

**Rother District Council**

**FINANCIAL REPORT AND  
STATEMENT OF  
ACCOUNTS**

**2015/16**



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# NARRATIVE REPORT

This Narrative Report summarises the performance, both financial and non-financial, for 2015/16, and covers plans for the near future. The rest of the document contains:

- **Annual Governance Statement**
- **Statement of Responsibilities**
- **Independent Auditor's Report**
- **Statement of Accounts**, comprising:
  - **Movement in Reserves Statement** - this shows the movement in the year on the different reserves held by the Council, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus / (Deficit) on the provision of services line shows the true economic cost of providing the Council's services, which is shown in greater detail in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting. The net increase or decrease before transfers to earmarked reserves line shows the change to the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves is made by the Council.
  - **Comprehensive Income and Expenditure Statement** — this shows the Council's actual financial performance for the year. The Statement shows the accounting cost in the year of providing the services in accordance with generally accepted accounting practices rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations and this may be different to the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
  - **Balance Sheet** - this is fundamental to the understanding of the Council's year end financial position. The Balance Sheet shows the value as at the Balance Sheet date of the Assets and Liabilities recognised by the Council. Net Assets of the Council are matched by the Reserves held by the Council. Reserves are reported in two categories; Reserves that are usable (i.e. those reserves that the Council can spend on services subject to maintaining a prudent level of reserves), and Reserves that are unusable e.g. reserves that hold unrealised gains and losses such as the Revaluation Reserve.
  - **Cash Flow Statement** — this shows the changes in the cash and cash equivalents of the Council. The Statement shows how the Council 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 shows the extent to which operations of the Council are funded by way of taxation, grant income or income from recipients of services. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the future delivery of services (i.e. cash funds that are not immediately needed can be invested to make a return for the Council).
  - **Notes to the four main accounting statements** including (Notes 1 and 2) details of the accounting policies that the Council follows.
  - **Collection Fund Statement** — this reflects the statutory obligation for Rother District Council as the Billing Authority to maintain a separate Collection Fund. The Statement shows the transactions of the Council in relation to the collection from taxpayers and distribution to local authorities (precepting) of Council tax and the collection and distribution of non-domestic rates to the Government and precepting authorities.
- **Glossary**

## Presentation of Accounts

In preparing the accounts for 2015/16, the Council has followed the code of Practice on Local Authority Accounting published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This Code establishes a framework of best practice that the preparers of local authority accounts are expected to follow. Efforts have been made to present information in a format that is easy to read and understand, whether you are a local taxpayer, Councillor or Council employee. I am, however, required by law to set the accounts out in a certain way. Further information about the accounts presented in this Statement is available from the Resources Directorate of the Council.

# NARRATIVE REPORT

## Non-Financial Performance Summary

### Corporate Performance Monitoring

1. Rother District Council adopted its current [Corporate Plan](#) in 2014 that runs until 2021. This document identifies the Council's long term strategic objectives and the programme of projects and service functions that will deliver those objectives. The first full year of operation for the Corporate Plan was 2015/16.
2. The Council publishes progress on the Corporate Plan once a year in the [Annual Report](#) in a pdf format and a summary of the corporate programme of projects from the Corporate Plan in a [video format](#).
3. The [Overview and Scrutiny Committee](#) receives quarterly performance progress reports and makes recommendations to Cabinet. The Committee selects [in January](#) a small number of performance measurements (KPIs) for focussed monitoring related to the priorities for the coming financial year. In 2015/16 the Committee decided to monitor a set of 15 indicators. Six of the indicators were former national indicators and the remainder are local measurements. This set of KPIs is reported without exception. Other performance indicators are reported by exception (when not on target). All of the KPIs selected for 2015/16 measured areas of potential risk to resources, such as income and contracts.
4. For 2015/16 the Committee received reports on the [first quarter in September 2015](#), on the [second quarter in November 2015](#), the [third quarter was reported in March 2016](#) and the [fourth quarter in June 2016](#), which also includes more detailed information on the results for 2015/16.

### Service Performance

5. Fourteen out of 15 or 93.3% of the selected KPIs have met or exceeded their targets. This compares favourably to 2014/15 when 7 out of 12 or 58% of the basket of KPIs were on target. Most notably improved from 2014/15 are the KPIs for housing benefits processing, planning application processing and amounts of litter on public land. The results for 2015/16 are summarised in the table below. The results for financial transactions carried out online and for telephone calls answered are considered to be on target because they are within the 5% tolerances agreed for these targets.

Performance indicator	Target	Result	Status <sup>1</sup>	Trend <sup>2</sup>	Bench-marking	CP Aims
Email addresses getting My Alerts email service	23,000	24,691	✓	↑	Local PI	1
Financial transactions carried out online	95%	93%	✓	↑	Local PI	1, 4
Customer Services enquiries resolved on first contact	85%	92.38%	✓	↓	Local PI	1
Telephone calls answered	85,866	83,041	✓	↓	Local PI	1
Telephone calls not answered	219,180	165,688	✓	↑	Local PI	1
Business Rates Collection	98.2%	98.33%	✓	↓	Below median	1, 2
Council Tax Collection	98.5%	98.53%	✓	↓	Best quartile	1, 3
Total income from car parks where there is a charge	£1,253,000	£1,368,252	✓	↑	Local PI	1, 2
Major planning applications processed in 13 weeks or agreed	70%	96.3%	✓	↑	Best quartile	1, 2, 3, 4

<sup>1</sup> Relates to whether performance met its target

<sup>2</sup> Relates to 2015/16 compared to 2014/15 performance

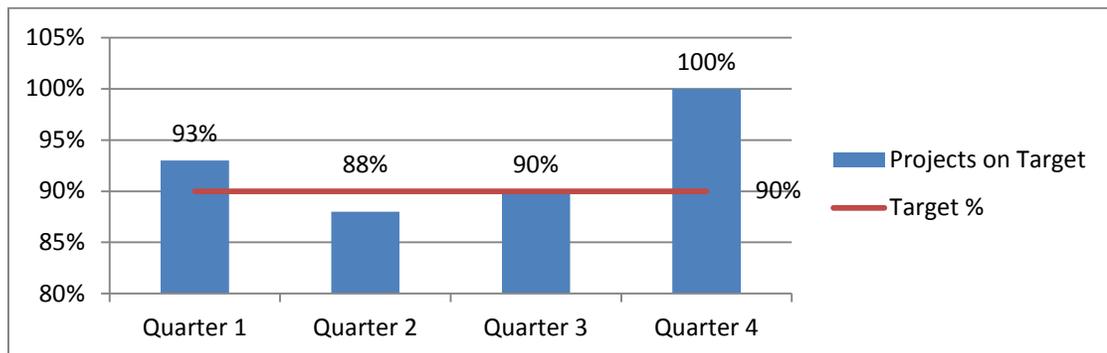
# NARRATIVE REPORT

timetable						
Minor planning applications processed in 8 weeks	55%	67.9%	✓	↑	Below median	1, 2, 3, 4
Other planning applications processed in 8 weeks	70%	80.65%	✓	↑	Below Median	1, 2, 3,
Housing benefit applications on time in calendar days	18 days	15 days	✓	↑	Local PI	1, 3
Average calendar days households spent in temporary accommodation	60 days	40.63 days	✓	↑	Local PI	1, 3
Recycling and composting of household waste	48%	45.13%	⚠	↓	Above median	1, 4
Litter found on public land	4%	3.41%	✓	↑	Local PI	1, 4
<b>Key:</b> ✓ green/on target, ⚠ amber/just off target, ● red/off target ↓ worse performance, ↑ better performance, = no change in performance CP – Corporate Plan. 1 = an efficient, flexible and effective Council, 2 = sustainable economic prosperity, 3 = stronger, safer communities, 4 = a quality physical environment.						

6. The recycling rate was the only KPI that did not meet its end of year target. This service is provided in a combined partnership with all but one of the East Sussex district and borough councils. The Joint Waste Committee is pursuing work on a data quality audit to provide further assurance on the county council's data. Rother District Council continues to take action to improve the recycling rate through education, communication and marketing.

## Corporate Programme

7. The Corporate Plan identified 29 projects to deliver its four core aims over the life of the plan. There were 17 live projects running in the corporate programme by the end of 2015/16. All (100%) of the current operational projects were on target against their planned delivery by the end of the financial year. The chart below refers to projects on target at the end of each quarter in 2015/16. The Corporate Programme's progress will be reported in September 2016.



## Financial Summary 2015/16

The Council's annual spending is categorised as being either Revenue or Capital. Revenue spending is generally on the day-to-day provision of services. Capital expenditure, by contrast, is on items that have a life beyond one year.

### Revenue.

The General Fund expenditure is met primarily by Government grants and Council Taxpayers. The financial performance of the Council's General Fund services in 2015/16 resulted in a surplus of £1,386,000, as set out below.

# NARRATIVE REPORT

	Final Budget	Outturn	Variation
	£'000	£'000	£'000
<b>Services:</b>			
Central Services to the Public	857	910	53
Cultural and Related Services	2,475	2,487	12
Environmental and Regulatory Services	3,518	3,119	(399)
Highways and Transport Services	(730)	(869)	(139)
Housing Services	912	273	(639)
Planning Services	1,010	816	(194)
Corporate & Democratic Core Expenses	1,893	1,878	(15)
Other Operating Costs:			
Transfers to / from earmarked reserves	541	1,331	790
Other	(870)	(890)	(20)
Support Services	3,259	3,014	(245)
<b>Net Expenditure</b>	<b>12,865</b>	<b>12,069</b>	<b>(796)</b>
<b>Funded by:</b>			
Special Expenses	(701)	(701)	0
Collection Fund surplus	(227)	(227)	0
New Homes Bonus	(1,322)	(1,329)	(7)
Revenue Support Grant	(1,873)	(1,800)	73
Other general grants	(427)	(696)	(269)
Retained business rates and Section 31 grant income	(2,559)	(2,946)	(387)
Council Tax (net of special expenses and parish precepts)	(5,756)	(5,756)	0
<b>Total Funding</b>	<b>(12,865)</b>	<b>(13,455)</b>	<b>(590)</b>
<b>Net Surplus transferred to earmarked reserve</b>	<b>0</b>	<b>(1,386)</b>	<b>(1,386)</b>

The outturn figures in the table above exclude accounting adjustments such as depreciation, impairment, etc, and are also gross of support service recharges.

The net transfer to earmarked reserves was therefore as follows:

	£'000
Transfers to / from reserves	1,331
Net surplus transferred to reserve	1,386
<b>Total</b>	<b>2,717</b>

The main reasons for the net surplus compared to the budget are as follows:

Environmental and Regulatory Services	Mainly an underspend on the Waste and Street Cleaning contract, through lower than anticipated annual inflation uplift, and recoveries through default charges from the contractor.
Highways and Transport Services	Additional income from car parking, resulting from increased use.
Housing Services	Reduced net spending on housing benefit, together with a reduction of £430,000 in the provision for doubtful debts relating to benefit overpayments, resulting from a review of

# NARRATIVE REPORT

	the debt recovery actually achieved.
Planning and Development Services	Increased fee income of £100,000, net of added staff costs, cost reduction measures within Building Control, and delays in work on the approved Core Strategy.
Transfers to / from earmarked reserves	A transfer of £787,000 to the Business Rates Equalisation Reserve to allow for the increasing uncertainties in this area.
Other Operating Costs	Increased income from interest and from rentals of investment property.
Support Services	Delays in spending on IT: the underspend is being carried forward in an earmarked reserve for spending in 2016/17.
Other general grants	The extra income relates to grants made by the Government after the budget was set, relating to particular additional duties.
Retained business rates	Increased Section 31 grants and a reduced levy. Business rates income, while growing, was less than estimated before the start of the financial year. The amount credited to the General Fund, however, cannot be changed, so the deficit will be reflected in future years. The levy, however, which partly offsets the growth in business rates, is reduced because of the shortfall, and this reduction benefits the General Fund immediately.

## Use of Reserves

Overall Useable Reserves have increased by £2,682,000, mainly related to Earmarked Reserves, which increased by £2,717,000. Total Useable reserves now total £15.7m, of which £11.4m are Earmarked Reserves. Details of these reserves are shown in note 7 to the accounts.

## Collection Fund

The Collection Fund contains the transaction relating to the collection of Council Tax and Non-Domestic Rates, and is operated on behalf of Rother District Council and of its preceptors (the Government, East Sussex County Council, East Sussex Fire authority, Sussex Police & Crime Commissioner).

### Council Tax

The Council is required, when setting the local tax level, to levy a charge sufficient to recover any anticipated deficit brought forward on the fund at the start of the year and conversely to make any adjustments on any brought forward surpluses. The Collection Fund achieved a surplus for the year of £467,000 bringing the cumulative surplus to £1,392,000 as at 31 March 2016. Rother's share of this is £182,000. This will form part of the future adjustments to Council Tax bills with ESCC receiving the largest part of the surplus. The provision for bad debt methodology remains as in previous years without modification. It is felt at this time it remains robust enough to deal with the current economic climate. This year the final collection rate corresponded with the target rate of 98.5%.

### Business Rates

Under the scheme which has operated since 1 April 2013, the Council retained notionally 40% of the £17m tax collected but this was reduced significantly by a tariff of £4.7m payable to the Government. The Council also received additional grants totalling £953,000 in lieu of the foregone business rate income following a number of concessions granted by the Government in 2014. The concessions included additional small business rate relief, retail shops relief and the cap on the increase in the business rate multiplier to 2%. The net position is that of the £17m business rates collected, the Council retained £3.1m.

The total provisions for rating appeals currently outstanding now stands at £1,671,000, £668,000 of which relates to Rother. This reflects a year in which few appeals have been settled by the Valuation Office, while existing appeals have incurred a further year's liability and additional provision has been made for backdated appeals on purpose-built surgeries. Overall the Business Rate Collection Fund was in deficit by £980,000 for the year. Taking account of the brought forward surplus of £141,000, the deficit balance at 31 March 2016 was therefore £839,000. In accordance with the Business Rate Retention Scheme, Rother's share of this deficit is £336,000. As with Council Tax this will be adjusted through the 2017/18 budget.

## Capital

The Council has actively managed its capital spending and resources and achieved a spend of £1.2m against a final programme of £2.5m. The shortfall is principally on the land swap project, on which a number of complex issues will have to be resolved. Spending compared to the programme was as follows:

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	Final Budget	Outturn	Variation
	£	£	£
Community grants scheme	65,000	42,143	(22,857)
Bexhill Seafront improvements	150,000	150,000	0
De La Warr Pavilion – Capital Grant	48,539	48,539	0
Egerton Park – EPIC	59,320	0	(59,320)
Land Swap – former Bexhill High School Site	1,084,600	0	(1,084,600)
Fairlight Coastal Protection Scheme	30,000	30,000	0
Disabled Facilities Grants	771,647	727,729	(43,918)
Exception Sites – Brede	150,000	150,000	0
Town Hall Roof Refurbishment	10,000	5,088	(4,912)
I.T. Essential Maintenance Programme	104,993	11,754	(93,239)
Replacement Printing Machine	49,000	34,500	(14,500)
<b>Total Expenditure</b>	<b>2,523,099</b>	<b>1,199,753</b>	<b>(1,323,346)</b>

## Pensions

Accounting regulations require Councils to show any deficit or surplus on the Pension Fund within the balance sheet. The Council's share of the Pension Fund administered by East Sussex County Council was assessed at 31 March 2016 by the actuary as a deficit of £25.1m, as compared with a deficit of £32.9m at 31 March 2015 (see note 12). The reduction mainly results from an increase in the discount rate used to calculate future liabilities, after this rate had reduced sharply in the previous years. This liability is payable over many years in the future as pensions continue to be paid to staff who have already retired, and current pensionable employees retire.

## Financial Outlook for 2016/17 to 2019/20

The Council has developed its Medium Term Financial Strategy (MTFS) to align with the Corporate Plan. The Government announced the four year settlement for local government in December 2015. For Rother this will see the removal of £1.8m of Revenue Support Grant by 2019/20. The majority of the funding will be lost by 2018.

Retained Business Rate income continues to be volatile with the 2015/16 Collection Fund being in deficit by £336,000 (this Council's 40% share of the overall deficit of £839,000) This was anticipated in setting the 2016/17 budget and provision made to meet this cost. The Government is shortly to consult on proposals for 100% business rate retention by local authorities. As the detail is currently unknown this introduces a level of uncertainty over future income from this source. In addition with the national business rate revaluation in 2017, it is anticipated that a significant number and value of appeals will be lodged with the Valuation Office Agency. If this happens the Council's reserves will be needed to smooth the impact on the General Fund resulting from the increased Appeals provision that will arise.

Currently the Government are consulting on the future of New Homes Bonus Grant. The Council will receive £1.6m in grant in 2016/17, of which £1m is used to support the General Fund. Therefore there is considerable risk for the Council should this funding reduce or be removed.

Given the level of uncertainty regarding future income, it is likely that in the short term reserves will continue to be used to meet the effects of the financial climate in balancing the revenue budget. For 2016/17 the Council increased its Council Tax for the first time since 2011. Future Council Tax policy will need to be considered later in the year but it is likely that increases will have to be maximised in line with the referendum threshold.

Whilst the 2016/17 budget was balanced through a combination of increased income and service based savings, the latest financial forecast suggests further savings of £2.3m will be required to ensure a balanced budget from 2017/18 to 2019/20:

# NARRATIVE REPORT

	2017/18	2018/19	2019/20
	£	£	£
<b>NET FORECAST BUDGET</b>	<b>12,095,790</b>	<b>11,723,430</b>	<b>11,918,610</b>
<b>FUNDED BY:</b>			
Revenue Support Grant	449,570	72,500	0
Retained Business Rate Income	2,589,960	2,666,360	2,751,580
New Homes Bonus - 50% of projected property growth	1,654,000	1,044,000	1,000,000
Special Expenses	714,550	728,410	742,540
Council Tax	6,165,850	6,346,910	6,522,930
<b>TOTAL FUNDING</b>	<b>11,573,930</b>	<b>10,858,180</b>	<b>11,017,050</b>
<b>FUNDING GAP</b>	<b>521,860</b>	<b>865,250</b>	<b>901,560</b>

Proposals to meet this funding gap will be presented to Members in the Autumn of 2016, at which time the Council's MTFS will be updated.

## Future Capital Programme

The tables below set out the Council's capital programme for the next three years, together with the sources of finance. It is anticipated that the three grants programmes will continue into 2019/20 and 2020/21, but the amounts to be spent and the resources available are not yet determined. Any major new capital investment will be reliant on future asset disposals and/or external financing through a combination of grants and borrowing.

	2016-17	2017-18	2018-19	Total
	£	£	£	£
Community grants scheme	65,000	65,000	65,000	<b>195,000</b>
De La Warr Pavilion – Capital Grant	49,752	50,996	52,271	<b>153,019</b>
Land Swap – former Bexhill High School Site	1,084,600	0	0	<b>1,084,600</b>
Bexhill Leisure Centre development	190,000	0	0	<b>190,000</b>
Fairlight Coastal Protection Scheme	2,318,000	0	0	<b>2,318,000</b>
Disabled Facilities Grants	1,314,470	0	0	<b>1,314,470</b>
I.T. Essential Maintenance Programme	266,240	0	0	<b>266,240</b>
<b>Total Expenditure</b>	<b>5,288,062</b>	<b>115,996</b>	<b>117,271</b>	<b>5,521,329</b>

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	Grants and Contributions	Capital Receipts	Revenue and Reserves	Total
	£	£	£	£
Community grants scheme	0	0	195,000	<b>195,000</b>
De La Warr Pavilion – Capital Grant	0	153,019	0	<b>153,019</b>
Land Swap – former Bexhill High School Site	0	1,050,000	34,600	<b>1,084,600</b>
Bexhill Leisure Centre development	0	0	190,000	<b>190,000</b>
Fairlight Coastal Protection Scheme	2,318,000	0	0	<b>2,318,000</b>
Disabled Facilities Grants	1,314,470	0	0	<b>1,314,470</b>
I.T. Essential Maintenance Programme	0	0	266,240	<b>266,240</b>
<b>Total Funding</b>	<b>3,632,470</b>	<b>1,203,019</b>	<b>685,840</b>	<b>5,521,329</b>

## Conclusion

The production of the Statement of Accounts takes a great deal of effort and this year the Council has worked hard to complete their production ahead of the 30 June deadline. I would therefore like to take this opportunity to recognise the hard work and dedication of my Finance team and also to thank colleagues in the rest of the Council for their support and assistance in ensuring the accounts were prepared on time. The coming year will no doubt present substantial challenges to both the Council and its residents but the changes being made to the way the Council operates will ensure residents need is placed at the forefront of the Council's decision making to ensure Rother remains a great place to live, work and study.

Robin Vennard

Service Manager, Finance and Welfare

# ANNUAL GOVERNANCE STATEMENT

## **Scope of Responsibility**

Rother District Council (RDC) 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. RDC 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, RDC is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

RDC has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the Code is on our website or can be obtained from the Service Manager – Corporate and Human Resources, Town Hall, Bexhill-on-Sea, East Sussex, TN39 3JX or telephone 01424 787862. This statement explains how RDC has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

## **The Purpose of the Governance Framework**

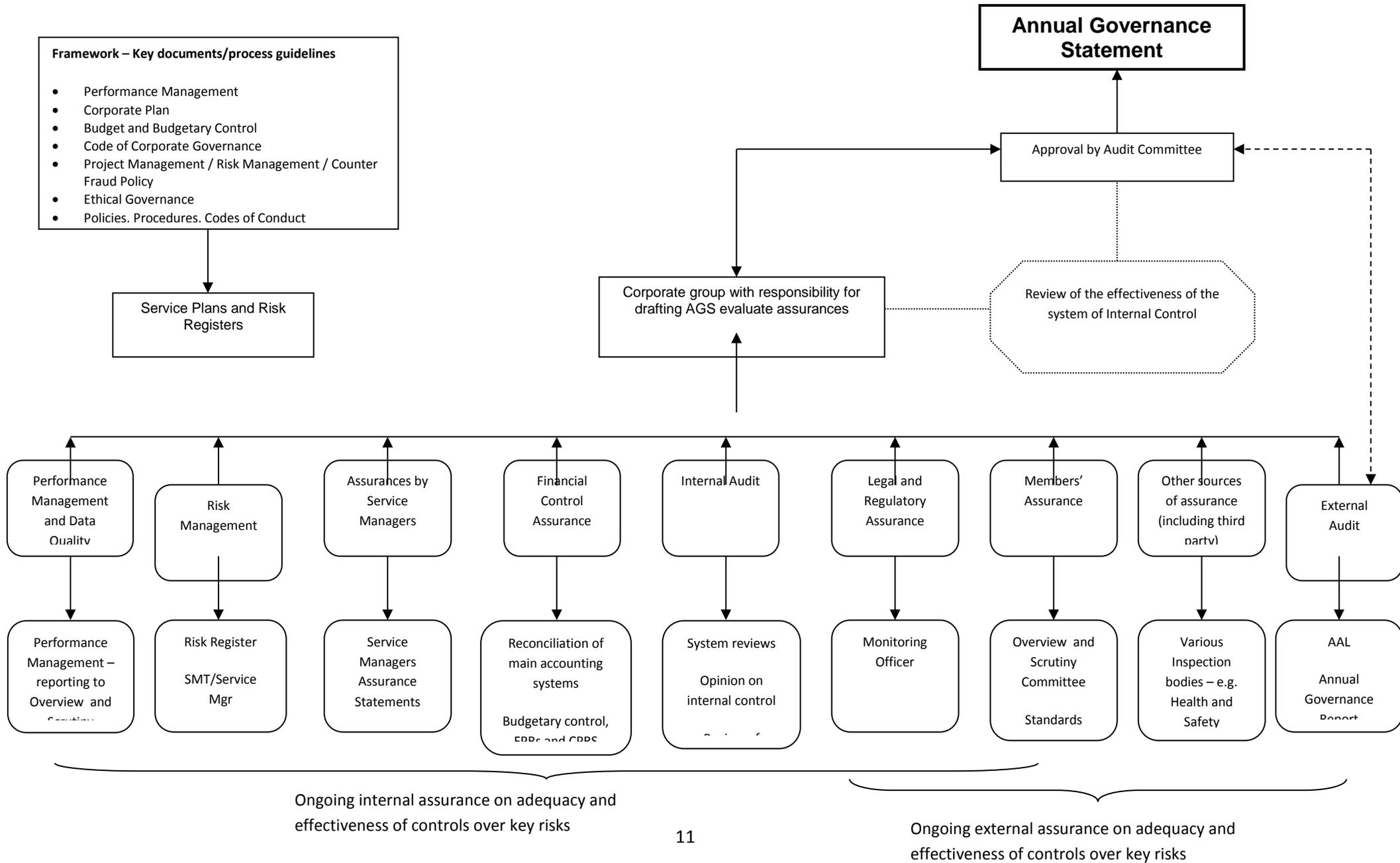
The governance framework comprises the systems and processes, and culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives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

The system of internal control is a significant part of that framework and is designated 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 on-going process designed to identify and prioritise the risks to the achievement of Rother'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 Rother for the year ended 31 March 2016 and up to the date of approval of the statement of accounts.

# ANNUAL GOVERNANCE STATEMENT

## ANNUAL GOVERNANCE FRAMEWORK



# ANNUAL GOVERNANCE STATEMENT

## Review of Effectiveness

RDC 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 executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Audit Manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

## Performance Management and Data Quality

The Rother Corporate Plan 2014 - 2021 sets out our vision for the district and priority areas for improvement in quality of life locally. The Corporate Plan is delivered through a programme of projects and complemented by a resetting strategy that seeks to adapt our services to on-going cuts in central grant support. The Corporate Plan is regularly monitored by Members.

RDC's performance management framework is set out in its Annual Report, published on 30 June each year. Objectives and targets are set against the Council's corporate aims:

- An Efficient, Flexible and Effective Council
- Sustainable Economic Prosperity
- Stronger, Safer Communities
- A Quality Physical Environment

Performance is monitored against a key performance indicator (KPI) set recommended by Scrutiny Members in January of each year and subsequently approved by Full Council. Performance against the KPI basket is reported to Members quarterly and includes other areas if performance is giving rise for concern. Details of any remedial action to be undertaken, is included in these reports. Benchmarking against other similar authorities and national quartiles where available is a key aspect of performance reporting. Strategic Management Team and the Overview and Scrutiny Committee (OSC) routinely carry out high-level oversight of performance. The Committee recommends actions and resource reallocation for action by Cabinet where appropriate.

The Council's performance reporting system, Covalent, is used to capture and analyse data for the Council. The use of the system has been extended to record data to enable the effective monitoring of the delivery of projects and business plans associated with the Corporate Plan.

The Council shares the system with Wealden District Council and this has brought significant financial savings across 5 years to both authorities. This management information system incorporates robust data quality features. A regular User Group brings together users from across the authority to share experience and ideas. Data quality is also managed through service representatives across the organisation. Quality control processes include Service Manager sign off, risk assessment and internal auditing of measures and their data.

## Risk Management

RDC has an approved Risk Management Policy and Strategic Integrated Framework. This document shows the role both Members and officers have in the identification and minimisation of risk. Training was undertaken for new and previous Members of the Council as part of the Member induction process following the District Council elections in May 2015. Progress has been made to further embed risk management within the organisation and is now driven by risk and corporate governance forming an integral part of meetings of the Strategic Management Team (SMT). Desk top exercises have been held on a regular basis to test identified risks against our Business Continuity planning. Risk Management is a feature of all new projects and is an integral part to the service planning process. Day to day management and monitoring processes and procedures are in place but work continues to improve the awareness of all staff. The corporate risk register forms an integral part of the Council's risk management process and is now available throughout the Council's services.

## Legal and Regulatory Assurance

The role of Solicitor to the Council entails oversight of all the Council's legal dealings, including as necessary the sealing or signing of formal legal documents. The role of Monitoring Officer entails oversight of the Council's ethical framework, oversight of the Council's Constitution including the proper allocation of functions between the executive,

# ANNUAL GOVERNANCE STATEMENT

regulatory and scrutiny limbs of the democratic machinery, and the statutory duty to report direct to full Council with respect to any breach of law. Key to the performance of the Monitoring Officer is the vetting of the agenda, reports and minutes of all meetings.

From December 2013, the Service Manager – Corporate and Human Resources became the Council's Monitoring Officer. The Council's Legal Services are provided by Wealden District Council and their lead officer is the appointed Solicitor to the Council.

## Members' Assurance – Audit Committee

During 2015/16, the Audit Committee received and scrutinised quarterly reports from the Audit Manager on the reviews carried out and progress against the plan and the year-end report includes a formal opinion of the adequacy, reliability and effectiveness of the Council's Internal Control systems.

## Members' Assurance – Standards Committee

The Standards Committee comprises three District Councillors (one Conservative, one Liberal Democrat and one Association of Independents), two Independent Person(s) and two Parish & Town Councillor representatives, and meets twice a year. Under the Localism Act 2011, the Standards regime changed and Councils were given the responsibility of setting their own Codes of Conduct and procedures for dealing with complaints against Members. The Monitoring Officer is now able to assess all complaints after consultation with one of the Independent Persons and determine what actions, if necessary, should be taken. All valid complaints are reported to the Standards Committee for information bi-annually. Sanctions for dealing with Councillors who may have breached the Code of Conduct are significantly reduced under the new regime.

In addition to its statutory responsibilities, the Council has also vested in the Committee the overview of complaints handling and Local Ombudsman investigations. In this regard, the Committee receives a bi-annual report and an annual report on the Council's whole year performance.

## Assurances by Service Managers

In addition to the Internal Audit reviews, Service Managers are required on an annual basis to complete a Managers Assurance Statement covering internal control within their Service.

## Other Sources of Assurances

Apart from the work of internal and external audit, there were no other inspections which raised any governance issues for the Council.

## Financial Control Assurance

A regular process of reconciling the main accounting systems is in place. Budget monitoring is produced monthly for all budget managers and regular reports have been submitted to Cabinet. The quality of reporting is continually under review by Finance and budget managers and improvements have been made this last year.

## Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on 'The Role of the Chief Finance Officer in Local Government (2010)'

The Service Manager Finance and Welfare is the Section 151 Officer who leads and directs the Finance function that continues to be sufficiently resourced and fit for purpose and is also professionally qualified and suitably experienced.

## Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on 'The Role of the Head of Internal Audit in Local Government (2010)'

The role of the Head of Internal Audit is fulfilled by the Council's Audit Manager and complies with the CIPFA statement.

# ANNUAL GOVERNANCE STATEMENT

## Internal Audit

Each year an Internal Audit plan of work is agreed by the Strategic Management Team, the Section 151 Officer and the Audit Committee. The majority of the 2015/16 Audit Plan was completed in 2015/16. All core financial audits were completed together with the audits that had been categorised as high/medium risk within the Plan.

The Audit Manager reports quarterly to the Audit Committee on the audit reviews that have been undertaken, highlighting any significant recommendations that have been made. The Audit Manager reports monthly to the Executive Director of Resources, and quarterly to the Audit Committee on the audit reviews that have been undertaken, highlighting any significant recommendations that have been made. In addition, the Strategic Management Team and the Section 151 Officer review the effectiveness of Internal Audit annually.

## External Audit

External audit provide the Council with an Annual Audit Letter and an Annual Governance report, which reports on the Council's financial performance, value for money and a review of the effectiveness of the governance arrangements.

## **Significant Governance Issues**

In terms of internal control, there have been areas where weaknesses have been identified through the Managers' Assurance Statements, Internal Audit and the work of the Standards Committee and these are commented on below. In addition, there are areas where due to external factors these have potential to adversely impact on the Council.

### **(i) Further Reductions in Government Funding**

The reduction in central Government funding continued into 2015/16 with a further reduction of over £0.6m. Total formula grant funding from Government has reduced by over £4m since 2010/11. The Government announced in December 2015 that they would be removing all Revenue Support Grant by 2019/20. For the Council this represented a reduction of £1.8m in funding. The expectation therefore is that not all current services can continue to be delivered or delivered at existing levels of performance. This will expose the Council to the risk of challenge / failure to meet statutory requirements and the risk of service failure through lack of resources. Mitigation measures will be required and the delivery of comprehensive information to the general public is essential.

### **(ii) Business Rate Retention Scheme and Pooling**

The introduction of the business rate retention scheme in April 2013, presented a major funding risk to the Council. Due to the impact of appeals and other changes in the business sector, the Council has witnessed great volatility in the end of year position on the Collection Fund between financial years. This volatility is difficult to manage and financial reserves are planned to be increased to ensure any future funding losses can be met at least in part.

Since 1 April 2015, all the Councils in East Sussex have been part of the East Sussex Business Rate Pool. This brings both risks and rewards as each partner authority's individual financial performance affects all partners. Therefore any financial gains made in one partner area may be offset by losses in another. In particular, claims from the Health sector to reduce their rates liability may have a significant effect in East Sussex, if successful. In addition, the 2017 revaluation by the Government presents a significant risk to the Council income due the likely number of rating appeals that follow. Governance and reporting arrangements are in place with Wealden District Council acting as the lead authority.

### **(iii) New Homes Bonus Grant and Reserves**

The Council has worked hard to reduce reliance on reserves in its revenue budget. However, this has been achieved to some extent, through the use of New Homes Bonus Grant (NHB) of £1m to support revenue spending. NHB funding is uncertain in the medium term requiring the Council to have in place plans to deal with its loss should this occur. By the end of 2015/16 reserves were £11.4m of which £7.4m are earmarked for specific purposes and the remaining £4.0m earmarked to support the medium term financial strategy. Failure to identify savings to meet the loss of Government funding could result in a return to the withdrawal of funds from reserves in supporting core services and a risk that the Council will have insufficient cash reserves to manage adverse variations in spending.

# ANNUAL GOVERNANCE STATEMENT

## **(iv) Capital Programme**

For a number of years, the Council has relied on its own resources to meet the capital investment requirements of its Corporate Plan and other strategies. The development of a new Corporate Plan during 2014, identified a requirement for further investment of £20m in the District in order to regenerate the economic and social wellbeing of the area. At a time of major public funding cuts, the level of investment required is likely to be of a scale beyond the financial ability of the Council. The Council will need to work in partnership with the public, voluntary and private sectors to pool resources but this brings with it a higher risk of failure than projects solely delivered by the Council. To mitigate the risk, the Council will need to demonstrate strong leadership skills to align aspirations and funding to deliver the investment in the area.

## **(v) Joint Working**

It is expected that the Council will continue with its programme of delivering services jointly with other bodies where it helps to maintain or improve services at a reduced cost. Joint working does however reduce the Council's flexibility and ability to redirect its resources when committed to delivery of a service for another Council.

Agresso Financial System Partnership - The future of the Agresso Financial system partnership, led by Lewes District Council, is uncertain following their decision to form a wide ranging partnership with Eastbourne Borough Council. At the time of writing no decision had been received as to whether Lewes District Council will continue with Agresso or migrate to the Eastbourne solution.

## **(vi) Corporate Risk Register**

The Council's corporate risk register was reviewed and updated during 2015/16 to reflect the current issues facing the Council. It is considered that the register is now fit for purpose and seeks to minimise the impacts on services by ensuring mitigation measures are in place.

## **(vii) ICT Code of Compliance**

The Council achieved compliance with the Public Services Network's requirements in May 2015. Funding of £475,000 was made available over two financial years, 2014/15 and 2015/16, to ensure the Council updated its current ICT provision and a number of software and security measures to ensure continued compliance with Government requirements. This followed identification of potential risks to compliance that would impact on key services such as Housing Benefits which could not operate without access to the Department of Work and Pensions. The work was largely completed during 2015/16 and will be finished in 2016/17.

## **(viii) Internal Audit Reviews Showing Unacceptable Internal Control Environment**

Internal audit reviews identified a few service areas where the internal control environment was not satisfactory. Detailed below are those areas where action remains outstanding:

- a. Asset Management – Internal Audit highlighted inconsistencies in the records maintained on the land and property assets of the Council and the need for a single computerised asset management system. This issue was first raised in September 2012 and while the Estates team have been migrating records to a single electronic asset management system (ePIMS) since November 2014, progress has been slower than was originally anticipated.
- b. Data Protection – An Internal Audit report issued in July 2013 found a problem with the way personal data is shared. Measures have been introduced to address this matter over the past two years (i.e. by providing training and guidance notes) but the issue is yet to be completely resolved. An exercise to establish what personal data is shared via external transfer is currently underway. Once this exercise is complete, protocols will need to be put in place to ensure that all personal data is shared securely.
- c. Joint Waste Contract – External legal consideration of the joint waste contractor's (Kier) contractual position is ongoing and Kier have taken action to escalate various commercial risks to the Partnership. The Directors at each Council in the Joint Waste Partnership are considering the commercial risks involved. Rother is the Administering Authority for this multi-million pound contract and its Joint Waste Team is responsible for handling all invoices, communications, documentation, notices and materials relating to the contract. Internal Audit carries out an annual audit of the work of the Joint Waste Team to ensure that the risks are appropriately managed.

# ANNUAL GOVERNANCE STATEMENT

One further area where only limited assurance could be given (BACS/ BACSTEL-IP Computer System) was also highlighted as a result of Internal Audit work in 2015/16 but controls have since improved following action to resolve the issues identified.

Areas of emerging risk include:

- Community Infrastructure Levy (CIL) Income – This is one source of income that may be used by the Council to help fund some relevant corporate projects. Other sources include s106 monies and monies from the South East Local Enterprise Partnership (LEP) through Team East Sussex. CIL has only been in operation in Rother since April 2016 so it is too early to say whether there are any major delays in receiving income. However, any delays could have an adverse impact on the Council's ability to fund certain corporate projects. It is also worth noting, central government is currently reviewing the effectiveness of CIL and the results of this review may have implications for future funding. CIL income is monitored through a Key Performance Indicator reported to Members.
- Joint Waste Contract – The joint waste contractor (Kier) has informed the Partnership that they are making financial losses on the contract that are not sustainable and that they are looking at actions to relieve their losses that may have implications for the Partnership.
- Council Tax Debts – Following changes to the Council Tax Reduction Scheme, all working age households, including those in receipt of job seekers allowance, income support and employment and support allowance, are now required to pay a minimum of 20% towards their Council Tax with effect from 1 April 2016. This will mean that up to 3,500 households may now be expected to contribute towards their Council Tax for the first time and this is likely to lead to higher incidents of non-payment. This in turn will mean that additional effort is required to pursue these debts at a time of reduced staff resources and failure to collect could ultimately have an adverse effect on the collection rate.
- Cash Collection Contract – The administration of this jointly procured contract has been particularly challenging over the past year owing to the Contractor's poor communication and inability to bill the Council correctly for the collections it makes. This situation has persisted despite a number of meetings having been held with the Contractor to try and improve things. If the Contractor's performance does not improve over the coming year then the Council will need to consider alternative providers.
- New and Enhanced Computer Systems – Several new or upgraded computer systems are being considered during 2016/17 including Document Image Processing (DIP) and Workflow, Frontier HR 21 Self Service (Payroll) system, and possibly a further upgrade of the Cash Management system. Most of these areas are already included in the 2016/17 Audit Plan and will be reviewed once they are in place.
- Reductions in Staffing Numbers – With the Council operating with fewer staff, and the loss of experienced staff whilst essentially still providing the same services, there is a greater risk that the failure to record and supervise activities may present a greater risk of errors being made, leading to financial and reputational losses and liabilities. Moreover, the Council has experienced the loss of key staff in several service areas over the past 12 months and this could affect the quality of the services provided if the Council's knowledge base continues to be eroded.

The Audit Manager is working with Service Managers and the Executive Directors to actively try to reduce the number of long outstanding high risk recommendations in some of the areas mentioned above.

We propose over the coming year to take steps to address these matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Carl Maynard

Malcolm Johnston

Cllr Carl Maynard

Leader of the Council

On behalf of Rother District Council

Head of Paid Service

On behalf of Rother District Council

# STATEMENT OF RESPONSIBILITIES

## **The Council's Responsibility**

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. At Rother District Council this officer is the Service Manager for Finance and Welfare.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the Statement of Accounts.

## **The Service Manager for Finance and Welfare (as the Chief Financial Officer) Responsibility**

The Service Manager for Finance and Welfare is responsible for the preparation of the Council'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 Service Manager Finance and Welfare 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.

The Service Manager Finance and Welfare has also:

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

## **Chief Financial Officer Certificate**

I certify that I have fulfilled my responsibilities noted above and that the accounts set out on pages 11 to 54 give a true and fair view of the financial position of the Council as at 31 March 2016 and its income and expenditure for the year ended 31 March 2016.

Robin Vennard

Service Manager Finance and Welfare

30 June 2016

## **Approval of Accounts**

The accounts were presented to the Audit Committee on the 28 September 2016 and were authorised by the Chairman of the Committee Councillor Martin Mooney.

Councillor Martin Mooney

Chairman of Audit Committee

28 September 2016

# INDEPENDENT AUDITOR'S REPORT

## **Opinion on the Council's financial statements**

We have audited the financial statements of Rother District Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the Collection Fund Statement 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 2015/16.

This report is made solely to the members of Rother District Council in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in the Statement of Responsibilities of Auditors and Audited Bodies within Chapter 2 of the Code of Audit Practice published by the National Audit Office in April 2015. Our work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of the Service Manager - Finance and Welfare and auditor**

As explained more fully in the Statement of Responsibilities, the Service Manager for Finance and Welfare is responsible for the preparation of the Statement of Accounts, which comprises 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 the financial statements give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

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

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Rother District Council as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

## **Opinion on other matters**

In our opinion, the information given in the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which we report by exception**

We have nothing to report in respect of the following other matters which the Code of Audit Practice (April 2015) requires us to report to you if:

# INDEPENDENT AUDITOR'S REPORT

- the Annual Governance Statement is misleading or inconsistent with other information that is forthcoming from the audit;
- we issue a report in the public interest;
- we designate under section 24 of the Local Audit and Accountability Act 2014 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

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

### **Respective responsibilities of the Council and auditor**

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

We are required under Section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the National Audit Office.

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the National Audit Office in November 2015, as to whether in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The National Audit Office has determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office in November 2015, we are satisfied that, in all significant respects, Rother District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

### **Certificate of completion of the audit**

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

# INDEPENDENT AUDITOR'S REPORT

BDO LLP

Leigh Lloyd-Thomas

For and on behalf of BDO LLP, Appointed Auditor

London, UK

28 September 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

## MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Ear-marked Reserves	Capital Receipts reserve	Capital grants unapplied	Total usable reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>2014/15</b>							
Balance at 1 April 2014	1,000	8,234	2,351	911	12,496	8,819	21,315
Movement in Reserves in 2014/15:							
Surplus (deficit) on the provision of services (accounting basis)	(167)	0	0	0	(167)	0	(167)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(3,945)	(3,945)
Total Comprehensive Income and Expenditure	(167)	0	0	0	(167)	(3,945)	(4,112)
Adjustments between accounting and funding basis under regulation - note 5	579	0	130	(45)	664	(664)	0
Net increase/decrease before transfers to Earmarked reserves	412	0	130	(45)	497	(4,609)	(4,112)
Transfers to/from Earmarked reserves - note 7	(412)	412	0	0	0	0	0
Increase/(Decrease) in Year	0	412	130	(45)	497	(4,609)	(4,112)
<b>Balance at 31 March 2015</b>	<b>1,000</b>	<b>8,646</b>	<b>2,481</b>	<b>866</b>	<b>12,993</b>	<b>4,210</b>	<b>17,203</b>
<b>2015/16</b>							
Balance at 1 April 2015	1,000	8,646	2,481	866	12,993	4,210	17,203
Movement in Reserves in 2015/16:							
Surplus (deficit) on the provision of services (accounting basis)	273	0	0	0	273	0	273
Other Comprehensive Income and Expenditure	0	0	0	0	0	10,583	10,583
Total Comprehensive Income and Expenditure	273	0	0	0	273	10,583	10,856

## MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Ear-marked Reserves	Capital Receipts reserve	Capital grants unapplied	Total usable reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments between accounting and funding basis under regulation - note 5	2,444	0	54	(89)	2,409	(2,409)	0
Net increase/decrease before transfers to Earmarked reserves	2,717	0	54	(89)	2,682	8,174	10,856
Transfers to/from Earmarked reserves - note 7	(2,717)	2,717	0	0	0	0	0
Increase/(Decrease) in Year	0	2,717	54	(89)	2,682	8,174	10,856
<b>Balance at 31 March 2016</b>	<b>1,000</b>	<b>11,363</b>	<b>2,535</b>	<b>777</b>	<b>15,675</b>	<b>12,384</b>	<b>28,059</b>

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Gross Re-stated	2014/15			2015/16		
	Income Re-stated	Net		Gross	Income	Net
£'000	£'000	£'000		£'000	£'000	£'000
2,150	(1,143)	1,007	Central Services to the Public	2,414	(1,035)	1,379
3,400	(275)	3,125	Cultural and Related Services	3,336	(328)	3,008
6,563	(2,193)	4,370	Environmental and Regulatory Services	5,794	(1,716)	4,078
648	(1,307)	(659)	Highways and Transport Services	1,142	(1,380)	(238)
32,071	(31,304)	767	Housing Services	30,364	(29,668)	696
2,764	(942)	1,822	Planning Services	2,870	(1,281)	1,589
2,095	(13)	2,082	Corporate & Democratic Core Expenses	2,287	(120)	2,167
42	0	42	Non Distributed Costs	17	40	57
<b>49,733</b>	<b>(37,177)</b>	<b>12,556</b>	<b>Cost of Services</b>	<b>48,224</b>	<b>(35,488)</b>	<b>12,736</b>
1,354	(361)	993	Other Operating Expenditure - Note 9	1,266	(243)	1,023
4,088	(3,665)	423	Financing and Investment Income and Expenditure - Note 10	3,665	(3,371)	294
4,839	(18,644)	(13,805)	Taxation and non-specific grant income and expenditure - Note 11	4,718	(19,044)	(14,326)
<b>60,014</b>	<b>(59,847)</b>	<b>167</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>57,873</b>	<b>(58,146)</b>	<b>(273)</b>
		(1,624)	Surplus on revaluation of non-current assets.			(1,712)
		(38)	Valuation (gains) on available for sale financial assets reserve			(3)
		5,607	Remeasurement of the net defined benefit pension liability			(8,868)
		<u>3,945</u>	<b>Other Comprehensive Income and Expenditure</b>			<u>(10,583)</u>
		<u>4,112</u>	<b>Total Comprehensive Income and Expenditure</b>			<u>(10,856)</u>

# BALANCE SHEET

31 March 2015 £'000		31 March 2016 £'000
28,633	Property, Plant and Equipment	28,939
9,316	Investment Properties	9,727
53	Intangible Assets	43
1,117	Long Term Investments	1,121
80	Long Term Debtors	77
<b>39,199</b>	<b>LONG TERM ASSETS</b>	<b>39,907</b>
0	Assets Held for Sale	84
3,625	Short Term Debtors	3,557
9	Inventories	16
8,250	Short Term Investments	9,520
5,123	Cash and Cash Equivalents	7,582
<b>17,007</b>	<b>CURRENT ASSETS</b>	<b>20,759</b>
(4,825)	Short Term Creditors	(5,878)
(379)	Provisions	(668)
<b>(5,204)</b>	<b>CURRENT LIABILITIES</b>	<b>(6,546)</b>
(948)	Capital grants receipts in advance	(953)
(32,851)	Net Defined Pension liability	(25,108)
<b>(33,799)</b>	<b>LONG TERM LIABILITIES</b>	<b>(26,061)</b>
<b>17,203</b>	<b>NET ASSETS</b>	<b>28,059</b>
1,000	General Fund	1,000
8,646	Earmarked reserves	11,363
2,481	Capital Receipts Reserve	2,535
866	Capital grants and contributions	777
<b>12,993</b>	<b>USABLE RESERVES</b>	<b>15,675</b>
7,086	Revaluation Reserve	8,776
29,825	Capital Adjustment Account	28,926
70	Deferred capital receipts	60
(32,851)	Pensions Reserve	(25,108)
179	Collection Fund Adjustment Account	(154)
(137)	Accumulated Absences Account	(157)
38	Available for sale reserve	41
<b>4,210</b>	<b>UNUSABLE RESERVES</b>	<b>12,384</b>
<b>17,203</b>	<b>TOTAL RESERVES</b>	<b>28,059</b>

# CASH FLOW STATEMENT

2014/15 re-stated		2015/16
£'000		£'000
(14,142)	Taxation	(14,762)
(36,810)	Grants and Contributions	(33,706)
(5,940)	Sales of goods and rendering of services	(6,888)
(135)	Interest received	(131)
(486)	other receipts from operating activities	(380)
<b>(57,513)</b>	<b>Cash inflows generated from operating activities</b>	<b>(55,867)</b>
6,988	Cash paid to and on behalf of employees	7,065
28,790	Housing benefit payments	27,847
4,475	NNDR Tariff payments	4,712
1,354	Precepts paid	1,387
8,048	Cash paid to suppliers of goods and services	6,576
5,767	Other operating cash payments	4,994
<b>55,422</b>	<b>Cash outflows generated from operating activities</b>	<b>52,581</b>
<b>(2,091)</b>	<b>Net cashflows from operating activities</b>	<b>(3,286)</b>
(466)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(243)
643	Purchase of property, plant and equipment, investment property and intangible assets	194
14,250	Purchase of short-term and long-term investments	21,500
(7,000)	Proceeds from the sale of short-term and long-term investments	(20,250)
(33)	Other receipts from investing activities	59
<b>7,394</b>	<b>Net cashflows from investing activities</b>	<b>1,260</b>
(526)	Changes in National Non-Domestic Rates balances held for Central Government	(362)
(339)	Changes in Council tax balances held for preceptors	(71)
<b>(865)</b>	<b>Net cashflows from financing activities</b>	<b>(433)</b>
<b>4,438</b>	<b>Net (Increase) / decrease in cash and cash equivalents</b>	<b>(2,459)</b>
9,561	Cash and cash equivalents 1 April	5,123
(4,438)	Net increase / (decrease) in cash and cash equivalents	2,459
<b>5,123</b>	<b>Cash and cash equivalents 31 March</b>	<b>7,582</b>
48	Cash in hand	155
5,922	Call accounts and short term deposits	7,679
(847)	Bank balances	(252)
<b>5,123</b>	<b>Cash and cash equivalents 31 March</b>	<b>7,582</b>

# NOTES TO THE ACCOUNTING STATEMENTS

## NOTE 1. CHANGES TO ACCOUNTING POLICIES AND RESTATEMENTS

### Changes to policies in 2015/16

The 2015/16 Code of Practice incorporates IFRS 13 Fair Value Measurement – This standard provides a consistent definition of fair value and enhanced disclosure requirements. It affects the policy (2.17 below) for the valuation of Surplus Properties, which now needs to be based on an assessment of market value, rather than the market value in existing use (EUV) values which were previously applied. In practice the values for this Council have not been affected by this change.

### Changes to policies which will take effect in future years

The 2016/17 Code of Practice incorporates several changes to accounting standards, but those that apply to this Council will not necessitate major changes or restatements of the previous year's figures.

The new Code does, however, include changes to the presentation of the Comprehensive Income and Expenditure Statement (CIES), under which services are to be analysed according to the operational structure, rather than by the current standard service headings. The new format will also be supplemented by a new Expenditure and Funding Analysis, providing more detail for the figures in the CIES, which is prepared according to accounting practice, and reconciling them to totals aligned with statutory funding arrangements. This change will require the 2015/16 figures to be re-stated in line with the 2016/17 Code of Practice.

### Re-statements of 2014/15 comparative figures

In the process of compiling the 2015/16 financial statements some errors were discovered in the 2014/15 Cash Flow Statement, and the comparative figures for 2014/15 have therefore been re-stated. The overall total for the movement in cash for 2014/15 was not affected.

Re-statements have also been made in some other Statements and Notes, with no impact on overall figures, to adjust prior year discrepancies or to improve the formats of the disclosures. These are:

- Comprehensive Income and Expenditure Statement
- Note 6 – Unusable Reserves
- Note 8 – Resource Allocation Decisions
- Note 15 – Capital expenditure and financing
- Note 16 – Property Plant and Equipment
- Note 20 – Financial Instruments

## NOTE 2. ACCOUNTING POLICIES

### 1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### 2. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

# NOTES TO THE ACCOUNTING STATEMENTS

- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. However for low individual value annual transactions (e.g. annual payment for beach hut licences) this is recognised on a cash basis.
- 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.
- 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.

### **3. Accounting for Council Tax and Non Domestic Rates**

The Council collects income from payers of Council Tax and Non-Domestic Ratepayers, but only part of the income relates to this Council, the balance being collected on behalf of other major precepting authorities, including the Government. The amounts of debtors, adjustments for doubtful debts, overpayment creditors and income in advance that relate to the precepting authorities are shown as a single net debtor or creditor in the balance sheet. The element of the Collection Fund due to preceptors is held as part of the Short Term Creditors balance. Annual changes in the amounts held for preceptors are shown as part of financing activities in the Cash Flow Statement.

The amounts legally credited to the General Fund are those estimated for before the start of the financial year, including distributions of estimated surplus, or contributions towards estimated deficits. In accounting terms, however, the Council's share of the collectable debit (including adjustments to allowances for doubtful debts and appeals) are credited to the Comprehensive Income and Expenditure Statement. The difference between the cumulative amounts for statutory and accounting purposes forms the Collection Fund Adjustment Account (an unusable reserve) and the annual adjustment forms part of the accounting and financing adjustments.

### **4. 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 mature in no more than ninety days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. 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 Council's cash management.

### **5. 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 (CI&ES) or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

### **6. 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 Council'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.

# NOTES TO THE ACCOUNTING STATEMENTS

## 7. 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 Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. Depreciation, revaluation and impairment losses and amortisations are therefore removed from the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

## 8. Employee Benefits

### Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that these benefits are charged to the General Fund in the financial year in which payment is made.

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council 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 relevant service cost line in the CI&ES when the Council is demonstrably committed to the termination of the employment of an officer or group of 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 Council 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

The majority of the Council's employees are members of the Local Government Pensions Scheme, administered by East Sussex County Council.

The Scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the East Sussex pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bond chosen by the Fund's Actuary.
- The assets of the East Sussex pension fund attributable to the Council are included in the Balance Sheet at their fair value:

# NOTES TO THE ACCOUNTING STATEMENTS

- quoted securities - current bid price
- unquoted securities - professional estimate
- unitised securities - current bid price
- property - market value
- The change in the net pensions liability is analysed into the following components:
  - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the CI&ES to the services for which the employees worked
  - past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the CI&ES as part of Non Distributed Costs.
  - net interest on the defined benefit liability, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the financing and investment income line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the defined benefit liability at the beginning of the period – taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
  - Remeasurements comprising:
    - the return on plan assets, excluding amounts included in net interest on the net defined liability, charged to the Pension Reserve as Other Comprehensive Income and Expenditure
    - Actuarial gains or losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - contributions paid to the East Sussex pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

## **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## **9. Events after the Reporting Period**

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

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

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

# NOTES TO THE ACCOUNTING STATEMENTS

## 10. Fair Values

The Council measures some of its non-financial assets (surplus assets and investment properties, and its available for sale financial asset, at fair value at each reporting date. The Council also discloses fair values for financial assets and liabilities categorised as loans and receivables. Fair value is the price that would be received to sell an asset or transfer a liability in an orderly transaction at the year end. The fair value measurement assumes that the transaction takes place either in the principal market for the asset or liability, or, in the absence of a principal market, in the most advantageous market.

The Council measures the asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that they act in their economic best interest.

When measuring the fair value the Council takes into account the market participants' ability to generate economic benefits by using the asset or liability in its highest or best use, or by selling it to another party that would use the asset or liability for its highest and best use.

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

Inputs to the valuation techniques for assets and liabilities that are measured or disclosed in the financial statements are categorised within the fair value hierarchy, as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the year end

Level 2 Inputs, other than quoted prices within Level 1, that are observable for the asset or liability, either directly or indirectly

Level 3 Unobservable inputs for the asset or liability

## 11. Financial Instruments

### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

Liabilities include trade payables and bank overdrafts. It has been assessed that the carrying amount in the Balance Sheet is a proxy for the fair value of those liabilities.

### Financial Assets

Financial assets are classified into two types:

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

### Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CI&ES 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 (plus accrued interest) and interest credited to the CI&ES is the amount receivable for the year in the loan agreement.

# NOTES TO THE ACCOUNTING STATEMENTS

In determining the fair value of those items shown at amortised cost, their fair value is assessed by calculating the present value of cash flows that will take place over the remaining term of the instrument, using the following assumptions:

- (i) Estimated interest rates at 31 March 2016 of 0.60% based on the average investment rate the Council achieved during 2015/16.
- (ii) Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.
- (iii) The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Assets also include trade receivables (debtors) and the fair value has been assessed as the billed amount and therefore is the same as the carrying amount in the Balance Sheet before the application of the impairment allowance. Bank deposits have been independently assessed and the carrying amount is a reasonable proxy for the fair value of the deposits.

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

## **Available-for-Sale Assets**

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the CI&ES for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the CI&ES when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. The Council currently holds a Government Bond valued at £1.21m at 31 March 2016 and its fair value is based on the quoted market price.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/ loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. If impairment losses are incurred these would be debited to the Financing and Investment Income and Expenditure line in the CI&ES, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CI&ES, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

## **12. 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 Council when there is reasonable assurance that:

- the Council 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 CI&ES 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 long-term liabilities. When conditions are satisfied, the grant or contribution is credited to the relevant

# NOTES TO THE ACCOUNTING STATEMENTS

service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the CI&ES.

Where capital grants are credited to the CI&ES, 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.

## **13. 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. As a non-financial asset, investment properties are measured at highest and best use.

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 CI&ES. 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 sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **14. Leases**

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

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

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

All of the Council's leases have been examined, and all have been determined to constitute operating leases: the policies below therefore only relate to operating leases.

### **The Council as Lessee**

Rentals paid under operating leases are charged to the CI&ES 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 a rent-free period at the commencement of the lease).

### **The Council as Lessor**

#### **Operating Leases**

Where the Council 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 appropriate line in the CI&ES. 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.

# NOTES TO THE ACCOUNTING STATEMENTS

## 15. 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 principles of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

These two cost categories are defined in SerCOP and accounted for as separate headings in the CI&ES, as part of Net Expenditure on Continuing Services.

## 16. Property, Plant and Equipment

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

### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council 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 (i.e. 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 cost of assets acquired other than by purchase is deemed to be its current value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

- Vehicles, plant, etc, infrastructure, community assets and assets under construction - depreciated historical cost.
- Land and buildings - current 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 current value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of current value.
- Surplus Properties – fair value, as described in accounting policy 2.10 above, equating to market value for their highest and best use from a market participant's perspective.

Assets included in the Balance Sheet at current value are subject to a full valuation once every five years, but are subject to a desktop review at the end of each year to ensure that their carrying amount is not materially different from their current value at the year-end. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CI&ES 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:

# NOTES TO THE ACCOUNTING STATEMENTS

- 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(s) in the CI&ES.

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

## **Impairment**

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

Where impairment losses are identified, they are accounted for 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(s) in the CI&ES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CI&ES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

## **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. 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. Useful life is between 10 and 64 years depending on the asset.
- vehicles, plant, furniture and equipment - a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer. Useful life is between 7 and 20 years.
- infrastructure -straight-line allocation over 50 years.

No depreciation is charged in year of acquisition but is charged at a full year rate in the year of disposal.

Reclassified assets are depreciated from year of reclassification.

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 of Property Assets**

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Where the Council has revalued a property, or carried out major capitalised works, it has been necessary to identify the major components making up the property using the following major component analysis:

- Land
- Buildings
- External areas (such as car parks)
- Plant and equipment (such as lifts and heating systems)

The Council has also adopted a de minimis level of 10% of the building value or £50,000 to apply componentisation.

# NOTES TO THE ACCOUNTING STATEMENTS

## Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the other Operating Expenditure line in the CI&ES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CI&ES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and are credited to the Capital Receipts Reserve, and can then only be used for new capital investment. 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.

## 17. Provisions, Contingent Liabilities and Contingent Assets

### Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council 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 CI&ES in the year that the Council 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 (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

### Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council 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 Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### Contingent Assets

A contingent asset arises where an event has taken place that gives the Council 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 Council.

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.

## 18. Reserves

The Council maintains two groups of reserves, usable and unusable.

Usable reserves comprise the following:

# NOTES TO THE ACCOUNTING STATEMENTS

- Capital Receipts Reserve: proceeds from the sales of non-current assets are initially credited to the CI&ES, but legally can only be used to finance capital expenditure, and so are transferred to the Capital Receipts Reserve and afterwards used for this specific purpose.
- Capital Grants Unapplied: the Council receives grants and contributions towards capital expenditure, and, where repayment conditions are not present or no longer apply, they are credited to the CI&ES and immediately transferred into the Capital Grants Unapplied Reserve until required to finance capital investment.
- Earmarked Reserves: the Council may set aside earmarked reserves to cover specific projects or contingencies. These are transferred from the General Fund, and amounts are withdrawn as required to finance such expenditure. The expenditure itself is charged to the appropriate line in the Comprehensive Income and Expenditure Statement. There are no legal restrictions on the use of earmarked reserves, and unspent balances can be taken back to the General Fund in the same way.
- General Fund: this represents all other usable reserves, without legal restrictions on spending, which arise from annual surpluses or deficits.

Unusable Reserves consist of those which cannot be used to finance capital or revenue expenditure:

- Revaluation Reserve: this consists of accumulated gains on individual items of Property, Plant and Equipment. The Reserve contains only gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains before that date were consolidated into the balance on the Capital Adjustment Account. 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.
- Capital Adjustment Account: Receives credits when capital is financed from the General Fund or from the Capital Receipts and Capital Grants Unapplied reserves, and receives debits to offset depreciation and other charges relating to capital which are not chargeable against the General Fund. The account contains revaluation gains accumulated on non-current assets before 1 April 2007, the date on which the Revaluation Reserve was created to hold such gains.
- Deferred Capital Receipts: in some cases (particularly former housing stock disposed of, where the purchaser financed the transaction through a mortgage from the Council) an asset is disposed of, but the income cannot be collected immediately. The Council maintains records for a long term debtor, offset by a balance in the Deferred Capital Receipts Account. When the income is received the debtor is written down and a transfer is made between this account and the Capital Receipts Reserve.
- Pensions Reserve: The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council 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 Council 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 Council 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.
- Collection Fund Adjustment Account: this represents the differences arising from the recognition of Council tax income and Non-Domestic Rates in the Comprehensive Income and Expenditure Statement as they fall due from payers, compared with the statutory arrangements for paying across amounts from the Collection Fund to the General Fund.
- Accumulated Absences Reserve: this contains the difference between the statutory and accounting liability for the cost of accumulated absences: the cost is properly chargeable to the Comprehensive Income and Expenditure Statement, but not to the General Fund.

# NOTES TO THE ACCOUNTING STATEMENTS

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

## 19. 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 CI&ES in the year. Where the Council 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.

## 20. 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.

## NOTE 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Council acts as the lead authority for the joint waste partnership. This partnership is not a legal entity in its own right and involves Rother District Council, Eastbourne Borough Council, Hastings Borough Council and Wealden District Council. The four Councils have a joint contract with Kier Environmental Services Limited for the provision of waste collection, recycling and street & beach cleaning. Rother District Council employs staff to provide an overarching contract administration function and acts as paymaster, collecting payments from the other Councils and making payments to the contractor based on invoices received. Each Council is responsible for the day to day management of Kier operations in their areas. This arrangement which came into force from 1st April 2013, therefore leads to financial transactions that are not reflected in the Council's Core Statements because the Council is deemed to be acting as an agent.

The transactions of this, and several much smaller partnerships, are summarised in Note 14 below.

## NOTE 4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Financial Statements contain estimated figures that are based on assumptions made by the Council 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 main items in the Council's Balance Sheet at 31 March 2016 on which such assumptions have been made are as follows:

### 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 and mortality rates. A firm of consulting actuaries, Hymans Robertson, is engaged to provide the Council with expert advice about the assumptions to be applied. For instance:

- A 0.5% decrease in the real discount rate assumption would result in an increase in the pension liability of £9.311m.
- A 1 year increase in member life expectancy would result in an increase in the pension liability of £2.802m.
- A 0.5% increase in the Salary Increase Rate would result in an increase in the pension liability of £3.288m.
- A 0.5% increase in the Pension Increase Rate would result in an increase in the pension liability of £6.284m.

Changes in any one assumption would be affected by changes in others, so that the effect of a number of changes would be a complex calculation.

# NOTES TO THE ACCOUNTING STATEMENTS

## Property, Plant and Equipment

Valuations of property depend on various assumptions, as set out in detail in Note 2.17 above. In particular, valuers have to determine:

- The estimated life of the building.
- Whether or not there is a market for the property in its existing use, which means that they could value at such a market value (EUUV). If there is no such market properties are valued at Depreciated Replacement Cost (DRC), which is currently likely to give a higher value.

## Allowance for impairments of doubtful debts

The Balance Sheet contains figures for various groups of debtors, including sundry debtors, council tax, non-domestic rates, and recoveries of overpayments of housing benefits. Allowances are made, and updated at the end of each financial year, on the basis of recent rates of recovery of the particular class of debt, as far as it can be ascertained.

## Allowance for impact of rating appeals

There are a number of appeals against rating values outstanding, many going back to 1 April 2010, and this Council is liable for its share (40%) of the losses resulting from successful appeals. A provision is maintained based on the success rates of appeals settled to date (see Note 19 below).

## NOTE 5. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

	General Fund Balance	Capital Receipts reserve	Capital grants unapplied	Unusable Reserves
	£'000	£'000	£'000	£'000
<b>2014/15:</b>				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Write down Intangible Assets	29	0	0	(29)
Depreciation and impairment of non-current assets	736	0	0	(736)
Movements in value of Investment Properties	(80)	0	0	80
Sale of non-current assets	149	0	0	(149)
Capital receipts to Usable Capital Receipts Reserve	(466)	476	0	(10)
Capital grants and contributions to Capital Grants Unapplied Reserve	(85)	0	85	0
Difference between accounting and statutory employment benefit	(24)	0	0	24
Difference between accounting and statutory credit for Council Tax	(48)	0	0	48
Difference between accounting and statutory credit for Non-Domestic Rates	(404)	0	0	404
Revenue Expenditure Financed from Capital under Statute	1,516	0	0	(1,516)
Difference between accounting and statutory credit for pension costs	922	0	0	(922)

Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement

# NOTES TO THE ACCOUNTING STATEMENTS

	<b>General Fund Balance</b>	<b>Capital Receipts reserve</b>	<b>Capital grants unapplied</b>	<b>Unusable Reserves</b>
	£'000	£'000	£'000	£'000
Capital expenditure financed from revenue	(494)	0	0	494
Other adjustments				
Capital expenditure financed from Capital Receipts	0	(346)	0	346
Capital expenditure financed from Capital grants and contributions	(1,172)	0	(130)	1,302
<b>Total for 2014/15</b>	<b>579</b>	<b>130</b>	<b>(45)</b>	<b>(664)</b>

	<b>General Fund Balance</b>	<b>Capital Receipts reserve</b>	<b>Capital grants unapplied</b>	<b>Unusable Reserves</b>
	£'000	£'000	£'000	£'000
<b>2015/16:</b>				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Amortise Intangible Assets	16	0	0	(16)
Depreciation and impairment of non-current assets	1,192	0	0	(1,192)
Movements in value of Investment Properties	(56)	0	0	56
Capital receipts to Usable Capital Receipts Reserve	(243)	253	0	(10)
Capital grants and contributions to Capital Grants Unapplied Reserve	89	0	(89)	0
Difference between accounting and statutory employment benefit	20	0	0	(20)
Difference between accounting and statutory credit for Council Tax	(60)	0	0	60
Difference between accounting and statutory credit for Non-Domestic Rates	393	0	0	(393)
Revenue Expenditure Financed from Capital under Statute	969	0	0	(-969)
Difference between accounting and statutory credit for pension costs	1,125	0	0	(1,125)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Capital expenditure financed from revenue	(97)	0	0	97
Other adjustments				
Capital expenditure financed from Capital Receipts	0	(199)	0	199

# NOTES TO THE ACCOUNTING STATEMENTS

	General Fund Balance	Capital Receipts reserve	Capital grants unapplied	Unusable Reserves
	£'000	£'000	£'000	£'000
Capital expenditure financed from Capital grants and contributions	(904)	0	0	904
<b>Total for 2015/16</b>	<b>2,444</b>	<b>54</b>	<b>(89)</b>	<b>(2,409)</b>

## NOTE 6. UNUSABLE RESERVES

### Revaluation Reserve

<b>2014/15 Re-stated</b>		<b>2015/16</b>
£000		£000
5,585	Balance 1 April	7,086
1,624	Comprehensive Income & Expenditure: Gain on revaluation of assets	1,712
(123)	Accounting / Financing Adjustments: Depreciation charged to Revaluation Reserve	(22)
<b>7,086</b>	<b>Balance 31 March</b>	<b>8,776</b>

### Capital Adjustment Account

<b>2014/15 Re-stated</b>		<b>2015/16</b>
£000		£000
29,910	Balance 1 April	29,825
(29)	Accounting / Financing Adjustments: Write down Intangible Assets	(16)
(736)	Depreciation and impairment of non-current assets	(1,192)
80	Movements in value of Investment Properties	56
(149)	Gain or (loss) on sale of non-current assets	0
(1,516)	Revenue Expenditure Financed from Capital under Statute	(969)
494	Capital expenditure financed from revenue	97
346	Capital expenditure financed from Capital Receipts	199
1,302	Capital expenditure financed from Capital grants and contributions	904
123	Depreciation charged to Revaluation Reserve	22
<b>29,825</b>	<b>Balance 31 March</b>	<b>28,926</b>

### Deferred Capital Receipts Reserve

<b>2014/15</b>		<b>2015/16</b>
£000		£000
80	Balance 1 April	70
(10)	Accounting / Financing Adjustments: Deferred receipts received to Capital Receipts Reserve	(10)

# NOTES TO THE ACCOUNTING STATEMENTS

2014/15		2015/16
£000		£000
<b>70</b>	<b>Balance 31 March</b>	<b>60</b>
<b>Pensions Reserve</b>		
<b>2014/15 Re-stated</b>		<b>2015/16</b>
£000		£000
(26,322)	Balance 1 April	(32,851)
	Comprehensive Income & Expenditure:	
(5,607)	Remeasurement of the net defined benefit liability	8,868
	Accounting / Financing Adjustments:	
(922)	Difference between accounting and statutory credit for pension costs	(1,125)
<b>(32,851)</b>	<b>Balance 31 March</b>	<b>(25,108)</b>
<b>Collection Fund Adjustment Account</b>		
<b>2014/15</b>		<b>2015/16</b>
£000		£000
(273)	Balance 1 April	179
	Accounting / Financing Adjustments:	
	Difference between accounting and statutory credit for Council Tax	60
48	Tax	
	Difference between accounting and statutory credit for Non-Domestic Rates	(393)
404		
<b>179</b>	<b>Balance 31 March</b>	<b>(154)</b>
<b>Accumulated Absences Account</b>		
<b>2014/15</b>		<b>2015/16</b>
£000		£000
(161)	Balance 1 April	(137)
	Accounting / Financing Adjustments:	
24	Difference between accounting and statutory employment benefit	(20)
<b>(137)</b>	<b>Balance 31 March</b>	<b>(157)</b>
<b>Available for Sale Financial Instruments Reserve</b>		
<b>2014/15</b>		<b>2015/16</b>
£000		£000
0	Balance 1 April	38
	Comprehensive Income & Expenditure:	

# NOTES TO THE ACCOUNTING STATEMENTS

2014/15 £000		2015/16 £000
38	Gain on revaluation of available for sale financial instruments	3
<b>38</b>	<b>Balance 31 March</b>	<b>41</b>

## NOTE 7. EARMARKED RESERVES

The Council maintains a number of Earmarked Reserves for a variety of purposes. Below is an analysis of the Council's reserves showing the movements and transfers that took place.

	Balance at 1 April 2014	Transfers out	Transfers in	Balance at 1 April 2015	Transfers out	Transfers in	Balance at 31 March 2016
	£'000	£'000		£'000	£'000		£'000
Medium Term Financial Strategy	1,991	(279)	868	2,580	(51)	1,423	3,952
Economic Development Reserve	30	0	0	30	0	0	30
Risk Management	147	0	0	147	0	0	147
Interest Equalisation	922	0	0	922	0	0	922
Repair and Renewals	1,191	(226)	96	1,061	(50)	124	1,135
Corporate Plan Projects	579	(23)	25	581	(31)	0	550
Invest to Save	289	(71)	0	218	0	0	218
Affordable Housing	920	0	0	920	0	0	920
Corporate Development	916	(21)	178	1,073	(5)	350	1,418
Planning Improvement & LDF	360	(122)	0	238	(69)	0	169
BCCI Refund	37	0	0	37	(37)	0	0
Housing Benefit Subsidy	55	0	0	55	0	0	55
Homelessness	140	(59)	46	127	0	0	127
New Homes Bonus Scheme	657	(8)	8	657	(22)	298	933
Business rates equalisation	0	0	0	0	0	787	787
<b>Total</b>	<b>8,234</b>	<b>(809)</b>	<b>1,221</b>	<b>8,646</b>	<b>(265)</b>	<b>2,982</b>	<b>11,363</b>

The purposes of these reserves are set out below:

Medium Term Financial Strategy	A reserve created to help the Council meet our agreed objectives not just now but moving into the future. It is primarily aligned with the Council's Corporate Plan but can also be used to respond to pressures and uncertainties of the current financial climate. The total transfer in for 2015/16 includes the £1,386,000 budget surplus for the year and the £37,000 transferred to close the BCCI Refund reserve.
Economic Development	A reserve created to fund one off research, investigation and projects that relate to the economic development of the Rother area.
Risk Management	A reserve to meet expenditure under excess arising from insurance claims.
Interest Equalisation	A reserve created in advance of the financial crisis to deal with unexpected falls in investment income.
Repair and Renewals	A reserve to fund expected repairs and renewals of the Council's assets.
Corporate Plan Projects	A reserve to fund projects outlined in the Council's Corporate Plan.
Invest to Save	A reserve used to improve the Council's efficiency and make saving through investment in the services.

# NOTES TO THE ACCOUNTING STATEMENTS

Affordable Housing	A reserve to subsidise social housing providers capital projects relating to the provision of new affordable housing.
Corporate Development	A reserve funding a variety of Council provided services supporting among others Tourism, Economic Development, Democratic Engagement, Staff and Member training etc.
Planning Improvement and LDF	A reserve supporting the development and maintenance of the Council's long term Planning Strategy.
BCCI Refund	A reserve which used to hold a balance of a partial refund from the failed Bank of Credit and Commerce International (collapsed in 1991). In 2015/16 it was consolidated into the MTFs Reserve.
Housing Benefit Subsidy Reserve	A reserve for meeting fluctuations in housing benefit subsidy recovered.
Homelessness	A reserve to support the prevention of homelessness.
New Homes Bonus Scheme Reserve	A reserve created to help the council manage the expected decline in NHB from 2018/19.
Business Rates equalisation	A reserve created to address the volatility in business rate income year to year. The Council needs to build a substantial reserve to protect the General Fund for the possible impact of the business rate revaluation in 2017 where it is predicted that rating appeals could be substantial.

## NOTE 8. 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. The same basic analysis is used by this Council for decisions about resource allocation, but for this purpose the figures exclude the impact of support services charges and of technical accounting entries such as depreciation. The table below analyses the figures reported to Cabinet and which are summarised in the Narrative Report. It also reconciles these totals to the Cost of Services and the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

Service Income and Expenditure	Cultural	Environmental	Planning	Housing	Other	Total
2014/15 Re-stated	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & other service Income	(275)	(1,540)	(907)	(1,746)	(1,987)	(6,455)
Government grants and contributions	0	(653)	(35)	(29,558)	(476)	(30,722)
Total Income	(275)	(2,193)	(942)	(31,304)	(2,463)	(37,177)
Employee expenses	518	447	1,465	758	1,766	4,954
Support services	164	494	657	375	1,392	3,082
Other service expenses	2,446	4,687	614	30,222	1,565	39,534
Total operating expenses	3,128	5,628	2,736	31,355	4,723	47,570
<b>Management Cost of Services</b>	<b>2,853</b>	<b>3,435</b>	<b>1,794</b>	<b>51</b>	<b>2,260</b>	<b>10,393</b>

Adjust for technical accounting entries included in CIES but not management totals:

Depreciation, impairment, intangible assets	210	274	0	0	62	546
Accumulated absences	4	(9)	(4)	(1)	9	(1)

# NOTES TO THE ACCOUNTING STATEMENTS

Service Income and Expenditure	Cultural	Environ- mental	Planning	Housing	Other	Total
<b>2014/15 Re-stated</b>	£'000	£'000	£'000	£'000	£'000	£'000
Revenue expenditure funded from capital under statute	48	624	0	701	143	1,516
Pension costs	10	46	32	16	(2)	102
<b>Cost of Services per CIES</b>	<b>3,125</b>	<b>4,370</b>	<b>1,822</b>	<b>767</b>	<b>2,472</b>	<b>12,556</b>

**Add:**

Other Operating Expenditure and Income (Note 9)	<b>993</b>
Financing and Investment Expenditure and Income (Note 10)	<b>423</b>
Taxation and Non-Specific grant income (Note 11)	<b>(13,805)</b>

**(Surplus) / Deficit on provision of services**

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Service Income and Expenditure	Cultural	Environ- mental	Planning	Housing	Other	Total
<b>2015/16</b>	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Service Income	(290)	(1,026)	(1,179)	(1,954)	(2,340)	(6,789)
Government Grants and contributions	(12)	(646)	(80)	(27,700)	(261)	(28,699)
Total Income	(302)	(1,672)	(1,259)	(29,654)	(2,601)	(35,488)
Employee expenses	408	1,504	1,400	662	3,186	7,160
Other service expenses	2,381	3,287	675	29,265	4,349	39,957
Total operating expenses	2,789	4,791	2,075	29,927	7,535	47,117
<b>Management Cost of Services</b>	<b>2,487</b>	<b>3,119</b>	<b>816</b>	<b>273</b>	<b>4,934</b>	<b>11,629</b>

Adjust for support services (corresponding net charge is to Investment Properties)	225	518	653	370	(2,052)	(286)
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Adjust for technical accounting entries included in CIES but not management totals:

Depreciation, impairment, intangible assets	223	310	3	0	672	1,208
Accumulated absences	(3)	11	5	3	4	20
Revenue expenditure funded from capital under statute	49	0	0	0	42	91
Pension costs	27	120	112	50	(235)	74

<b>Cost of Services per CIES</b>	<b>3,008</b>	<b>4,078</b>	<b>1,589</b>	<b>696</b>	<b>3,365</b>	<b>12,736</b>
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# NOTES TO THE ACCOUNTING STATEMENTS

Service Income and Expenditure	Cultural	Environ- mental	Planning	Housing	Other	Total
2015/16	£'000	£'000	£'000	£'000	£'000	£'000
<b>Add:</b>						
Other Operating Expenditure and Income (Note 9)						1,023
Financing and Investment Expenditure and Income (Note 10)						294
Taxation and Non-Specific grant income (Note 11)						(14,326)
<b>(Surplus) / Deficit on provision of services</b>						<b>(273)</b>

## NOTE 9. OTHER OPERATING EXPENDITURE

2014/15				2015/16		
Expend	Income	Net		Expend	Income	Net
£'000	£'000	£'000		£'000	£'000	£'000
1,235	0	1,235	Parish Council Precepts	1,266	0	1,266
119	0	119	Levies	0	0	0
0	(361)	(361)	Gains on the disposal of assets	0	(243)	(243)
1,354	(361)	993		1,266	(243)	1,023

## NOTE 10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2014/15				2015/16		
Expend	Income	Net		Expend	Income	Net
£'000	£'000	£'000		£'000	£'000	£'000
3,727	(2,601)	1,126	Net interest on defined pension liabilities	3,225	(2,173)	1,052
0	(135)	(135)	Interest receivable and similar income	0	(151)	(151)
361	(929)	(568)	Income and expenditure in relation to investment properties and changes in their fair value	440	(1,047)	(607)
4,088	(3,665)	423		3,665	(3,371)	294

## NOTE 11. TAXATION AND NON SPECIFIC GRANT INCOME

2014/15				2015/16		
Expend	Income	Net		Expend	Income	Net
£'000	£'000	£'000		£'000	£'000	£'000
0	(7,685)	(7,685)	Council Tax Income	0	(7,885)	(7,885)
4,839	(6,413)	(1,574)	Non domestic rates	4,718	(6,444)	(1,726)
0	(2,416)	(2,416)	Revenue Support Grant	0	(1,800)	(1,800)
0	2,085	(2,085)	Non-ringfenced government grants	0	(2,978)	(2,978)
0	(45)	(45)	Capital grants and contributions	0	63	63
4,839	(18,644)	(13,805)		4,718	(19,044)	(14,326)



# NOTES TO THE ACCOUNTING STATEMENTS

2014/15		2015/16
£'000	<b>Reconciliation of Fair Value of Employer Assets (scheme Assets):</b>	£'000
2,601	Interest income on plan assets	2,173
389	Contributions by Members	400
1,625	Contributions by the Employer	1,697
6,211	Return on assets excluding amounts recognised in Other Comprehensive Income	(1,102)
(3,556)	Benefits Paid	(3,299)
<u>68,553</u>		<u>68,422</u>

2014/15		2015/16
£'000	<b>Reconciliation of Defined Benefit Obligation (scheme Liabilities):</b>	£'000
(87,605)	Value of Liabilities at 1 April	(101,404)
(1,382)	Current Service Cost	(1,770)
(3,727)	Interest Cost	(3,225)
(389)	Contribution by Members	(400)
	Actuarial Gains and (Losses):	
(12,705)	Change in financial assumptions	8,737
887	Other experience gains and (losses)	1,233
(39)	Losses on Curtailments	0
3,556	Benefits Paid	3,299
<u>(101,404)</u>		<u>(93,530)</u>
<u>(32,851)</u>	Net Liability at 31st March	<u>(25,108)</u>

## Fair value of employer assets

The assets at the year-end listed above are made up of the following categories:

31 March 2015				31 March 2016					
Quoted Prices in Active Markets	Prices not quoted in Active markets	Total	%	Asset Category	Quoted Prices in Active Markets	Prices not quoted in Active markets	Total	%	
£,000	£,000	£,000	%		£,000	£,000	£,000	%	
				<b>Equity Securities:</b>					
2,692.5	12.7	2,705.2	4.0	Consumer	1,253.2	0.3	1,253.5	2.0	
1,700.3	106.5	1,806.8	3.0	Manufacturing	815.7	0.7	816.4	1.0	
1,808.7	0.0	1,808.7	3.0	Energy and Utilities	176.2	2.2	178.4	0.0	
3,938.1	0.0	3,938.1	6.0	Financial Institutions	2,017.9	0.1	2,018.0	3.0	
2,758.9	0.0	2,758.9	4.0	Health and Care	864.5	0.7	865.2	1.0	
2,938.8	0.0	2,938.8	4.0	Information Technology	1,039.0	0.1	1,039.1	2.0	
8.9	0.0	8.9	0.0	Other	0.0	344.0	344.0	1.0	
				<b>Debt Securities:</b>					
0.0	1,088.8	1,088.8	2.0	UK Government	0.0	1,242.4	1,242.4	2.0	
0.0	701.3	701.3	1.0	Other	0.0	1,271.1	1,271.1	2.0	
				<b>Private Equity:</b>					
0.0	3,788.9	3,788.9	6.0	All	0.0	4,078.0	4,078.0	6.0	
				<b>Real Estate:</b>					

# NOTES TO THE ACCOUNTING STATEMENTS

31 March 2015				31 March 2016				
Quoted Prices in Active Markets	Prices not quoted in Active markets	Total	%	Asset Category	Quoted Prices in Active Markets	Prices not quoted in Active markets	Total	%
£,000	£,000	£,000	%		£,000	£,000	£,000	%
0.0	7,073.6	7,073.6	10.0	<b>Equity Securities:</b>				
				UK Property	432.9	7,656.2	8,089.1	12.0
				<b>Investment funds and unit trusts:</b>				
346.1	30,802.0	31,148.1	44.0	Equities	44.0	35,357.7	35,401.7	51.0
2,756.3	1,708.8	4,465.1	7.0	Bonds	2,718.9	5,210.8	7,929.7	12.0
50.7	26.1	76.8	0.0	Hedge Funds	0.0	74.0	74.0	0.0
167.3	0.0	167.3	0.0	Commodities	33.5	0.0	33.5	0.0
0.0	1,363.1	1,363.1	2.0	Infrastructure	0.0	1,153.2	1,153.2	2.0
0.0	268.3	268.3	0.0	Other	0.0	233.7	233.7	0.0
				<b>Derivatives:</b>				
0.0	(13.4)	(13.4)	0.0	Foreign exchange	0.0	0.0	0.0	0.0
				<b>Cash and cash equivalents</b>				
0.0	2,459.4	2,459.4	4.0	All	2,273.0	0.0	2,273.0	3.0
19,166.6	49,386.1	68,552.7	100.0	<b>Totals</b>	11,668.8	56,625.2	68,294.0	100.0

## Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension scheme liabilities have been assessed by Hymans Robertson LLP an independent firm of Actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2013.

2014/15		2015/16
2.4%	Rate of inflation	2.2%
4.3%	Rate of increase in salaries	4.2%
2.4%	Rate of increase in pensions	2.2%
3.2%	Rate for discounting scheme liabilities	3.5%
	Take-up of option to convert annual pension into retirement lump sum:	
50%	Pre 2008	50%
75%	Post 2008	75%

## The projections of liabilities assume the following mortality rates:

2014/15		2015/16
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.2	Men	22.2
24.4	Women	24.4
	Longevity at 65 for future pensioners:	
24.2	Men	24.2
26.7	Women	26.7

# NOTES TO THE ACCOUNTING STATEMENTS

## Impact on the Council's Cash Flows

The Council anticipates paying £1,563,000 contributions to the scheme in 2016/17.

### NOTE 13. INCOME FROM GRANTS AND CONTRIBUTIONS

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

2014/15 £'000		2015/16 £'000
(29,071)	DWP benefits grants	(27,697)
(1,212)	Grants for revenue financed from capital under statute	(878)
(520)	Other Grants and Contributions	(1,002)
(30,803)	<b>Total within Cost of Services</b>	<b>(29,577)</b>
(2,416)	Revenue Support Grant	(1,800)
(153)	New Burden Grant	(190)
0	Benefits Administration Grant	(327)
(1,032)	New Homes Bonus	(1,329)
(73)	Council Tax Freeze Grant	(73)
(827)	Section 31 Grant Income	(953)
0	Local Services Support Grant	(106)
(45)	Grants and contributions towards capital expenditure	63
(4,546)	<b>Total within Taxation and non-specific grant income</b>	<b>(4,715)</b>
(35,349)	<b>Total income from grants and contributions</b>	<b>(34,292)</b>

### NOTE 14. AGENCY EXPENDITURE AND INCOME

The Council acts as the lead authority for several arrangements, in particular the Joint Waste Partnership. This partnership is not a legal entity in its own right and involves Rother District Council, Eastbourne Borough Council, Hastings Borough Council, and Wealden District Council. The four Councils have a joint contract with Kier Environmental Services Limited for the provision of waste collection, recycling and street & beach cleaning. Rother District Council employs staff to provide an overarching contract administration function and acts as paymaster, collecting payments from the other Councils and making payments to the contractor based on invoices received. Each Council is responsible for the day to day management of Kier operations in their areas.

There are two other lead authority arrangements, under which expenditure is initially incurred by this Council and recharged to the partner councils. These arrangements cover Rother and Wealden Environmental Health Shared Service and Rother and Hastings Building Control Partnership. In both cases Rother bears the cost of support services charges associated with the running of the partnerships and so the support services are excluded from total expenditure in the relevant columns shown below. In case of the Environmental Health Partnership income from fees and charges is accounted for by each of the councils separately and does not feature in the table below. Due to a different contract arrangement for the Building Control Partnership the total partnership income from fees and charges is shown below. The amount recharged to Hastings Borough Council is based on a cost sharing formula specified in the contract rather than the actual net value of costs and income generated within the borough.

The tables below summarise the transactions for the year: the amounts shown as recharged to partner councils are treated as agency expenditure and therefore not included within this Council's Comprehensive Income and Expenditure Statement.

# NOTES TO THE ACCOUNTING STATEMENTS

	2014/15 Re-stated			Total £'000
	Joint Waste	Others	Building Control	
	£'000	£'000	£'000	
Total expenditure	12,795	1,818	393	15,006
Income	0	1	(387)	(386)
<b>Net Cost</b>	<b>12,795</b>	<b>1,819</b>	<b>6</b>	<b>14,620</b>
Recharged to Rother District Council	(3,132)	(706)	58	(3,780)
Recharged to partner councils	(9,663)	(1,113)	(64)	(10,840)
<b>Total recharges</b>	<b>(12,795)</b>	<b>(1,819)</b>	<b>(6)</b>	<b>(14,620)</b>
<b>Net Cost</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

	2015/16			Total £'000
	Joint Waste	Others	Building Control	
	£'000	£'000	£'000	
Total expenditure	12,729	1,685	426	14,840
Income	(48)	(37)	(341)	(426)
<b>Net Cost</b>	<b>12,681</b>	<b>1,648</b>	<b>85</b>	<b>14,414</b>
Recharged to Rother District Council	(2,970)	(642)	1	(3,611)
Recharged to partner councils	(9,711)	(1,006)	(86)	(14,414)
<b>Total recharges</b>	<b>12,681</b>	<b>1,648</b>	<b>85</b>	<b>14,414</b>
<b>Net Cost</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## NOTE 15. CAPITAL EXPENDITURE AND FINANCING

The total amount of capital expenditure charged in the year is shown in the table below, 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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

2014/15 Re-stated £'000		2015/16 £'000
1,091	Opening Capital Financing Requirement 1 April	1,091
	<i>Capital Investment</i>	
662	Property, Plant and Equipment	225
0	Intangible assets	7
1,516	Revenue Expenditure Funded from Capital under Statute (REFCUS)	968
	<i>Sources of finance</i>	
(346)	Capital receipts	(199)

# NOTES TO THE ACCOUNTING STATEMENTS

2014/15 Re-stated £'000		2015/16 £'000
0	Government grants and other contributions	(26)
(494)	Sums set aside from revenue and reserves	(97)
(1,338)	Grants and contributions towards REFCUS	(878)
1,091	Closing Capital Financing Requirement 31 March	1,091

The Capital Financing Requirement (CFR) is made up of the following balance sheet items.

31 March 2015 £'000		31 March 2016 £'000
28,633	Property, Plant and Equipment	28,939
9,316	Investment Properties	9,727
53	Intangible Assets	43
0	Assets Held for Sale	84
(7,086)	Revaluation Reserve	(8,776)
(29,825)	Capital Adjustment Account	(28,926)
1,091		1,091

The continuing balance of £1,091,000 represents an "Item A" adjustment dating back to 2004: this is the agreed historic amount on which it is not necessary to provide the annual Minimum Revenue Provision (MRP) for repayment of debt. MRP would be payable for any capital expenditure financed from loan in the future.

## NOTE 16. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings Re-stated	Vehicles Plant etc	Infra- structure	Community Assets	Assets under Const- ruction	Surplus Props.	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost:							
Opening value 1 April 2014	14,080	1,117	9,132	0	3,621	2,417	30,367
Additions	0	458	0	132	72	0	662
Disposals	0	0	0	0	0	(105)	(105)
Impairment losses	(17)	0	0	(132)	0	105	(44)
Reclassifications	(627)	0	0	0	0	0	(627)
Revaluations	523	0	0	0	0	1,100	1,623
Value 31 March 2015	13,959	1,575	9,132	0	3,693	3,517	31,876
Cumulative Depreciation:							
Opening value 1 April 2014	(693)	(546)	(1,289)	0	0	0	(2,528)
Charge for the year	(363)	(190)	(183)	0	0	0	(736)
Disposals	21	0	0	0	0	0	21
Balance 31 March 2015	(1,035)	(736)	(1,472)	0	0	0	(3,243)
<b>Net book value 31 March 2015</b>	<b>12,924</b>	<b>839</b>	<b>7,660</b>	<b>0</b>	<b>3,693</b>	<b>3,517</b>	<b>28,633</b>

# NOTES TO THE ACCOUNTING STATEMENTS

	Land & Buildings	Vehicles Plant etc	Infra-structure	Commun. Assets	Assets under Const-ruktion	Surplus Props.	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost:							
Opening value 1 April 2015	13,959	1,575	9,132	0	3,693	3,517	31,876
Additions	5	39	151	0	30	0	225
Disposals	0	(388)	0	0	0	0	(388)
Impairment losses	(523)	0	0	0	0	0	(523)
Reclassifications	(428)	0	3,693	0	(3,693)	(29)	(457)
Revaluations	930	0	0	0	0	150	1,080
<b>Value 31 March 2016</b>	<b>13,943</b>	<b>1,226</b>	<b>12,976</b>	<b>0</b>	<b>30</b>	<b>3,638</b>	<b>31,813</b>
Cumulative Depreciation:							
Opening value 1 April 2015	(1,035)	(736)	(1,472)	0	0	0	(3,243)
Charge for the year	(260)	(154)	(255)	0	0	0	(669)
Disposals	0	388	0	0	0	0	388
Reclassifications	18	0	0	0	0	0	18
Revaluations	632	0	0	0	0	0	632
<b>Balance 31 March 2016</b>	<b>(645)</b>	<b>(502)</b>	<b>(1,727)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,874)</b>
<b>Net book value 31 March 2016</b>	<b>13,298</b>	<b>724</b>	<b>11,249</b>	<b>0</b>	<b>30</b>	<b>3,638</b>	<b>28,939</b>

Assets are revalued on a 5-year programme and the last major review was carried out during October 2012 by DVS, the property services arm of the Valuation Office Agency. The useful economic life of operational land and buildings was also assessed. An annual desktop assessment is also carried out at the end of each financial year, and the values are updated where necessary.

The Council's surplus properties consist of various parcels of land which are surplus to operational requirements, but which are not yet being actively marketed. There are no quoted prices for identical assets, but there are values available for similar assets, so it has been possible to value them at Level 2 of the Fair Value hierarchy (see Note 2.10 above), both at the start and end of the financial year.

## Capital Commitments

A number of sites previously owned by Rother District Council are now occupied by East Sussex County Council as part of the development of the Bexhill to Hastings link road. The values of these sites were impaired to zero in 2013/14. Because there are several complex legal issues to resolve the formal transfer of title had not taken place at the balance sheet date. As part of this transfer the Council will receive in return land at the former Bexhill High School site which has been valued at £1.085m. The commitment to purchase this site has been included in the Capital Programme, but the legal issues have meant that the Council has been unable to complete the transaction.

At 31 March 2016 there were no other commitments relating to capital expenditure on Property Plant and Equipment.

## NOTE 17. INVESTMENT PROPERTIES

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

<b>2014/15</b>	<b>2015/16</b>
£'000	£'000
(743) Rental income from investment property	<b>(991)</b>

# NOTES TO THE ACCOUNTING STATEMENTS

<b>2014/15</b>		<b>2015/16</b>
£'000		£'000
124	Direct operating expenses arising from investment property	440
0	Net gains from fair value adjustments	(56)
(619) Total		(607)

Balance Sheet movements in Investment Properties during the year:

<b>2014/15</b>		<b>2015/16</b>
£'000		£'000
8,629	Balance at start of the year	9,316
(105)	Disposals	0
165	Net gains from fair value adjustments	56
627	Assets reclassified from Property Plant & Equipment	355
9,316 Balance at end of the year		9,727

The Council's Investment Properties consist of commercial properties let at market rents. There are no quoted prices for identical properties, and also no significant observable values for similar properties. Values have therefore been assessed under Level 3 of the Fair Value hierarchy (see Note 2.10 above), both at the start and end of the financial year. They are measured using the income approach, by means of the discounted cash flow method, where the discounted cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. In all cases the highest and best use for these assets is their current use

## NOTE 18. DEBTORS

<b>31 March 2015</b>		<b>31 March 2016</b>
£'000		£'000
Amounts falling due within one year:		
170	Central government bodies	131
1,239	Other Local Authorities & Public Bodies	649
2,216	All other bodies	2,777
3,625 Total short term debtors		3,557
80	Amounts falling due after one year (all other bodies)	77
3,705 Total Debtors		3,634

## NOTE 19. CREDITORS, PROVISIONS AND CONTINGENT LIABILITIES

### Creditors

<b>31 March 2015</b>		<b>31 March 2016</b>
£'000		£'000
Amounts falling due within one year:		
(2,280)	Central government bodies	(1,558)
(984)	Other Local Authorities	(401)
(1,561)	All other bodies	(3,919)
(4,825) Total short term creditors		(5,878)

# NOTES TO THE ACCOUNTING STATEMENTS

## Provisions

As outlined above in Note 4, the Council has a liability for its share of refunds of rate income arising from successful appeals against rateable values. The provision increased from £379,000 to £668,000 during 2015/16, mainly arising from:

- Additional appeals made during the year
- Delays in the settlement of appeals by the Valuation Office
- Additional expected liabilities for reduced values for purpose-built surgeries

## Capital grants receipts in advance

On the 21 August 2012, the Council entered into an agreement under Section 106 of the Town and Country Planning Act 1990, with regard to a site at Ravenside Retail Park, Bexhill-on-Sea. The agreement resulted in a payment to the Council of £959,000 which was received for the provision and improvement of leisure facilities in Bexhill and the enhancement of shopping facilities in Bexhill town centre. The monies have to be expended within 15 years of the date of the agreement or they will have to be repaid to the property owner plus interest. As at 31st March 2016 the balance remaining was £915,000, compared with £911,000 at 31 March 2015

On the 15 August 2012, the Council entered into an agreement under Section 106 of the Town and Country Planning Act 1990, with regard to a site at Ambers Rise, Bexhill-on-Sea. The agreement resulted in a payment to the Council of £37,000 which was received for the provision of a play space and facilities. The monies have to be expended within 10 years of the date of the agreement or they will have to be repaid to the developer plus interest if applicable. The balance at both 31 March 2015 and 31 March 2016 was £37,000.

## Contingent Liabilities

### Land Searches

As a result of the Ministry of Justice and the Department for Communities and Local Government having revoked the fee for personal searches of the local land charges register as incompatible with the Environmental Information regulations 2004 and the underlying 2003 EU Directive, the Council had settled two claims. It is possible that further claims may be received in the future which cannot be quantified. It is also possible that in 2016/17 we will be liable for the costs of reaching the settlement, but the timing and the amount cannot be reliably specified or measured at this point in time.

### Municipal Mutual Insurance Limited (MMI)

In 1993 the Council's insurers, MMI, ceased accepting new business. On 13th November 2012 the Directors of MMI triggered the Scheme of Arrangement. The Scheme provides that following the occurrence of a Trigger Event, a levy may be imposed on all those scheme creditors which, since the record date, have been paid an amount or amounts in respect of established scheme liabilities which, together with the amount of Elective Defence costs paid by MMI on its behalf, exceed £50,000 in aggregate.

The Scheme Administrator, Ernst & Young LLP had originally determined that a levy rate of 15% shall be applied to the value of claims paid since 30th September 1993. Payment had been made in the accounts in the sum of £35,890 in 2014/15. In 2015/16 the levy was increased to 25% and a balance of £23,926 was paid to MMI. There remains a potential liability for a further £179,451. The trigger event related to the Supreme Court ruling on the 28th March 2012 which said that the insurer who was on risk at the time of an employee's exposure to asbestos was liable to pay compensation for the employee's mesothelioma.

## NOTE 20. FINANCIAL INSTRUMENTS

### Categories of Financial Instruments

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

# NOTES TO THE ACCOUNTING STATEMENTS

31 March 2015 Re-stated			31 March 2016	
Book Value £,000	Fair Value £,000		Book Value £,000	Fair Value £,000
80	80	Loans and Receivables	0	0
1117	1117	Available for sale financial assets	1121	1121
<b>1,197</b>	<b>1,197</b>	<b>Long term Investments</b>	<b>1,121</b>	<b>1,121</b>
8,250	8,250	Loans and Receivables	<b>9,520</b>	<b>9,520</b>
<b>8,250</b>	<b>8,250</b>	<b>Short term Investments</b>	<b>9,520</b>	<b>9,531</b>
2,207	2,207	Trade accounts receivable	<b>1,588</b>	<b>1,588</b>
<b>2,207</b>	<b>2,207</b>	<b>Short Term Debtors</b>	<b>1,588</b>	<b>1,588</b>
5,922	5,922	Bank deposits less than 3 months	<b>7,679</b>	7683
(800)	(800)	Cash and bank accounts	<b>(97)</b>	(97)
<b>5,122</b>	<b>5,122</b>	<b>Cash and Cash Equivalents</b>	<b>7,582</b>	<b>7,586</b>
<b>16,776</b>	<b>16,776</b>	<b>Total Financial Assets</b>	<b>19,811</b>	<b>19,826</b>

The Available-for Sale financial asset is a government gilt with a market value of £1.121m. This gilt is due to mature on 22nd July 2018.

31 March 2015 Re-stated			31 March 2016	
Book Value £,000	Fair Value £,000		Book Value £,000	Fair Value £,000
(1,802)	(1,802)	Short Term Creditors	<b>(2,492)</b>	<b>0</b>
<b>(1,802)</b>	<b>(1,802)</b>	<b>Short Term Liabilities</b>	<b>(2,492)</b>	<b>0</b>
<b>(1,802)</b>	<b>(1,802)</b>	<b>Total Financial Liabilities</b>	<b>(2,492)</b>	<b>0</b>

Fair values in the tables above are calculated in line with the levels described in Accounting Policy 2.10 above. The Available for Sale asset is assessed at Level 1 (quoted price), while the others are at Level 2 (observable inputs other than quoted prices).

# NOTES TO THE ACCOUNTING STATEMENTS

## Income Expense, Gains and Losses

- The Council received £151,000 income from interest on Loans and Receivables, as disclosed in Note 10, compared to £135,000 in 2014/15.
- A total of £16,000 was written off as impairment of sundry debtors, compared to £142,000 in 2014/15.
- The Council gained £3,000 on the increased value of its Available for Sale financial asset, compared to a gain of £38,000 in 2014/15.

## Nature and Extent of Risks arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- (i) credit risk - the possibility that other parties might fail to pay amounts due to the Council.
- (ii) liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments.
- (iii) market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movement.

The Council's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise the potential adverse effects on the resources available to fund services. Risk Management is carried out by the Financial Services Team in accordance with the policies laid out in the Annual Treasury Management Strategy Statement and Annual Investment Strategy, which govern the maximum type of investment risk to which the Council can be exposed.

### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet minimum credit criteria using the Capita Asset Services creditworthiness model. The model uses a sophisticated modelling approach which uses credit ratings from all three ratings agencies (Fitch, Moody's and Standard and Poor's) overlaid with credit watches and outlooks, Credit Default Swap spreads and sovereign ratings. Deposits are not made with banks or financial institutions unless they are rated independently with a minimum score. The minimum score will depend on the type and length of investment as detailed in the Council's Treasury Management Strategy Statement and Annual Investment Strategy. Credit limits are set for each institution where deposits are placed.

The credit criteria in respect of the financial assets held by the Council at 31 March 2016 are summarised below.

- i. All investments will be with approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch.
- ii. The total principal funds invested for greater than 364 days is £5,000,000
- iii. 100% of funds can be invested in banks for 1 year.

A copy of the Annual Treasury Management Strategy Statement Annual Investment Strategy is available on the Council's website.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on a review during 2015/16 of past experience:

# NOTES TO THE ACCOUNTING STATEMENTS

Deposits with Banks and Financial Institutions	Capita Asset Services	Fitch	Moody's	Standard and Poor's	Amount at 31 March 2016	Historical Experience of Default	Estimated maximum exposure to default and uncollectability at 31 March 2016
					£'000	%	£'000
<b>Deposits more than 3 months</b>							
National Westminster Bank Plc.	Blue	F2	P-2	A-2	1,000		
Lloyds Bank Plc.	Red	F1	P-1	A-1	3,500		
Barclays Bank	Red	F1	P-1	A-2	1,500		
Nationwide	Red	F1	P-1	A-1	<u>3,500</u>		
					<u>9,500</u>		
<b>Short-Term Deposits - less than 3 months (excluding accrued interest)</b>							
Lloyds Bank Plc.	Red	F1	P-1	A-1	4,094		
National Westminster Bank Plc.	Blue	F2	P-2	A-2	692		
Santander UK plc.	Red	F1	P-1	A-1	2,107		
Barclays Bank	Green	F1	P-1	A-2	<u>786</u>		
					<u>7,679</u>		
Customer Debtors					<u>1,588</u>	0.72%	<u>12</u>
<b>Total</b>					<u><b>18,767</b></u>		<u><b>12</b></u>

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years.

31 March 2015	31 March 2016
£'000	£'000
124 Payment plan	<b>167</b>
16 1st reminder - 28 to 42 days	<b>7</b>
8 2nd reminder - 42 to 56 days	<b>28</b>
106 Legal recovery	<b>145</b>
<u>254</u> <b>Total</b>	<u><b>347</b></u>

Debtors include trade receivables of £635,000 as at 31 March 2016 (£1,370,000 as at 31 March 2015). The historical experience of default is 23% (31 March 2015 8%) with an estimated exposure to default of non-collection of £146,000 (31 March 2015 £108,000). The Council has provided £146,000 (31 March 2015 £108,000) as a general impairment allowance for non-collection of this debt.

## Liquidity Risk

The Council has a robust cash flow management system that seeks to ensure that cash is

# NOTES TO THE ACCOUNTING STATEMENTS

available as needed. If unexpected movements happen, the Council has access to borrowings from the Public Works Loans Board for long term funding and substantial reserves. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

## Market Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments. Changes in interest rates on variable rate investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund balance. In assessing the expected return on investments the Council has established an interest equalisation reserve to manage fluctuations in interest rates so this does not affect its ability to meet its day to day commitments. The average investment rate for the reported year was 0.60%.

If interest rates had been 1% higher as at 31 March 2016 with all other variables held constant, the financial effect would be:

	£'000
Increase in interest receivable on variable rate investments	218
<b>Impact on Surplus/Deficit on Provision of Services</b>	<b>218</b>

## Price Risk

The Council held at 31st March 2016 UK Government Gilts valued at £1.121m. A shift of 1% in the market value of the gilt would therefore have resulted in a gain or loss of £11,210.

## NOTE 21. LEASES

### Council as a Lessee

Vehicles and equipment have been acquired through operating leases. The minimum lease payments due under non-cancellable leases in future years are:

2014/15		2015/16
£'000		£'000
111	Not later than one year	75
106	Later than one year and not later than five years	95
217		170

### Council as Lessor:

The Council leases out property, a number of industrial and commercial units, land and other buildings under operating leases. The future minimum lease payments receivable under non-cancellable leases in future years are:

2014/15		2015/16
£'000		£'000
162	Not later than one year	157
568	Later than one year and not later than five years	617
2,897	Later than five years	2,789
3,627		3,563

# NOTES TO THE ACCOUNTING STATEMENTS

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2015/16 the Council received £389,000 in contingent rents, compared to £383,000 in 2014/15.

## NOTE 22. MEMBERS' ALLOWANCES

Allowances and expenses paid to Councillors during the year were:

2014/15 £'000	2015/16 £'000
207 Members Allowances	216
15 Conferences, Training and Travelling Expenses	9
222	225

## NOTE 23. OFFICERS' REMUNERATION AND EXIT PACKAGES

### Senior Officer Remuneration

The Council's Senior Employees' remuneration and expenses was as follows:

Post holder information (Post title)	Salary (Inc. fees & Allow- ances)	Expense Allowance	Com- pen- sation for loss of office	Pension Cont- ributions**	Total Remun- eration
	£	£	£	£	£
<b>Financial Year: 2014/15</b>					
Executive Director of Business Operations	89,000	1,000	0	18,000	108,000
Executive Director of Resources	90,000	0	0	18,000	108,000
Service Manager Finance and Welfare	67,000	0	0	13,000	80,000
Service Manager Strategy and Planning	63,000	0	0	12,000	75,000
Service Manager Corporate Resources and HR	63,000	0	0	12,000	75,000
Service Manager Environmental Services	61,000	1,000	0	12,000	74,000
Service Manager Community and Economy	61,000	0	0	12,000	73,000
Service Manager ICT & Customer Services	61,000	0	0	12,000	73,000
<b>Financial Year: 2015/16</b>					
Executive Director of Business Operations	93,000	1,000	0	19,000	113,000
Executive Director of Resources	94,000	0	0	19,000	113,000
Service Manager Finance and Welfare	69,000	0	0	14,000	83,000
Service Manager Strategy and Planning	63,000	0	0	12,000	75,000
Service Manager Corporate Resources and HR	64,000	0	0	12,000	76,000
Service Manager Environmental Services	63,000	1,000	0	12,000	76,000
Service Manager Community and Economy	64,000	0	0	12,000	76,000
Service Manager ICT & Customer Services	64,000	0	0	12,000	76,000

# NOTES TO THE ACCOUNTING STATEMENTS

## Salaries of over £50,000

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

2014/15		2015/16
2	£50,000 - 54,999	2
0	£55,000 - 59,999	0
5	£60,000 - 64,999	5
1	£65,000 - 69,999	1
0	£70,000 - 74,999	0
0	£75,000 - 79,999	0
0	£80,000 - 84,999	0
1	£85,000 - 89,999	0
1	£90,000 - £94,999	2
<hr/>		<hr/>
10		10

## Exit Packages

No Compulsory and voluntary redundancy payments were made to employees in 2015/16. As a comparison, a total of £17,479 was paid in 2014/15, relating to three compulsory redundancies and three voluntary cases.

## NOTE 24. EXTERNAL AUDIT COSTS

Fees were payable to BDO LLP as the Council's external auditors as follows:

2014/15		2015/16
£'000		£'000
64	External audit services	48
28	Other services	27
<hr/>		<hr/>
92		75

## NOTE 25. RELATED PARTIES

The Council 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 Council.

### Central Government

Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and subsidies and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Grants received from Government are set out in Notes 8 (Amounts reported for Resource Allocation Decisions) and 13 (Income from Grants and Contributions)

### Members

Members of the Council have direct control over the Council's financial and operating policies. During 2015/16 grants and payments to the value of £864,145, as shown below, were paid to organisations in which Members had an

# NOTES TO THE ACCOUNTING STATEMENTS

interest. The grants were made with proper consideration of declarations of interest. These Members did not take part in any discussion or decision relating to the grants.

2014/15		2015/16
£		£
560,390	De La Warr Pavilion Trust	559,569
115,284	Romney Marsh Internal Drainage Board	116,444
83,600	Rother District Citizens Advice Bureau	85,000
44,730	Rother Voluntary Action	46,814
15,158	Hastings Advice & Representation Centre	15,160
13,682	Local Government Association	12,768
9,105	Bexhill Museum Association	8,833
5,262	South East Employers	6,662
2,500	Hastings Furniture Service	6,250
4,000	Bexhill Town Forum	2,000
68,812	Tourism South East	1,850
2,500	Rye & District Chamber of Commerce	1,500
5,508	Action in Rural Sussex	1,000
200	District Councils Network	260
0	Bexhill Youth and Community Association	25
0	Bexhill Chamber of Commerce	10
9,400	Hastings & Rother Mediation Service	0
3,000	Sussex Wildlife Trust	0
1,800	Rye Arts Festival	0
1,136	The Rye Partnership Ltd	0
227	Amicus Horizon Ltd	0
946,294	Total	864,145

## Officers

During 2015/16, Officers with pecuniary interests made appropriate declarations during Committee meetings and took no part of decision making. Interests are recorded in the minutes of the relevant meetings and are available at [www.rother.gov.uk](http://www.rother.gov.uk). There were no related party transactions in the year between the Council and officers.

## East Sussex County Council pension fund

The Council made payments totalling £1,697,000 during 2015-16 to East Sussex County Council as the administering body for the East Sussex Local Government pension fund, compared to £1,625,000 in 2014/15. Note 12 provides further information on the Council's pension arrangements.

## Members elected to East Sussex County Council

During 2015/16 there were 6 Members of Rother District Council who were also members or related to members of East Sussex County Council listed below:

- Councillor Mrs M L Barnes (related to Councillor J Barnes, ESCC)
- Councillor Mrs K Field
- Councillor C Maynard
- Councillor C Clark
- Councillor Mrs A Davies
- Councillor S Earl

Excluding annual precept payments which are shown in the notes to the Collection Fund Statement, payments of £199,500 were made to East Sussex County Council and £593,920 was received during 2015/16. This compares to £238,201 paid and £816,412 received in 2014/15.

# NOTES TO THE ACCOUNTING STATEMENTS

## NOTE 26. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 30 September 2016. Events taking place after this date are not reflected in the financial statements or notes.

Following the result of the referendum on 23 June 2016 for the United Kingdom to leave the European Union, there has been volatility in the financial markets. The consequential effect on items reported in these financial statements includes:

- Local Government Pension Scheme:
  - Scheme Liability: There has been a significant decrease in the yields for high quality corporate bonds that are used to calculate the discount rate for the future obligation to pay pensions for the Council's defined benefits pension scheme. The valuation of these pension liabilities at 31 March 2016 had applied a discount rate of 3.5% and calculated the present value of the total obligation at £93,430,000 (see note 12). Average yields on high quality corporate bonds are now at around 2% although it should be noted that the market is still showing volatility. The Council's actuary estimates that every 0.1% fall in the discount rate would increase the pension liability by approximately 1.99%, which would increase the net pension liability in the balance sheet by £27,000,000.

There is also a potential impact on the value of the scheme assets, as the value of non-sterling assets is increased as a result of the weakening of the pound.

# COLLECTION FUND STATEMENT AND NOTES

2014/15 £'000		2015/16 £'000
	<b><u>Council Tax</u></b>	
	<b>INCOME</b>	
<b>(58,157)</b>	Income from Council Taxpayers	<b>(59,945)</b>
	<b>EXPENDITURE</b>	
	Precepts and demands on Collection Fund	
<b>41,776</b>	East Sussex County Council	<b>42,990</b>
<b>4,993</b>	Sussex Police Authority	<b>5,139</b>
<b>2,952</b>	East Sussex Fire Authority	<b>3,038</b>
<b>7,590</b>	Rother District Council	<b>7,723</b>
	Apportionments of previous year surplus	
<b>257</b>	East Sussex County Council	<b>563</b>
<b>31</b>	Sussex Police Authority	<b>67</b>
<b>18</b>	East Sussex Fire Authority	<b>40</b>
<b>47</b>	Rother District Council	<b>102</b>
	Bad & Doubtful Debts	
<b>(3)</b>	Write offs of uncollectable income	<b>(9)</b>
<b>131</b>	Provision for uncollectable income-addition / (reduction)	<b>(175)</b>
<b>57,792</b>		<b>59,478</b>
<b>(365)</b>	Movement on Fund Balance - surplus	<b>(467)</b>
	<b>FUND BALANCE FOR COUNCIL TAX</b>	
<b>(560)</b>	Balance brought forward	<b>(925)</b>
<b>(365)</b>	Surplus for year	<b>(467)</b>
<b>(925)</b>	Balance surplus carried forward	<b>(1,392)</b>
2014/15 £'000		2015/16 £'000
	<b><u>Non-Domestic Rates</u></b>	
	<b>INCOME</b>	
<b>(16,454)</b>	Income from Ratepayers	<b>(17,033)</b>
	Apportionments of previous year deficit	
<b>(424)</b>	Government	<b>0</b>
<b>(76)</b>	East Sussex County Council	<b>0</b>
<b>(8)</b>	East Sussex Fire Authority	<b>0</b>
<b>(340)</b>	Rother District Council	<b>0</b>
<b>(17,302)</b>	Total	<b>(17,033)</b>

# COLLECTION FUND STATEMENT AND NOTES

2014/15		2015/16
£'000		£'000
	<b><u>Non-Domestic Rates</u></b>	
	<b>EXPENDITURE</b>	
	Precepts and demands on Collection Fund	
<b>8,168</b>	Government	<b>8,389</b>
<b>1,429</b>	East Sussex County Council	<b>1,510</b>
<b>159</b>	East Sussex Fire Authority	<b>168</b>
<b>6,349</b>	Rother District Council	<b>6,711</b>
	Apportionments of previous year surplus	
<b>0</b>	Government	<b>156</b>
<b>0</b>	East Sussex County Council	<b>28</b>
<b>0</b>	East Sussex Fire Authority	<b>3</b>
<b>0</b>	Rother District Council	<b>125</b>
	Bad & Doubtful Debts	
<b>38</b>	Write offs of uncollectable income	<b>81</b>
<b>82</b>	Provision for uncollectable income-addition / (reduction)	<b>(28)</b>
	Impairments resulting from appeals	
<b>(79)</b>	Provision for uncollectable income-addition / (reduction)	<b>723</b>
<b>146</b>	Transfer to General Fund - Cost of Collection Allowance	<b>147</b>
<hr/> <b>16,292</b>		<hr/> <b>18,013</b>
<hr/> <b>(1,010)</b>	Movement on Fund Balance - (surplus) / deficit	<hr/> <b>980</b>
	<b>FUND BALANCE FOR DON-DOMESTIC RATES</b>	
<b>869</b>	Balance brought forward	<b>(141)</b>
<b>(1,010)</b>	(Surplus) / deficit for year	<b>980</b>
<hr/> <b>(141)</b>	Balance - (surplus) / deficit carried forward	<hr/> <b>839</b>
	<b>COLLECTION FUND BALANCE</b>	
<b>309</b>	Balances brought forward	<b>(1,066)</b>
<b>(1,375)</b>	(Surplus) / deficit for year	<b>513</b>
<hr/> <b>(1,066)</b>	Balance - surplus carried forward	<hr/> <b>(553)</b>

## NOTE 1. GENERAL

These accounts represent the transactions of the Collection Fund (accounting separately for income relating to council tax and non-domestic rates) which is a statutory fund separate from the main accounts of the Council, although the elements related to this Council are included within its accounting statements and notes. The account has been prepared on the accruals basis. The costs of administering collection are accounted for within Central Services in the Cost of Services in the Comprehensive Income and Expenditure Statement.

## NOTE 2. COUNCIL TAX

Council Tax derives from charges raised according to the value of residential properties, which have been classified into 9 valuation bands (A-H). Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent numbers of Band D dwellings).

# COLLECTION FUND STATEMENT AND NOTES

Band & Value	Number of Properties		Relationship to Band D	Band D Equivalent
	Total	Adj. for discounts		
				£
Band A - up to £40,000 (disabled)	3	0.60	5/9	0.59
Band A - up to £40,000	4,552	1,818.40	6/9	1791.12
Band B - over £40,000 up to £52,000	6,890	3,445.80	7/9	3394.11
Band C - over £52,000 up to £68,000	9,684	6,400.30	8/9	6304.30
Band D - over £68,000 up to £88,000	8,850	7,439.40	-	7327.81
Band E - over £88,000 up to £120,000	7,110	7,745.70	11/9	7629.51
Band F - over £120,000 up to £160,000	3,717	4,962.70	13/9	4888.26
Band G - over £160,000 up to £320,000	2,530	3,987.70	15/9	3927.88
Band H - over £320,000	232	451.50	18/9	444.73
	<b>43,568</b>	<b>36,252.10</b>		<b>35,708.31</b>

The Council Tax Base, as shown in the final column above, assumes a collection rate of 98.5% of the numbers of properties adjusted for discounts.

### NOTE 3. INCOME FROM BUSINESS RATEPAYERS

Under the arrangements for business rates, the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate. The national multipliers for 2015/16 were:

- 48.0p for qualifying Small Businesses (47.1p in 2014/15)
- 49.3p for other businesses (48.2p in 2014/15) – the standard multiplier

The rateable value as at the 31st March 2016 was £48,474,949 (£47,792,000 as at 31 March 2015).

# GLOSSARY

## **ACCRUALS**

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

## **ACTUARIAL GAINS & LOSSES**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or the actuarial assumptions have changed.

## **AMORTISATION**

The practice of reducing the value of intangible assets to reflect their reduced worth over time.

## **BUDGET**

The Council's policy expressed in financial terms for a specified period.

## **CAPITAL EXPENDITURE**

Expenditure on the provision and improvements of lasting assets such as land, buildings, vehicles and equipment. The Council may also incur capital expenditure on assets that it does not actually own (see Revenue Expenditure Financed from Capital under Statute, below).

## **CAPITAL RECEIPTS**

The proceeds from the sale of fixed assets.

## **CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING**

Standards issued by the accountancy bodies to prescribe approved accounting methods.

## **COMMUNITY ASSETS**

Assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that have restrictions on their disposal. Examples include parks and open spaces.

## **CONTINGENCY**

A condition which exists at the Balance Sheet date and where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

## **CREDITORS**

Amounts owed by the Council but not paid at the date of the balance sheet.

## **DEBTORS**

Amounts owed to the Council but unpaid at the date of the balance sheet.

## **DEPRECIATION**

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passing of time or obsolescence through technological or other changes.

## **EARMARKED RESERVES**

Internal reserves set aside to finance future expenditure for purposes falling outside the definition of provisions.

## **EXCEPTIONAL ITEMS**

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

## **FINANCIAL INSTRUMENTS**

# GLOSSARY

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. In simple terms it covers both financial assets and financial liabilities such as trade debtors and trade creditors and derivatives and embedded derivatives.

## **GENERAL FUND**

The main revenue account of the Council which contains the revenue income and expenditure of all services provided.

## **GOVERNMENT GRANTS**

Central Government contributions towards local authority expenditure. Examples are Revenue Support grant and Housing Benefit Subsidy.

## **INFRASTRUCTURE ASSETS**

Long-Term Assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. An example is the sea wall and promenade.

## **PRECEPT**

The amount of money the County Council, Sussex Police & Crime Commissioner and the Fire Authority have instructed the Council to collect and pay out of council tax receipts held in the Collection Fund. The Council also pays from its General Fund precepts issued by parish and town councils within the district.

## **PROPERTY, PLANT & EQUIPMENT (PPE)**

Tangible assets that yield up benefit to the Council over more than one accounting period, e.g. Land and Buildings.

## **PROVISIONS**

Sums set aside for any liabilities or losses which are likely to be incurred, but uncertain as to the dates on which they will arise.

## **REVENUE EXPENDITURE**

Day to day expenditure on the running of services. It includes staff costs, utility charges, rent and business rates, IT and communications and office expenses.

## **REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

Legislation in England and Wales allows certain expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset, for example Disabled Facility Grants.

## **REVENUE SUPPORT GRANT**

A Government grant distributed to local authorities to augment income raised by the council tax. It is centrally determined on a needs basis.

## **SURPLUS ASSETS**

Items of Property Plant and Equipment that are no longer held for council purposes, but are not being actively marketed.