisions prevent default.

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

Financial Assets Measured at Fair Value through Profit or Loss:

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

In November 2018 the Ministry of Housing, Communities and Local Government (now the Department for Levelling Up, Housing and Communities) announced a statutory override applicable to English local authorities regarding fair value movements on pooled investments funds, initially covering a five-year period commencing 1 April 2018. This override was subsequently extended in January 2023 for a further two years, now expiring 31 March 2025. During the period of the statutory override, the Authority will transfer all fair value movements recognised in the Surplus or Deficit on the Provision of Services relating to pooled investment funds to the unusable Pooled Investment Funds Adjustment Account (or, for equity investments, to the Capital Adjustment Account).

Fair Value Measurements of Financial Assets:

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

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

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

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

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

(xv) 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.

(xvi) Schools

The Code confirms that the balance of control for local authority maintained schools (as identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority single entity financial statements (and not the group accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Authority as if they were the transactions, cash flows and balances of the Authority.

(xvii) Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and NDR

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

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

(xviii) 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.

(xix) Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority.

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

The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement to the Accumulated Absences Account so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy, and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

(xx) Post-employment Benefits

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

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

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

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

The Local Government Pension Scheme and The Firefighters' Pension Scheme

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

- The liabilities of the respective schemes attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method (i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees).
- Liabilities are discounted to their value at current prices, using an appropriate discount rate.

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

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

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

Service cost, comprising:

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

Remeasurements, comprising:

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

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

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

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

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

(xxi) 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.

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

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

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

(xxiii) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change, and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

(xxiv) Fair Value Measurement of Non-Financial Assets

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

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

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

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

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

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

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

(xxv) Joint Operations and Other Pooled Budgets

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

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

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

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

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

(xxvi) Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where such a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

(xxvii) Going Concern

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

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

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

An authority experiencing significant resource pressures does not therefore negate the presumption of going concern, because if an authority were in financial difficulty the prospects are that alternative arrangements might be made by central government for the continuation of services. However, references to such issues affecting financial resilience and sustainability will be made in other sections of the financial statements as appropriate, for example in Note 38 Critical Judgements in Applying Accounting Policies.

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

38. Critical Judgements in Applying Accounting Policies

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

Going Concern Impact Assessment

The budget for 2022/23 was set in February 2022 whilst the Council was continuing to manage the impact of Covid-19. During the year the impact of the pandemic continued to affect council services, which led to a continuation of some support including the Community Hub, health and prevention initiatives, additional social care requirements, and continued working with schools and colleges on targeted mental health support for children and young people.

The Council overspent its 2022/23 revenue portfolio budgets by £10.5m – largely within children’s social care, however there were other pressures across most portfolios which were able to be mitigated in year. This overall overspend was financed from the corporate contingency budget (£4.7m), additional investment income (£5.0m), additional funding from the Business Rates Levy (£0.6m) and a drawdown from the Inflation Contingency Reserve (£0.2m).

The Council continued to closely monitor its cashflow position to ensure that there were sufficient funds available to meet its financial obligations and remain financially solvent. The Council held a balance of short and long term investments to ensure cash was available should it be required, as the effects of the pandemic continued.

During 2022/23 the delivery of the Council’s services to our residents has been impacted by a number of factors, including: high inflation levels and the ongoing ‘cost of living’ crisis; labour shortages in key occupations; increasing service demand and complexity of need of those requiring our support; and uncertainty around future years’ funding. The budget gap for 2024/25, as reported at County Council on 17 February 2023, was £25.2m (net of proposed savings of £8.2m). This assumes no increase to council tax, since this remains a decision for County Council and will be taken in February 2024. Every 1% increase in council tax generates approximately £5.7m of additional income. The gap excludes the effect of any fair funding changes, the full impact of social care reforms (if they are implemented from 2025/26), and the ongoing overspend on the SEND budget and the DSG deficit, both of which are currently ringfenced to the Dedicated Schools Grant until 2025/26. The next spending review is expected in early 2025 and any policy changes Government may introduce in the future could have the impact of significantly increasing the budget gap.

Work is underway with the Executive Leadership Team and Cabinet Members to review this position. In July 2023 the Cabinet will consider the Medium-Term Financial Strategy which, during a period of such uncertainty, will provide the latest update on the financial position and budget gap across the next four years. It will set the foundations for the 2024/25 budget planning process.

As at 31 March 2023 the Council held earmarked reserves of £187.7m (excluding School Balances and the Business Rates Pilot Fund), with a further £20.3m held in the General Fund. In the short term, and with the need to replenish or re-profile costs to a later period, the Council could draw on some of these reserves to balance the budget if required. However, the working assumption is that reserves will not be used to balance the budget and are held instead to manage the County Council’s risk strategy. As part of the approved budget for 2023/24, a further £16m has been transferred to the General Fund, in recognition that the County Council is facing a period of financial uncertainty.

A potential added pressure is the DSG Reserve which, as at 31 March 2023, holds a deficit balance of £41.9m. This incorporates the 2022/23 annual deficit of £16.9m, which was reduced by £0.5m due to a retrospective 2021/22 adjustment for early years. The DSG deficit is classified as an unusable reserve in line with regulatory changes which came into force during 2020/21 and were initially due to expire at the end of March 2023, but have since been extended for a further three years to the end of March 2026. The temporary legislation states that any DSG deficits are to be recovered from future DSG income over time rather than from local authority General Funds. Government's intentions from 2026/27 onwards remains unclear at this stage. The County Council is part of the second tranche of the Delivering Best Value initiative with the DfE looking for opportunities to mitigate pressures on the SEND budget.

The Council has produced a cashflow to 31 March 2025 and modelled the impact of two scenarios to ensure the budget is balanced for both 2023/24 and 2024/25. Both scenarios are underpinned by the Council's latest forecasts of its known demand and contract financial pressures. For 2023/24, these total £56.8m and comprise pressures arising from increased demand and increased contract prices (£20.1m), a continuation of the 2022/23 annual DSG deficit (£17.0m), non-delivered savings from 2022/23 (£10.1m) and savings for 2023/24 (£9.6m). The more optimistic scenario assumes that, having met the above pressures through a combination of base funding and reserves in 2023/24, a balanced budget can be set for 2024/25, whereas the more pessimistic scenario assumes a further funding shortfall of £47m in 2024/25. Based on this modelling we are satisfied that there is no material uncertainty relating to the Council's cashflow position to 31 March 2025.

Local Government Funding Arrangements

There is a high degree of uncertainty about future levels of funding for local government. DLUHC's long-awaited Fair Funding Review into business rates retention and baseline funding allocations continues to be delayed, and will not now take place during the current three-year spending review period (up to and including 2024/25). The two-year settlements mooted by Government in recent years have also as yet failed to materialise, although the 2023/24 Local Government Finance Settlement was accompanied by a policy paper which did provide some indication of the expected level of funding in 2024/25.

Additionally, there continues to be a high degree of uncertainty around the council tax and business rates base. The fallout from the coronavirus pandemic, coupled with the uncertain economic environment and high levels of inflation, has seen a number of households fall into council tax support, which may impact on the amount of council tax receivable. The requirement for business premises may also reduce, decreasing the amount of business rates collectable.

However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

Defined Benefit Pension Schemes

The Authority accounts for its assets and liabilities under the Local Government Pension Scheme in accordance with the requirements of IAS 19, as detailed in Note 17. The value of these assets and liabilities as at 31 March 2023 has been estimated by the Authority's actuary, Hymans Robertson LLP. Under IAS 19, the Authority is required to apply an 'asset ceiling', which limits the extent to which a net pension asset can be recognised to the present value of any economic benefits available in the form of refunds and/or reductions in future contributions to the plan.

The Authority has judged that the asset ceiling shall be calculated by deducting the present value of future employer contributions from the present value of future employer service costs over the future working lifetime of asset scheme members. Under this methodology, the actuary has calculated the asset ceiling to be £11.939m, and so this is the net asset that the Authority has recognised for the Local Government Pension Scheme at 31 March 2023. An alternative methodology for determining realisable economic benefits, such as not deducting employer contributions from future service costs, could have resulted in a higher asset ceiling which in turn may have allowed for a greater net asset to be recognised on the Authority's balance sheet (up to the value in the actuary's IAS 19 report, £534.199m at 31 March 2023).

Interests in Other Entities

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

The Articles of Association of Aspire Sussex Ltd grant West Sussex County Council the right to appoint one representative on the company's Board of Trustees. The Articles require a minimum of five members to hold membership at all times, and so the maximum possible voting share attributable to the Authority is 20%. The Authority judges that a maximum voting share of 20% would not enable it to exert significant influence over the entity. In any event, the Authority did not elect to appoint a representative to the Board of Aspire Sussex Ltd for its most recent reporting period, and so exerted no influence over the financial or operating policy decisions of the company during that time. Aspire Sussex Ltd appointed administrators in November 2022, citing financial pressures arising from the coronavirus pandemic and cost-of-living crisis. The Council continues to make arrangements for alternative providers of adult learning services to the communities of West Sussex.

The Memorandum of Association of West Sussex Music Trust does not afford West Sussex County Council any right to ongoing membership on the company's Board of Trustees, and the Authority was not represented on the Board during the entity's most recent reporting period, either directly or indirectly (e.g. through the appointment of a maintained school employee). The Authority therefore concludes that it has not exerted significant influence over the financial or operating policy decisions of West Sussex Music Trust during this time.

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

As at 31 March 2023, Edes Estates has recognised a loss of approximately £294,000, representing its share of the losses incurred by the joint venture in that time. The Council has judged that this loss is not sufficiently material to warrant consolidation into group accounts as a wholly owned subsidiary. It is noted that work-in-progress of approximately £2.7m was recorded in the joint venture's accounts at 31 March 2023. These costs relate to the appraisal of sites for development (including feasibility, architecture and design works associated with the planning application process), and are at the risk of Lovell Partnerships until such time that the Authority approves a business case for the transfer of land into the joint venture. As work-in-progress, these costs are not recognised by Edes Estates under the equity method of consolidation, and so are outside the scope of recognition by West Sussex County Council at this time.

Provisions and Contingent Liabilities

The Authority is required to exercise judgement in assessing whether a potential liability should be accounted for as a provision, or whether it should be disclosed as a contingent liability. This judgement requires the Authority to assess the likelihood of the obligation arising. In calculating the level of any provisions, the Authority also exercises judgement; they are measured at the Authority's best estimate at the balance sheet date of the costs required to settle the obligation. The level of the Authority's provisions and details of its contingent liabilities are set out in Notes 14 and 36 respectively.

Schools' Non-Current Assets

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

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

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

39. Assumptions made about the Future and Other Sources of Estimation Uncertainty

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

Property, Plant and Equipment – Revaluation

As detailed in Note 37 Accounting Policies, the Authority formally revalues its operational land and buildings at least once every five years. In order to ensure that the carrying value of these assets does not differ materially from current value in between formal valuations, assets not subject to revaluation in any given year are tested for indexation.

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

Indexation was applied to all land and building assets not subject to formal revaluation at 31 March 2023 using this methodology. Net indexation of £76.4m was applied to assets with a carrying value of £579.3m, representing an increase of 13.2%.

Property, Plant and Equipment – Depreciation

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

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall. Had the estimated remaining useful lives at 1 April 2022 of all of the Authority's Property, Plant and Equipment assets subject to depreciation been decreased by one year, the effect would have been to increase the 2022/23 depreciation charge by £10.7m. Given the requirement to revalue land and building assets at least once every five years as described above, this in-year increase may be extrapolated to indicate the cumulative impact on the carrying value of assets on the balance sheet between formal valuations. However, it is emphasised that the Authority's sampling approach, including more frequent revaluations for high-value assets (and annual revaluation of Surplus Assets), means that in reality the scope for this variation in carrying value is significantly reduced. In any event, a variation of this scale is not considered to be material in the context of the Authority's £1.8billion long-term asset base.

Private Finance Initiatives

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

Defined Benefit Pension Schemes

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

Local Government

Change in assumptions at 31 March 2023	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2%	32,553
1 year increase in member life expectancy	4%	73,913
0.1% increase in the Salary Increase Rate	0%	2,335
0.1% increase in the Pension Increase Rate	2%	30,698

Firefighters

Change in assumptions at 31 March 2023	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	9%	27,664
1 year increase in member life expectancy	3%	9,080
0.5% increase in the Salary Increase Rate	<1%	1,233
0.5% increase in the Pension Increase Rate	8%	23,529

40. Accounting Standards that have been Issued but have not yet been Adopted

The Authority is required to disclose information relating to the impact on its financial statements of an accounting change that will be required by a new standard that has been issued but has not yet been adopted by the CIPFA Code of Practice on Local Authority Accounting (the 'Code'). For 2022/23, this requirement is limited to the standards listed in Appendix C of the 2023/24 Code, which (as per CIPFA Bulletin 14 – Closure of the 2022/23 Financial Statements) are expected to be as follows:

- IFRS 16 Leases – this only applies to authorities which have elected to voluntarily adopt the standard in the 2023/24 financial year, or for an authority which has adopted the standard in 2022/23 but chosen to defer the impact on PFI and PPP arrangements until 2023/24
- Amendments to IAS 8 – definition of accounting estimates
- Amendments to IAS 1 and IFRS Practice Statement 2 – disclosure of accounting policies
- Amendments to IFRS 3 – reference to the Conceptual Framework
- Amendments to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction.

The Authority has elected to make full use of the deferral of IFRS 16 Leases until 1 April 2024 as announced by CIPFA LASAAC in April 2022, and as such the disclosure requirements regarding the early voluntary adoption of this standard are not applicable.

The amendments to IAS 8 (definition of accounting estimates) and IAS 1 / IFRS Practice Statement 2 (disclosure of accounting policies), whilst leading to improved reporting, are unlikely to have a significant impact on the amounts recognised in the financial statements.

The updates to references to the Conceptual Framework in IFRS 3 are considered unlikely to have a significant impact on local authority financial reporting. The amendments to IAS 12 relate to deferred tax on assets and liabilities arising from a single transaction, and is not applicable to local authority single entity financial statements (but may be relevant to local authority group accounts).

41. Firefighters' Pension Scheme

Fund Account	2021/22 £000	2022/23 £000
<u>Contributions receivable</u>		
Employers		
Normal	-4,212	-4,176
Early retirements	-	-
Total Employer Contributions	-4,212	-4,176
Employees	-1,899	-1,877
Transfer values from employers of contributors joining the fund	-27	-
Charges in respect of ill-health early retirements	-20	-
Total contributions receivable	-6,158	-6,053
<u>Benefits payable</u>		
Lump sum benefits		
Commutations	1,634	2,507
Death benefits	-	-
Total Lump sum benefits	1,634	2,507
Pensions	8,940	10,719
Transfer values to employers of contributors leaving the fund	-	-
Refund of contributions	2	-
Total benefits payable	10,576	13,226
Other miscellaneous expenditure	38	69
Net amount payable for the year before top up grant from the Home Office	4,456	7,242
Top up grant received from the Home Office	-3,126	-3,920
Top up grant receivable from the Home Office	-1,330	-3,322
Net amount payable/receivable for the year	-	-
Net Assets Statement	31 March 2022 £000	31 March 2023 £000
Current Assets		
Pension top up grant receivable from the Home Office in respect of year to reporting date	1,330	3,322
Payments in advance	-	-
Total Current Assets	1,330	3,322
Less: Current Liabilities		
Creditors	-1,330	-3,322
Net Assets - Scheme Balance	-	-

Glossary of Financial Terms

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

Capital Receipts	The proceeds from the sale of a non-current asset, which may only be used for capital purposes, and not to support the revenue budget.
Capital Receipts Reserve	Holds accumulated capital receipts which have yet to be applied to finance the capital programme.
Cash Flow Statement	Shows the movement in cash and cash equivalents of the Authority during the reporting period.
Chartered Institute of Public Finance and Accountancy (CIPFA)	The professional accountancy institute that sets the standards for the public sector. CIPFA publishes the accounting codes of practice for local government.
Code of Practice on Local Authority Accounting ('the Code')	Local authorities in the United Kingdom are required to keep their accounts in accordance with 'proper practices'. This is defined, for the purposes of local government legislation, as meaning compliance with the terms of the Code. The Code is reviewed continuously and is normally updated annually.
Collection Fund	Each billing authority maintains a separate collection fund for council tax and non-domestic rates. Monies are paid into the funds by taxpayers and ratepayers, and are distributed to preceptors.
Comprehensive Income and Expenditure Statement	A statement which shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded by taxation.
Contingent Asset	Arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority.
Contingent Liability	Arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority.
Council Tax	A domestic property tax set by local authorities to finance revenue expenditure. Each dwelling is allocated to one of eight tax bands based on its capital value.
Creditors	Amounts owed by the Authority for goods and services received where payment has not been made as at the Balance Sheet date.
Current Asset	Assets which are either cash (or an equivalent), held for trading, or expected to be realised within the next financial year.
Current Liability	An amount which will become payable within 12 months of the reporting date.
Current Service Cost	An increase in the present value of liabilities in a defined benefit pension scheme, arising from employee service in the current period.
Debtors	Amounts owed to the Authority for goods and services provided but are unpaid as at the Balance Sheet date.

Dedicated Schools Grant (DSG)	The County Council's expenditure on schools is funded by grant monies issued by the Department for Education. DSG is ringfenced and can only be applied to meet expenditure included in the Schools Budget, or central expenditure as agreed by the Schools Forum.
Depreciated Replacement Cost (DRC)	A method of asset valuation, used where there is insufficient market-based evidence of current value because an item Property, Plant and Equipment is specialised and/or rarely sold (e.g. a school), or as a proxy for current value for non-property assets that have short useful lives and/or low values.
Depreciation	A charge to the revenue account to reflect the consumption of a tangible non-current asset in service delivery. There is a corresponding reduction in the value of the non-current asset on the Balance Sheet.
Earmarked Reserves	Usable reserves which have been set aside for a specific purpose.
Events after the Balance Sheet Date	Events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue.
Exceptional Items	Material items which deviate from events or transactions that fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.
Existing Use Value	A valuation method that estimates the amount for which an asset or liability should exchange on the valuation date between a willing buyer and seller in an arm's length transaction and disregarding potential alternative uses for the asset.
Expected Credit Loss	An impairment allowance applied to certain categories of financial assets, calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations.
Expenditure and Funding Analysis	An analysis of the income and expenditure of the Authority chargeable to the General Fund under statute, and a reconciliation of these sums to that presented in the Comprehensive Income and Expenditure Statement under proper accounting practices.
Fair Value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Finance Lease	A lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Consequently the non-current asset is included within the Balance Sheet of the lessee, even though the lessor retains the legal title of the asset.
Financial Assets Measured at Amortised Cost	Financial assets whereby the Council's business model is to collect contractual cash flows with intention of holding to maturity; such cash flows being solely payments of principal and interest. Includes cash and cash equivalents, fixed-term deposits and trade debtors.
Financial Assets Measured at Fair Value through Profit or Loss	Financial assets whose contractual payments are not solely payments of principal and interest; such assets incurring fair value gains and/or losses over the lifetime of the investment). Includes pooled funds and equity investments.
Financial Instrument	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Examples include the borrowing or lending of money and the making of investments.

General Fund	A statutory fund which holds the accumulated surplus of income over expenditure in the revenue account. The balance on the General Fund forms part of the County Council's Usable Reserves.
Gross Expenditure	Total expenditure before deducting income.
Heritage Assets	Assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge or culture.
Impairment	Recognised when the carrying amount of an asset exceeds its recoverable amount. An impairment may be physical in nature (such as damage caused by fire), or may arise from a general or specific reduction in prices during the financial year.
Income	Inflow of economic benefits or service potential during the reporting period, when such inflows or enhancements of assets or decreases of liabilities result in an increase in reserves.
Intangible Assets	Intangible assets yield benefits to Council for more than one year, but are without physical form, such as software licences. Intangible assets are recorded at cost and are amortised over their estimated useful economic life.
International Accounting Standards (IAS)	Standards for the preparation and presentation of financial statements as issued by the International Accounting Standards Committee (IASC) from 1973 to 2001.
International Accounting Standards Board (IASB)	Independent body with responsibility for developing and approving International Financial Reporting Standards (IFRSs). Successor to the International Accounting Standards Committee (IASC).
IFRIC	Interpretations developed by the IFRS Interpretations Committee (previously the International Financial Reporting Interpretations Committee), issued upon approval by the International Accounting Standards Board (IASB).
International Financial Reporting Standards (IFRS)	Standards for the preparation and presentation of financial statements as issued by the International Accounting Standards Board (IASB) since 2001.
Investment Property	Property held solely to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of operations.
Lease	A lease is an agreement whereby the lessor conveys to the lessee (in return for a payment or series of payments) the right to use an asset for an agreed period of time.
Liability	A present obligation of the Authority arising from past events, the settlement of which is expected to result in an outflow from the Authority of resources embodying economic benefits or service potential.
Long Term Assets	Non-current assets that do not meet the definition of a current asset and provide benefits to the Council which are realisable over a period greater than 12 months.

Materiality	Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement, judged in the context of the information being considered.
Minimum Revenue Provision (MRP)	An amount chargeable to the General Fund annually to provide for the repayment of debt. The provision of MRP reduces the Council's Capital Financing Requirement, which may be met by internal or external borrowing.
Modern Equivalent Asset (MEA)	Used in DRC valuations, where the replacement cost of an existing asset is determined using a modern equivalent which provides the current level of service or output.
Movement in Reserves Statement	Shows the movement in the year on the various reserves held by the Authority, analysed into usable and unusable reserves.
National Non-Domestic Rates (NNDR)	A charge on commercial and industrial premises based on the rateable value of the property multiplied by a national rate set by central government. The means by which local businesses contribute towards the provision of local authority services.
Operating Lease	A lease arrangement where the risks and rewards of ownership of the asset have not been transferred to the lessee. The annual rentals are therefore charged directly to the Income and Expenditure Account and the asset remains on the balance sheet of the lessor.
Outturn	The actual level of income and expenditure for the financial year.
Past Service Cost	The change in the present value of the defined benefit obligation relating to employee service in prior periods, arising from amendments to retirement benefits.
Pooled Budgets	A partnership arrangement whereby NHS organisations and local authorities contribute an agreed level of resource into a pooled fund which is then used to commission or deliver health and social care services.
Precept	The County Council precepts on (makes demands upon) the billing authorities' collection funds for its net expenditure requirements to be met by council tax.
Prior Period Adjustments	Material adjustments which are applicable to prior years and which arise from changes in accounting policy or the correction of material errors. They do not include immaterial adjustments or changes to accounting estimates.
Private Finance Initiative (PFI)	A long-term contractual public private partnership, which typically involves a private sector entity (the operator) constructing or enhancing infrastructure used in the provision of a public service, and operating and maintaining that infrastructure for a specified period of time. The operator is paid for its services over the period of the arrangement.
Provisions	Provisions are raised to recognise liabilities which exist at the balance sheet date, where settlement is probable and can be reliably quantified but the exact amount and the date on which it will arise is uncertain.
Prudential Code	Issued by CIPFA, the Prudential Code supports local authorities in taking capital investment decisions. The Prudential Code requires local authorities to set their own borrowing limits based upon affordability, sustainability and prudence.
Public Works Loan Board (PWLB)	A central government agency which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government itself can borrow.

Related Party	An individual or organisation that has the potential to control or significantly influence the Council, or to be controlled or significantly influenced by the Council.
Remuneration	Remuneration includes all amounts paid to or receivable by a person, including sums due by way of expense allowances (so far as these are chargeable to tax) and the estimated monetary value of any other benefits received by an employee.
Residual Value	The estimated amount that the Authority would currently obtain from disposal of an asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.
Revaluation Reserve	Records the unrealised revaluation gains arising from increases in the value of non-current assets. The reserve increases when assets are revalued upwards, and decreases when assets are revalued downwards or disposed of or as assets are depreciated.
Revenue Budget	The estimate of annual income and expenditure requirements, which sets out the financial implications of the County Council's policies and the basis of the annual precept to be levied on collection funds.
Revenue Contribution to Capital Outlay (RCCO)	The amount of capital expenditure to be financed directly from the annual revenue budget.
Revenue Expenditure	The operating costs incurred by the Council in providing its day-to-day services, such as salaries, supplies and services.
Revenue Expenditure Funded from Capital under Statute (REFCUS)	Expenditure that is classified as capital under statutory provisions, but which does not result in the creation or enhancement of non-current assets owned by the Council. Such expenditure is treated as revenue expenditure under proper accounting practices and is charged to the relevant service in the Comprehensive Income and Expenditure Statement.
Section 106 Contributions	Payments made by developers as part of a planning agreement entered into under the Town and Country Planning Act 1990, as a contribution towards infrastructure costs (highways, schools etc) to mitigate the impacts of a development proposal.
Specific Grants	Represents central government financial support towards particular local authority services, which the government wishes to target.
Surplus Assets	Non-current assets that are surplus to service needs but that do not meet the recognition criteria for Investment Property or Assets Held for Sale.
Unusable Reserves	Reserves that the Council is not able to use to provide services. This includes unrealised gains and losses in relation to asset revaluations and accounts that absorb the timing differences between transactions under proper accounting practices and statutory arrangements.
Usable Reserves	Reserves that can be used to meet future expenditure, subject to the requirement to maintain a prudent level of reserves and any statutory limitations on their use.

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

Disclaimer of opinion

We were engaged to audit the financial statements and the firefighters' pension fund financial statements of West Sussex County Council for the year ended 31 March 2023. The financial statements comprise the:

- Movement in Reserves Statement,
- Balance Sheet,
- Comprehensive Income and Expenditure Statement,
- Cash Flow Statement,
- the related notes 1 to 40 including a summary of significant accounting policies and including the Expenditure and Funding Analysis on page 26,
- and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement, at Note 41.

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 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

We do not express an opinion on the accompanying financial statements of the Council. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 requires the accountability statements for this financial year to be approved not later than 13th December 2024.

We completed the audit of the 2021/22 financial statements in February 2023 and issued our audit opinion on 28 February 2023.

The backstop date and the wider requirements of the local audit system reset meant we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2022/23 financial statements. Therefore, we are disclaiming our opinion on the financial statements.

Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements, performed subject to the pervasive limitation described above, we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council.

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)

- 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 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)

We have nothing to report in these respects.

Report on the Council's proper arrangements for securing economy, efficiency and effectiveness in the use of resources

We report to you if we are not satisfied that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

On the basis of our work, having regard to the Code of Audit Practice 2020 and the guidance issued by the Comptroller and Auditor General in January 2023, we have identified the following significant weakness in the Council's arrangements for the year ended 31 March 2023.

Significant weaknesses in arrangements

The weaknesses identified:

West Sussex County Council took the decision in November 2019 to upgrade its Business Management System from SAP to Oracle Fusion, known as the 'SmartCore' Project. Since June 2020 the Council have been working with an external delivery partner, on the implementing the project. The Council's Internal Audit performed an initial review of the SmartCore programme which was reported in September 2021 which highlighted a number of weaknesses regarding budgeting, governance and risk management. An additional review by an independent consultant and further review by Internal Audit during 2022/23 continued to identify weaknesses in governance and issues with delivery of the project, many of which were similar to those already included in the original 2021/22 Internal Audit Report. Following consideration of these continued issues, in addition to further difficulties in the relationship between the Council and the delivery partner, the Council determined in July 2023 that there was no real prospect of a deliverable plan being agreed and terminated the agreement with the delivery partner on 1 September 2023, over three years since the Council originally engaged with the contractor.

We have formed our views on the Council's arrangements considering the following:

- No risks relating to the Smartcore project were included on the Corporate Risk Register during 2022/23, which would have allowed for a greater awareness of the issues across senior officers and members, the more timely agreement of mitigating actions and better governance.
- Meetings of the Performance and Scrutiny Committee held from November 2022 through to the end of the period did not include Smartcore as an agenda item despite the known delays to the project timetable and deterioration in relationship with the delivery partner. Although we have seen evidence that other work was undertaken by the Council during this time to seek to address these issues, we have concluded that the limited nature of reporting to the Performance and Finance Scrutiny committee did not allow for adequate, timely and transparent challenge of the issues arising in delivery of the SmartCore programme in the 2022/23 period.
- The Council did not have adequate arrangements during 2022/23 to provide assurance that either the replacement business management system itself, or the contractual arrangements with the delivery partner to manage the transition, were delivering the expected benefits.

The evidence on which our view is based:

- Relevant Internal Audit reports in 2021/22 and 2022/23.
- The Annual Governance Statement in 2021/22 and 2022/23.
- Relevant reports to committee and other relevant reports produced by management in 2021/22 and 2022/23.
- Meetings with officers throughout the 2022/23 year, and into 2023/24.

The impact on West Sussex County Council:

Although work on the project has been ongoing since June 2020 the Council had not been able to upgrade its Business Management System from SAP to Oracle Fusion by the end of 2022/23. The Council has therefore not been able to optimize its back-office operations as quickly as desired.

Further work and additional costs have been incurred in 2023/24 and 2024/25 to commission a replacement external delivery partner for further implementation of the project which remains ongoing.

The action the Council needs to take to address the weaknesses:

- Build on the work already done in 2023/24 to improve the governance arrangements for the re-launched project.
- Ensure reporting of progress and risks is clear and consistent across all relevant committees and the Council's established corporate risk management arrangements.
- Seek to learn lessons from the project to date as part of the process to revise the business case and commission a new implementation partner.
- Establish revised programme and budget management arrangements for the project sufficient to gain comfort that both timetables and budgets for delivery are both realistic and adhered to.

We consider the issues above as evidence of weaknesses in arrangements in relation to:

Governance, including:

- how the body monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- how the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, and
- how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

Economy, Efficiency and Effectiveness, including:

- Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on page 22, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the Council financial statements and the firefighters pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets

(November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to cease operations, or has no realistic alternative but to do so.

The Council 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 for the audit of the financial statements

Our responsibility is to conduct an audit of the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in January 2023, as to whether West Sussex County Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those 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 2023.

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.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made 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.

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 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

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 (as amended) 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 Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ben Lazarus
Ernst & Young LLP

Ben Lazarus (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
London
25 November 2024

The following footnote does not form part of our Auditor's Report.

Additional information related to the disclaimer of opinion is set out in our **Completion Report for Those Charged with Governance** dated 22 November 2024, available on the Authority's website, which includes further explanations about the implementation of the statutory instrument which led to the disclaimer of our opinion on the financial statements.

West Sussex Pension Fund

Statement of Accounts

2022/23



Note: 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 31 March 2023 year end. Further information relating to these liabilities and other benefits is contained in the [Valuation Report](#).

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The Local Government Pension Scheme Pension Fund Account

Fund Account	Note	2021/22 £000	2022/23 £000
Dealings with members, employers and others directly involved in the scheme			
Contributions received	7	143,689	151,734
Transfers in from other Pension Funds	8	9,064	12,315
Amount received		152,753	164,049
Benefits paid	9	(120,440)	(129,432)
Payments to and on account of leavers	10	(7,383)	(10,041)
Amount paid		(127,823)	(139,473)
Net additions/(withdrawals) from dealings with members		24,930	24,576
Management expenses	11	(12,801)	(20,699)
Net additions/(withdrawals) including Fund management expenses		12,128	3,877
Returns on investments			
Investment income	12	59,737	122,868
Taxes on income	13A	(1,654)	-
Other income		102	11
Profit and (losses) on disposal of investments and changes in the market value of investments	14A	(59,402)	(276,938)
Net return on investments		(1,217)	(154,059)
Net increase in net assets available for benefits during the year		10,911	(150,182)
Add opening net assets of the scheme		5,483,193	5,494,106
Closing net assets of the scheme		5,494,106	5,343,924

Net Asset Statement

Assets and Liabilities	Note	At 31 March 2022 £000	At 31 March 2023 £000
Investment assets	14	5,470,460	5,331,748
Investment liabilities	14	(328)	(342)
Net investment assets / (liabilities)		5,470,132	5,331,406
Current assets	21	29,021	19,489
Current liabilities	22	(5,047)	(6,971)
Net assets of the scheme available to fund benefits at the end of the reporting period		5,494,106	5,343,924

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after 31 March 2023. The actuarial present value of promised retirement benefits is disclosed at Note 20.

Notes

Note 1: Description of the Fund

The West Sussex Pension Fund ('the Fund') is part of the Local Government Pension Scheme (LGPS) and is administered by West Sussex County Council.

General

The LGPS is a national defined benefit funded pension scheme governed by the Public Service Pensions Act 2013 and is administered by West Sussex County Council 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 2016.

The Fund provides 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 bodies described below.

Scheduled Bodies, Resolution Bodies and Academies	Regulations allow employees of certain specified bodies to join the Scheme including the County Council, District and Borough Councils, Sussex Police & Crime Commissioner, non-uniformed personnel employed by the Chief Constable employees within Town and Parish Councils as well as non-teaching staff employed by Colleges and Academies.
Admitted Bodies	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.

Membership

The membership details by employer group and member category are set out below:

Membership Type	31 March 2022	31 March 2023
Number of Employers with Active Members	205	216
Active members		
West Sussex County Council	12,945	12,566
Other employers	13,880	13,363
Total	26,825	25,929
Pensioner members		
West Sussex County Council	11,639	12,189
Other employers	11,363	11,010
Total	23,002	23,199
Deferred pensioner members		
West Sussex County Council	19,689	20,713
Other employers	15,065	16,116
Total	34,754	36,829
Total number of members in scheme	84,581	85,957

Funding

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

- Active members in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2023.
- Employers in accordance with the minimum rate calculated by the Fund Actuary at the triennial valuation exercise, or on joining the Scheme between valuations. The minimum employer contribution rates range from 0.0% to 46.3% of pensionable pay for the financial year ending 31 March 2023.

Benefits

The Local Government Pension Scheme (LGPS) changed to a Career Average Revaluation Earnings (CARE) scheme on 1 April 2014. From 1 April 2014 the benefits built up in the LGPS are worked out under the rules of the career average scheme at an accrual rate of 1/49th, updated annually in line with the Consumer Prices Index (CPI). Members in the Scheme before 1 April 2014 will also have benefits based on final pensionable pay and length of pensionable service (the final salary scheme).

A range of other benefits are also provided including early retirement, ill health and death benefits.

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 22/23, which is based upon International Financial Reporting Standards (IFRS), as amended for the 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 and have been prepared on a going concern basis.

The below are considered relevant in arriving at this assessment:

- The Fund remains a statutory open scheme with a strong covenant from the participating employers and is therefore able to take a long-term outlook when considering the general investment and funding implications of external events.
- The Fund remains a long-term investor and has reduced its allocation to equities with a preference to bond and income focussed assets to reduce the volatility of its investment assets. The Fund will continue to monitor all risks on an ongoing basis and take appropriate actions where necessary.
- The Fund was 125% funded as at the last triennial valuation as at 31 March 2022. It is estimated that the Fund remains fully funded.
- The Fund takes a prudent approach when setting employer contributions and its contribution strategy is considered against detailed scenario testing by the Fund Actuary. It is not expected that any contribution rates will be reviewed or revised prior to the outcome of the next triennial valuation (31 March 2025).
- Management is not aware of any other significant planned changes to its main receipts and payments up to March 2024.

A cashflow forecast has also been produced to consider all significant receipts and payments up to March 2025. The Fund has based this assessment on:

- Contributions based on actual March 2023 pensionable pay data and known employer contribution rates to 31 March 2025.
- 2022/23 outturn values for property rental income, pension benefits, death benefits and lump sum payments.

Appropriate stress testing has been applied to the above projections as follows:

- Pensionable pay reduces by 10% annually
- Pension benefits increase by 10% annually; and
- Death benefits and lump sum payments each increase by 10% annually.

After the application of these stress tests the forecasting shows that the Fund would still have sufficient annual cash flows to cover benefit payments without needing to sell investment assets. In the unlikely event that the stress tests applied are not sufficiently pessimistic the Fund holds in excess of £4.2 billion of assets in liquid form which could be realised within 3 months in a managed way to cover all benefits paid for a period of greater than 12 months from the reporting date should the need arise.

Note 3: Summary of Significant Accounting Policies

Fund Account – Revenue Recognition

Contribution Income

Normal contributions, both from members and employers, are accounted for on an accruals basis. Member contributions are accrued at the percentage rate in accordance with the LGPS Regulations 2013. Employer contributions are accrued at the minimum percentage rate set by the Fund Actuary in the payroll period to which they relate.

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

Transfers In

Transfers in from other pension funds are accounted for when received, i.e., when the member liability is accepted.

Transfers in from members wishing to use the proceeds of their additional voluntary contribution fund to purchase additional benefits are accounted for on a receipts basis and are included as part of the transfers in from other pension funds.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement. No bulk transfers in have taken place in 2022/23 or the prior year.

Investment Income

- i. Interest income is recognised as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination or the Bank of England prevailing rate.
- ii. Stock lending income is recognised as it accrues.
- iii. 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.
- iv. Pooled equity and bond fund income and tax reclaims are accrued in the Net Asset Value per Unit. The income attributed to those units are distributed at least annually and recognised as income on the distribution date. All income is automatically reinvested to purchase units in the relevant pooled vehicle.
- v. Private equity, private debt and infrastructure income is recognised on the date paid and reported within the income received.
- vi. Property rental income is accounted for on an accruals basis.
- vii. 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.

Profit & Loss on Disposal

Changes in the value of investments are recognised as income or expense and comprise of all realised and unrealised profit or loss during the year.

Fund Account - Expenditure Recognition

Benefits Paid

Benefits paid include lump sums and all amounts known to be due at the end of the financial year. Any amounts approved and due are disclosed in the Net Asset Statement as a Current Liability.

Payments To and On Account of Leavers

Transfers out are accounted for when paid i.e., when the member liability has been discharged.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement. No bulk transfers out have taken place in 2022/23 or the prior year.

Taxes on Income

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and 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. Where tax is recoverable this is reflected on an accruals basis.

Management Expenses

Management expenses are accounted for in accordance with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016) as set out below:

- i. Administrative expenses are accounted for on an accruals basis representing the annual charge relating to the pensions and payroll administration and relevant staff costs. Associated management, accommodation and other overheads are also apportioned to this activity.
- ii. Oversight and governance expenses are accounted for on an accruals basis representing the Fund's external advisors, external audit, Fund Actuary fees and relevant staff costs. Associated management, accommodation and other overheads are also apportioned to this activity.
- iii. Investment management expenses (including transaction costs) are accounted for on an accruals basis. Fees from external managers and the Fund's custodian are agreed on appointment or commitment and are mainly based on the market value of the investments under management. Investment management expenses include the County Council's in-house treasury management team.

Net Asset Statement

Investment Assets

Investment assets are shown at market value at the reporting date and are 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 at fair value in accordance with the requirements of the Code and IFRS13. For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016). Further detail is set out within Note 16.

Pooled Equity and Bond Investments

Pooled investment vehicles are valued at latest mid-market price available on the reporting date. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income, which is reinvested in the pooled investment vehicle, net of applicable withholding tax.

Direct Property Holdings

Freehold and leasehold properties have been valued at the reporting date by independent external valuers, on the basis of fair value. Further detail is set out within Note 16.

Foreign Currency Transactions and Balances

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.

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.

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.

Contingent Assets and Contingent Liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the Net Asset Statement but are disclosed by way of narrative in the notes. Further detail is set out within Notes 25 and 26.

Additional Voluntary Contributions

Additional voluntary contributions are invested separately in funds and therefore disclosed as a note and not included in the fund accounts. Further detail is set out within Note 23.

Note 4: Critical Judgements in Applying Accounting Policies

Pension Fund liability

The net Pension Fund liability is recalculated every three years by the Fund Actuary, with annual estimates in the intervening years. The methodology used is in line with accepted guidelines. The purpose of the triennial valuation is to assess the financial position of the Fund and to determine each participating employer's contribution rates, certified for a three-year period. The aim being to ensure that each employer's share of the Fund's assets and future expected investment returns and to ensure as far as possible that contributions will be sufficient to meet future benefit payments from the Fund.

Direct property holdings

The Fund's property portfolio comprises directly owned properties which are leased commercially to various tenants with rental periods between one and 28 years. The Fund has determined that these contracts all constitute operating lease arrangements under the classifications permitted by IAS 17 and the Code, therefore the properties are retained on the Net Asset Statement at fair value.

Note 5: Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The table below describes items for which there is a significant risk of material adjustment the following year.

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	<p>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.</p> <p>The Fund Actuary has been appointed to provide advice about the assumptions applied.</p>	<p>Actual experience relative to the assumptions over time. For example:</p> <p>A 0.1% decrease in discount rate at year ended 31 March 2023 would result in an approximate 2% increase to employers' liabilities (£73m).</p> <p>A one-year increase in member life expectancy at year ended 31 March 2023 would result in an approximate increase in employers' liabilities of 4% (£159m).</p> <p>A 0.1% increase in the salary increase rate at year ended 31 March 2023 would result in an approximate increase in employers' liabilities of less than 1% (£6m).</p> <p>A 0.1% increase in the pension increase rate at year ended 31 March 2023 would result in an approximate 2% increase in employers' liabilities (£68m).</p> <p>However, the Statements do not take account of liabilities to pay pensions and other benefits after 31 March 2023.</p>

Item	Uncertainties	Effect if actual results differ from assumptions
Private Equity	<p>Private equity investments are valued at fair value in accordance with industry guidelines, based on the fund manager valuations as at the end of the reporting period.</p> <p>These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. This takes into account observable and non-observable pricing inputs including public market developments (industry sector and peers), private market transactions, company specific considerations, public indices and cashflows.</p>	<p>The total private equity investment in the financial statements is £146.7m (2.8% of net assets). There is a risk that this investment may be under or overstated in the accounts.</p>
Private Debt	<p>Private debt investments are valued at fair value in accordance with industry guidelines, based on the fund manager valuations as at the end of the reporting period.</p> <p>These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.</p>	<p>The total private debt investment in the financial statements is £199.1m (3.7% of net assets). There is a risk that this investment could be under or overstated in the accounts.</p>
Infrastructure	<p>Infrastructure investments are valued using best practices prevailing within the investment management industry to determine each underlying investment's fair market value. These valuations are validated by third party independent appraisal firms.</p>	<p>The total infrastructure investment in the financial statements is £259.3m (4.9% of net assets). There is a risk that this investment could be under or overstated in the accounts.</p>
Direct Property Holdings	<p>Independent valuation for freehold and leasehold investment property has been provided in accordance with Royal Institution of Chartered Surveyors Red Book.</p> <p>This takes into account observable and unobservable pricing inputs including existing lease terms, independent market research, the nature of tenancies and tenant covenant strength, void levels and estimated rental growth.</p>	<p>Changes in rental growth, void levels and general changes in property market prices could affect the valuation. The total property investment in the financial statements is £490.5m (9.2% of net assets). There is a risk that this investment may be under or overstated in the accounts.</p>

Note 6: Events After the Balance Sheet Date

There have been no material events occurring after the balance sheet date.

Note 7: Contributions Received

By Category	2021/22	2022/23
	£000	£000
Employers	111,547	116,646
Members	32,142	35,088
Total	143,689	151,734

By Authority	2021/22	2022/23
	£000	£000
West Sussex County Council	63,076	68,273
Scheduled bodies	73,310	77,025
Admitted bodies	7,303	6,436
Total	143,689	151,734

Note 8: Transfers In From Other Pension Funds

By Category	2021/22	2022/23
	£000	£000
Individual transfers	9,064	12,315
Bulk transfers	-	-
Total	9,064	12,315

Note 9: Benefits Paid

By Category	2021/22 £000	2022/23 £000
Pensions	104,111	108,909
Lump sum retirement benefit	13,944	16,856
Lump sum death benefit	2,385	3,667
Total	120,440	129,432

By Authority	2021/22 £000	2022/23 £000
West Sussex County Council	54,834	58,762
Scheduled bodies	56,226	60,922
Admitted bodies	9,380	9,748
Total	120,440	129,432

Note 10: Payments To and On Account of Leavers

Payment Type	2021/22 £000	2022/23 £000
Refunds of contributions	375	466
Individual transfers	7,008	9,575
Bulk transfers	-	-
Total	7,383	10,041

Note 11: Management Expenses

Expense Type	2021/22 £000	2022/23 £000
Administrative	1,248	1,350
Oversight and governance	1,026	1,211
Investment management	22,667	18,138
* Investment management 21/22 reduction	(12,139)	-
Total	12,801	20,699

* Note: Performance fees formed part of the Pension Fund's commercial arrangements with Baillie Gifford which crystallised at the point of termination in December 2020. During 2021/22 it was agreed with Baillie Gifford to reduce the fees reported in 2020/21 under "investment management" from £24.3m to £12.1m. Therefore, the investment management fees reported above in 2021/22 were offset by a reduction of £12.1m.

Note 11a: Investment Management Expenses

Expense Type 2022/23	Management fees £000	Performance related fees £000	Transaction costs £000	Total £000
Bonds	-	-	-	-
Equities	-	-	-	-
Pooled equity & bond funds	10,534	-	95	10,629
Private equity	2,040	(1,250)	144	934
Private debt	1,296	1,347	193	2,836
Infrastructure	1,488	786	-	2,274
Property	1,441	-	-	1,441
Cash & FX contracts	3	-	-	3
Sub total	16,802	883	432	18,117
Custody fees				21
Total				18,138

Expense Type 2021/22	Management fees £000	Performance related fees £000	Transaction costs £000	Total £000
Bonds	86	-	219	304
Equities	0	-	586	586
Pooled equity & bond funds	10,845	-	517	11,362
Private equity	2,742	2,364	793	5,899
Private debt	690	966	789	2,445
Infrastructure	368	17	327	713
Property	1,258	-	-	1,258
Cash & FX contracts	57	-	-	57
Sub total	16,046	3,348	3,231	22,625
Custody fees				42
Total				22,667

Note 12: Investment Income

Type of Income	2021/22 £000	2022/23 £000
Dividends from equities	6,288	84
Interest on bonds	1,340	-
Pooled equity fund income	8,658	32,460
Pooled bond fund income	19,611	45,269
Private equity income	865	599
Private debt income	1,035	6,285
Infrastructure income	-	14,169
Property income	21,725	22,944
Interest on cash deposits and cash balances	120	1,058
Stock lending income	95	-
Total	59,737	122,868

Note: Following transition to pooled arrangements the Fund no longer invests directly in equities and bonds.

Note 12a: Property Income

Type of Income	2021/22 £000	2022/23 £000
Rental income	22,953	24,070
Direct operating expenses	(1,227)	(1,126)
Total	21,725	22,944

No contingent rents have been recognised as income during the period.

Note 13: Other Fund Account Disclosures

Type of Expense	2021/22 £000	2022/23 £000
Pension Advisory Board	25	25
ACCESS pool	79	102
Total	104	127

ACCESS is a collaboration of eleven Central, Eastern and Southern Shires, who are working together to collectively invest assets to reduce investment costs whilst maintaining investment performance. The costs incurred for 2022/23 reflect the Fund's contribution towards the pool's activities outside of investment management costs. These costs are included within oversight and governance costs in Note 11.

Note 13a: Taxes on Income

The Pension Fund no longer directly suffers withholding tax on income received on overseas investments. However, reclaims of £1.964m have been accrued at 31 March 2023 (£2.157m at 31 March 2022) and shown in Note 14 as investment income due.

Note 13b: External Audit Costs

Type of Expense	2021/22 £000	2022/23 £000
Payable in respect of external audit	33	45
Grant & distribution received	(15)	(13)
Total	19	32

The external audit fees payable in 2021/22 and 2022/23 have been offset by a grant received by Department for Levelling Up, Housing and Communities in response to the Redmond Review and to provide funding to local bodies to meet increased audit costs. This has been reflected in the table above. These costs are included within oversight and governance costs in Note 11.

Note 14: Investments

Investments	Market Value 2021/22 £000	Market Value 2022/23 £000
Investment Assets		
Equities	2,478,397	2,701,753
Bonds	1,876,526	1,508,459
Private equity	126,519	146,714
Private debt	142,952	199,066
Infrastructure	249,408	259,276
Property	594,300	490,475
Investment Assets	5,468,103	5,305,743
Cash deposits	200	24,041
Investment income due	2,157	1,964
Amounts receivable for sales	-	-
Other Investment Assets	2,357	26,005
Total Investment Assets	5,470,460	5,331,748
Investment Liabilities		
Amounts payable for purchases	-	-
Property income received in advance	(328)	(342)
Total Investment Liabilities	(328)	(342)
Net Investment Assets	5,470,132	5,331,406

Note 14a: Reconciliation of Movements in Investments**2022/2023**

Investment Assets	Market Value at 1 April 2022	Purchases during the year	Sales during the year	Change in market value during the year	Market Value at 31 March 2023
	£000	£000	£000	£000	£000
Pooled Investments					
Equities	2,478,398	179,460	-	43,895	2,701,753
Bonds	1,876,526	45,492	(147,000)	(266,559)	1,508,459
Private equity	126,519	32,003	(12,998)	1,190	146,714
Private debt	142,952	57,714	(17,704)	16,104	199,066
Infrastructure	249,408	14,829	(25,951)	20,990	259,276
Direct Investments					
Property	594,300	69	(10,263)	(93,631)	490,475
Sub Total	5,468,104	329,567	(213,916)	(278,011)	5,305,743
Other Investment Balances					
Cash deposits	200			1,073	24,041
Amount receivable for sales	-				-
Investment income due	2,157				1,964
Amount payable for purchases	-				-
Property income received in advance	(328)				(342)
Total Assets	5,470,132			(276,938)	5,331,406

2021/2022

Investment Assets	Market Value at 1 April 2021	Purchases during the year	Sales during the year	Change in market value during the year	Market Value at 31 March 2022
	£000	£000	£000	£000	£000
Pooled Investments					
Equities	1,722,277	1,146,212	(1,382,025)	991,934	2,478,398
Bonds	1,849,464	61,881	(162,523)	127,704	1,876,526
Private equity	85,376	45,709	(36,739)	32,174	126,519
Private debt	60,842	74,454	(3,609)	11,266	142,952
Infrastructure	-	250,000	(4,179)	3,587	249,408
Direct Investments					
Bonds	74,597	849,371	(687,470)	(236,498)	-
Equities	1,174,095	1,202,580	(1,303,818)	(1,072,856)	-
Property	380,490	136,510	(1,686)	78,986	594,300
Sub Total	5,347,141	3,766,715	(3,582,049)	(63,703)	5,468,104
Other Investment Balances					
Cash deposits	43,745			4,301	200
Amount receivable for sales	1,375				-
Investment income due	6,056				2,157
Amount payable for purchases	(1,171)				-
Property income received in advance	(108)				(328)
Total Assets	5,397,039			(59,402)	5,470,132

Note 14b: Investments Analysed by Fund Manager

Fund Manager	31 March 2022 £000	% of Fund Value	31 March 2023 £000	% of Fund Value
Investments Managed in the ACCESS Asset Pool				
Link Fund (LF) Solutions (Equities and Bonds)	4,354,924	79.6	4,210,212	79.0
Investments Managed outside ACCESS Asset Pool				
Pantheon Ventures (Private Equity)	37,359	0.7	31,263	0.6
Partners Group (Private Equity)	89,160	1.6	115,451	2.2
Abrdn (Property)	594,300	10.9	490,475	9.2
Goldman Sachs (Private Debt)	99,564	1.8	110,109	2.1
ICG (Private Debt)	43,389	0.8	88,956	1.7
JP Morgan (Infrastructure)	249,408	4.6	259,276	4.9
Other investment balances	2,028	0.0	25,663	0.4
Total	5,470,132	100.0	5,331,406	100.0

Other investment balances includes cash deposits, investment income due and property income received in advance.

Single Investments Exceeding 5% of Net Investment Assets

Fund Information	31 March 2022 £000	% of Fund Value	31 March 2023 £000	% of Fund Value
Investments Managed in the ACCESS Pool				
LF ACCESS Global Alpha Paris- Aligned Equity Fund	1,361,086	24.9	1,440,864	27.1
LF ACCESS Global Equity Fund	1,117,312	20.4	1,260,889	23.7
LF ACCESS Sterling Aggregate Bond Fund	1,074,914	19.7	782,965	14.7
LF ACCESS Sterling Investment Grade Credit Fund	801,612	14.7	725,494	13.6
Total	4,354,924	79.7	4,210,212	79.1

Note 14c: Stock Lending

The Fund has previously participated in a stock lending programme which is no longer in place. As at 31 March 2023, there is an unlisted equity that has been loaned which is currently held by the fund at nil value.

The total value of collateral held as at 31 March 2023 was £0.06m.

Note 14d Direct Property Holdings

The Fund's investment property portfolio comprises a number of directly owned properties which are leased commercially to various tenants. Property transactions during the year are summarised below.

Property Transactions	31 March 2022 £000	31 March 2023 £000
Opening balance	380,490	594,300
Additions:		
Purchase of existing property	135,317	-
New construction	-	-
Subsequent expenditure	1,193	69
Disposals	(1,686)	(10,263)
Net increase/(decrease) in market value	78,986	(93,631)
Closing Balance	594,300	490,475

The future minimum lease payments receivable by the Fund under existing contracts are as follows:

Time Period	31 March 2022 £000	31 March 2023 £000
Within one year	24,655	22,449
Between one and five years	84,537	74,076
Later than five years	123,251	108,293
Total Future Lease Payments Due Under Existing Contracts	232,443	204,818

Note 15: Analysis of Derivatives

The Fund does not invest directly in derivatives.

Note 16: Fair Value – Basis of Valuation

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.

Market Quoted Equity Investments (Level 1)

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.

Quoted Bonds (Level 1)

Bonds are recorded at net market value based on their current yield.

Pooled Investment Vehicles (Level 1)

Pooled investment vehicles are valued at latest mid market price available on the reporting 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.

Direct Property Holdings (Level 2)

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 RICS Valuation – Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2022 together with the UK National Supplement effective 14 January 2019, together the "Red Book". 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".

The observable inputs include the existing lease terms and rentals; the nature of the tenancies; assumed vacancy levels and estimated rental growth.

Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices (see Note 5).

Private equity (Level 3)

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 value of these assets may differ from their reported values.

- The valuation of Partners Group portfolio is taken from the unaudited 31 March 2023 fund-of-fund reports.
 1. 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.
 2. 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.
 3. 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 2023 fund-of-fund reports.
 1. Pantheon's quarterly valuation is produced in accordance with US GAAP and United Kingdom Generally Accepted Accounting Principles (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).
 2. 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.

Private Debt (Level 3)

- The valuation for private debt investments with Goldman Sachs is taken from the unaudited 31 March 2023 fund manager reports.
 1. Goldman Sachs quarterly valuation is calculated in accordance with the fair value assessment described in Accounting Standards Codification 820 (Fair Value Measurements and Disclosures) and in accordance with US GAAP.
 2. 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 Goldman Sachs have been given an unqualified opinion.
- The valuation for private debt investments with ICG is taken from the unaudited 31 March 2023 fund manager reports.
 1. The Financial Assets are designated as Financial Assets at Amortised Cost and are held at principal plus accrued interest which is deemed to represent fair value in accordance with IFRS.
 2. 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 ICG have been given an unqualified opinion.

Infrastructure (Level 3)

- The valuation of Infrastructure assets is taken from the unaudited 31 March 2023 fund manager report.
 1. The assets are valued using best practices prevailing within the investment management industry to determine each underlying investment's fair market value. This is done with consideration of relevant US GAAP valuation guidelines, particularly Accounting Standards Codification (ASC) 820. Valuations are externally appraised in accordance with the Uniform Standards of Professional Appraisal Practices ("USPAP") and International Valuation Standard ("IVS").
 2. The Fund will monitor the audited year end to the unaudited quarterly valuations to check the consistency of the unaudited information. To date, the audited accounts for JP Morgan have been given an unqualified opinion.

Sensitivity of assets valued at Level 3

The Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2023.

Assets	Assessed valuation range (+/-)	Value at 31 March 2023 £000	Value on increase £000	Value on decrease £000
Private equity	15%	146,714	168,721	124,707
Private debt	15%	199,066	228,926	169,206
Infrastructure	10%	259,276	285,204	233,349
Total		605,056	682,851	527,262

Note 16a: Fair Value Hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and liabilities 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 bonds, 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

Assets and liabilities 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

Assets and liabilities at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not 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 private equity, private debt and infrastructure portfolios have been prepared in accordance with industry guidelines.

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

Values at 31 March 2023

Financial Assets	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial Assets at Fair Value Through Profit and Loss				
Pooled equity funds	2,701,753			2,701,753
Pooled bond funds	1,508,459			1,508,459
Private equity			146,714	146,714
Private debt			199,066	199,066
Infrastructure			259,276	259,276
Cash deposits	24,041			24,041
Investment income due	1,964			1,964
Amounts receivable for sales				-
Net Investment Assets	4,236,217	-	605,056	4,841,273
Non-Financial Assets at Fair Value Through Profit and Loss				
Property		490,475		490,475
Financial Liabilities at Fair Value Through Profit and Loss				
Property income received in advance	(342)			(342)
Payable for investment purchases				-
Total	4,235,875	490,475	605,056	5,331,406

Values at 31 March 2022

Financial Assets	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial Assets at Fair Value Through Profit and Loss				
Bonds				-
Equities				-
Pooled equity funds	2,478,398			2,478,398
Pooled bond funds	1,876,526			1,876,526
Private equity			126,519	126,519
Private debt			142,952	142,952
Infrastructure			249,408	249,408
Cash deposits	200			200
Investment income due	2,157			2,157
Amounts receivable for sales				-
Net Investment Assets	4,357,281	-	518,880	4,876,160
Non-Financial Assets at Fair Value Through Profit and Loss				
Property		594,300		594,300
Financial Liabilities at Fair Value Through Profit and Loss				
Property income received in advance	(328)			(328)
Payable for investment purchases				-
Total	4,356,953	594,300	518,880	5,470,132

Note 16b: Transfer Between Levels 1 And 2

There have been no reclassifications between level 1 and 2 during the financial year.

Note 16c: Reconciliation of Fair Value Measurements Within Level 3

Assets	Private Equity	Private Debt	Infrastructure	Total
	£000	£000	£000	£000
Market Value 31 March 2022	126,519	142,952	249,408	518,879
Transfers into / (out of) Level 3	-	-	-	-
Net purchases / (sales) during the year	19,005	40,010	(11,122)	47,893
Unrealised gains / (losses)	(6,862)	292	20,990	14,421
Realised gains / (losses)	8,052	15,811	-	23,863
Market Value 31 March 2023	146,714	199,066	259,276	605,056

Note 17: Financial Instruments

Note 17a: Classification of Financial Instruments

The following tables analyse the carrying amounts of financial assets and liabilities by category and net asset statement headings. No financial assets were reclassified during the accounting period.

31 March 2023

Classification	Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000
Financial Assets			
Pooled equity funds	2,701,753		
Pooled bond funds	1,508,459		
Private equity	146,714		
Private debt	199,066		
Infrastructure	259,276		
Cash		31,631	
Investment balances		1,964	
Debtors		11,899	
Sub Total	4,815,268	45,494	-
Financial Liabilities			
Investment balances			(342)
Other current liabilities			(6,971)
Total	4,815,268	45,494	(7,313)

31 March 2022

Classification	Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000
Financial assets			
Pooled Equity Funds	2,478,397		
Pooled Bond Funds	1,876,526		
Private equity	126,519		
Private debt	142,952		
Infrastructure	249,408		
Cash		16,588	
Investment balances		2,157	
Debtors		12,632	
Sub Total	4,873,804	31,377	
Financial liabilities			
Investment balances			(329)
Other current liabilities			(5,047)
Total	4,873,804	31,377	(5,375)

Note 17b: Net Gains and Losses on Financial Instruments

Classification	31 March 2022 £000	31 March 2023 £000
Financial Assets		
Fair value through profit and loss	(63,703)	(278,011)
Amortised cost - unrealised gains	4,301	1,073
Financial Liabilities		
Fair value through profit and loss	-	-
Total	(59,402)	(276,938)

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

Note 18: 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 (i.e., promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through diversification of assets and fund managers, to reduce exposure to market risk (price risk, currency risk and interest rate risk). In addition, the Fund manages its liquidity risk to ensure there are sufficient resources to meet the forecast cash requirement. The Pensions Committee reviews the Fund's funding strategy, in consultation with the Fund Actuary and investment adviser, based on the Fund's 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 by the Pensions Committee.

The Fund's Investment Strategy Statement (ISS) identifies the risks managed by its investment managers, sets appropriate risk limits and monitors adherence to those limits. The ISS 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 Committee. The Committee 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 Committee. 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 and foreign exchange rates 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 exposures to individual investments, and risk associated with the strategy and investment return are regularly monitored and reviewed by the Pensions Committee.

Each manager must adhere to investment guidelines that specify the managers' investment powers and restrictions.

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 2023/24 reporting period. This data has been provided by the Fund's actuary, Hymans Robertson, and is based on historical data.

Had the market price of the Fund investments increased/decreased as per the table below, 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. (The prior year comparator is also shown).

2022/2023

Asset type	Value at 31 March 2023 £000	Potential market movements (+/-)	Value on increase £000	Value on decrease £000
Pooled equity & bond funds	4,210,212	14.2%	4,808,062	3,612,362
Cash	24,041	0.3%	24,113	23,969
Property	490,475	15.5%	566,499	414,451
Private equity	146,714	31.2%	192,488	100,939
Private debt	199,066	9.6%	218,176	179,955
Infrastructure	259,276	9.9%	284,945	233,608
Total	5,329,784		6,094,285	4,565,284

2021/2022

Asset type	Value at 31 March 2022 £000	Potential market movements (+/-)	Value on increase £000	Value on decrease £000
Pooled equity & bond funds	4,354,924	14.5%	4,986,388	3,723,460
Cash	200	0.3%	200	199
Property	594,300	15.0%	683,445	505,155
Private equity	126,519	31.2%	165,993	87,045
Private debt	142,952	9.0%	155,818	130,087
Infrastructure	249,408	9.4%	272,853	225,964
Total	5,468,304		6,264,697	4,671,910

Interest rate risk - sensitivity analysis

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

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 and is equivalent to 1%.

The Fund's direct exposure to interest rate movements as at 31 March 2023 and 31 March 2022 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

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.

Assets exposed to interest rate risk**2022/2023**

Asset type	Value at 31 March 2023	Change in year in net assets available to pay benefits +100 BPS £000	Change in year in net assets available to pay benefits -100 BPS £000
	£000		
Cash and cash equivalents	24,041	240	(240)
Cash balances	7,590	76	(76)
Total	31,631	316	(316)

2021/2022

Asset type	Value at 31 March 2022	Change in year in net assets available to pay benefits +100 BPS £000	Change in year in net assets available to pay benefits -100 BPS £000
	£000		
Cash and cash equivalents	200	2	(2)
Cash balances	16,388	164	(164)
Total	16,588	166	(166)

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 Committee when making strategic asset allocation decisions.

Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the Hymans Robertson, the Fund considers the likely volatility associated with foreign exchange rate movements to be 10%.

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:

Assets exposed to currency risk**2022/2023**

Asset type	Value at 31 March 2023 £000	Change %	Value on increase £000	Value on decrease £000
Overseas private equity	146,714	10.0	161,385	132,042
Overseas private debt	199,066	10.0	218,972	179,159
Overseas infrastructure	259,276	10.0	285,204	233,349
Total	605,056		665,561	544,551

2021/2022

Asset type	Value at 31 March 2022 £000	Change %	Value on increase £000	Value on decrease £000
Overseas private equity	126,519	10.0	139,171	113,867
Overseas private debt	142,952	10.0	157,248	128,657
Overseas infrastructure	249,408	10.0	274,349	224,468
Total	518,879		570,768	466,992

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 uncollectable deposits. As at 31 March 2023, the Fund held £1.04m cash with the custodian (31 March 2022: £0.2m) and cash internally managed by WSCC was £30.59m (31 March 2022: £16.4m). This was held by institutions with the following credit ratings:

Rating	Nominal amount 31 March 2022 £000	Nominal amount 31 March 2023 £000
AAA rated counterparties	10,000	23,000
A-1+ rated counterparties	200	1,041
A+ rated counterparties	6,388	7,590
TOTAL	16,588	31,631

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 2023, 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 pay benefits, 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:

- o 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.
- o keeping a significant proportion of the Fund's assets in highly liquid investments such as actively traded equities, bonds and unit trusts.

The Fund is currently cash flow positive.

The Fund's strategic allocation to property, private debt, infrastructure and private equity, which are relatively illiquid, is limited to 25% of the total portfolio. As the Fund does not currently 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 refinancing 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.

Note 19: Funding Arrangements - Actuarial Statement

Description of funding policy

In line with the Local Government Pension Scheme Regulations 2013, the Fund's Actuary undertakes a funding valuation every three years for the purposes of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022 and the next valuation will take place as at 31 March 2025.

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 (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 Funding Strategy Statement (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 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £5,501 million, were sufficient to meet 125% of the liabilities (i.e., the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £1,099 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure in accordance with the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 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 2022 valuation were as follows:

Assumption	31 March 2022
Discount rate	3.5% p.a.
Salary increase assumption	4.3% p.a.
Benefit increase assumption	2.7% p.a.

Demographic assumptions

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, an allowance for smoothing of recent mortality experience and a long-term rate of 1.75% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

Pensioner Type	Males	Females
Current Pensioners	22.3 years	24.7 years
Future Pensioners	23.2 years	26.5 years

Copies of the 2022 valuation report and FSS are available on the Funds website or on request from West Sussex County Council.

Experience over the period since 31 March 2022

Markets were disrupted by the ongoing war in Ukraine, a short-term change in UK fiscal policy and global inflationary pressures. As a result, asset returns have lagged expectation while members received a higher than anticipated benefit increase of 10.1% in April 2023. However, these impacts were more than offset by a material increase in expected future returns due to rising interest rates which has the effect of decreasing the value placed on the Fund's liabilities.

The next actuarial valuation will be carried out as at 31 March 2025. The FSS will also be reviewed at that time.

Note 20: Actuarial Present Value of Promised Retirement Benefits

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund's liabilities on an IAS 19 basis, using the same base data as the funding valuation. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (Note 19). The actuary has also valued ill health and death benefits in line with IAS 19.

Liability	31 March 2022 £m	31 March 2023 £m
Active members	(2,567)	(1,409)
Deferred pensioners	(1,385)	(950)
Pensioners	(1,671)	(1,604)
Present Value of Promised Retirement Benefits	(5,623)	(3,963)
Fair value of scheme assets (bid value)	5,494	5,344
Net Asset/(Liability)	(129)	1,381

As noted above, the liabilities above are calculated on an IAS 19 basis and will therefore differ from the results of the 2022 triennial funding valuation (Note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

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).

IAS19 assumptions used

The assumptions used are those adopted for the administering authority's IAS 19 report and are different as at 31 March 2023 and 31 March 2022.

The Fund Actuary estimates that the impact of the change in financial assumptions to 31 March 2023 is to decrease the actuarial present value by £2,267m. The Fund actuary estimates the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £230m.

Assumption	31 March 2022 % per annum	31 March 2023 % per annum
Inflation / pensions increase rate	3.20	2.95
Salary increase rate	3.70	4.45
Discount rate	2.70	4.75

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of improvement of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Type of Pensioner	Males	Females
Current Pensioners	21.8 years	24.3 years
Future Pensioners*	22.2 years	25.8 years

* Future pensioners are assumed to be currently aged 45 at the latest formal valuation

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Commutation assumption

An allowance is included for the assumption that 50% of future retirements elect to exchange pension for 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 21: Current Assets

Classification	31 March 2022 £000	31 March 2023 £000
Debtors		
Contributions due - members	3,032	2,993
Contributions due - employers	5,013	5,026
Prepayments	1,032	1,141
Other debtors	3,260	2,324
Taxation	294	415
Sub Total	12,632	11,899
Cash balances	16,388	7,590
Total	29,021	19,489

Analysis of Debtors

Classification	31 March 2022 £000	31 March 2023 £000
Central government bodies	2,111	3,522
Other local authorities	3,844	3,827
Educational establishments	2,282	2,217
Other entities and individuals	4,395	2,333
Total	12,632	11,899

Note 22: Current Liabilities

Classification	31 March 2022 £000	31 March 2023 £000
Benefits payable	1,149	1,423
Other current liabilities	3,898	5,548
Total	5,047	6,971

Analysis of Creditors

Classification	31 March 2022 £000	31 March 2022 £000
Central government bodies	2,846	5,161
Other local authorities	786	775
Educational establishments	57	7
Other entities and individuals	1,357	1,028
Total	5,047	6,971

Note 23: Additional Voluntary Contributions

Some members of the Scheme have made additional voluntary contributions (AVC) to increase the value of their pensions. Legal & General are the appointed AVC provider for members in the West Sussex Local Government Pension Scheme. Some residual funds remain with the previous AVC provider (Standard Life)

AVC contributions of £2.5m were paid directly to Legal & General during the year (2021/22: £1.9m). AVCs are separately invested and are therefore not included in the Pension Fund accounts in accordance with regulations 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) regulations 2016.

AVC Provider	Market Value 31 March 2022 £000	Market Value 31 March 2023 £000
Standard Life	66	47
Legal & General	4,863	6,447
Total	4,929	6,494

Note 24: 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.

During the reporting period, the Council incurred costs of £0.7m (2021/22: £0.7m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund and contributed £68.3m to the Fund in 2022/23 (2021/22: £63.1m). 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 2023, the Fund had a daily average investment balance of £37.9m held in Sterling (31 March 2022: £45.0m) earning interest of £0.70m (2021/22: £0.02m) in these funds at a rate of return of 1.9% (2021/22: 0.04%). Additionally, the Fund has earned interest of £0.03m on investments held in foreign currency (2021/22: £0.00m).

Governance

Each member of the Pensions Committee and Pension Advisory Board is required to declare their interests at each meeting.

Note 24a: Key Management Personnel

The Director of Finance and Support Services and S151 officer has responsibility for the proper financial administration of the Fund under the Local Government Act 1972. This Officer is employed by the Administering Authority but spent a proportion of time on the financial management of the Fund. The total Pension Fund expense relating to apportioned remuneration for Key Management Personnel is £19.4k in 2022/23 (2021/22: £19.7k).

Note 25: Contingent Liabilities and Contractual Commitments

A contingent liability arises where an event has taken place that gives the Fund 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 Fund. 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 Net Asset Statement but are disclosed in a note to the accounts.

Estimates provided to members indicate that at year-end there are potential liabilities of £0.052m in respect of members who have enquired about transferring benefits out of the scheme and on whom the Fund is awaiting a final decision.

There are further outstanding commitments in investment assets as at 31 March 2023 as follows:

- Private Equity of £97.5m (31 March 2022 £127.6m)
- Private Debt of £58.4m (31 March 2022 £116.7m)

These commitments relate to outstanding call payments due on unquoted investments. The amounts 'called' by these funds are irregular in both size and timing over the period of investment.

Note 26: Contingent Assets

There were no contingent assets at the period end.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST SUSSEX COUNTY COUNCIL ON THE PENSION FUND'S FINANCIAL STATEMENTS

Opinion

We have audited the Pension Fund ("the Fund") financial statements for the year ended 31 March 2023 under the Local Audit and Accountability Act 2014 (as amended). The pension fund financial statements comprise the Local Government Pension Scheme Fund Account, the Net Assets Statement and the related notes 1 to 26.

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 2022/23.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2023 and the amount and disposition at that date of its assets and liabilities as at 31 March 2023; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Council as administering authority for the Pension Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance and Support Services' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of 12 months from when the Fund's financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance and Support Services with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts 2022/23, other than the financial statements and our auditor's report thereon. The Director of Finance and Support Services is responsible for the other information contained within the Statement of Accounts 2022/23.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended);
- 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 (as amended);
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended); or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects

Responsibility of the Director of Finance and Support Services

As explained more fully in the Statement of Responsibilities set out on page 22, the Director of Finance and Support Services is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, and for being satisfied that they give a true and fair view. The Director of Finance and Support Services is also responsible for such internal control as the Director of Finance and Support Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and Support Services is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Administering Authority either intends to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with the Director of Finance and Support Services.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.
- We understood how the Fund is complying with those frameworks by making enquiries of the management. We corroborated this through our reading of the Pension Committee minutes, through enquiry of employees to confirm Pension policies, and through the inspection of employee handbooks and other information.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the management for their awareness of any non-compliance of laws or regulations, inspecting correspondence with the Pensions Regulator and review of minutes.
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Fund has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud.

- In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- To address our fraud risk we:
 - Undertook a review of reconciliations to the fund manager, custodian and valuer reports and investigated any reconciling differences;
 - Re-performed the detailed investment note using the reports we have acquired directly from the custodian, valuer or fund managers;
 - Checked the reconciliation of holdings included in the Net Assets Statement back to the source reports; and
 - Reviewed accounting estimates for evidence of management bias, including estimates with a higher level of inherent risk.
- The Fund is required to comply with The Local Government Pensions Scheme regulations, other legislation relevant to the governance and administration of the Local Government Pension Scheme and requirements imposed by the Pension Regulator in relation to the Local Government Pension Scheme. As such, we have considered the experience and expertise of the engagement team including the use of specialists where appropriate, to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Fund with these regulations as part of our audit procedures.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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 (as amended) 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 West Sussex County Council and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Ben Lazarus
Ernst & Young LLP
Ben Lazarus (Key Audit Partner)
Ernst & Young LLP (Local Auditor)

London

25 November 2024