Statement of Accounts
2011 - 2012

MID SUSSEX
DISTRICT COUNCIL

Audit Committee
25th September 2012

Statement of Accounts for the Year Ended 31st March 2012

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DISTRICT COUNCIL

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Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The authority 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 Head of Finance, Information Communications Technology (ICT) and Human Resources (HR);
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the Statement of Accounts.

The Head of Finance, ICT and HR's Responsibilities

The Head of Finance, ICT and HR 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 Head of Finance, ICT and HR has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Foreword by the Head of Finance, ICT and HR

1. Introduction

The purpose of this foreword is to provide a guide to the most significant matters reported in the accounts. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS), and are in respect of the financial year ended 31 March 2012.

The pages that follow are the Council's Accounts for 2011/12. These comprise:

- Three statements of financial position (Balance Sheet);
- Two statements of comprehensive income and expenditure (CIES);
- Two statements of cash flows;
- Two statements of changes in equity (MIRS);
- Related notes, including comparative information

Each of the main Financial Statements are explained further below:

- **Movement in Reserves Statement (MIRS*)*** – This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line within the MIRS shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement (CIES). These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.
- **Comprehensive Income and Expenditure Statement (CIES)** – This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- **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 are 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 (e.g. the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are unusable reserves. This category includes reserves that hold unrealised gains and losses (e.g. the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
- **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.
- **Notes to the Accounts -** These explain the basis of the figures in the accounts. In particular the first note is 'Accounting Policies', which enables an appreciation of the policies that have been followed in dealing with material items.
- **Collection Fund -** We are required to maintain a separate account to show the transactions of the Council as a billing authority in relation to non-domestic rates and council tax. It illustrates the way in which council tax has been distributed to West Sussex County Council, Sussex Police Authority and the General Fund. The Collection Fund is incorporated in the Balance Sheet as part of Debtors and also the Cash Flow Statement.

We appreciate that the accounts are becoming ever more complex, we will again be publishing summary accounts to help people understand the Council's financial position. If any further information is required on any aspect of these documents please use our contact details below.

I would now like to draw attention to the key features of these accounts and offer a brief financial overview of the year and comparison with the previous year.

2. Outturn for 2011/12

Revenue

The revenue and capital outturn for 2011/12 was reported to Cabinet on 11th June 2012.

During 2011/12 Cabinet received four full Budget Management reports, and additionally, received one interim update reports in January. Over the year, the budget has continued to be managed in order to ensure that financial targets are met without compromising service performance. Were this report to be read alongside the Performance Report, one could see that this has been achieved, and that performance across the range of services is very strong. Added to that, Mid Sussex has an embedded culture of seeking efficiencies, which has helped achieve this year's underspend of £343,000, after allowing for transfers to Specific Reserves totalling £254,919.

Given the positive outcome to the year, the report proposed that the opportunity be taken to create three more Specific Reserves to be utilised in 2012/13. These would assist in dealing with known pressures that are to come and has the effect of reducing the transfer to General Reserve to £93,000. This will continue the Council's practice of spending carefully and making prudent provision for known pressures.

This outturn position is set out in the table overleaf.

Interest

For 2011/12, interest receipts for the year totalled £379,000 against an original budget of £201,000. Of the total received, £3,000 has been transferred to the Personnel and Payroll Specific Reserve for employee benefits. This is in accordance with existing practice to part-pay employees' professional qualification subscriptions. The revenue budget underspend position means that no interest was required to support the outturn. Therefore, the remaining balance of £376,000 was transferred to General Reserve.

Specific Items and Reserves

Specific items financed from the Specific Reserves and General Reserve for 2011/12 totalled £2,221,000. The largest utilisation from General Reserve amounted to £1.46m to finance the Capital Programme of 2011/12.

In addition, just over £3.9m has been transferred into Reserves in 2011/12 (£0.9m to Specific Reserve and £2.9m to General Reserve). In summary the largest contributions to General Reserve in the year include:

- £430,000 grant relating to New Homes Bonus Allocation;
- £379,000 interest receipts generated mainly from treasury management activity;
- £517,000 windfall income arising from the retrospective VAT claim for Trade Waste Collection charges as reported to Cabinet 6th February 2012 and as detailed further in paragraph 7 of the Foreword to the Accounts;
- £450,000 being the annual contribution budgeted to be paid to General Reserve, to fund the authority's Major Capital Renewals programme; and
- £475,000 being the annual contribution budgeted to be paid to General Reserve, to meet the cost of Disabled Facilities Grant which forms part of the Capital Programme.

Overall there has been a net increase of £1.7m in the level of Reserves as at 31st March 2012.

Further details are contained within the Transfers to /from Earmarked Specific Reserves note (Note 8) to the accounts, and are also set out in the Appendix C of the Outturn Report to Cabinet 11th June 12.

Revenue Expenditure 2011/12 Service Area	Estimate 2011/12 £'000	Actual 2011/12 £'000	Variation 2011/12 £'000
Building & Asset maintenance	(202)	(265)	(63)
Cleansing Services	2,774	2,650	(124)
Community Services & Culture	854	849	(5)
IBO Client	1,135	1,125	(10)
Facility Management, Streetscene & Landscapes	2,022	1,878	(144)
Parking Services	(795)	(892)	(97)
Customer Services and Communications	(116)	(98)	18
Personnel & Payroll	35	21	(14)
Corporate Organisational Development	64	41	(23)
Legal Services	0	(11)	(11)
Land Charges	79	49	(30)
Property	(1,017)	(1,006)	11
Member Support & Elections	791	789	(2)
Performance Scruitiny and Partnerships	635	631	(4)
Building Control	201	220	19
Environmental Health	969	920	(49)
Housing	814	875	61
Finance Accountancy	(19)	(2)	17
Finance Corporate	1,115	1,295	180
ICT	(206)	(258)	(52)
Revenues & Benefits	1,409	1,399	(10)
Development Management	753	656	(97)
Planning Policy	668	636	(32)
Better Mid Sussex	137	166	29
Strategic Core	1,134	1,145	11
Drainage levies	12	12	0
Benefits	(93)	(93)	0
Balance Unallocated	37	20	(17)
	13,190	12,752	(438)
Capital schemes to be financed from revenue	5	0	(5)
Contribution to Disabled Facilities Grant	375	475	100
Council Tax Freeze Grant	(215)	(215)	0
Interest payable on bins	65	65	0
Total Revenue Expenditure 2011/12	13,420	13,077	(343)
less transfer to Asset Management Specific Reserve	0	100	100
less transfer to Leisure Re-procurement Specific Reserve	0	100	100
less transfer to BMS Specific Reserve	0	50	50
Total Revenue Expenditure 2011/12	13,420	13,327	(93)

Capital

Capital expenditure can be defined as that which generates an asset that has a useful life of more than one year. Actual Capital Spending for the year amounted to £2,811,000 including £491,000 relating to non-programmed projects which are projects that do not form part of the planned Capital Programme, but which are authorised under delegated authority. This was £141,000 less than the updated 2011/12 programme of £2,952,000 (being £632,000 when excluding the non-programmed projects).

Of this variation, £521,000 relates to slippage. The majority of the slippage relates to delays in various Leisure projects totalling £357,000, including £146,000 for the King Street Toilets in East Grinstead, £128,000 for two S106 projects at Kings Centre East Grinstead, and £50,000 for the Bolnore Leisure Site. In addition, slippage to the Major Capital Renewals schemes amounted to £132,000, with the remainder being a range of smaller schemed which have yet to be completed. In addition, delays in Affordable Housing projects have meant that this budget was underspend by £70,000, which has been rolled over and added to the Capital Programme for 2012/13.

The main items of expenditure in the year were:

Capital Expenditure 2011/12	2011/12
Property, Plant and Equipment	£
Land and Buildings	
Leisure Centres	127,730
Community Centres & Halls	136,008
Oaklands Office	425,780
Pavilions	33,442
Asset Under Construction	
Public Convenience	54,192
Plant / Vehicles / Equipment	
Playground Equipment	147,085
Polling Booths	31,200
ICT Hardware	105,772
Intangible Assets	
Software and software licences	145,271
Investment Property	
The Brow (stamp duty tax)	11,951
Revenue Expenditure funded from Capital Under Statute	
Housing - Disabled Facilities Grants (DFG)	886,230
Housing - Affordable Housing	196,500
Other expenditure	510,145
Total	2,811,306

The capital expenditure in the year was financed by:

Capital Receipts	£59,483
General Fund Balances	£1,465,789
Other Reserves (Specific Reserve)	£26,896
Government Grants & Section 106s Receipts in Advance	£1,091,201
Government Grants & Section 106s Capital Reserve	£167,937

Usable capital receipts for 2011/12 totalled £4,058,000. This relates to the sale of The Brow of which £2,000,000 has been used for loan repayment in November 2011. (refer Note 7 of the accounts). Other receipts received in 2011/12 totalled £1,619,966 (refer Note 34 Grant Income – receipts in advance), as shown below:

Section 106 agreements	£1,149,191
Renovation Grant	£393,054
Other government grants and contributions	£ 77,721

The available year end balances of Usable Capital Receipts is £2,011,373, Capital Grants and Contributions Reserve is £1,990,953 and Section 106 Contributions and Capital Grants Receipts in Advance is £4,491,871.

3. Borrowing

The Council has not entered into any borrowing in 2011/12.

4. Local Taxpayers

During the year, the Council collected £80.402m in Council Tax (net of council tax benefit) on behalf of West Sussex County Council, Sussex Police Authority and Mid Sussex District Council and its towns and parishes. All but £8.583m of this was passed on to the other authorities. The collection rate for the year was 98.5% of the total amount due and most of the remainder will be collected in the first few months of 2012/13.

5. Pensions

The Council is required to show in the Statement of Accounts the costs, assets and liabilities associated with its share of the pension fund which is administered by West Sussex County Council. The surplus or deficit on the Council's Pension Fund is shown within the Balance Sheet.

The pensions liability has increased to £24,126,000 as at 31st March 2012, from £18,166,000 as at 31st March 2011. This includes a net asset of £1,344,000 for the CenSus Joint Committee. This is mainly a result of the financial assumptions used by the actuary at 31 March 2012 being less favourable than as at 31 March 2011, particularly in relation to the lower expected return on the pension fund assets. Full details of the movement in the liability are shown in the Notes to the Accounts, Note 41.

Readers of the statements may like to note that this increase in the liability on the pension fund accounts for most of the reduction in the Council's 'net worth' as shown in the Total Reserves line of the Balance Sheet on page 17.

6. Provisions

At 31st March 2012 there is a £130,000 provision for Employee Benefits Accrual. Employees build up an entitlement to paid holidays as they work. Under the Code, the council is required to accrue for any annual leave or flexitime earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

In addition, the Statement includes a provision of £104,758 which has been agreed and is payable to 3 officers in relation to termination benefits. Further details are set out in Note 31 on Exit packages which is a new disclosure requirement under the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

7. Other Significant items

In 2011/12, HMRC confirmed the acceptance of a further claim in respect of Trade Waste Collection Charges for overpaid VAT for past years, and MSDC was refunded £320,536, plus statutory interest totalling £326,002. Of this total, fees totalling £129,308 were incurred by PricewaterhouseCoopers, who were engaged on a "no win no fee" basis to prepare and submit our retrospective claim. This was reported to Members in the Budget Management Report to Cabinet 6th February 2012. The sum received is included in Culture, Environmental and Planning Services income, and then transferred to General Reserve.

In 2009/10, the sum of £1,127,837 overpaid VAT for past years was shown as an exceptional item on the Comprehensive Income and Expenditure Statement, and to date £1.5m (net of PwC's fee) has been repaid to the Council, over the last 2 years.

8. Changes under International Financial Reporting Standards

The adoption of FRS30 Heritage Assets has meant that the Authority is required to value Heritage Assets and show these separately from Community Assets in the Balance Sheet. This has resulted in a more detailed breakdown on the Balance Sheet, which shows the increase in the Heritage Assets being matched by an increase in Revaluation Reserve. The Authority is also required to report an opening 1 April 2010 Balance Sheet and to restate the 2010/11 accounts. The comprehensive new disclosure requirements relating to Heritage Assets are set out in the Notes to Accounts.

9. Changes in accounting policy

For this year's accounts, component accounting has been adopted to comply with IAS16. The Code required the authority to adopt new accounting policies in respect of componentisation and de-recognition of components from 1 April 2010, and to apply these policies prospectively from that date. For MDSC, this was adopted in 2011/12.

With effect from 1 April 2012, MSDC will change from annual valuations for all assets to a 5 year rolling programme. This has no impact on the Statement of Accounts for 2011/12.

10. Impact of the current economic climate

The financial statements show that the downturn in the world economy and that of the UK, is having only a marginal effect on the Council's finances. Income levels remain strong and demand for opt-in services that attract a fee show little by way of abatement. We have, however, become increasingly prudent in our budgeting process and take great care in setting budgets for income, and carefully scrutinise our spending plans to ensure that they are realistic, affordable and offer best value for money. We are confident that such an approach will set us in good stead when considering, and setting, budgets for future years and will enable the Council to cope with any but the most drastic reductions in government grant support.

11. Further Information

Interested members of the public have a statutory right to inspect the accounts from 13th July 2012 to 9th August 2012. The availability of the accounts for inspection was advertised in the local newspapers, Mid Sussex Times, The Mid Sussex Leader and East Grinstead Observer. The Notice was also placed on the MSDC website, under the Finance Publications section. Further information about any aspect of the accounts is available from both the Head of Finance, Peter Stuart 01444 477315

(Peter.Stuart@midsussex.gov.uk), and the Chief Accountant, Cathy Craigen 01444 477384 (Cathy.Craigen@midsussex.gov.uk), at Mid Sussex District Council, Oaklands Road, Haywards Heath,

RH16 1SS. It is our intention to be open with the information that we hold and we encourage local stakeholder enquiries.

MID SUSSEX
DISTRICT COUNCIL

Statement of Accounts 2011/12

This Statement of Accounts is that upon which the auditor should enter his certificate and opinion and has been prepared under the Accounts and Audit Regulations 2011.

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of the Authority at the reporting date and its income and expenditure for the year ended 31st March 2012. These financial statements replace the unaudited financial statements authorised for issue by the Head of Finance on 30th June 2012.

P Stuart, CPFA
Head of Finance, ICT and HR
25 September 2012

Certificate by Chairman

I confirm that the Statement of Accounts were approved by the Audit Committee at a meeting held on 25 September 2012.

Signed on behalf of the Audit Committee

Cllr A Lea
Chairman Audit Committee
25 September 2012

Financial Statements

Movement in Reserves Statement

	General Fund Balance	Earmarked Specific Reserve	Usable Capital Receipts	Capital Grants & Contributions	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£	£	£	£	£	£	£
Restated Balance at 1 April 2011	**6,718,194**	**2,191,961**	**242**	**1,330,412**	**10,240,809**	**63,964,185**	**74,204,994**
Surplus/(deficit) on provision of services (accounting basis)	784,042	0	0	0	784,042	0	**784,042**
Other Comprehensive Expenditure and Income	0	0	0	0	0	(7,150,361)	**(7,150,361)**
Total Comprehensive Income and Expenditure	**784,042**	**0**	**0**	**0**	**784,042**	**(7,150,361)**	**(6,366,319)**
Adjustments between accounting basis and funding basis under regulation (refer Note 7)	914,104	0	2,011,131	660,541	3,585,776	(3,585,776)	**0**
Net Increase / Decrease before Transfers to Earmarked Reserves	1,698,146	0	2,011,131	660,541	4,369,818	(10,736,137)	(6,366,319)
Transfers (to) / from Earmarked Reserves (refer Note 8)	(275,510)	275,510	0	0	0	0	0
Increase / Decrease in Year	1,422,636	275,510	2,011,131	660,541	4,369,818	(10,736,137)	(6,366,319)
Balance at 31 March 2012	**8,140,830**	**2,467,471**	**2,011,373**	**1,990,953**	**14,610,627**	**53,228,048**	**67,838,675**

	General Fund Balance	Earmarked Specific Reserve	Usable Capital Receipts	Capital Grants & Contributions Reserve	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£	£	£	£	£	£	£
Restated Balance at 1 April 2010	**4,900,595**	**1,516,723**	**148,036**	**1,352,877**	**7,918,231**	**36,226,884**	**44,145,115**
Surplus/(deficit) on provision of services (accounting basis)	9,615,129	0	0	0	9,615,129	0	**9,615,129**
Other Comprehensive Expenditure and Income	0	0	0	0	0	20,444,750	**20,444,750**
Total Comprehensive Income and Expenditure	**9,615,129**	**0**	**0**	**0**	**9,615,129**	**20,444,750**	**30,059,879**
Adjustments between accounting basis and funding basis under regulation (refer Note 7)	(7,122,292)	0	(147,794)	(22,465)	(7,292,551)	7,292,551	**0**
Net Increase / Decrease before Transfers to Earmarked Reserves	2,492,837	0	(147,794)	(22,465)	2,322,578	27,737,301	30,059,879
Transfers (to) / from Earmarked Reserves (refer Note 8)	(675,238)	675,238	0	0	0	0	0
Increase / Decrease in Year	1,817,599	675,238	(147,794)	(22,465)	2,322,578	27,737,301	30,059,879
Balance at 31 March 2011	**6,718,194**	**2,191,961**	**242**	**1,330,412**	**10,240,809**	**63,964,185**	**74,204,994**

Comprehensive Income and Expenditure Statement

restated 2010/11 Gross Expenditure £	restated 2010/11 Gross Income £	restated 2010/11 Net Expenditure £		Note	2011/12 Gross Expenditure £	2011/12 Gross Income £	2011/12 Net Expenditure £
			Service Net Expenditure (29)				
10,955,240	(9,884,737)	1,070,503	Central Services to the Public		11,366,453	(9,973,758)	**1,392,695**
5,199,154	(1,081,077)	4,118,077	Culture and Related Services		5,481,948	(778,310)	**4,703,638**
5,973,473	(1,907,556)	4,065,917	Environmetal Regulatory Services		6,490,297	(3,051,113)	**3,439,184**
3,338,865	(1,381,059)	1,957,806	Planning and Development Services		3,104,690	(1,367,151)	**1,737,539**
0	0	0	Exceptional Items	(10)	0	0	**0**
2,360,829	(2,431,404)	(70,575)	Highways, Roads and Transport Services		1,808,023	(2,252,689)	**(444,666)**
34,762,901	(32,838,628)	1,924,273	Housing Services		36,296,593	(33,663,186)	**2,633,407**
3,389,219	(103,450)	3,285,769	Corporate and Democratic Core		2,990,560	(99,259)	**2,891,301**
222,470	0	222,470	Non Distributed Costs		757,184		**757,184**
(9,539,000)	0	(9,539,000)	Exceptional Items	(10)	0	0	**0**
56,663,151	(49,627,911)	7,035,240	**Net Cost of Services**		68,295,748	(51,185,466)	**17,110,282**
			Other Operating Expenditure				
		(147,905)	(Gain)/ loss on disposal of Property Plant & Equipment				**15,088**
		3,150,099	Parish and Town Council Precepts & Drainage Levies				**3,163,991**
		77,425	Amounts payable into Housing Capital Receipts Pool (Note 7)				**14,955**
		3,079,619					**3,194,034**
			Financing and Investment Income & Expenditure				
		150,699	Interest Payable				**114,513**
		(195,695)	Interest and Investment Income				**(379,179)**
		(981,395)	Investment Properties Net Income (Note 13)				**(1,010,995)**
		(62,500)	Investment Properties (Gain)/Loss on Disposal (Note 13)				**65,000**
		(1,498,373)	Movement in Fair Value of Investment Properties (Note 13)				**(1,009,050)**
		1,195,000	Pensions interest cost & expected return on pension assets				**114,000**
		(1,392,264)					**(2,105,711)**
			Taxation and Non-Specific Grant Income				
		(11,647,413)	Income from Council Tax				**(11,733,066)**
		(5,647,570)	Non-domestic rates redistribution (Note 34)				**(3,675,760)**
		(856,631)	Non-ringfenced government grants (Note 34)				**(2,622,053)**
		(186,110)	Capital Grants & S106 receipts used for financing (Note 34)				**(951,768)**
		(18,337,724)					**(18,982,647)**
		(9,615,129)	**(Surplus) / Deficit on Provision of Services**				**(784,042)**
		(1,281,750)	(Surplus)/ Loss arising on revaluation of Property, Plant, Equipment assets (Note 26a)				**1,065,361**
		(19,163,000)	Actuarial (gains) / losses on pension fund assets and liabilities (Note 41)				**6,085,000**
		(20,444,750)	**Other Comprehensive Income and Expenditure**				**7,150,361**
		(30,059,879)	**Total Comprehensive Income and Expenditure**				**6,366,319**

Balance Sheet

Restated As at 1st April 2010 £	Restated As at 31st March 2011 £		Note	As at 31st March 2012 £
59,824,938	58,812,538	Land and Buildings		**55,419,214**
3,497,776	3,058,921	Vehicles, Plant & Equipment		**2,820,754**
3,683,026	3,528,140	Infrastructure Assets		**3,331,082**
275	275	Community Assets		**275**
0	0	Assets Under Construction		**54,192**
67,006,015	65,399,874	**Property, Plant & Equipment**	11	**61,625,517**
836,751	836,751	Heritage Assets	12	**836,751**
16,787,506	20,094,856	Investment Properties	13	**16,992,857**
420,659	314,200	Intangible Assets	14	**282,135**
0	0	Long Term Investments	16	**1,000,000**
487,415	334,605	Long Term Debtors	17	**228,977**
85,538,346	86,980,286	**Long Term Assets**		**80,966,237**
4,000,000	13,500,000	Short Term Investments	20	**19,750,000**
5,392	6,326	Inventories	18	**5,653**
9,199,183	4,769,119	Short Term Debtors	19	**6,301,776**
(1,655,242)	(1,957,162)	less provn Bad Debts	19	**(2,035,232)**
4,188,123	1,763,080	Cash & Cash Equivalents	21	**0**
15,737,456	18,081,363	**Current Assets**		**24,022,197**
0	0	Cash & Cash Equivalents	21	**(270,880)**
(3,950,879)	(3,571,666)	Creditors	23	**(5,690,666)**
(102,117)	(93,961)	Provisions	24	**(234,385)**
(252,691)	(268,366)	Finance Lease Payable Less 1 Year	37	**(134,047)**
(134,447)	(2,146,895)	Borrowing Payable Less 1 Year	15	**(143,576)**
(4,440,134)	(6,080,888)	**Current Liabilities**		**(6,473,554)**
(4,259,354)	(4,417,365)	Capital Grants & Contributions Receipts In Advance	34	**(4,491,871)**
(1,003,227)	(734,861)	Finance Lease Payable Longer 1 Year	37	**(739,407)**
(1,590,972)	(1,457,541)	Borrowing Payable Longer 1 Year	15	**(1,318,927)**
(45,837,000)	(18,166,000)	Liability related to Defined Benefit Pension Scheme	41	**(24,126,000)**
(52,690,553)	(24,775,767)	**Long Term Liabilities**		**(30,676,205)**
44,145,115	74,204,994	**Net Assets**		**67,838,675**
13,904,795	14,811,129	Revaluation Reserve	26	**13,475,898**
68,028,088	67,206,172	Capital Adjustment Account	26	**63,855,660**
264,537	228,825	Deferred Capital Receipts Reserve	26	**201,256**
(45,837,000)	(18,166,000)	Pension Reserve	26	**(24,126,000)**
(102,117)	(93,961)	Accumulated Absences Account	26	**(129,627)**
(31,419)	(21,980)	Collection Fund Adj Ac(Deficit) / Surplus	26	**(49,139)**
36,226,884	63,964,185	**Unusable Reserves**	26	**53,228,048**
1,352,877	1,330,412	Capital Grants & Contributions Reserve	25	**1,990,953**
148,036	242	Usable Capital Receipts Reserve	25	**2,011,373**
1,516,723	2,191,961	Earmarked Specific Reserve	8	**2,467,471**
4,900,595	6,718,194	General Fund Balances	8	**8,140,830**
7,918,231	10,240,809	**Usable Reserves**	25	**14,610,627**
44,145,115	74,204,994	**Total Reserves**		**67,838,675**

Cash Flow Statement

Restated 2010/11 £		Note	2011/12 £
	Operating Activities		
	Cash Outflows		
9,541,788	Cash Paid to and on Behalf of Employees		**9,460,482**
18,865,033	Other Operating Cash Payments		**18,514,743**
34,331,099	Housing Benefit Paid Out		**35,826,964**
3,150,099	Payments to Preceptors		**3,163,991**
143,226	Interest Paid	28	**123,015**
77,700	Payments to Capital Receipts Pool		**14,874**
66,108,945			**67,104,069**
	Cash Inflows		
(278,143)	Rental Income		**(150,642)**
(11,690,285)	Council Tax Receipts		**(11,745,858)**
(5,647,570)	NNDR Payments from National Pool		**(3,675,760)**
(820,080)	Revenue Support Grant		**(1,136,188)**
(34,652,817)	DWP Grants for Benefits		**(35,244,906)**
(1,512,466)	Other Government Grants		**(1,986,298)**
(11,021,462)	Cash Received for Goods and Services		**(12,248,501)**
(131,631)	Interest Received	28	**(300,678)**
(1,346,773)	Other Operating Receipts		**(1,545,804)**
(67,101,227)			**(68,034,635)**
(992,282)	**Net Cash (Inflow)/Outflow - Operating Activities**		**(930,566)**
	Investing Activities		
2,265,492	Purchase of PPE, investment property & intangible assets		**1,759,000**
94,900,000	Purchase of Short-term & long-term Investments		**64,750,000**
291,794	Other payments for investing activities (if not in 2 lines above)		**257,732**
(292,906)	Proceeds from sale of PPE, Investment property & intangibles		**(4,058,000)**
(85,400,000)	Proceeds from Short-term & Long-term Investments		**(57,500,000)**
(1,863,240)	Other receipts from investing activities, include grants specifically paid for cost of purchase of PPE or Intangibles & S106s		**(2,859,392)**
9,901,140	**Net Cash flows from investing activities**		**2,349,340**
	Financing Activities		
(2,000,000)	Cash receipts of short & long term borrowing		**0**
(4,864,961)	Other receipts from financing activities		**(1,648,018)**
252,691	Cash payments for reduction of o/s liabilities for finance leases		**129,773**
128,455	Repayments of short & long term borrowing		**2,133,431**
0	Other payments for financing activities		**0**
(6,483,815)	**Net cash flows from financing activities**		**615,186**
2,425,043	**(Increase) / Decrease in Cash and Cash Equivalents**		**2,033,960**
4,188,123	Cash & Cash Equivalents (1st April)		**1,763,080**
1,763,080	Cash & Cash Equivalents (31st March)		**(270,880)**
(2,425,043)	**movement in year increase / (decrease)**		**(2,033,960)**

Notes to the Accounts

Notes to the Accounts

1. Accounting Policies

(a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 and be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets, and financial instruments.

(b) Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- 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 is accounted for as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract. Interest payable on borrowing is at a fixed rate over the life of the 15 year loan from Public Works Loan Board (PWLB) and a fixed rate over the life of a 5 year loan from PWLB.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. 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.

Exceptions to this principle relate to:

- Quarterly and monthly payments for utilities are charged at the date of meter reading each year rather than being apportioned between financial years;
- Council Taxpayers, where no account is taken for possible changes arising from new entries, late notification from Council Taxpayers and amendments to the valuation list until the transaction is actioned. This means late changes in the year may not be accounted for until the following year.
- Housing and Council Tax Benefit payments, where payments are made in conformity with the legislative requirements.
- Members Allowances, where payments are made in the year claims from councillors are processed.
- Employee overtime and car mileage claims, where payments are made in the year claims are processed following overtime worked or mileage incurred.
- Garden Waste, where annual fee income is accounted for in the year received, although renewal dates vary throughout the year and service is provided for a year from renewal.
- Car Park Penalty Notice income is recorded as income on the date the cash is received.

These policies are consistently applied each year and therefore do not have a material effect on the year's accounts.

(c) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that are on call and are readily convertible to known amounts of cash with insignificant risk of change in value. No fixed term investments are treated as cash equivalents.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

(d) Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

(e) 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.

(f) Charges to Revenue for Non- Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

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

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

(g) 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, and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements 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 or Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination 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.

Post-Employment Benefits
Employees of the council are members of the Local Government Pensions Scheme, administered by West Sussex County Council. The scheme is a defined benefit scheme.

The liabilities of the West Sussex County Council pension scheme attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method, that is, 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, and projections of projected earnings for current employees. Liabilities are discounted to their value at current prices, using a nominal discount rate of 4.8% (based on the indicative rate of return on a high quality corporate bond).

The assets of the West Sussex County Council pension scheme attributable to the council are included in the Balance Sheets at their fair value:

- Quoted securities - bid value
- Unquoted securities – professional estimate
- Unitised securities – average of the bid and offer rates
- Property – market value

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

- Current service cost – the increase in liabilities as a result of years of service earned this year –allocated in the Comprehensive Income and Expenditure Account to the revenue accounts of services for which the employees worked
- Past service costs (gains)– the increase /(decrease) in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited / (credited) to the Net Cost of Services in the Comprehensive Income and Expenditure Account as part of Non Distributed Costs
- Interest on obligation – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Financing and Investment Income and Expenditure part of the CIES
- Expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to Financing and Investment Income and Expenditure part of the CIES
- Gains/losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Account as part of Non Distributed Costs
- 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 – debited to ‘Other Comprehensive Income and Expenditure’ within the CIES
- Contributions paid to the West Sussex pension fund – cash paid as employer’s contributions to the pension fund

In relation to retirement benefits, statutory provisions require the General Fund Balance 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 (MIRS) 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 any amounts payable to the fund 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.

Discretionary Benefits

The council also has restricted powers to make discretionary awards of retirement benefits in the events of early retirements. It is not the council’s policy to make such payments.

(h) Events After the Balance Sheet Date

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

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

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

(i) Financial Instruments

Financial Liabilities

Financial liabilities are initially measured at fair value and 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.

Annual charges to the Comprehensive Income and Expenditure Statement for interest payable on borrowing are at a fixed rate over the life of a 15 year loan, and a 5 year loan from Public Works Loan Board (PWLB). The amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement. The £2 million short term loans that had been arranged for 364 days was repaid in November 2011.

Financial Assets

Financial assets are classified into two types:

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

Investments are shown in the Balance Sheet at cost. Short Term Investments are deposits made for a fixed period, where repayment would incur the penalty of reduced interest, with maturity up to 364 days. Long Term Investments are those that will mature in one year or more.

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable, and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event and payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

There are no assets held as available for sale.

(j) Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors, Unapplied Grants and Contributions 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 in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

(k) Heritage Assets

Tangible and intangible Heritage Assets (described in this summary as heritage assets)

The Authority's Heritage Assets are held in the Council offices, and on the South Downs at Clayton, West Sussex. These heritage assets are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the Authority's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The Authority's heritage assets are accounted for as follows:

- **Historical Buildings**

  The historic building is Jill Windmill. This item is reported in the Balance sheet at replacement cost value. The War Memorial is in Ardingly.

- **Art Collection and Civic Regalia**

  The works of art includes oil paintings and these are reported in the Balance Sheet on the basis of an insurance valuation undertaken 27th April 2012. These are valued on a 5 year basis and the items are valued by an external valuer. The assets are deemed to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation.

  Acquisitions are made by donation, which are recognised at valuation with valuations provided by the external valuers and with reference to appropriate commercial markets for the paintings using the most relevant and recent information from sales at auctions.

Heritage Assets –General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets. Eg where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the authority's general policies on impairment (see note 1(r)) in this summary of significant accounting policies. The Council will occasionally dispose of heritage assets which have a doubtful province or are unsuitable for display. The proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (see notes 1(u) and 1(r))

(l) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the council as a result of past events, for example software and software licences, are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. This has been set as 5 years. As asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure

Statement. Any gain or loss arising on the disposal of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance 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.

(m) Inventories and Long Term Contract

Inventories are valued at actual cost. This is a departure from the requirements of the code and IAS 2, which require stocks to be shown at the lower of actual cost or net realisable value, but the impact is not material.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

(n) Investment Property

Investment properties are those 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, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and 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.

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. 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 Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sales proceeds greater than £10,000) the Capital Receipts Reserve.

(o) Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

(p) Leases

Leases are classified as finance leases where the terms of the lease in substance transfers 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 commencement 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.

Lease payments are apportioned between

- A charge for the acquisition of the payments made to the lessor in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge recognising calculations of effective interest rate (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).
The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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

The Authority as Lessor

Finance Leases
The Authority has not granted any finance leases over a property, or item of plant or equipment.

Operating Leases
Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. 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). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

(q) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principle of the CIPFA Service Reporting Code of Practice 2011/12 (SeRCOP). The total absorption costing principle is used - the budgeted cost of over heads and support services are shared between users in proportion to the benefits received with the exception of:

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

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

(r) Property, Plant and Equipment

Assets that have physical substance and are held for use in the provision of services 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 costs of £10,000 or more, 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 and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred.

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 initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost. Open spaces (community assets) have been included at a nominal value of £1 per item.
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.
- Where non-property assets that have short useful lives or low values (or both) depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued annually, to ensure that their carrying amount is not materially different from their fair value at the year-end. The asset valuations, as at 1st April 2011, were carried out by an internal RICS qualified chartered surveyor, the Property Manager for the council. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by;

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

Where impairment losses are identified, they are accounted for by:

- 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. As exception is made for assets without a determinable finite life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings - straight line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant, equipment - Computer equipment and new playground equipment is calculated using the straight- line method over 5 years. Other equipment is depreciated using a 10% reducing balance method, with 10 year straight line for the Wheeley Bins and Skate Park Equipment, and 7 year straight line for the Car Parking Machines.
- Infrastructure – straight line allocation over the life of the asset

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

Componentisation

The Code requires the authority to adopt new accounting policies in respect of componentisation and de-recognition of components from 1 April 2010, and to apply these policies prospectively from that date. For MSDC, the basis of componentisation of Assets and limits are set out below:

- All assets with values of over £500k before depreciation have been deemed to be material and considered for componentisation. i.e. It has been considered whether any part of these assets should have a different useful life or method of depreciation.
- Each asset has been reviewed individually. The assets that are required to be componentised in line with our policy are the Leisure Centres and Civic Halls.These 5 assets have been split into the following four components
  - Land, Structure, Roof, Services / externals (including boilers, heating systems, lifts)

These assets are valued on a Depreciated Replacement Cost (DRC) basis.

Pavilions:

For Mid Sussex, Pavilions are valued individually on a DRC basis. In relation to componentisation, they have similar characteristics and have been considered collectively for their impact on depreciation calculations. (total value around £3m). To explain further, each Pavilion is valued less than £500k, and therefore falls below the trigger value for componentisation. In addition, examination of individual Pavilions has identified that the land value forms an insignificant part of the asset, and there are no parts of the building of a value significant enough to warrant separate componentisation.

Existing Use Value (EUV) assets
Where EUV is the basis for valuing the overall item, judgement has been applied, and componentisation has not been undertaken. The component parts are not sufficiently separable under this valuation method.

Disposals: 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 to sell. Where there is subsequent decrease to fair value less costs to see, 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 losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged in Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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 are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie 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. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to 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 –the capital financing requirement-). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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 in the Movement in Reserves Statement.

(s) Provisions, Contingent Liabilities and Contingent Assets

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. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to 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 (eg 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.

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 measure reliably.

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

Contingent Assets: A 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 otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

(t) Reserves and Balances

The 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 to score 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 Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

(u) Revenue Expenditure Funded from Capital under Statute

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.

(v) VAT

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.

(w) Officer Personal Loan Scheme

Balances held are shown as long term debtors in the Balance Sheet. Loans in their last year are still shown as long term debtors with the exception of season ticket loans which are included as sundry debtors in the Balance Sheet as the maximum period allowed is twelve months.

(x) Borrowing Costs

The Council charges borrowing costs to the Comprehensive Income and Expenditure Statement in the period to which the borrowing relates. It does not capitalise any borrowing costs against its assets.

(y) Redemption of Debt

There is a legal requirement to make a charge to the Comprehensive Income and Expenditure Statement to contribute towards reducing the overall borrowing. The Council's policy is to charge this Minimum Revenue Provision (MRP) on an annuity basis over the life of the loans.

(z) Carbon Reduction Commitment Allowances

The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

2. Accounting Policies Issued But Not Yet Adopted

For 2011/12 the only accounting policy change relates to amendments to IFRS 7 Financial Instruments: Disclosures (transfers of financial assets). Appendix C of the 2012/13 Code of Practice on Local Authority Accounting in the United Kingdom will provide details of the disclosures required.

3 Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

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

4 Assumptions made about the future and other major sources of 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 balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	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 are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £8.7m. In addition, a 0.5% increase in the Pension Increase Rate would increase liabilities by £6.4m However, the assumptions interact in complex ways. During 2011/12, the Authority's actuaries advised that the net pensions liability had increased by £0.3m, as a result of estimates being corrected as a result of experience and increased by £5.7m attributable to updating of the assumptions.

Pension Liability (IAS19 disclosures): In terms of the pension liability, the substance of the arrangement with Freedom Leisure who run our leisure services contract, is that the transferred staff are being treated as though they are employees of the Council and are included as part of IAS19 disclosures.

Allowance for Bad Debts: The council has provided within its financial statements an estimated allowance for bad debts to cover all major items of income and expenditure (see Note 18). This allowance is considered adequate to cover future bad debts, but is by its nature an estimate.

5. Material Items of Income and Expenditure

The Financing and Investment Income and Expenditure section on the Comprehensive Income and Expenditure Statement shows the net gain on disposal of Investment Property. The sale of The Brow generated a capital receipt of £4,058,000 and is detailed in the Capital Receipts Reserve Note 25(b) and Investment Property Note 13.

6. Events After The Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Finance on 29 June 2012. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Adjustments between Accounting Basis and Funding Basis Under Regulations

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

2011-12	**Usable Reserves**			
	General Fund Balance	Capital Receipts Reserve	Capital Grants & Contributions Reserve	Movement in Unusable Reserves
Adjustments primarily involving the Capital Adjustment Account	£	£	£	£
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	**2,724,215**	**0**	**0**	**(2,724,215)**
Revaluation losses on Property Plant and Equipment	**1,030,899**	**0**	**0**	**(1,030,899)**
Movements in the market value of Investment Properties	**(1,009,050)**	**0**	**0**	**1,009,050**
Amortisation of intangible assets	**177,336**	**0**	**0**	**(177,336)**
Capital grants and contributions applied	**(1,091,201)**	**0**	**0**	**1,091,201**
Revenue expenditure funded from capital under statute	**1,592,876**	**0**	**0**	**(1,592,876)**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	**4,138,088**	**0**	**0**	**(4,138,088)**
	7,563,163	**0**	**0**	**(7,563,163)**
Insertions of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	**(222,676)**	**0**	**0**	**222,676**
Capital expenditure charged against the General Fund	**(1,492,685)**	**0**	**0**	**1,492,685**
	(1,715,361)	**0**	**0**	**1,715,361**

2011-12	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants & Contributions Reserve	Movement in Unusable Reserves
Adjustments primarily involving the Capital Receipts Reserve	£	£	£	£
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(4,058,000)	4,058,000		
Use of the Capital Receipts Reserve to finance new capital expenditure		(59,483)		59,483
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	14,955	(14,955)		
Contribution from the Capital Receipts Reserve to finance the repayment of loan		(2,000,000)		2,000,000
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		27,569	0	(27,569)
	(4,043,045)	2,011,131	0	2,031,914
Adjustments primarily involving the Capital Grants Unapplied Reserve				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(828,478)	0	828,478	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(167,937)	167,937
	(828,478)	0	660,541	167,937
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement:	2,398,000			(2,398,000)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,523,000)			2,523,000
	(125,000)	0	0	125,000
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	27,159			(27,159)
	27,159	0	0	(27,159)
Adjustments primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	35,666			(35,666)
	35,666	0	0	(35,666)
Total Adjustments shown on Movement In Reserves Statement	914,104	2,011,131	660,541	(3,585,776)

2010-11	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants & Contributions Reserve	Movement in Unusable Reserves
Adjustments primarily involving the Capital Adjustment Account	£	£	£	£
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	**2,299,586**	**0**	**0**	**(2,299,586)**
Revaluation losses on Property Plant and Equipment	**940,339**	**0**	**0**	**(940,339)**
Movements in the market value of Investment Properties	**(1,498,373)**	**0**	**0**	**1,498,373**
Amortisation of intangible assets	**173,658**	**0**	**0**	**(173,658)**
Capital grants and contributions applied	**(824,330)**	**0**	**0**	**824,330**
Revenue expenditure funded from capital under statute	**1,120,471**	**0**	**0**	**(1,120,471)**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	**82,500**	**0**	**0**	**(82,500)**
	2,293,851	**0**	**0**	**(2,293,851)**
Insertions of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	**(381,145)**	**0**	**0**	**381,145**
Capital expenditure charged against the General Fund	**(293,921)**	**0**	**0**	**293,921**
	(675,066)	**0**	**0**	**675,066**

2010-11	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants & Contributions Reserve	Movement in Unusable Reserves
Adjustments primarily involving the Capital Receipts Reserve	£	£	£	£
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	**(292,906)**	**292,906**		
Use of the Capital Receipts Reserve to finance new capital expenditure		**(398,987)**	**0**	**398,987**
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	**77,425**	**(77,425)**		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		**35,712**	**0**	**(35,712)**
	(215,481)	**(147,794)**	**0**	**363,275**
Adjustments primarily involving the Capital Grants Unapplied Reserve				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	**0**		**0**	**0**
Application of grants to capital financing transferred to the Capital Adjustment Account	**0**	**0**	**(22,465)**	**22,465**
	0	**0**	**(22,465)**	**22,465**
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement:	**(6,060,000)**			**6,060,000**
Employer's pensions contributions and direct payments to pensioners payable in the year	**(2,448,000)**			**2,448,000**
	(8,508,000)	**0**	**0**	**8,508,000**
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	**(9,440)**			**9,440**
	(9,440)	**0**	**0**	**9,440**
Adjustments primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**(8,156)**			**8,156**
	(8,156)	**0**	**0**	**8,156**
Total Adjustments shown on Movement In Reserves Statement	**(7,122,292)**	**(147,794)**	**(22,465)**	**7,292,551**

8. Transfers To/From Earmarked Specific Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked specific reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2011-12. The net movement in the year is shown on the Movement In Reserves Statement.

Further explanation of each item included in Specific Reserve is set out in the Outturn Report 2011-12, to Cabinet on 11th June 2012.

	Balance at 1st April 2010 £	Transfers In 2010-11 £	Transfers Out 2010-11 £	Balance at 31st March 2011 £	Transfers In 2011-12 £	Transfers Out 2011-12 £	Balance at 31st March 2012 £
Specific Reserve							
Member Support (formerly Member Support & Partnerships)	43,312	46,352	(46,985)	42,679	42,228	(62,734)	**22,173**
Performance & Partnerships	0	0	0	0	6,650	0	**6,650**
Development Management	124,552	0	0	124,552	2,000	(56,801)	**69,751**
Planning Policy & Economic Development (formerly Planning Policy)	308,603	128,968	(9,850)	427,721	239,273	(16,037)	**650,957**
Accountancy	0	5,000	0	5,000	0	0	**5,000**
Finance Corporate	267,005	724,956	(369,238)	622,723	65,905	(317,750)	**370,878**
ICT	0	10,820	0	10,820	9,180	0	**20,000**
Revenues and Benefits	227,743	218,101	0	445,844	174,375	(68,819)	**551,400**
Housing	48,181	57,100	0	105,281	0	0	**105,281**
Environmental Health	836	0	0	836	0	(836)	**0**
Land Charges	0	34,356	0	34,356	0	0	**34,356**
Property	0	0	0	0	33,057	0	**33,057**
Building & Asset Maintenance	0	42,483	0	42,483	100,000	(19,836)	**122,647**
Community Services & Culture	212,897	55,000	(70,239)	197,658	44,454	(104,056)	**138,056**
Leisure Operations	105,294	0	(105,294)	0	0	0	**0**
Client Leisure Operations	43,806	98,000	(50,853)	90,953	204,600	(14,670)	**280,883**
Facilities Management & Streetscene	0	26,000	0	26,000	0	0	**26,000**
Personnel & Payroll (formerly Corporate Organisational Development	5,463	8,978	(5,250)	9,191	21,299	(5,972)	**24,518**
Better Mid Sussex	129,031	10,000	(133,167)	5,864	0	0	**5,864**
Specific Reserve Total	1,516,723	1,466,114	(790,876)	2,191,961	943,021	(667,511)	**2,467,471**
General Fund Balances	4,900,595	2,120,537	(302,938)	6,718,194	2,976,619	(1,553,983)	**8,140,830**
	6,417,318	3,586,651	(1,093,814)	8,910,155	3,919,640	(2,221,494)	**10,608,301**

- Earmarked Specific Reserve **–** This reserve comprises amounts for particular purposes and for which Member authorisation has been obtained as to how these may be applied.

- General Fund Balances – This includes amounts earmarked for the Capital Programme, amounts provided by developers as commuted sums in lieu of future maintenance, and resources available to meet future running costs for services.

9. Prior Period Adjustments

As detailed in Note 1, the council has adopted a significant new accounting policy that impacts on the comparative figures for 2011-12 in the Balance Sheet as shown below, but do not impact on the Comprehensive Income and Expenditure Account:

Heritage Assets / Property, Plant and Equipment / Revaluation Reserve / Capital Adjustment Account

Details of the Heritage Assets are shown in Note 12.

Opening 1 April 2010 Balance Sheet	2010/11 Statements £	Adjustments Made £	Restated 2010/11 Balance £
Community Assets	99,677	(99,402)	275
Heritage Assets	0	836,751	836,751
Revaluation Reserve	13,165,396	739,399	13,904,795
Capital Adjustment Account	68,030,138	(2,050)	68,028,088

31 March 2011 Balance Sheet	2010/11 Statements £	Adjustments Made £	Restated 2010/11 Balance £
Community Assets	99,677	(99,402)	275
Heritage Assets	0	836,751	836,751
Revaluation Reserve	14,071,730	739,399	14,811,129
Capital Adjustment Account	67,208,222	(2,050)	67,206,172

Capital Grants & Contributions Receipts In Advance / Capital Grants & Contributions Reserve / Creditors

A further review of the Unapplied Section 106 contributions identified contributions to be transferred to the Capital Grants and Contributions Reserve within the Usable Reserves section of the Balance Sheet and others to be transferred to Creditors. This has resulted in the following changes being made to the Balance Sheet position at 1 April 2010 and 31 March 2011.

Opening 1 April 2010 Balance Sheet	2010/11 Statements £	Adjustments Made £	restated 2010/11 Balance £
Creditors	3,827,725	123,154	3,950,879
Capital Grants & Contributions Unapplied (liabilities)	4,543,477	(284,123)	4,259,354
Capital Grants & Contributions Reserve (reserves)	1,191,908	160,969	1,352,877

31 March 2011 Balance Sheet	2010/11 Statements £	Adjustments Made £	Restated Balance £
Creditors	3,448,512	123,154	3,571,666
Capital Grants & Contributions Unapplied (liabilities)	4,701,488	(284,123)	4,417,365
Capital Grants & Contributions Reserve (reserves)	1,169,443	160,969	1,330,412

Financial Instruments Note 15

Creditors: The figures for the previous year comparison have been amended now that it has been clarified that capital grants and Section 106 contributions where conditions are not met are receipts in advance and therefore liabilities in the balance sheet, but are not financial liabilities for the purposes of the financial instruments disclosure. To be a financial instrument there needs to be a contractual relationship between two bodies, an asset in one parties accounts and a liability in the other. The contributions would not be in the grant paying bodies accounts as a matching asset, the payment of the grant would be accounted for as expenditure.

Debtors: The figures for the previous year comparison included amounts owing from central government for statutory services which do not meet the definition of financial assets.

The restated amounts are shown below.

Financial Instruments	31st March 11 Balance £		Adjustments Made £	Restated Balance £
Long Term Creditors (S106s)	4,417,365	*	(4,417,365)	0
Short Term Creditors	3,571,666	**	(920,610)	2,651,056
Debtors	2,380,063		(1,367,498)	1,012,565

*includes adjustment of £284,123 as detailed in 31 March 2011 Balance Sheet extract above.

** includes adjustment of £123,154 as detailed in 31 March 2011 Balance Sheet extract above.

Financial Liabilities	31st March 11 Balance £	Adjustments Made £	Restated Balance £
Other Liabilities Amortised Cost	10,961,000	(4,417,365)	5,393,417
Other Liabilities Fair Value	10,966,000	(5,572,583)	5,393,417
Other Assets Amortised Cost	4,477,748	(1,367,498)	3,110,250
Other Assets Fair Value	4,843,000	(1,732,750)	3,110,250

10. Exceptional Items

These are material items in terms of the authority's overall net expenditure, which derive from events or transactions that are not expected to recur frequently or regularly that fall within the ordinary activities of the authority. They need to be disclosed separately by virtue of their size or incidence to give a fair presentation of the accounts.

There are no Exceptional items as at 31 March 2012.

Exceptional items for 2010/11 include £9,539,000 gross income in respect of changes to pensions indexation. These changes were first announced by the Chancellor of the Exchequer in his Emergency Budget on 22 June 2010. In this budget, the Chancellor set out that public sector pension increases would now be linked to Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This is also reflected in the change in the Pensions liability in the Balance Sheet which has decreased from £45,837,000 as at 31st March 2010 to £18,166,000 as at 31st March 2011.

11. Property, Plant and Equipment

Non- current assets are included in the balance sheet at their current value, except for infrastructure and community assets which are included at historical cost or £1 value. The restated Community Assets total is due to transfers to the new category of Heritage Asset, full details of which are shown in Note 12.

2011-12	Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	restated Community Assets	Assets Under Construction	**Total**	Finance Leased Assets included in Vehicles, Plant & Equipment
	£	**£**	**£**	**£**	**£**	**£**	**£**
Cost or valuation							
At 1 April 2011	60,257,820	5,610,701	4,035,046	99,677	0	**70,003,244**	1,817,402
restated to Intangible Assets		(70,581)		(99,402)			
At 1 April 2011	60,257,820	5,540,120	4,035,046	275	0	**69,833,261**	1,817,402
Additions	722,960	284,057	0	0	54,192	**1,061,209**	0
Disposals	(16,000)	(72,178)	0	0	0	**(88,178)**	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(2,519,451)	0	0	0	0	**(2,519,451)**	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,030,899)	0	0	0	0	**(1,030,899)**	0
At 31 March 2012	57,414,430	5,751,999	4,035,046	275	54,192	**67,255,942**	1,817,402
Accumulated Depreciation and Impairment							
At 1 April 2011	(1,445,282)	(2,551,780)	(506,906)	0	0	**(4,503,968)**	(814,175)
restated to Intangible Assets		70,579					
	(1,445,282)	(2,481,201)	(506,906)	0	0	**(4,433,389)**	(814,175)
Charge for current year	(2,004,935)	(522,222)	(197,058)	0	0	**(2,724,215)**	(129,773)
Depreciation written out on disposal	912	72,178	0	0	0	**73,090**	0
Depreciation written out to the Revaluation Reserve	1,454,089	0	0	0	0	**1,454,089**	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	**0**	0
At 31 March 2012	(1,995,216)	(2,931,245)	(703,964)	0	0	**(5,630,425)**	(943,948)
Net Book Value At 31 March 2012	**55,419,214**	**2,820,754**	**3,331,082**	**275**	**54,192**	**61,625,517**	**873,454**
Net Book Value At 31 March 2011	**58,812,538**	**3,058,921**	**3,528,140**	**275**	**0**	**65,399,874**	**1,003,227**

Comparative Movements in 2010-11	Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	restated Community Assets	**Total**	Finance Leased Assets included in Vehicles, Plant & Equipment
	£	£	£	£	£	£
Cost or valuation						
At 1 April 2010	61,701,720	5,404,469	3,985,071	275	**71,091,535**	1,817,402
Additions	95,826	206,232	49,975	0	**352,033**	0
Disposals	0	0	0	0	**0**	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	290,100	0	0	0	**290,100**	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,829,826)	0	0	0	**(1,829,826)**	0
At 31 March 2011	60,257,820	5,610,701	4,035,046	275	**69,903,842**	1,817,402
Accumulated Depreciation and Impairment						
At 1 April 2010	(1,876,782)	(1,906,693)	(302,045)	0	**(4,085,520)**	(561,484)
Charge for current year	(1,449,637)	(645,087)	(204,861)	0	**(2,299,585)**	(252,691)
Depreciation written out to the Revaluation Reserve	1,881,137	0	0	0	**1,881,137**	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	**0**	0
At 31 March 2011	(1,445,282)	(2,551,780)	(506,906)	0	**(4,503,968)**	(814,175)
Net Book Value At 31 March 2011	**58,812,538**	**3,058,921**	**3,528,140**	**275**	**65,399,874**	**1,003,227**
Net Book Value At 31 March 2010	**59,824,938**	**3,497,776**	**3,683,026**	**275**	**67,006,015**	**1,255,918**

The non- current assets owned by the Council included in the Balance Sheet are shown in the following table.

	Number as at 31st March 12	Number as at 31st March 11
Land and Buildings		
Car Parks	**34**	33
Parks and Recreation Grounds (with sports pitches)	**39**	39
Housing Properties	**1**	1
Halls, Community Centres and Scout Hut Sites	**22**	22
Leisure Centres	**3**	3
Pavilions	**23**	23
Public Conveniences	**8**	9
Office Buildings	**3**	3
Depots and Workshops	**1**	1
Other Operational Assets *	**32**	32
Asset Under Construction		
Public Conveniences	**1**	-
Vehicles, Plant and Equipment		
Computer Hardware	**13**	14
Equipment (items over £10,000)	**27**	23
Infrastructure Assets		
Drainage Assets	**53**	53
Highway Land	**80**	80
Permanent Ways	**11**	11
Community Assets		
Parks and Open Spaces (without sports pitches)	**255**	255
Cemeteries	**2**	2
Allotment Sites	**4**	4
Other Community Assets (includes Footpaths, Ponds &Woods)	**14**	14
Heritage Assets		
Historic Buildings	**2**	2
Works of Art, Civic Regalia, Furniture	**17**	17
Investment Properties		
Industrial and Other Estate Sites	**5**	5
Central Development Area Sites	**9**	11
Shops	**5**	5
Car Park - Central Development Area Site	**1**	1
Other Investment Assets	**23**	23
Intangible Assets		
Software and Software Licences	**33**	30

* Other operational assets consist mainly of areas of land where third parties have been given permission to build assets (pavilions, club houses etc). In these cases Mid Sussex District Council is the freeholder.

Revaluations

The following statement shows the annual revaluation of non- current assets measured at fair value, as detailed in the Foreword the annual valuation was carried out by an internal RICS qualified chartered surveyor, Mid Sussex District Council Property Manager. The sources of information and assumptions made in producing the various valuations for 1 April 2011 are set out in a valuation certificate and report. Operational assets are defined as being held, occupied and used by the Council in the direct delivery of services for which there is a statutory or discretionary responsibility, and valued as Existing Use Value (EUV). For specialised operational properties, depreciated replacement cost (DRC) is used. Further information is in the Statement of Accounting Policies Note 1(q) Property, Plant and Equipment. An impairment review was conducted for 31 March 2012, by a RICS qualified chartered surveyor, with no further adjustments needed to the asset values.

	Land and Buildings £	Vehicles, Plant, Equipment £	Infrastructure £	Community Assets £	Assets Under Construction £	Total £
Valued at historical cost		2,820,754	3,331,082	275	54,192	6,206,303
Valued at fair value in:						
2011/12	**55,419,214**	**0**	**0**	**0**	**0**	**55,419,214**
	55,419,214	2,820,754	3,331,082	275	54,192	61,625,517

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Buildings: straight line allocation over the useful life of the property as estimated by the valuer
- Vehicles, Plant and Equipment: computer equipment and new playground equipment, straight line over 5 years. Other equipment is depreciated using 10% reducing balance method, with 10 years straight line for the Wheeley Bins and Skate Park Equipment, and 7 year straight line for the Car Parking Machines.
- Infrastructure: straight line over the life of the asset

Commitments under Capital Contracts

After taking account of the capital expenditure in 2011/12, the Council has authorised expenditure of £10,845,000 in future years to 2015/16. Expenditure of £253,152 related to contracts entered into prior to 31st March 2012.

12. Heritage Assets

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the Authority.

Heritage Assets Change In Accounting Policy

In 2011/12 the Authority is required to change its accounting policy for heritage assets and recognise them at valuation, as set out in our summary of significant accounting policies in Note 1. Previously, heritage assets were either recognised as community assets (at cost) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information of the assets. In applying the new accounting policy, the assets held as community assets, under property, plant and equipment have been recognised as heritage assets and measured at £836,751, with an increase in the Revaluation Reserve, as detailed in Prior Period Note 9.

Historic Buildings

The Authority's historic building is Jill Windmill.

Jill Windmill was first built in 1821 on another site on the South Downs and was moved to its present position at Clayton in 1852. It is currently a fully working, functioning windmill grinding corn. The volunteers from the Jack and Jill Windmills Society, a registered charity, www.jillwindmill.org.uk, meet on a regular basis and have carried out the vast majority of the restoration work of the timber construction, and the ongoing maintenance of Jill Windmill. The main renovation took place in 1989 after the structure suffered considerable damage in the storms of 1987.

The windmill is reported in the Balance at replacement cost value. This specialised valuation was updated on 23 January 2012 for the restated balances by an internal valuer, FRICS.

Art Collection and Furniture

The Authority's external valuer for its art work (Gorringes, Lewes) carried out a full valuation of the collection of 13 paintings as at 27th April 2012. The valuations were based on commercial markets including recent transaction information from auctions where similar types of paintings are regularly being purchased. The paintings have been dated from as early as 1831 and are a mixture of portraits, still life and views of the River Thames. In addition there is a map of Sussex dated 1795.

The Council's collection of Heritage Assets also include an Edwardian writing desk, which is housed in the Chairman's office at the Council Offices at Oaklands.

Civic Regalia

The Authority's external valuer for its art work (Gorringes, Lewes) carried out a full valuation of the council's civic regalia as at 27th April 2012. The items are the Chairman's Chain of Office, the Vice-Chairman's silver gilt chain, and a silver gilt and enamel elliptical badge.

Reconciliation of the carrying Value of Heritage Assets Held by the Authority.

	Historic Buildings	Art Collection and furniture	Civic Regalia	**Total Assets**
	£	£	£	£
Cost or valuation				
At 1 April 2010	700,101	131,050	5,600	**836,751**
Additions	0	0	0	**0**
Disposals	0	0	0	**0**
Revaluations	0	0	0	**0**
Impairment Losses / (reversals) recognised in the Revaluation Reserve	0	0	0	**0**
Impairment Losses (reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	**0**
At 31 March 2011	700,101	131,050	5,600	**836,751**
Cost or valuation				
At 1 April 2011	700,101	131,050	5,600	**836,751**
Additions	0	0	0	**0**
Disposals	0	0	0	**0**
Revaluations	0	0	0	**0**
Impairment Losses / (reversals) recognised in the Revaluation Reserve	0	0	0	**0**
Impairment Losses (reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	**0**
At 31 March 2012	700,101	131,050	5,600	**836,751**

Additions / Disposals of Heritage Assets

The Authority has not purchased or sold any Heritage assets in 2011/12.

Heritage Assets: Five –Year Summary of Transactions

	2007/08	2008/09	2009/10	2010/11	2011/12
	£	£	£	£	£
Value of Heritage assets Acquired by Donation					
Historic Buildings	700,101	700,101	700,101	700,101	**700,101**
Art Collection & Furniture	131,050	131,050	131,050	131,050	**131,050**
Civic Regalia	5,600	5,600	5,600	5,600	**5,600**
Carrying Value	836,751	836,751	836,751	836,751	**836,751**

13. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The main income received is ground rent for shopping centres and industrial estates.

	2011-12 £	2010-11 £
Rental income from investment property	**(1,275,702)**	(1,274,551)
Direct operating expenses arising from investment property	**264,707**	293,156
Net gain / (loss)	**(1,010,995)**	(981,395)

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:

	2011-12 £	2010-11 £
Balance at 1 April	**20,094,856**	16,787,506
Additions:		
Purchases	**0**	1,664,000
Subsequent expenditure	**11,951**	227,477
Disposals	**(4,123,000)**	(82,500)
Net gains/(losses) from fair value adjustments	**1,009,050**	1,498,373
Transfers:		
to/from Property, Plant and Equipment	**0**	0
Balance at 31 March	**16,992,857**	20,094,856

Revaluations

The annual revaluation of Investment Properties measured at fair value, as detailed in the Foreword the annual valuations are carried out by an internal RICS qualified chartered surveyor, Mid Sussex District Council Property Manager. The sources of information and assumptions made in producing the valuations for 1 April 2011 are set out in a valuation certificate and report.

An impairment review was conducted for 31 March 2012, by an internal RICS qualified chartered surveyor, with no further adjustments needed to the asset values.

The disposal recorded is mostly for the sale of The Brow, Queen Elizabeth Avenue, Burgess Hill for £4,058,000.

14. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software. All software is given a 5 year useful life. The carrying amount of intangible assets is amortised on a straight line basis.

The brought forward balance has been restated to include an asset valued at £70,581 transferred from Computer Software (refer to Vehicles, Plant and Equipment Note) to Intangible Assets, the Net Book Value is nil.

	Purchased Software and Software Licences	Less Amortised	Net Book Value
	£	£	£
Balances 1 April 11	1,419,822	(1,105,622)	314,200
restated from Equipment	70,581	(70,581)	0
Restated Balances 1 April 11	1,490,403	(1,176,203)	314,200
Expenditure in Year	145,271		145,271
Disposals	(189,298)	189,298	0
Written off to revenue in year		(177,336)	(177,336)
Balance at 31st March 12	1,446,376	(1,164,241)	282,135

Comparatives for 2010-11	Purchased Software and Software Licences	Less Amortised	Net Book Value
	£	£	£
Restated Balances 1 April 10	1,352,623	(931,964)	420,659
Expenditure in Year	67,199		67,199
Disposals			0
Written off to revenue in year		(173,658)	(173,658)
Balance at 31st March 11	1,419,822	(1,105,622)	314,200

15. Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet

	Long Term		Current	
	31st March 2012	restated 31st March 2011	31st March 2012	restated 31st March 2011
	£	£	£	£
Investments				
Loans and receivables	1,000,000	0	19,750,000	13,500,000
Total Investments	1,000,000	0	19,750,000	13,500,000
Debtors				
Loans and receivables	228,977	334,605	1,306,190	1,012,565
Cash	0	0	0	1,763,080
Total Debtors	228,977	334,605	1,306,190	2,775,645
Borrowings				
Financial Liabilties at amortised cost	1,318,927	1,457,541	143,576	2,146,895
Total Investments	1,318,927	1,457,541	143,576	2,146,895
Other Long Term Liabilities				
Finance lease liabilities	739,407	734,861		
Total Other Long Term Liabilities	739,407	734,861		
Creditors				
Cash	0	0	270,880	0
Financial Liabilties	0	0	2,781,447	2,651,056
Total Creditors	0	0	3,052,327	2,651,056

Borrowings
Borrowing was arranged with Public Works Loan Board (PWLB) on 4 March 2008 at a fixed interest rate of 4.55% with repayments of £157,610 per year for 15 years. An additional loan was arranged on 27 July 2009 at a fixed rate of 2.23%. Yearly payments are £43,556 for 5 years. In November 2010, a further £2 million was borrowed, £1 million from Thurrock Borough Council and £1 million from East Riding of Yorkshire Pension Fund, for 364 days at 1.2% to finance the surrender of a lease. The two £1 million loans were repaid in November 2011.

Fair Value of assets and liabilities carried at amortised cost
Financial assets and liabilities represented by loans and receivables are carried in 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 financial instruments, using the following assumptions:

- For Public Works Loans Board (PWLB) loans, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB redemption procedures
- For loans receivable prevailing benchmark market rates have been used to provide the fair value
- No early repayment or impairment is recognised
- Where a financial instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount

The fair values are calculated as follows:
Financial Liabilities

			restated	restated
	Amortised Cost 31st March 2012 £	Fair Value 31st March 2012 £	Amortised Cost 31st March 2011 £	Fair Value 31st March 2011 £
PWLB debt	**1,463,359**	**1,635,879**	1,597,367	1,637,781
Other liabilities	**3,791,734**	**3,791,734**	5,393,417	5,393,417
Money market investments greater than 1 year	**1,000,000**	**1,037,669**	0	0
Money market investments less than 1 year	**19,750,000**	**19,943,743**	13,500,000	13,596,401
Other assets	**1,535,167**	**1,535,167**	3,110,250	3,110,250

Debtor and Creditor amounts relating to such things as council tax, non-domestic rates, general rates etc are outside the scope of the accounting provisions as they are statutory debts and do not arise from contracts. The restated 2011 figures have been further explained in the Prior Period Note 9.

16. Long Term Investments

There is one long-term Treasury Management Investments at 31 March 2012 with a maturity date of 12 April 2013.

	31st March 2012 at Cost £	31st March 2011 at Cost £	31st March 2010 at Cost £
Treasury Management Investments	**1,000,000**	0	0

17. Long Term Debtors

2011-12	Balance at 1st April 2011 £	Advances in year £	Repayments in year £	Balance at 31st March 2012 £
Mortgages	155,765	0	(27,569)	**128,196**
Loan to Freedom GLL	96,142	0	(42,518)	**53,624**
Personal Loan Scheme	82,698	312	(35,853)	**47,157**
	334,605	312	(105,940)	**228,977**

Comparatives for 2010-11	Balance at 1st April 2010 £	Advances in year £	Repayments in year £	Balance at 31st March 2011 £
Mortgages	191,476	0	(35,711)	**155,765**
Loan to Freedom GLL	137,723	0	(41,581)	**96,142**
Personal Loan Scheme	158,216	16,990	(92,508)	**82,698**
	487,415	16,990	(169,800)	**334,605**

18. Inventories

	31st March 2012 £	31st March 2011 £	31st March 2010 £
Catering - Vending Machine	**614**	273	290
ICT - Computer Consumables	**3,682**	3,837	3,886
ICT - Telephones	**1,357**	2,216	1,216
	5,653	6,326	5,392

19. Debtors

	31st March 2012	31st March 2011	31st March 2010
Amounts falling due within one year	£	£	£
Central Government Departments	**1,857,584**	639,460	4,992,459
Other Local Authorities	**628,162**	583,569	1,229,308
Other Entities and Individuals	**3,816,030**	3,546,090	2,977,416
	6,301,776	4,769,119	9,199,183
Provision for Doubtful Debts	**(2,035,232)**	(1,957,162)	(1,655,242)
	4,266,544	2,811,957	7,543,941

20. Short Term Investments

As a consequence of rules introduced by the Local Government and Housing Act 1989 the Council has a formal policy on investment of surplus funds. Short term investments comprise deposits with other Local Authorities, banks and similar institutions. Maturity is within one year.

	31st March 2012 at Cost £	31st March 2011 at Cost £	31st March 2010 at Cost £
Treasury Management Investments	**19,750,000**	13,500,000	4,000,000

21. Cash and Cash Equivalents

The balance of Cash, cash on hand and demand deposits, and Cash Equivalents, 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, is made up of the following elements:

	31st March 2012 £	31st March 2011 £	31st March 2010 £
Cash held by the Authority	**322**	750	981
Bank current accounts	**(271,202)**	62,330	187,142
Short-term deposits with financial institutions	**0**	1,700,000	4,000,000
	(270,880)	1,763,080	4,188,123

22. Assets Held for Sale

The council has no assets held for sale at 31 March 2012 or for 31 March 2011.

23. Creditors

The restated balance for 31st March 2011 shows an increase of £123,154 transferred from Capital Grants and Contributions Receipts in Advance.

	31st March 2012 £	restated 31st March 2011 £	restated 31st March 2010 £
Government Departments	**(2,277,686)**	(661,555)	(647,559)
Other Local Authorities	**(1,627,757)**	(1,103,237)	(710,327)
Public corporations and trading funds	**(28,483)**	(28,399)	0
Other entities and individuals	**(1,756,740)**	(1,778,475)	(2,592,993)
	(5,690,666)	(3,571,666)	(3,950,879)

24. Provisions / Provisions For Accumulated Absences

At 31st March 2012 there is a provision for Employee Benefits Accrual. Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The provision of £104,758 is in relation to termination benefits, further details are set out in Note 32.

	Employee Benefits Accrual £	Other Provisions £	Total Provisions £
Balance at 1 April 2010	**(102,117)**	0	**(102,117)**
Movement in Year	**8,156**	0	**8,156**
Balance at 31 March 2011	**(93,961)**	0	**(93,961)**
Movement in Year	**(35,666)**	(104,758)	**(140,424)**
Balance at 31 March 2012	**(129,627)**	(104,758)	**(234,385)**

25. Usable Reserves

All movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement. Also, full details of the movements in Earmarked Specific Reserve and General Fund Balances are shown in Note 8.

Restated Balance at 1st April 2010 £	Restated Balance at 1st April 2011 £	Usable Reserves	Purpose of Reserve	Balance at 31st March 2012 £	see below
1,352,877	1,330,412	**Capital Grants and Contributions Reserve**	Contributions available to finance capital expenditure	**1,990,953**	(a)
148,036	242	**Usable Capital Receipts Reserve**	Proceeds of non current asset sales available to meet future capital investment	**2,011,373**	(b)
1,516,723	2,191,961	**Earmarked Specific Reserve**	Amounts for particular purposes and for which Member authorisation has been obtained as to how these may be applied	**2,467,471**	Note 8
4,900,595	6,718,194	**General Fund Balances**	Resources available to meet future running costs for services	**8,140,830**	Note 8
7,918,231	10,240,809	**Total Usable Reserves**		**14,610,627**	

(a) Capital Grants and Contributions Reserve

The Capital Grants and Contributions Reserve represents capital grants and Section 106 contributions with no repayment conditions that are available to finance capital expenditure. The 2010/11 restated balance shows an additional £160,969 of Time Limited Section 106s from Capital Contributions Receipts In Advance.

restated 2010/11 £		2011/12 £
1,352,877	**Balance brought forward at 1st April**	**1,330,412**
	Capital contributions received during year including transfers from Time Limited Section 106s	**839,043**
(22,465)	less applied for capital financing	**(178,502)**
1,330,412	**Balance carried forward at 31st March**	**1,990,953**

(b) Usable Capital Receipts Reserve

The Usable Capital Receipts Reserve represents the capital receipts from the sale of non- current assets that are available to finance future capital expenditure.

2010/11 £		2010/11 £	2010/11 £
148,036	**Balance brought forward at 1st April**		**242**
292,906	Capital Receipts during year	**4,058,000**	
35,712	Mortgage Principal Repaid	**27,569**	
476,654			**4,085,569**
(77,425)	less payment of Pooling of Housing Capital Receipts	**(14,955)**	
	less repayment loan	**(2,000,000)**	
(398,987)	less applied for capital financing	**(59,483)**	
(476,412)			**(2,074,438)**
242	**Balance carried forward at 31st March**		**2,011,373**

26. Unusable Reserves

Restated Balance at 1st April 2010 £	Restated Balance at 1st April 2011 £	Unusable Reserves	Purpose of Reserve	Balance at 31st March 2012 £	see below
13,904,795	14,811,129	**Revaluation Reserve**	Represents gains on revaluation of Land & Building Assets since 1-4-07	**13,475,898**	(a)
68,028,088	67,206,172	**Capital Adjustment Account**	Represents timing differences between consumption of non current assets and financing of capital expenditure	**63,855,660**	(b)
264,537	228,825	**Deferred Capital Receipts Reserve**	Amounts of capital income still to be received	**201,256**	(c)
(45,837,000)	(18,166,000)	**Pensions Reserve**	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	**(24,126,000)**	(d)
(102,117)	(21,980)	**Collection Fund Adjustment Account**	Balance due to or from Mid Sussex for (Deficit) / Surplus	**(49,139)**	(e)
(31,419)	(93,961)	**Accumulated Absences Account**	Balancing account to allow inclusion of Provision for Employee Benefits Accrual	**(129,627)**	(f)
36,226,884	63,964,185	**Total Unusable Reserves**		**53,228,048**	

(a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment, Intangible Assets and Heritage Assets. The restated 2010/11 balance includes revaluation increases of £739,399 for Heritage 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.

restated 2010/11 £		2011/12 £	2011/12 £
13,904,795	**Balance brought forward at 1st April**		**14,811,129**
1,700,823	Upward revaluation of assets	**1,013,960**	
(419,073)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	**(2,079,321)**	
1,281,750	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		**(1,065,361)**
(375,416)	Difference between fair value depreciation and historical cost	**(269,870)**	
0	Accumulated gains on assets sold or scrapped	**0**	
(375,416)	Amount written off to the Capital Adjustment Account		**(269,870)**
14,811,129	**Balance carried forward at 31st March**		**13,475,898**

(b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangement 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.

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

restated 2010/11 £		2011/12 £	2011/12 £
68,028,088	**Balance brought forward at 1st April**		**67,206,172**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(2,299,586)	Charges for depreciation and impairment of non-current assets	**(2,724,215)**	
(940,339)	Revaluation losses on Property, Plant and Equipment	**(1,030,899)**	
(173,658)	Amortisation of intangible assets	**(177,336)**	
(1,120,471)	Revenue expenditure funded from capital under statute	**(1,592,876)**	
(82,500)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	**(4,138,088)**	
(4,616,554)			**(9,663,414)**
375,416	Adjusting amounts written out of the Revaluation Reserve		**269,870**
(4,241,138)	Net written out amount of the cost of non-current assets consumed in the year		**(9,393,544)**
	Capital financing applied in the year:		
398,987	Use of the Capital Receipts Reserve to finance new capital expenditure	**59,483**	
0	Use of the Capital Receipts Reserve for repayment of loan	**2,000,000**	
293,921	Capital expenditure charged against the General Fund balances	**1,492,685**	
824,330	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	**1,091,201**	
22,465	Application of grants to capital financing from the Capital Grants Reserve	**167,937**	
381,145	Statutory provision for the financing of capital investment charged against the General Fund balance	**222,676**	
1,920,848			**5,033,982**
1,498,374	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		**1,009,050**
67,206,172	**Balance carried forward at 31st March**		**63,855,660**

(c) 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. They consist of the principal outstanding from mortgage loans on sales of Council houses, advances to Housing Associations, Housing Advances and other miscellaneous loans.

Under statutory arrangements, the Authority does not treat these gains as usable for financing hew 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.

2010/11 £		2011/12 £
264,537	**Balance at 1 April**	**228,825**
	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
(35,712)	Mortgage Principal repaid transferred to Capital Receipts Reserve upon receipt of cash	**(27,569)**
228,825	**Balance at 31 March**	**201,256**

(d) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits 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.

2010/11 £		2011/12 £
(45,837,000)	**Balance at 1 April**	**(18,166,000)**
19,163,000	Actuarial gains or losses on pensions assets and liabilities	**(6,085,000)**
6,060,000	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	**(2,398,000)**
2,448,000	Employer's pensions contributions and direct payments to pensiors payable in the year	**2,523,000**
(18,166,000)	**Balance at 31 March**	**(24,126,000)**

(e) Collection Fund Adjustment Account

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

2010/11 £		2011/12 £
(31,419)	**Balance at 1 April**	**(21,980)**
9,439	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	**(27,159)**
(21,980)	**Balance at 31 March**	**(49,139)**

(f) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2010/11 £	2010/11 £		2011/12 £	2011/12 £
	(102,117)	**Balance at 1 April**		**(93,961)**
102,117		Settlement or cancellation of accrual made at the end of the preceding year	**93,961**	
(93,961)		Amounts accrued at the end of the current year	**(129,627)**	
	8,156	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		**(35,666)**
	(93,961)	**Balance at 31 March**		**(129,627)**

27. Trust Funds

The Council is the sole trustee of and administers a number of Trust Funds which have been consolidated within Service Net Expenditure as follows. The accounts for these charities are subject to independent examination. The Trust Fund Assets are not consolidated within the Council's Assets.

Net Current Assets 31 March 12		2011/12 Gross Expenditure	2011/12 Gross Income Charitable Trading	2011/12 Net Expenditure	2010/11 Net Expenditure
£		£	£	£	£
1,808,878	Beech Hurst Gardens	72,144	(113,030)	**(40,886)**	(11,906)
435,692	St.Johns Park	45,380	(9,786)	**35,594**	43,254
51,711	Fairfield Road Recreation Ground	15,518	(5,583)	**9,935**	10,142
56,583	Richard Worsley Recreation Ground	28,682	(7,397)	**21,285**	43,588
2	Lucastes Avenue Open Space	339	0	**339**	353
1	West Common Open Space	593	0	**593**	608
152,038	Ashurst Wood Recreation Ground	7,817	(5,080)	**2,737**	9,050
2,504,905		170,473	(140,876)	**29,597**	95,089

28. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:.

2010/11		2011/12
£		£
(131,631)	Interest received	**(300,678)**
143,226	Interest paid	**123,015**
0	Dividends received	**0**

29. Amounts Reported For Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice 2011/12. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across business units. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

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

Further analysis is detailed in the foreword by the Head of Finance which shows the net expenditure breakdown for the year across each Head of Service area compared to the Corporate Plan and Budget Report 2011/12.

Business Unit Income & Expenditure 2011-12	Fees, charges & other service income	Government Grants	Total Income	Employee expenses	Other service expenses	Support service recharges	Total Expenditure	Net Expenditure
	£	£	£	£	£	£	£	£
Performance Scrutiny & Partnerships	(60,177)	(2,601)	(62,778)	330,348	133,593	222,855	686,796	624,018
Development Control	(822,255)	0	(822,255)	791,028	297,011	402,766	1,490,805	668,550
Planning Policy	(10,087)	(140,000)	(150,087)	277,718	104,725	271,963	654,406	504,319
Finance Accountancy	0	0	0	541,270	104,330	-651,607	(6,007)	(6,007)
Finance Corporate	(2,534)	0	(2,534)	1,041,237	292,756	-29,577	1,304,416	1,301,882
ICT	0	0	0	5,888	723,028	-996,482	(267,566)	(267,566)
Revenues & Benefits	(2,932,471)	(801,528)	(3,733,999)	3,682,612	842,175	769,530	5,294,317	1,560,318
Housing	(197,684)	(117,073)	(314,757)	354,748	588,162	205,639	1,148,549	833,792
Environmental Health	(328,237)	0	(328,237)	741,567	129,851	377,439	1,248,857	920,620
Building Control	(456,093)	0	(456,093)	488,538	55,204	131,785	675,527	219,434
Land Charges	(151,943)	0	(151,943)	95,838	2,618	103,000	201,456	49,513
Legal Services	(75,143)	0	(75,143)	259,340	30,220	-232,295	57,265	(17,878)
Property	(1,362,430)	0	(1,362,430)	100,562	87,424	145,320	333,306	(1,029,124)
Building & Asset Maintenance	(5,979)	0	(5,979)	19,406	543,449	-838,154	(275,299)	(281,278)
Cleansing Services	(2,508,914)	0	(2,508,914)	218,098	3,931,841	251,576	4,401,515	1,892,601
Community Services & Culture	(84,072)	(153,988)	(238,060)	350,455	556,766	233,279	1,140,500	902,440
Facility Mgment & Streetscene	(486,203)	0	(486,203)	406,951	1,633,001	251,669	2,291,621	1,805,418
Parking Services	0	0	0	452,120	508,764	173,934	1,134,818	1,134,818
Customer Services & Comms	(2,030,287)	0	(2,030,287)	415,966	91,265	(570,863)	(63,632)	(2,093,919)
Personnel & Payroll	(7,760)	0	(7,760)	295,535	67,046	(349,599)	12,982	5,222
Corporate Organisational Devel	(3,511)	0	(3,511)	32,807	12,569	(4,500)	40,876	37,365
Better Mid Sussex	0	0	0	163,911	859	42,254	207,024	207,024
Strategic Core	0	0	0	1,071,011	29,047	2,703	1,102,761	1,102,761
Leisure Operations Client	(90,611)	0	(90,611)	136,858	356,362	56,492	549,712	459,101
Member Support	(42,963)	0	(42,963)	229,722	591,835	30,873	852,430	809,467
Benefits	(3,134,824)	(36,294,458)	(39,429,282)	0	39,161,902	0	39,161,902	(267,380)
Total	(14,794,178)	(37,509,648)	(52,303,826)	12,503,534	50,875,803	0	63,379,337	11,075,511

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

	2011/12 £	2011/12 £
Net expenditure in the business unit analysis		11,075,511
Investment Property within reporting segment but excluded from Net Cost of Service		1,010,995
Grants reported as part of Business Unit Income but shown on CIES as General Government Grant	841,095	
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	4,182,681	5,023,776
Cost of Services in Comprehensive Income and Expenditure Statement		17,110,282

Reconciliation to Subjective Analysis

	Business Unit Analysis	Amounts not reported to management for decision making and grants reported within business units	Investment Property within reporting segment but excluded from Net Cost of Service	Allocation of recharges	Cost of Services	Corporate Amounts	**Total**
2011-12	£	£	£	£	£	£	£
Fees, charges & other service income	(14,794,178)	(998,436)	1,275,702	(5,995,301)	(20,512,213)	0	(20,512,213)
Interest and investment income					0	(379,179)	(379,179)
Income from council tax					0	(11,733,066)	(11,733,066)
Government grants and contributions	(37,509,648)	841,095			(36,668,553)	(7,249,581)	(43,918,134)
Total Income	(52,303,826)	(157,341)	1,275,702	(5,995,301)	(57,180,766)	(19,361,826)	(76,542,592)
Employee expenses	12,503,534	(208,140)	(94,990)	0	12,200,404	114,000	12,314,404
Other service expenses	50,875,803	1,456,807	(35,103)	0	52,297,507	(1,955,045)	50,342,462
Support Service recharges			(134,614)	5,995,301	5,860,687	0	5,860,687
Depreciation, amortisation and impairment		3,932,450			3,932,450	0	3,932,450
Interest Payments					0	114,513	114,513
Precepts & Levies					0	3,163,991	3,163,991
Payment to Housing Capital Receipts Pool					0	14,955	14,955
Gain or loss on disposal of assets					0	15,088	15,088
Total Expenditure	63,379,337	5,181,117	(264,707)	5,995,301	74,291,048	1,467,502	75,758,550
Surplus or deficit on the provision of services	11,075,511	5,023,776	1,010,995	0	17,110,282	(17,894,324)	(784,042)

Comparatives for 2010-11 are shown in the following tables:

Business Unit Income & Expenditure 2010-11	Fees, charges & other service income £	Government Grants £	Total Income £	Employee expenses £	Other service expenses £	Support service recharges £	Total Expenditure £	Net Expenditure £
Performance Scrutiny & Partnerships	(96,131)	(10,000)	(106,131)	239,094	105,733	195,015	539,842	433,711
Development Control	(778,941)	0	(778,941)	773,182	205,780	386,718	1,365,680	586,739
Planning Policy	(2,821)	(33,670)	(36,491)	400,394	121,603	419,136	941,133	904,642
Finance Accountancy	0	0	0	568,017	74,962	(723,100)	(80,121)	(80,121)
Finance Corporate	(3)	0	(3)	505,920	212,321	(39,517)	678,724	678,721
ICT	0	0	0	13,041	713,729	(932,914)	(206,144)	(206,144)
Revenues & Benefits	(2,731,248)	(870,508)	(3,601,756)	3,272,247	858,562	680,204	4,811,013	1,209,257
Housing	(256,334)	(87,674)	(344,008)	365,858	496,631	202,592	1,065,081	721,073
Environmental Health	(337,504)	0	(337,504)	827,206	177,765	384,422	1,389,393	1,051,889
Building Control	(497,654)	0	(497,654)	573,997	71,226	119,536	764,759	267,105
Land Charges	(165,841)	(34,356)	(200,197)	136,562	2,597	86,993	226,152	25,955
Legal Services	(59,676)	0	(59,676)	268,502	28,043	(250,708)	45,837	(13,839)
Property	(1,360,640)	0	(1,360,640)	92,888	74,347	146,900	314,135	(1,046,505)
Building & Asset Maintenance	(22,562)	0	(22,562)	163,495	491,156	(863,200)	(208,549)	(231,111)
Cleansing Services	(1,460,165)	0	(1,460,165)	212,597	3,494,523	248,603	3,955,723	2,495,558
Community Services & Culture	(182,370)	(284,656)	(467,026)	342,696	1,381,938	238,619	1,963,253	1,496,227
Facility Mgment & Streetscene	(461,454)	0	(461,454)	490,748	1,859,823	259,588	2,610,159	2,148,705
Parking Services	(2,065,597)	0	(2,065,597)	496,312	562,603	166,722	1,225,637	(839,960)
Customer Services & Comms	(7,441)	0	(7,441)	490,231	107,161	(617,010)	(19,618)	(27,059)
Personnel & Payroll	(9,195)	0	(9,195)	233,030	63,427	(257,597)	38,860	29,665
Corp Organisational Devel	0	0	0	129,373	28,112	(183,636)	(26,151)	(26,151)
Better Mid Sussex	0	0	0	86,774	22,006	48,676	157,456	157,456
Strategic Core	(20)	0	(20)	1,244,950	31,313	213,231	1,489,494	1,489,474
Leisure Operations Client	(401,986)	0	(401,986)	140,011	509,289	57,205	706,505	304,519
Member Support	(5,517)	0	(5,517)	221,089	550,549	13,522	785,160	779,643
Benefits	(3,214,455)	(34,825,821)	(38,040,276)	0	37,923,201	0	37,923,201	(117,075)
Total	(14,117,555)	(36,146,685)	(50,264,240)	12,288,214	50,168,400	0	62,456,614	12,192,374

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

	2010/11
	£
Net expenditure in the business unit analysis	12,192,374
Investment Property within reporting segment but excluded from Net Cost of Service	981,394
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	(6,138,528)
Cost of Services in Comprehensive Income and Expenditure Statement	7,035,240

Reconciliation to Subjective Analysis

2010-11	Business Unit Analysis	Amounts not reported to management for decision making	Investment Property within reporting segment but excluded from Net Cost of Service	Allocation of recharges	Cost of Services	Corporate Amounts	**Total**
	£	£	£	£	£	£	£
Fees, charges & other service income	(14,117,555)	(961,426)	1,274,551	(6,500,521)	(20,304,951)	0	(20,304,951)
Interest and investment income					0	(195,695)	(195,695)
Income from council tax					0	(11,647,413)	(11,647,413)
Government grants and contributions	(36,146,685)				(36,146,685)	(6,690,311)	(42,836,996)
Total Income	(50,264,240)	(961,426)	1,274,551	(6,500,521)	(56,451,636)	(18,533,419)	(74,985,055)
Employee expenses	12,288,214	(9,711,156)	(102,218)	0	2,474,840	1,195,000	3,669,840
Other service expenses	50,168,400	1,120,471	(54,983)	0	51,233,888	(2,542,268)	48,691,620
Support Service recharges			(135,956)	6,500,521	6,364,565	0	6,364,565
Depreciation, amortisation and impairment		3,413,583			3,413,583	0	3,413,583
Interest Payments					0	150,699	150,699
Precepts & Levies					0	3,150,099	3,150,099
Payment to Housing Capital Receipts Pool					0	77,425	77,425
Gain or loss on disposal of assets					0	(147,905)	(147,905)
Total Expenditure	62,456,614	(5,177,102)	(293,157)	6,500,521	63,486,876	1,883,050	65,369,926
Surplus or deficit on the provision of services	12,192,374	(6,138,528)	981,394	0	7,035,240	(16,650,369)	(9,615,129)

30. Members' Allowances

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

	2011/12	2010/11
	£	£
Allowances	**383,420**	398,434
Expenses	**14,318**	11,260
Total	**397,738**	409,694

31. Officers' Remuneration

The remuneration paid to the Authority's senior employees is as follows:

		Salary (including fees & Allowances)	Compensation for loss of office	Expenses Allowances	Pension contributions	Total
		£	£	£	£	£
Chief Executive	2011/12	107,600		1,546	17,027	126,173
Chief Executive (w.e.f. 20th October 2010- Note a)	2010/11	47,549		781	10,969	59,299
Chief Executive (Note b)	2010/11	34,645		683	7,984	43,312
Head of Finance, HR & ICT	2011/12	75,857		1,237	12,027	89,121
Head of Finance (Note c)	2010/11	74,021		1,464	17,138	92,623
Assistant Chief Executive	2011/12	74,123		52	11,127	85,302
Head of Corporate Improvement / Assistant Chief Executive (Note d)	2010/11	69,529		732	15,963	86,224
Solicitor to the Council	2011/12	68,163		0	10,633	78,796
Solicitor to the Council	2010/11	68,163		0	15,113	83,276
Head of Leisure & Sustainability	2011/12	64,292		1,546	10,259	76,097
Head of Leisure & Sustainability	2010/11	63,705		1,798	14,883	80,386
Better Mid Sussex Planning Leader	2011/12	64,176	71,272	0	10,011	145,459
Better Mid Sussex Planning Leader	2010/11	64,176		0	14,504	78,680
Head of Revenues & Benefits (CenSus)	2011/12	64,056		964	10,468	75,488
Head of Revenues & Benefits (CenSus)	2010/11	64,056		1,141	12,648	77,845
Head of Housing Services	2011/12	59,438		0	9,265	68,703
Head of Housing Services	2010/11	58,969		0	13,400	72,369
Head of Econ. Promotion & Planning (Note e)	2011/12	53,561		1,052	8,520	63,133
Head of Econ.Promotion & Planning (Note f)	2010/11	46,141		1,244	10,767	58,152
Head of Organisational Development (Note g)	2011/12	0		0	0	0
Head of Organisational Development (Note h)	2010/11	40,140		0	9,072	49,212
Deputy Chief Executive Note i)	2011/12	0		0	0	0
Deputy Chief Executive Note i)	2010/11	54,198		1,049	12,555	67,802

(Expenses allowances comprise BUPA Medical Insurance payments only)

Note a: This employee was appointed on 20th October 2010 and the table therefore shows a part-year cost.

Note b: This employee left the Council on 30th June 2010, and their costs were less than £50,000. Therefore they have been excluded from the Remuneration Banding Note below.

Note c: The post of Head of Finance was re-designated as Head of Finance /HR & ICT on 20th October 2010.

Note d: The post of Head of Corporate Improvement was re-designated as Assistant Chief Executive on 20th October 2010.

Note e: This employee worked 30 hours per week until 4th September 2011. W.e.f. 5th September 2011 this employee increased to full time employment. The whole time equivalent is £58,289 for 2011/12. This employee is therefore included in the Remuneration Banding Note below for 2011/12.

Note f: This employee worked 30 hours per week in 2010/11. The whole time equivalent was £57,221. This employee is excluded from the Remuneration Banding Note below in 2010/11.

Note g: The post of Head of Organisational Development was deleted during 2011/12 as reported to Cabinet 7th November 11.

Note h: This post became vacant on 2nd November 2010, and the table therefore shows a part-year cost. Therefore, they have been excluded from the Remuneration Banding Note below.

Note i: This Post-holder was appointed to the Chief Executive post on 20th October 2010. The post of Deputy Chief Executive was then deleted. This line therefore shows a part-year effect.

Banding Note

The total number of employees, whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

	Number of Employees	
Remuneration Band	2011/12	2010/11
£135,000 - £139,999	**1**	0
£130,000 - £134,999	**0**	0
£125,000 - £129,999	**0**	0
£120,000 - £124,999	**0**	0
£115,000 - £119,999	**0**	0
£110,000 - £114,999	**0**	0
£105,000 - £109,999	**1**	1
£100,000 - £104,999	**0**	1
£95,000 - £99,999	**1**	0
£90,000 - £94,999	**0**	0
£85,000 - £89,999	**0**	0
£80,000 - £84,999	**0**	0
£75,000 - £79,999	**1**	2
£70,000 - £74,999	**1**	2
£65,000 - £69,999	**3**	3
£60,000 - £64,999	**0**	1
£55,000 - £59,999	**2**	1
£50,000 - £54,999	**5**	6

These bandings include all the senior employees listed individually above (unless specifically excluded within the notes i.e. three senior employees in 2010/11 only). It also includes non-senior employees whose remuneration totals more than £50,000 in the year.

The employee remuneration (not for a senior employee shown in the first table) which is shown in the band £95,000 - £99,999 includes a severance payment being paid in that year only, in addition to normal salary. This post has now been deleted from the establishment.

The senior employee remuneration which is shown in the band £135,000 -£139,999 includes a severance payment being paid in that year only, in addition to normal salary. This post has now been deleted from the establishment.

32. Exit Packages

The Authority terminated the contracts of a number of employees in 2011/12, incurring gross liabilities of £1,120,170 (compared to £463,119 in 2010/11). It should be noted that £406,342 of these costs have been recovered from our Census partners giving a net cost to Mid Sussex of £713,827.

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The exit packages included in the table below are those that have been agreed by the authority and include all termination benefits, including all relevant redundancy costs ie. compulsory and voluntary redundancy costs, lump sum pension contributions, and other departure costs.

These costs are set out below in rising bands of £20,000 up to £100,000 and bands of £50,000 thereafter. However, in accordance with the Code, bands are combined where it is necessary to ensure that individual exit packages cannot be identified (except where disclosure of payments to the individual is required elsewhere under the regulations).

Banding Note

(a)	(b)		(c)		(d)		(e)	
Exit Package Cost Bands (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band (b+c)		Total cost of exit packages in each band	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
£150,001 - £200,000	-	-	1	-	1	-	153,750	-
£80,001 - £150,000*	-	-	3	1	3	1	309,837	142,657
£60,001 - £80,000	-	-	-	2	-	2	-	154,346
£40,001 - £60,000	-	-	4	1	4	1	194,215	40,412
£20,001 - £40,000	-	-	7	4	7	4	175,695	106,229
£0,000 - £20,000	2	-	16	2	18	2	181,915	19,475
	2	-	31	10	33	10	1,015,412	463,119
Provision			3		3		104,758	
Total	2	-	34	10	36	10	1,120,170	463,119

* 2 bands combined to maintain confidentially of individual employees. It should be noted that £67,932 of these costs have been recovered from our Census partners).

For 2011/12, the total cost of £1,120,170 in the table above includes £1,015,412 for exit packages that have been agreed, accrued for and charged to the authority's Comprehensive Income and Expenditure Statement in the current year. In addition, the Statement includes a provision of £104,758 which has been agreed and is payable to 3 officers; these costs are not included in the bands and therefore an additional line has been added to reconcile the total cost of termination benefits reported in the Comprehensive Income and Expenditure Statement.

In the Comprehensive Income and Expenditure Statement, the total cost of £1,120,170 is included within net cost of services are follows:

Central Services to the Public	£208,642
Culture, Environmental and Planning Services	£24,720
Highways, Roads and Transport Services	£27,000
Housing Services	£287,441
Corporate and Democratic Core	£245,306
Non Distributed Costs	£327,061

33. External Audit Costs

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

	2011/12 £	restated 2010/11 £
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year *	**110,815**	128,640
Rebates **	**(8,865)**	(8,654)
Fees payable to the Audit Commission for the certification of grant claims and returns for the year	**26,920**	20,407
Fees payable in respect of other services provided by the appointed auditor during the year (review of Cyprus Road agreement)		27,000
	128,870	167,393

*Restated 2010/11 figures are inclusive of additional fee of £12,000 charged in 2011/12 but relating to 2010/11 audit.

**During 2010/11, the Commission issued a rebate to the Council of £6,904 against the one-off cost of work to the first year implementation of international financial reporting standards (IFRS). In addition, the Commission made a further rebate of £1,750, reflecting the changed approach to local VFM work and a further decrease for IFRS. Total rebates for 2010/11 came to £8,654. On 7th July 2011, the Audit Commission announced that it would give a rebate of 8 per cent on 2011/12 audit fees to all audited bodies. Total rebate for 2011/12 came to £8,865.

34. Grant Income

The authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2011-12.

	2011/12	2011/12	2010/11
Credited to Taxation and Non Specific Grant Income	£	£	£
Redistributed Non Domestic Rates		**3,675,760**	5,647,570
Revenue Support Grant	**1,136,188**		820,080
Council Tax Freeze Grant	**214,564**		0
New Homes Bonus	**430,206**		0
Local services support grant - homelessness prevention	**85,470**		0
Housing Benefits Administration Grant	**615,625**		
Neighbourhood planning front runners scheme	**140,000**		
Area Based Grant	**0**		36,551
Non-ringfenced government grants		**2,622,053**	
Capital Grants and S106 Receipts		**951,768**	186,110
		7,249,581	6,690,311
Credited to Services		£	£
Council Tax Collection Administration		**5,940**	658,078
CenSus Shared Service Contributins - Housing Benefits and Council Tax Collection		**2,686,062**	2,494,108
West Sussex County Council Contribution- Civil Parking Enforcement		**94,571**	173,890
West Sussex County Council Contribution- Recycling Credits		**838,295**	675,663
West Sussex County Council Contribution- Concessionary fares		**68,345**	0
Department of Transport		**0**	284,656
DWP Grants for Benefits/ Council Tax Collection		**20,563**	36,525
NNDR Cost of Collection contribution		**171,638**	171,441
Other		**154,275**	392,614
		4,039,689	4,886,975
Total		**11,289,270**	11,577,286

Capital Grants and Contributions - Receipts In Advance

The Authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver, including Section 106s, which are time limited.

Section 106 receipts are monies paid to the Council by developers as a result of the grant of planning permission where works are required to be carried out or new facilities provided as a result of that permission (eg playgrounds and equipment). The sums are restricted to being spent only in accordance with the agreement concluded with the developer.

As detailed in Note 9, Prior Period Adjustments, the restated opening balance of £4,417,365 is after £160,969 Section 106 receipts with no repayment conditions have been transferred and now shown on the Balance Sheet as Capital Grants and Contributions Reserve as all conditions for their usage have been met. Also, £123,154 Section 106 receipts have been transferred to Creditors and will be paid in 2012.

	2011/12 £	restated 2010/11 £
Balance at 1 April	**(4,417,365)**	(4,259,354)
Received in year	**(1,619,966)**	(982,341)
Applied to Comprehensive Income Expenditure Statement for Capital Financing	**1,111,267**	824,330
Applied to Comprehensive Income Expenditure Statement for transfer to Capital Grants Reserves	**434,193**	0
Balance at 31 March	**(4,491,871)**	(4,417,365)

The £4,491,871 year-end balance comprises of £4,475,224 Section 106 receipts and £16,647 contributions.

35. 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.

We have sent a letter for confirmation of any related party transactions to all members and senior officers, and all signed declarations have been returned.

Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 29 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2012 are shown in Note 34.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in Note 30. During 2011/12, no works or services were commissioned from companies in which any member had an interest. A review of the Register of Members' Interests has been undertaken to ascertain if any related party interests exist. No material disclosures have been identified.

No grants were made to organisations whose senior management included close members of the families of members. In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at the council office during office hours.

Chief Officers	*Gross Expenditure* *£*	*Gross Income* *£*
Personal loans made available under the Council scheme	**0**	**3,766**

Census Partnership

As a result of the Census Partnership between Adur, Horsham and Mid Sussex District Council, there is an agreement to share certain costs of the partnership. During the financial year 2011-12, the expenditure costs for ICT CenSus paid to Horsham DC were £588,870. As shown in Note 34, Grant Income, the total contributions received in respect of the Revenue and Benefits service were £2,686,062. As at 31st March 2012, the following amounts were due in respect of expenditure in that year:

	£		£
Mid Sussex liability to Horsham	**89,114**	Horsham liability to Mid Sussex	**320,856**
Mid Sussex liability to Adur		Adur liability to Mid Sussex	**245,081**

36. 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), 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.

	2011/12 £	2010/11 £
Opening Capital Financing Requirement	**4,485,682**	2,975,349
Capital Investment		
Operational Assets and Assets Under Construction	**1,061,209**	352,033
Investment Assets	**11,950**	1,891,477
Intangible Assets	**145,271**	67,199
Revenue expenditure funded from capital under statute / De minimis Assets	**1,592,876**	1,120,471
Source of Finance		
Capital Receipts	**(59,483)**	(398,987)
Government Grants and Section 106 receipts in advance	**(1,091,201)**	(824,330)
Government Grants and Section 106 Capital Reserve	**(167,937)**	(22,464)
Repayment of loan from Capital Receipts	**(2,000,000)**	
Sums set aside from Revenue (NB: includes direct revenue financing, MRP and any voluntary set aside)	**(1,715,361)**	(675,066)
Closing Capital Financing Requirement	**2,263,006**	4,485,682
Explanation of Movement in Year		
Increase / (Decrease) in underlying need to borrow (supported by Government financial assistance)	**0**	0
Increase / (Decrease) in underlying need to borrow (unsupported by Government financial assistance)	**(2,222,676)**	1,510,333
Increase/ (Decrease) in Capital Financing Requirement	**(2,222,676)**	1,510,333

37. Leases

Lessee - Finance Leases

The Council has a contract with SERCO for the provision of waste collection. The vehicles used to provide the service are now shown as Property, Plant and Equipment in the Balance Sheet, renegotiated to extend the vehicle life to 10 ½ years.

	31 March 2012 £	31 March 2011 £
Vehicles, Plant, Equipment	**873,454**	**1,003,227**
	873,454	**1,003,227**

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the asset 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:

	31 March 2012 £	31 March 2011 £
Finance lease liabilities (net present value of minimum lease payments)		
current	**107,257**	**176,803**
non- current	**674,634**	**703,799**
Finance costs payable in future years	**91,563**	**122,625**
Minimum lease payments	**873,454**	**1,003,227**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012 £	31 March 2011 £	31 March 2012 £	31 March 2011 £
Not later than one year	**134,047**	**268,366**	**134,047**	**268,366**
Later than one year and not later than five years	**581,805**	**734,861**	**581,805**	**734,861**
Later than five years	**157,602**	**0**	**157,602**	**0**
	873,454	**1,003,227**	**873,454**	**1,003,227**

Lessee - Operating Leases

The Council has operating lease agreements covering equipment, photocopiers and vehicles (for pest control, dog wardens, car parking and leisure). The amounts paid under these arrangements in 2011/12 were £60,675 (£45,395 in 2010/11) and the total commitments at 31st March 2012 amounted to £136,000 (£97,000 in 2010/11).

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

	31 March 2012 £	31 March 2011 £
Not later than one year	**62,000**	42,000
Later than one year and not later than five years	**74,000**	55,000
Later than five years	**0**	0
	136,000	97,000

The expenditure charged to the Cultural, Environmental, Regulatory and Planning Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	31 March 2012	31 March 2011
	£	£
Minimum lease payments	**15,385**	**13,756**
	15,385	**13,756**

Lessor – Operating Leases
The Council owns a few properties which are leased out under the terms of an operating lease. A projection of the current rental income is provided in the table below.

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	£	£	£	£	£	£
Rental Income Due	**86,728**	86,090	86,090	86,090	86,090	86,090
	86,728	86,090	86,090	86,090	86,090	86,090

The Balance Sheet value of these properties at 31 March 2012 was £845,417.

Lessor – Finance Leases
The Council does not lease out assets under a finance lease**.**

38. Impairment Losses

During 2011/12, the Authority has recognised impairment losses of £1,030,899 as part of the revaluation for 1 April 2011, completed by an internal RICS qualified chartered surveyor. The largest reductions in valuation are:

- Clair Hall, Haywards Heath, reduced by £247,236, Multi-Storey Car Park, Burgess Hill of £209,627, Sidney West Community/Sports Building reduced by £362,115 with the impairment charged to the Cultural, Environmental, Regulatory and Planning line in the Comprehensive Income and Expenditure Statement.
- Leisure council office buildings, the impairment loss of £136,704 has been charged to Corporate and Democratic Core line in the Comprehensive Income and Expenditure Statement.

Details of the revaluation are consolidated in Note 1(r), and Property, Plant and Equipment Note 11.

39. Capitalisation of Borrowing Costs

At 31st March 2012 the Authority has no capitalised borrowing costs.

40. Termination Benefits

The Authority terminated the contracts of a number of employees in 2011/12, incurring gross liabilities of £1,120,170 (£463,119 in 2010/11) –see Note 32. for the number of exit packages and total cost per band. Of this total £153,750 relates to a senior specialist employee (£71,272 is paid for compensation for loss of office and £82,478 relates to a lump sum pension payment to West Sussex County Council as a result of this officer leaving). The remaining £966,420 is payable to 35 officers from across the council who took severance as part of the Authority's rationalisation of Services.

41. Defined Benefit Pension Schemes

The Council is a participating employer in the West Sussex Pension Fund which is a Local Government Pension Scheme (LGPS) administered by West Sussex County Council. This Fund provides members with defined benefits related to pay and service. We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Movement in the Reserves Statement. Under Pension Regulations, contributions are required to meet 100% of the overall liabilities of the Fund.

In 2011/12, the Council paid an employer's contribution of £1,162,214 (£1,729,934 in 2010/11) into the West Sussex Pension Fund, representing 15.6% (22.6% in 2010/11) of employees' pensionable pay. The contribution rate was determined by the Fund's Actuary, based on triennial actuarial valuations.

At the last review in 2010, the Actuary valued the Mid Sussex share of the Pension Fund as 76% funded, giving rise to a deficit of £16.4 million with liabilities of £68 million. The actuary proposed that 20 years would be a prudent period over which to recover the fund deficit. This gave rise to a decreased employers' contribution rate of 15.6% for each of the three years to 2013/14. In addition, the Council would make lump sum payments as follows: 2011/12 £635,000, 2012/13 £753,000 and 2013/14 £888,000. The actuary has used the ‘projected unit’ method as a basis for calculating the service cost. This is in accordance with IAS 19. A lump sum payment of £635,323 in respect of the deficit was made in 2011/12.

Where pension benefits are paid before the Normal Retirement Date, they are paid earlier and therefore for longer. This gives rise to a shortfall in funding which is referred to as a “strain” on the Pension Fund. Other types of strain costs arise as a result of breaks in service, for example for Maternity leave. For 2011/12, £338,213 was paid in respect of the actuarial costs in relation to Pension Fund strain. This included £329,588 in respect of Early retirements and £8,625 for other Special Employer contributions.

The Council is also responsible for all pension payments relating to added years benefits it has awarded. In 2011/12 payments to this fund totalled £108,725.

The actuary has estimated that the total employer’s contribution for the year ended 31st March 2013 will be approximately £2,121,000. (£2,523,000 in 2011/12).

Census Shared Service

On 1st February 2010 Adur DC and Horsham DC revenues and benefits shared service staff were transferred to Mid Sussex and became our employees. All sums payable to the pension fund now or at any future date arising out of or in connection with any service occurring prior to the that date will be borne by the authority by whom that employee was employed immediately prior to that date; ie not by Mid Sussex.

Freedom Leisure (Pass through arrangement)

In July 2009 Leisure Services Staff were transferred to Freedom Leisure under TUPE Regulations. Freedom Leisure were admitted to the LGPS under a ‘pass through’ arrangement whereby there is a sharing of Pension risks with Mid Sussex District Council (as scheme Employer) as detailed below:

- Freedom Leisure is responsible for paying the employers contribution rate which has been fixed for the duration of the contract (5 years) at 15%. Freedom Leisure is also responsible for paying any strain on the pension fund caused by granting early retirements and exercising discretions such as giving members added years, which are not covered by the 15% fixed rate contribution. These contributions of £313,000 are included within the total Employers’ contribtution estimated by the actuary for 2011/12.

- Mid Sussex is responsible for paying the differential between the 15% and any revised employer’s contribution rate following the valuation of the fund as a whole. Mid Sussex is also liable for any deficits on exit that are not met by increased employer contribution payments. As such, Mid Sussex retains the net liability for the transferred staff as reflected in the following statements.

- The deficit on the fund just after the TUPE transfer date was calculated as being £67.8m (calculated on an ongoing funding basis), of which some £2.8m related to the transferred employees. Due to the contract being of a short duration of five years only, Mid Sussex decided to retain the entire deficit on the fund. The financial statements therefore reflect this situation, and no funding deficit has been passed on to Freedom Leisure.

The effects on the Comprehensive Income and Expenditure Statement of incorporating IAS 19 are as follows:

Comprehensive Income and Expenditure Statement Costs for the year to 31st March 2012

Analysis of amount charged :	2011/12 £'000	% of pay	2010/11 £'000	% of pay
Cost of Services:				
Current Service Cost	**1,671**	18.3%	2,060	20.4%
Past Service Cost/ Gain *			(9,505)	(94.2%)
Losses/(Gains) on Curtailment and Settlements	**613**	6.7%	190	1.9%
*2010/11 includes (£9,539,000) gain shown as exceptional item	**2,284**	25.0%	(7,255)	(71.9%)
Financing and Investment Income and Expenditure:				
Expected return on Employer assets	**(4,357)**	(47.7%)	(3,894)	(38.6%)
Interest cost	**4,471**	48.9%	5,089	50.4%
Total Post Employment Benefit Charges to the Surplus or Deficit on the Provision of Services	**114**	1.2%	1,195	11.8%
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:				
Actuarial Gains/(Losses) on plan assets	**(2,226)**		4,756	
Actuarial Gains/(Losses) on obligation	**(3,859)**		14,407	
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(6,085)**		19,163	
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	**2,398**	26.2%	(6,060)	(60.0%)
Actual amount charged to the General Fund Balance for pensions in the year:				
Employers' contributions payable to the scheme	**2,523**		2,448	

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Pension scheme liabilities have been assessed by Hymans Robertson LLP, an independent firm of Actuaries.

Investment Returns

The return on the Fund in market value terms for the year to 31 March 2012 is estimated based on actual Fund returns as provided by the Administering Authority and index returns where necessary. Details are given below:

Actual Return for Period from 1 April 2011 to 31 December 2011	(2.5%)
Estimated Return for Period from 1 April 2011 to 31 March 2012	3.4%

Financial Assumptions

The assumptions used by the Actuary in preparing the pensions information are:

Year ended:	**31.3.12**	31.3.11
	% pa	% pa
Inflation /Pension Increase Rate	2.5%	2.8%
Salary Increase Rate	4.8%	5.1%
Expected Return on Assets	5.8%	6.9%
Discount Rate	4.8%	5.5%

Breakdown of expected return on assets by category

Year ended:	**31.3.12**	31.3.11
	% pa	% pa
Equities	6.2%	7.5%
Bonds	4.3%	4.9%
Property	4.4%	5.5%
Cash	3.5%	4.6%

Mortality

Life expectancy is based on actuarial tables, which now show an improvement over earlier years' assumptions. The average future life expectancies at age 65 are summarised below:

	Males	**Females**
Current Pensioners	22.7 years	24.2 years
Future Pensioners	24.3 years	26.4 years

Historic mortality

Life expectancy for all previous years is based on actuarial tables. The allowance for future life expectancy is:

Year ended	**Prospective Pensioners**	**Pensioners**
31st March 2011	year of birth, 80% of medium cohort delayed by 10 years and 1% p.a. minimum improvements from 2010	year of birth, 80% of medium cohort delayed by 10 years and 1% p.a. minimum improvements from 2010
31st March 2010	year of birth, medium cohort and 1% p.a minimum improvements from 2007	year of birth, medium cohort and 1% p.a minimum improvements from 2007
31st March 2009	calendar year 2033	calendar year 2017
31st March 2008	calendar year 2033	calendar year 2017
31st March 2007	calendar year 2017	calendar year 2009

Scheme History

Year ended:	31.3.12	31.3.11	31.3.10	31.3.09	31.3.08
	£ 000	£ 000	£ 000	£ 000	£ 000
Fair Value of Employer Assets	65,456	63,020	53,978	38,480	46,960
Present Value of Defined Benefit Obligation	(89,582)	(81,186)	(99,815)	(60,950)	(62,350)
Surplus/(Deficit)	(24,126)	(18,166)	(45,837)	(22,470)	(15,390)
Experience Gains/(Losses) on Assets	(2,226)	4,756	12,588	(13,470)	(4,430)
Experience Gains/(Losses) on Liabilities	(1,206)	6,240	0	(60)	(2,400)
Actuarial Gains/(Losses) on Employer Assets	(2,226)	4,756	12,588	(13,470)	(4,430)
Actuarial Gains/(Losses) on Obligation	(3,859)	14,407	(32,769)	5,680	9,470
Actuarial Gains/(Losses) recognised in Income and Expenditure Account	(6,085)	19,163	(20,181)	(7,790)	(5,040)

Assets and liabilities in relation to retirement benefits

Reconciliation of defined benefit obligation

Year ended:	31.3.12	31.3.11
	£ 000	£ 000
Opening Defined Benefit Obligation	**81,186**	99,815
Current service Cost	**1,671**	2,060
Interest Cost	**4,471**	5,089
Contributions by Members	**623**	681
Actuarial Losses / (gains)	**3,859**	(14,407)
Past Service Costs / (Gains)	**0**	(9,505)
Losses/ (Gains) on Curtailments	**613**	190
Liabilities Extinguished on Settlements	**0**	0
Liabilities Assumed in a Business Combination	**0**	0
Exchange Differences	**0**	0
Estimated Unfunded Benefits Paid	**(120)**	(120)
Estimated Benefits Paid	**(2,721)**	(2,617)
Closing Defined Benefit Obligation	**89,582**	81,186

Reconciliation of fair value of employer assets

Year ended:	31.3.12	31.3.11
	£ 000	£ 000
Opening Fair Value of Employer Assets	**63,020**	53,978
Expected Return on Assets	**4,357**	3,894
Contributions by Members	**623**	681
Contributions by the Employer	**2,403**	2,328
Contributions in respect of Unfunded Benefits	**120**	120
Actuarial (Losses) / Gains	**(2,226)**	4,756
Assets Distributed on Settlements	**0**	0
Assets Acquired in a Business Combination	**0**	0
Exchange Differences	**0**	0
Unfunded Benefits Paid	**(120)**	(120)
Benefits Paid	**(2,721)**	(2,617)
Closing Fair Value of Employer Assets	**65,456**	63,020

The asset values below as at 31st March 2012 and 31st March 2011 are at bid value as required under IAS 19

Fair value of employer assets

Year ended:	31.3.12	31.3.11
	£ 000	£ 000
Equities	**49,743**	48,532
Bonds	**9,163**	8,825
Property	**5,894**	4,407
Cash	**656**	1,256
Total	**65,456**	63,020

Balance Sheet

Year ended:	**31.3.12 £ 000**	31.3.11 £ 000
Fair Value of Employer Assets	**65,456**	63,020
Present Value of Funded Liabilities *	**(87,862)**	(79,516)
Net (Under) / Overfunding in Funded Plans	**(22,406)**	(16,496)
Present Value of Unfunded Liabilities **	**(1,720)**	(1,670)
Unrecognised Past Service Cost	**0**	0
Net Asset /(Liability)	**(24,126)**	(18,166)
Amount in the Balance Sheet		
Liabilities	**(24,126)**	(18,166)
Net Asset /(Liability)	**(24,126)**	(18,166)

*An estimate of this liability is comprised of approximately: £36,778,000, £14,240,000 and £36,834,000 in respect of employee members, deferred pensioners and pensioners respectively as at 31st March 2012. 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 for certain types of employer.

** For unfunded liabilities as at 31st March 2012, it is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married (or cohabitating) at death and that their spouse (cohabitee) will receive a pension of 50% of the member's pensions as at the date of the member's death.

The liabilities as at 31st March 2012 are based on the current benefit structure of the LGPS.

Further information can be found in the West Sussex County Council Pension Fund's Annual Report, which is available on request from County Hall, Chichester, West Sussex.

42. Contingent Liabilities

International Accounting Standard 37 (IAS37) requires the council to disclose contingent liabilities. These arise from past events that might result in an obligation on the council.

The Council has guaranteed deposits to private landlords under the Deposit Guarantee Scheme. At 31st March 2012 the amount guaranteed was £60,074 (£42,894 as at 31st March 2011). The Deposit Guarantee is time limited and is equal to the tenancy term that the landlord has granted the tenant which is typically 6 or 12 months, therefore the potential liability will have expired by 31st March 2013.

As at 31st March 2012 there is a potential employment case that could result in a payment by the Council in 2012/13.

43. Contingent Assets

There are no contingent assets as at 31 March 2012.

44. Nature and Extent of Risks Arising From Financial Instruments

Key Risks

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments and 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 interests rates movements

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing strategies and policies to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the code of Practice
- By approving annually in advance prudential indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures to the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.

By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counter-parties in compliance with the Government Guidance;

These are required and approved at or before the Council's annual Council Tax setting budget. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members by the end of September following the year that it refers to. These policies are implemented by the treasury manager. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit risk

Credit risk arises from deposits with banks and other financial institutions, as well as credit exposure to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above and set out in detail in the Treasury Management Policy.

Mid Sussex District Council has traditionally lent to UK clearing banks and their subsidiaries, this has now been extended to include some major European banking groups, and the twenty-five largest UK Building Societies, using their total asset base as guidance.

The Council does not formally allow credit for its trade debtors. The total due can be analysed by age as follows:

	31.3.12
	£ 000
Less than three months	**90**
Three to six months	**41**
Six months to one year	**66**
Greater than one year	**64**
Total	**261**

Liquidity risk

The Council manages its liquidity positions 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 cash flow management procedures required by the Code of Practice.

The Council has ready access to borrowing from the Money Markets to cover any day-to-day cash flow need, and whilst the PWLB provides access to longer- term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no real risk that it will be unable to raise finance to meet is commitments under financial instruments. As stated earlier in the Statement, reserves from a key part of risk management and help ensure liquidity, as they are cash backed.

Refinancing and Maturity Risk

The costs and benefits of any proposals for borrowing, private financing, or partnership arrangements will be evaluated against alternative methods of finance and provision.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments that are for one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the treasury manager addresses the operational risks within the approved parameters. This includes monitoring the financial liability and monitoring the maturity profile of investments to insure sufficient liquidity is available for the Council's day-to-day cash flow needs.

The long term investment shown in the balance sheet of £1,000,000 matures in April 2013, the investments of £19,750,000 shown in the balance sheet all mature within one year, and all trade and other payables are due to be paid in less than one year.

Market risk

a) Interest rate risk

In terms of exposure to interest rate changes on amounts borrowed, the Council has no direct exposure as all of its borrowing is at a fixed rate. Falls in interest rates would increase the fair value of the borrowing but as borrowing is not carried at fair value in the balance sheet any such nominal gains and losses will not impact on the Comprehensive Income and Expenditure Statement. Exposure to interest rate changes is greater for investments because the Council's investments have a much shorter maturity profile.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy, a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The treasury manager will monitor market and forecast interest rates within the year to adjust exposures accordingly.

At 31st March 2012 the Council held no variable rate investments or borrowings and there was no impact on the Comprehensive Income and Expenditure Statement resulting from movements in fair value or fixed rate investments.

b) Foreign exchange risk

All the Council's treasury activity is in Sterling, so there is currently no exposure to fluctuations in exchange rates.

MID SUSSEX
DISTRICT COUNCIL

Collection Fund

Collection Fund

Income and Expenditure Account

This account details all monies due from Council Tax and National Non Domestic Rates (NNDR/Business Rates), and payments made to West Sussex County Council, Sussex Police Authority, Town and Parish Councils, and the District Council. All Business Rates, less a deduction for collection costs, are paid to a Central Government pool and redistributed to local authorities by formula. The costs of administering the collection of this income are accounted for in the General Fund.

	Note	2011/12 £	2010/11 £
Income			
Council Tax	1		
Income receivable from Taxpayers		**(80,402,402)**	(79,952,669)
Transfers to/(from) General Fund			
Council Tax Benefits		**(6,218,383)**	(6,220,421)
Transitional Relief from previous years		**2,685**	4,464
Total Council Tax		**(86,618,100)**	(86,168,626)
National Non-Domestic Rates			
Income collectable from Business Ratepayers	2	**(39,486,479)**	(37,886,325)
Contributions			
Contribution (to)/from Previous Year's (Deficit)/Surplus	4	**190,000**	(373,000)
		(125,914,579)	(124,427,951)
Expenditure			
Demand and Precepts			
West Sussex County Council		**66,672,314**	66,426,088
Sussex Police Authority		**7,942,221**	7,912,890
Mid Sussex District Council		**11,734,416**	11,688,643
National Non-Domestic Rates	2		
Payment to National Pool		**39,314,841**	37,714,884
Cost of Collection Allowance		**171,638**	171,441
Bad and Doubtful Debts (Council Tax only)	3		
Write Offs		**40,845**	57,840
Provisions		**238,315**	386,514
		126,114,590	124,358,300
Movement on Fund Balance Deficit/(Surplus)		**200,011**	(69,651)
Collection Fund Balance			
Balance at the Beginning of the Year		**161,972**	231,623
Movement on Fund Balance		**200,011**	(69,651)
Balance at Year End Deficit/(Surplus)	5	**361,983**	161,972

Notes to the Income and Expenditure Account

1. Council Tax

The council is required to calculate a tax base each year and this is divided into the total precept requirement to produce the band D council tax figure.

The tax base is calculated by estimating the number of dwellings in the district in each tax band, taking into account an estimate of additions and deletions during the year, and adjusted for the effects of various reliefs, exemptions and discounts where applicable.

Each band total is then adjusted to give band D equivalents. Finally, an adjustment is made to cover non-collection of arrears.

A summary of the calculation, as agreed by council on 23rd February 2011, is shown below.

Band	*Property Value*	*Number of Net Dwellings*	*Ratio to Band D*	*No of Band D Equivalents*
A	up to £40,000	1,509.85	*6/9*	1,006.6
B	between £40,001 & £52,000	4,715.45	*7/9*	3,667.6
C	between £52,001 & £68,000	10,935.50	*8/9*	9,720.4
D	between £68,001 & £88,000	14,397.19	*9/9*	14,397.2
E	between £88,001 & £120,000	9,473.65	*11/9*	11,578.9
F	between £120,001 & £160,000	7,159.90	*13/9*	10,342.1
G	between £161,001 & £320,000	3,846.50	*15/9*	6,410.8
H	over £320,000	300.25	*18/9*	600.5
				57,724.1
	Less adjustment for non-collection (0.6%)			(346.4)
	Council Tax Base			57,377.7

The average band D Council Tax can be calculated by estimating the amount of income required to be taken from the Collection Fund by West Sussex County Council, Sussex Police Authority and the Council (including parish and town council requirements) for the forthcoming year and dividing this by the Council Tax Base as below.

Authority	*Demand or Precept £*		*Council Tax Base*		*Band D Council Tax £*	
West Sussex County Council	66,672,314	÷	57,377.7	=	**1,161.99**	
Sussex Police Authority	7,942,221	÷	57,377.7	=	**138.42**	
Mid Sussex District Council	11,734,416	÷	57,377.7	=	**204.51**	(average)
Average Band D Council Tax Charge For 2011/12					**1,504.92**	

To calculate the Council Tax for each band, the band D Council Tax is then multiplied by the ratio specified above for the particular band. There were 24 actual Council Taxes levied for band D properties for each parish area in the district and these ranged from £1,454.83 to £1,559.44.

2. National Non-Domestic Rates (NNDR)

National Non Domestic Rates (Business Rates) are collected by Mid Sussex District Council on behalf of the Government. It pays the proceeds, less an allowance for costs of collection, into the NNDR Pool administered by the Government. It is subsequently redistributed to local authorities on the basis of population.

The rates are calculated by multiplying assessed rateable value by a fixed multiplier set by Central Government. The Rateable Value of Non Domestic Properties as at 31 March 2012 was £106.023m (£106.215m in 2010/11). The standard mulitplier for the year was 43.3p, an increase from 41.4p in 2010/11. The Small Business Rate Relief Multiplier for the year was 42.6p, an increase from 40.7p in 2010/11.

In the year 2011-12, there have been no rates written off. A total of £2,560,307 has been provided against debts of £3,218,001.

3. Bad and Doubtful Debts

Provision has been made for Council Taxpayers' Bad and Doubtful Debts using an analysis of the recovery position of the debts outstanding as at 31st March 2012. A total of £2,921,276 has been provided against debts of £4,001,443 outstanding as at 31st March 2012.

4. Contribution to Previous Year's Surplus/Deficit

In accordance with legislation, the estimated balance as at 31st March 2011 on the Collection Fund was £190,000 surplus and this was notified to both the County Council and Police Authority. This estimated surplus has been paid aswell as the contribution to each of these principal authorities in proportion to their Council Tax for the year 2011/12, as follows:

Authority	Estimated Deficit 31.3.11 £	%
West Sussex County Council	**146,710**	**77.21**
Sussex Police Authority	**17,480**	**9.2**
Mid Sussex District Council	**25,810**	**13.59**
Estimated Deficit at year end	**190,000**	**100.00**

5. Year End Surplus / Deficit

At 31st March 2012, the fund has a deficit of £361,983. The contributions required from West Sussex County Council and Sussex Police Authority are included as part of Local Authority Debtors on the Balance Sheet, page 17, detailed in Financial Statements Note 19. The Mid Sussex District Council contribution is shown as Collection Fund Adjustment Account on the Balance Sheet.

Authority	31.3.12 £	%	31.3.11 £
West Sussex County Council	**279,545**	77.21	125,180
Sussex Police Authority	**33,299**	9.20	14,813
Mid Sussex District Council	**49,139**	13.59	21,979
Actual Deficit at year end	**361,983**	100.00	161,972

MID SUSSEX
DISTRICT COUNCIL

Annual Governance Statement

Annual Governance Statement

Scope of responsibility

Mid Sussex District Council ("the Council") is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and including arrangements for the management of risk.

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks, the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised, (and the impact should they be realised), and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ending 31 March 2012 and up to the date of approval of the Statement of Accounts.

The Council's governance framework

The Council's Constitution, which is updated annually, sets out how the Council operates. It states what matters are reserved for decision by the whole Council, the responsibilities of the Cabinet and the matters reserved for collective and individual decision, and any powers delegated to other bodies such as the Census Joint Committee.

Decision-making powers not reserved for councillors are delegated to the Chief Executive and Heads of Service. The Monitoring Officer ensured that all decisions made are legal and supports the Standards Committee in promoting high standards of conduct amongst members.

The Better….Advisory Groups offered advice to Cabinet both collectively and to Cabinet members individually and the Performance and Scrutiny Committee scrutinised decisions made by the Cabinet, and those delegated to officers and Members and published on the Members' Information Service.

The overall budget and policy framework of the Council is set by the Council and all decisions are made within this framework. The Council's overall policy is represented through the Corporate Plan, which is a combination of service and financial plans.

The Corporate Plan is a key reference for the Medium Term Financial Plan, which enables the Council to forecast forwards and make best use of financial, human, technological and other resources available and to enable the continued provision of value for money services that meet the needs of residents, businesses and other stakeholders. At the broadest level, the Council also works with a number of key strategic partners through the local strategic partnership group of organisations.

From the Corporate Plan, service plans and business plans are developed and individual officer work plans are agreed, with performance targets agreed at every level. More detailed budgets are aligned to corresponding plans following a robust budget challenge process, which challenges managers to demonstrate efficiency and value for money, and performance is monitored and managed at every level on a regular basis.

The Council also monitors its performance through feedback from its residents and service users. An analysis of complaints raised under the Council's Corporate Complaints Policy is regularly reported and considered by the Management Team. The Council also has a Whistleblowing Policy, which encourages, staff to report any instances of suspected unlawful conduct, financial malpractice, or actions that are dangerous to the public or environment.

The Council's financial management arrangements conform to the standards of the Chartered Institute of Public Finance and Accountancy (CIPFA), and have regard to the 'Statement on the Role of the Chief Financial Officer in Local Government'. The Head of Finance has statutory responsibility for the proper management of the Council's finances and is a key member of the Management Team. The five Heads of Service with the Chief Executive and Assistant Chief Executive sit as a Management Team and may further devolve decision making to business unit leaders through written schemes of management. The Head of Finance will also provide detailed finance protocols, procedures and guidance and training for managers, staff and Members.

The Council's Risk Management Strategy ensures proper management of the risks to the achievement of the Council's priorities and helps decision-making. In the Council's day-to-day operations, a framework of internal controls (e.g. authorisation, reconciliations, separation of duties, etc) control the risks of fraud or error, and this framework is reviewed by Internal Audit. Partnership working is governed by agreements, protocols or memoranda of understanding relevant to the type of work or relationship involved. The Council's legal services and procurement teams ensure that all are fit for purpose and the Council's interests are protected.

The Audit Committee is responsible for monitoring the effective development and operation of corporate governance in the Council. It provides independent assurance of the adequacy of the Council's governance arrangements, including the associated control environment, the authority's financial (and non-financial) performance to the extent that it affects the authority's exposure to risk and weakens the control environment, oversight of the financial reporting process and scrutiny of the treasury management strategy and policies.

Review of effectiveness

Mid Sussex Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the Internal Audit annual report, and by comments made by the external auditors and other review agencies and inspectorates. The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes the following:

- The Council's internal management processes, such as performance monitoring and reporting; the staff performance appraisal framework; monitoring of policies, such as the corporate complaints and health and safety policies; and the corporate budget challenge process;

- The work of the corporate Joint Procurement Board partnered with Horsham DC and Crawley BC;

- The Council's internal audit coverage, which is planned using a risk based approach. The outcome from the internal audit coverage helps form the Chief Internal Auditor's opinion on the overall adequacy of the Council's internal control framework, which is reported in his annual report;

- The Chief Internal Auditor's annual report on anti-fraud and corruption activities;

- The annual review of the effectiveness of the internal audit function;

- External audit review of the work of the internal audit service and comment on corporate governance and performance management in their Annual Audit Letter and other reports;

- Workforce assessments and accreditation where appropriate and affordable;

- The District Auditor's opinion on the Council's financial statements and on the pension fund accounts;

- The work of the Audit Committee, which reviews the outcomes from the annual audit plan and the annual report of the audit function;

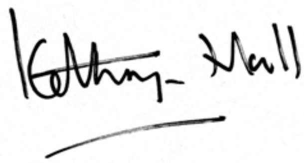
- The work of the Performance and Scrutiny Committee;

- An annual review of the constitution by the Constitutional Review Group, which recommends amendments, where appropriate, to the Constitution for agreement by the Council;

- Work of the Standards Committee, which includes monitoring the operation of the members' Code of Conduct and the Member and Officer Protocol.

Significant governance issues

The review, as detailed above, provides good assurance of the effectiveness of the Council's system of internal control. There have been no governance issues identified during the year that are considered significant in relation to the Council's overall governance framework. Specific opportunities for improvement in governance and internal controls identified as part of the assurance processes detailed above have been addressed or are included in action plans for the relevant managers.



Cllr Garry Wall
Leader of Council
September 2012

Kathryn Hall
Chief Executive
September 2012

MID SUSSEX
DISTRICT COUNCIL

Auditor’s Opinion And Certificate

Auditor’s Opinion and Certificate

Independent auditor’s report to the members of Mid Sussex District Council

Opinion on the Authority accounting statements
I have audited the financial statements of Mid Sussex District Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund and the related notes. 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 2011/12.
This report is made solely to the members of Mid Sussex District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Head of Finance, ICT & HR and auditor
As explained more fully in the Statement of the Head of Finance, ICT & HR Responsibilities, the Head of Finance, ICT & HR is responsible for the preparation of the Statement of Accounts, which includes the 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, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance, ICT & HR; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements
In my opinion the accounting statements:

- give a true and fair view of the financial position of Mid Sussex District Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters
In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.
- I have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Mid Sussex District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

I certify that I have completed the audit of the accounts of Mid Sussex District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Helen Thompson
District Auditor

Audit Commission
Ground Floor
Bicentennial Building
Southern Gate
Chichester West Sussex PO19 8EZ

26 September 2012

MID SUSSEX DISTRICT COUNCIL

Glossary of Terms

Glossary of Terms

Accounting Polices - These are the specific principles, bases, conventions, rules and practices applied by the Authority in preparing and presenting the financial statements.

Accounting Standards - These are set by CIPFA /LASAAC and comprise International Financial Reporting Standards (IFRSs) developed by the Financial Reporting Advisory Board ((FRAB). The Code of Practice on Local Authority Accounting is based on approved Accounting Standards issued by the International Accounting Standards Board (IAS) as well as approved Accounting Standards issued by the International Public Sector Accounting Standards Board (IPSAS) and the UK Accounting Standards Board. Therefore, the IFRS-based Code of Practice on Local Authority Accounting is based on the accounting standards issued by various standard setting bodies, Auditors could expect the guidance to be complied with, and any departure must be disclosed in the published accounts.

Accruals - The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Actuarial Gains and Losses (Pensions IAS 19)- The changes in actuarial deficits or surpluses that arise because:

Events have not coincided with actuarial assumptions made for the last revaluation (experience gains or losses) or the actuarial assumptions have changed.

These are recognised by appropriation from the pensions reserve and have no impact on the Comprehensive Income and Expenditure Account.

Agency Services - Services which are performed by or for another authority or public body, where the principal reimburses the agent for the cost of the work carried out.

Balances - In general, the accumulated surplus of income over expenditure, on any account, at the end of the financial year. Balances form part of the Council's reserves, and the authority may use its revenue balances to reduce the requirement from the council tax.

Band D Equivalent - The weighted number of properties subject to council tax in a local authority's area, calculated on the basis of prescribed proportions in relation to band D.

Best Value Accounting Code of Practice (BVACOP) – This code is issued by CIPFA and provides guidance on financial reporting to stakeholders. The code ensures accounts are consistent and comparable across all local authorities. It is updated annually to reflect the latest correct accounting practice.

Billing Authority - The local authority responsible for the billing and collection of the council tax from all properties in their area. In shire areas the district councils are the billing authorities.

Capital Accounting - The recording in local authority balance sheets of the value of all capital assets and the use of these values to charge services with capital charges.

Capital Expenditure – On the acquisition or construction of assets which have a long-term value to the authority in the provision of its services (e.g. land; purchasing existing buildings or erecting new ones; purchasing furniture or equipment etc).

Capital Programme - an authority's plan for capital projects and spending over future years. Included in this category are the purchase of land and buildings, the erection of new buildings, design fees and the acquisition of vehicles and major items of equipment.

Capital Receipts - Income received from the sale of land or other assets, which is available to finance other items of capital (but not revenue) spending, or to repay outstanding debt on assets originally financed from loan.

Chargeable Dwelling – A dwelling which is subject to council tax.

CIPFA (The Chartered Institute of Public Finance and Accountancy) - This is the professional body for accountants working in local government and public bodies and is a Member of the Consultative Committee of Accountancy Bodies. The Institute provides financial and statistical information services for local government and advises central government and other bodies on local government and public finance matters. Members of the Institute are entitled to use the letters CPFA after their names, and membership is by examination. CIPFA is an entirely privately funded body.

Collection Fund - A fund administered by each billing authority (the District Council in shire areas). The council tax, business rate income and the community charge are paid into the fund whilst the net revenue spending of the county, district and police authority are met from the fund.

Community Assets - Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Communities and Local Government CLG

Contingent Liability and Asset - A contingent liability or asset is a possible loss or gain which is not recognised in the accounts because it cannot be accurately estimated or because the event giving rise to the possible loss or gain is not considered sufficiently certain. This item is disclosed by way of a note to the accounts.

Costs Payable to the Pension Fund and any Payments to Pensioners (Pensions IAS 19) - These are appropriated to the Comprehensive Income and Expenditure Account from the Pensions Reserve, to replace all IAS 19 debits and credits, so that they remain, as previously, the actual amount to be met from government grants and local taxation.

Council Tax - The local tax payable on most residential properties in a local authority's area, in the year. Properties are valued within eight valuation bands (A-H), which determines the amount of council tax payable. See band D equivalents.

Current Assets - An asset which will be consumed or realised in the next accounting period e.g. short-term investments, inventories, short term debtors, cash and cash equivalents.

Current Liabilities - An amount which will be payable or could be called in within the next accounting period e.g. creditors, provision for accumulated absences, finance leases payable less than 1 year, cash overdrawn, and borrowing payable less than 1 year.

Current Service Cost (Pensions IAS 19) This represents the increase in present value of the scheme's liabilities expected to arise from employee service in the current period.

Discount Rate – A calculation using a specified discount rate to estimate the present value of a future liability.

Depreciation – is provided for on all Property, Plant and Equipment. Depreciation is the measure of the wearing out, consumption, or other reduction in the useful economic life of a non-current asset, whether arising from use, effluxation of time or obsolescence through technological or other changes.

DWP – Department for Work and Pensions

Exceptional Items – These are material items in terms of the authority's overall net expenditure which derive from events or transactions which are not expected to recur frequently or regularly that fall within the ordinary activities of the authority. They are disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Expected Rate of Return on Assets (Pensions IAS 19) - The average rate of return, based on actuarial advice, including both income and changes in the fair value, but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Extraordinary Items - Material items which derive from events or transactions that fall outside the ordinary activities of the authority. It would be rare for an item to be classified as extraordinary and would only be likely where ultra vires transactions occur.

External Audit - The independent examination of the accounts of local authorities. The Mid Sussex audit is carried out by the Audit Commission.

Finance Lease - A lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. Other types of lease are termed "operating leases".

Gains and Losses on Settlements (Pensions IAS 19) - An irrecoverable action that relieves the employer of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. This also is charged to Non Distributed Costs.

General Fund Balance- The main revenue fund of a billing authority. Day-to-day spending on services is met from the fund.

Impairment – Impairment occurs when an asset has been revalued and the valuation is downward. It is caused by a consumption of economic benefits (e.g. physical damage, or deterioration in the quality of service provided by the asset) or a general fall in prices.

Infrastructure Assets – Non-current assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways, footpaths and culverts.

Intangible Assets – Intangible assets are defined as "non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events

Interest Cost (Pensions IAS 19) The expected increase during the year in the present value of the schemes liabilities because the benefits are one year closer to settlement.

National Non-Domestic Rates (NNDR) - Nationally set tax charged on the rateable value of non-domestic properties (also known as business rates). The rate is set by the CLG. The proceeds are pooled nationally and redistributed as a fixed amount per head of resident population.

NNDR – See National Non Domestic Rates.

Non-current Assets (formally Fixed Assets) – Tangible assets that yield benefits to the local authority and the services it provides for more than one accounting year, e.g. land buildings, vehicles, vehicles plant and equipment, infrastructure assets and Community Assets. Collectively these are now referred to as Property Plant and Equipment.

Operating Lease – is a lease other than a Finance Lease. A type of lease, usually of computer equipment, office equipment, furniture etc., which is similar to renting. Ownership of the asset must remain with the lessor for a lease to be classed as an operating lease.

Past Service Costs (Pensions IAS 19) - The increase or decrease in the present value of the scheme liabilities related to employee service in prior periods, as a result of the introduction of or improvement to retirement benefits or changes in indexation. This is charged or credited within the net cost of services under Non Distributed costs in the Comprehensive Income and Expenditure Account. Discretionary Pension benefits awarded on early retirement are treated as past service costs.

Pension Fund - An employees' pension fund maintained by an authority, or group of authorities, to make pension payments on retirement of participants; it is financed from contributions from the employing authority, the employee and investment income. This Council contributes to the West Sussex Pension Fund.

Precept - The levy made by West Sussex County Council and Sussex Police Authority on the Collection Fund, and Parish and Town Councils on the General Fund, for their net expenditure requirements.

Provisions and Reserves - Amounts set aside in one year to cover expenditure in the future. Provisions are for liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain. Reserves are amounts set aside which do not fall within the definition of provisions and include general reserves (or "balances") which every authority must maintain as a matter of prudence. This Council has established the General Reserve, and the Specific Reserve. These are further described in the Statement of Accounts.

Provision for Bad and Doubtful Debts - The amount set aside in the Council's accounts to cover debts which may be un-collectable and written off.

Rateable Value (RV) - A value of all non-domestic properties subject to rating, to which rate poundages are applied to arrive at a rate payable. The value is based on a notional rent that the property could be expected to yield after deducting the cost of repairs.

Reserves - See Provisions and Reserves.

Transitional Relief - Scheme whereby the Council Tax is reduced for properties which would otherwise have seen a large increase in the Council Tax bill in comparison with the actual 1992/93 community charge bill for the particular property.