

# Audit Committee Agenda

**Tuesday, 30 July 2019 at 6.00 pm**

Council Chamber, Muriel Matters House, Breeds Place, Hastings, TN34 3UY.  
Please enter the building via the Tourist Information Centre entrance.

For further information, please contact Democratic Services on 01424 451484 or email:  
democraticservices@hastings.gov.uk

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**DRAFT  
FINANCIAL  
REPORT AND  
STATEMENT OF  
ACCOUNTS  
2018-19**

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Hastings Borough Council  
PO Box 39  
Hastings  
East Sussex  
TN34 3WN

**P Grace CPFA, Chief Finance Officer**

**Phone : 01424 451066 or email : [accountancy@hastings.gov.uk](mailto:accountancy@hastings.gov.uk)**

**Website : [www.hastings.gov.uk](http://www.hastings.gov.uk)**

# NARRATIVE REPORT

The Statement of Accounts for Hastings Borough Council for the year ended 31st March 2019 has been prepared in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 ("the Code") issued by the Chartered Institute of Public Finance and Accountancy. The Code is based on International Financial Reporting Standards, as adapted for the UK public sector under the oversight of the Financial Reporting Advisory Body.

The Council's accounts for the year of 2018-19 are set out on pages 39 to 104. The information contained in these accounts can be technical and complex to follow. This narrative report provides a brief explanation of the financial aspects of the Council's activities and draws attention to the main characteristics of the Council's financial position and performance for the year and opportunities and risks for the years ahead. The narrative report is broken down into the following areas:

1. Introduction to Hastings
2. Governance
3. Strategy, Risk and Resource Allocation
4. Performance Review
5. Explanation of the Financial Statements
6. Further Information

## 1. Introduction to Hastings

Hastings is a beautiful and vibrant coastal cosmopolitan town that is steeped in rich history and culture. With a coastline of 7.5 miles that is overlooked by the remains of William the Conqueror's first English castle and is home to the largest beach launched fishing fleet in Europe, Hastings has become a much loved coastal destination for thousands of tourists and a sought after place to live.

In addition to the blue flag beach and recently rebuilt award winning pier the over 92,000 residents of Hastings enjoy a large country park, award winning galleries, museums and theatres that regularly host events through the year.

Hastings is also home to many festivals and events such as the Seafood and Wine Festival and Jack in the Green to name a couple.

In order to ensure that Hastings continues to be a wonderful place to live and work the Council set out its objectives and measures its performance against those objectives, continually striving to improve.

## GENERAL INFORMATION

### PHYSICAL FEATURES

- Hastings covers an area of **3,079 hectares**
- The Council owns land amounting to approximately **1,000 hectares**
- The length of the coastline is **12 kilometres/7.5 miles**

### POPULATION

The Town's estimated population taken from the 2016 Mid-year Population Estimate produced by the Office for National Statistics was 92,236 and is broken down as follows:

Total	Age group				
	0-15	16-29	30-44	45-64	65 and over
92,236	17,262	15,347	16,446	25,329	17,852

The registered electorate in March 2019 was 64,206.

# NARRATIVE REPORT

## COUNCIL TAX & BUSINESS RATING INFORMATION

Rateable value of business premises at 31 March 2019	£62,294,534
Net Borough Council Revenue Expenditure (excluding capital charges)	£13,120,823
Council Tax Base	25,582
Council Tax at Band D - includes all preceptors	£1,907.83

## EMPLOYEES

The average number of persons (FTE's) employed by the Council during the period was:-

	NUMBER OF EMPLOYEES	
	2017-18	2018-19
Full time	254	255
Part time (full time equivalents)	50	47
Total	<u>304</u>	<u>302</u>

The direct cost of employment during the year was :-

	2017-18	2018-19
	£'000	£'000
Wages and Salaries	9,310	9,729
National Insurance	848	889
Pension Contributions	1,448	1,512
Total	<u>11,606</u>	<u>12,130</u>

## 2. Governance

Hastings Borough Council sits within the East Sussex County Council administrative area. The Council has 32 elected Councillors, also referred to as Members, and is split into 16 Wards with each Ward electing two Councillors. Councillors are not paid a salary for their work, but they do receive allowances. By law, all members of the Council are required to complete a declaration of interest form, the details of which are published annually. The council operates a Cabinet system of governance.

### Full Council

All 32 Councillors meet together as Full Council and are responsible for the adoption of the corporate plan, budget and deciding the council's overall policies. Full Council meetings are chaired by the Mayor, who is appointed each year at Annual Council. At the Annual Council meeting, Cabinet members are appointed to their portfolios, the composition of committees for the coming year is agreed and the programme for the year is adopted.

Full Council meets on average around seven times a year. All Council meetings are usually held in the Council Chamber, Muriel Matters House and are generally open for the public to attend.

### Cabinet

The Cabinet, as from May 2019, is made up of 9 members, 7 from the Labour group and 2 from the Conservative group. Each Cabinet member from the majority group has a portfolio of responsibilities related to council services. Cabinet is the main decision-making committee of the council. It also makes recommendations to Full Council on the adoption of the budget and other key documents and policies, including the Corporate Plan and Treasury Management Strategy.

# NARRATIVE REPORT

Cabinet meets every month and is chaired by the Leader of the Council. The forward plan lists the decisions Cabinet will be taking over the next four months.

## **Charity Committee**

Hastings Borough Council is the sole trustee of the Foreshore Trust. The Trust owns a stretch of land on the seafront at Hastings and St Leonards. In order to minimise and manage any potential conflicts of interest between the council and the charity, decision-making powers for the Foreshore Trust have been delegated to the Charity Committee, which is a Cabinet committee.

The Charity Committee is made up of three members of the council's Cabinet. The Charity Commission appointed a Protector who acts as an independent watchdog over the Trust. Members of the Charity Committee take advice on the management of the Foreshore Trust's land from the Coastal Users Group. An independent Grant Advisory Panel was also set up to advise the Charity Committee on the allocation of grants from the Foreshore Trust's surplus.

The Charity Committee meets every three months.

## **Appointments committee**

Council Appointments Committee is responsible for appointing elected members to represent the council on a variety of statutory bodies, charities and voluntary organisations operating in the town. Council Appointments Committee meets once a year. Extra meetings may be held at other times, if required.

## **Overview and Scrutiny Committee**

Overview and Scrutiny Committee monitors' performance against the targets set out in the council's corporate plan. The committee also identifies potential areas for improvement and explores options to develop council services. Members also undertake reviews which look at issues of local importance. Overview and Scrutiny Committee meet every three months.

## **Audit Committee**

The Audit Committee monitors the council's arrangements for financial governance and stewardship, risk management and audit. The committee also receives advice and reports from the council's external auditors. The Audit Committee produces an annual report to Full Council on the effectiveness of council's internal audit system. The committee has key responsibility for the oversight of the Treasury Management Strategy and approve the council's annual financial statement of accounts. The Audit Committee meets four times a year.

## **Environment and Safety Committee**

The Environment and Safety Committee undertakes the council's functions in respect of Hackney carriage and private hire licenses.

Environment and Safety Committee meetings are not usually open for the public to attend because the committee often needs to consider detailed personal information about an applicant when making their decision. However the minutes of the meeting can be viewed online.

## **Licensing Committee**

The Licensing Committee undertakes the council's functions under the Licensing Act 2003 and gambling legislation.

The Licensing Committee usually delegates its responsibilities to a smaller sub-committee of members, who consider and make decisions on individual applications. The committee meetings are usually held in the Council Chamber at Muriel Matters House and are usually open for the public to attend. Paper copies of the agenda for Licensing Committee meetings are available on request from Democratic Services

## **Planning Committee**

Planning Committee is responsible for deciding applications for planning permission, listed building consent and conservation area consent. The council has produced a Planning Protocol, which sets out how it will deal with planning matters and this is included in part 5 of the Council's Constitution.

Planning Committee meets every month. The meetings are usually held in the Council Chamber, Muriel Matters House and are open for the public to attend.

## **Standards Committee**

Standards Committee promotes and maintains high standards of behaviour by ensuring all elected members comply with the council's code of conduct. A copy of the code of conduct from members can be found in part 5 of the Council's Constitution.

# NARRATIVE REPORT

If a complaint is received about a member of Hastings Borough Council the committee may have to assess and investigate the case on advice from the Monitoring Officer. Full Standards Committee meetings are normally open for the public to attend, depending on the sensitivity of the complaint

## **Employment Committee**

The Employment Committee is responsible for the appointment and dismissal of Chief Officers of the council. In some cases, the committee may also assess and investigate a complaint against a chief officer of the council, acting on advice from the Monitoring Officer.

## **Museums Committee**

The Museums Committee is responsible for overseeing the council's museum service and the maintenance of its collection. The committee reviews new donations as they are received and considers proposals for how the service could be developed in the future.

The committee has fourteen members, which includes eight councillors and six members of the museums association.

## **Hastings and St Leonards Local Strategic Partnership**

The Hastings and St Leonards Local Strategic Partnership brings together representatives from the local statutory, voluntary, community and private sectors to address key local issues, discuss strategies and initiatives and shared learning. They aim to encourage joint working and prevent 'silo working' (i.e. different agencies that share aims working in isolation). Involvement of the community is a key aspect of local strategic partnerships.

The Hastings and St Leonards Local Strategic Partnership meets four times a year. The meetings are usually held in the Council Chamber, Muriel Matters House, Hastings and are generally open for the public to attend.

## **East Sussex Joint Waste Committee**

The Joint Waste Committee is made up of elected Member representatives from the Cabinets of each of the following authorities: Eastbourne Borough Council; East Sussex County Council; Hastings Borough Council; Rother District Council and Wealden District Council.

These authorities established the Joint Waste Committee with the intention of facilitating the authorities in working together to improve the quality and effectiveness of the discharge of their waste collection functions under the relevant provisions of the Environmental Protection Act 1990.

The Joint Waste Committee also facilitates the authorities to work in partnership with East Sussex County Council as the Waste Disposal Authority to maximise integration opportunities.

## **Hastings Housing Company Ltd**

During 2017/18 the Council established a wholly owned Housing Company limited by share - Hastings Housing Company Ltd. The company has been designed to initially acquire, develop and deliver housing for both market rent, and to provide sub market housing, with the potential to undertake development in the future.

A key objective of the Housing Company is: To acquire existing or newly built property with a view to letting these to local people at market or submarket rents.

The company was in its early stages in 2017/18, having only purchased its first property in February 2018. Due to the immaterial nature of the transaction in 2017/18 Group Accounts were not required however they have been prepared for 2018/19.

## **Hastings and St Leonards Foreshore Charitable Trust**

Hastings and St Leonards Foreshore Charitable Trust is a charity registered at the Charity Commission under number 1105649 and is known locally as the Foreshore Trust. The foreshore is the area of the beach between high and low water which generally belongs to the Crown. In Hastings's case this area of land has been purchased off the Crown. The purpose of the trust is to hold the land for the 'common use, benefit and enjoyment of Her Majesty's subjects and the public generally for ever'. Hastings Borough Council is the trustee of the charity for all purposes and bound by charity law in the same way as any other charity trustee. When making decisions relating to or affecting the Charity, it must act in its best interests. The council administer the affairs of the Foreshore Trust but the two separate entities are ring-fenced and costs incurred by the Council in relation to the foreshore are recharged to the trust. The Foreshore Trust produces its own Statement of Accounts and is not within the Group boundary.

## **Management Structure of the Council**

The council is unusual in the fact that it has no Chief Executive. The council is split into two directorates with each one having a Director and a number of Assistant Directors covering the various service areas. The high level structure is shown below:

# NARRATIVE REPORT



### 3. Strategy, Risk and Resource Allocation

#### Corporate Plan – One council, making the difference

The corporate plan is an important document that sets out the council's vision and priorities.

The council publishes a corporate plan each year. It tells residents, businesses and our staff about the progress we have made to pursue key opportunities and some of the projects and activities we will be working on to continue to improve the town. It shows how we will ensure our services are available to and accessible by all.

Since 2010/11 our funding from the government has decreased by £9.3m, making our job harder. Despite this challenge The Council remains as determined as ever to continue delivering the best services possible and the Corporate Plan reflects that determination. The following section outlines the main areas within the plan:

#### Our vision for Hastings...

Hastings will be recognised as an international centre of excellence for cultural and scientific creativity, supported by the highest quality educational establishments to provide first-class career opportunities to its citizens. Rewarding jobs with a decent wage, good standards of healthcare and warm, comfortable, affordable homes will be available to all. It will be a town that welcomes visitors and new residents wherever they are from, where diversity, individuality and eccentricity are celebrated, and the individual needs of all are recognised and met. The best of our historic built and natural environment will be preserved, while embracing new developments that excite and enrich our town's appearance. It will be a 'green' town, where industries, structures and practices that help to reduce our carbon footprint are strongly promoted, creating the best possible quality of life for all our workers and citizens, who are enabled and encouraged to accept opportunity as their birth-right. Hastings will be famous not just for its history, but for its vision and achievements, a place to be admired throughout the world, to which every visitor would seek to return.

# NARRATIVE REPORT

## Our mission

Making the Difference Hastings Borough Council is committed to improving the quality of life and well-being of all of its residents. We recognise our duty to be responsive to the needs of all who live and work in our town and to do so in a way which respects cultural identity, providing equality of opportunity and equality of access to the means to live a healthy, fulfilling life. We will work in partnership with other bodies, whether statutory, public, private, voluntary or community to achieve this, whilst promoting our town in an active and positive manner.

## Our values

- We believe that the council should uphold a culture of co-operation, openness, fairness and transparency in all it does, enabling local people to hold us to account and other agencies to work with us.
- We believe that all local people (including employees of the council) should be entitled to a high standard of education and decent jobs that pay a living wage, where they are treated with dignity, respect and fairness.
- We believe that all local people have a right to a safe, secure, affordable home in an environment that enhances their health, quality of life and access to lifelong learning.
- We believe that the economic regeneration of Hastings should narrow the gap between the most deprived communities and those of the rest of the town, as well as between Hastings and the rest of the South East, and that poorer people should not be excluded from the new opportunities that arise.
- We believe that equality of opportunity is paramount, and that services to local people should be provided in a way that addresses their needs and reasonable expectations, regardless of their gender, social class, race, religion, disability, age, culture, sexuality or philosophical beliefs, in as far as such beliefs do not oppress others.

## Our position

Our vision for Hastings remains bold and ambitious. Our mission has not changed, nor have our values. We are as committed as ever to doing what we can to make Hastings the best place it can be, for the people who live, work and visit.

But we must also be honest about how much we can do. In an era of reduced public sector funding, we have to be realistic about how we can deliver our vision. One of our main sources of funding - the local government settlement (given to us by Government to help run services in our town) - continues to be reduced, from £12.7 million in 2010/11 to just £3.4 million this year, whilst our operational costs rise.

The corporate plan sets out what we can do to realise as much of our vision as we can with the resources that we have. As much as possible we have prioritised the work that we think will deliver the best outcomes for residents, businesses and visitors.

Having less funding each year to deliver services which cost more to provide is challenging. We need to address a budget deficit of nearly £1.8 million in 2019/20 and £2.5 million in 2020/21.

To achieve this we must:

- prioritise the resources we do have on what we legally must do
- invest our resources where they will deliver the best outcomes for our residents
- continue to implement new ways of working to meet our vision and priorities
- continue to reduce our operational costs, further improving efficiency by getting more services online
- continue to realise opportunities to generate income in creative, fair and sustainable ways
- continue to take opportunities to tackle climate change

Our corporate plan guides our work to help meet these challenges and realise our opportunities.

## Our priorities

The Council's strategic priorities were reviewed in February 2018 for 2018/19 in the light of the continuing challenges that the Council and the community face. They were reviewed again in February 2019 for 2019/20 in the light of these continuing challenges. They are:-

**Economic & physical regeneration:** To secure economic and physical regeneration that produces high quality new developments while preserving the best of our heritage, high standards of education and training, road & rail improvements and high-speed broadband, thereby creating economic growth and rewarding jobs.

**Cultural led regeneration:** To contribute to the regeneration of the town through a rich cultural programme that appeals both to local people and visitors, extending, broadening and promoting the town's cultural activities to establish Hastings as a nationally and internationally recognised centre for arts and culture.

**Intervention where it's needed:** To make full use of our available powers and sanctions to tackle anti-social behaviour or practices, including poor housing, eyesore properties, unauthorised development, derelict land, fly-tipping and dog fouling.

# NARRATIVE REPORT

**Creating decent homes:** To facilitate the supply of secure, affordable and well-designed homes, through strategic planning policies, planning conditions, regulation of the private rented sector, tackling bad landlords, and directly building or acquiring homes and supporting social housing providers.

**An attractive town:** To maintain visually interesting, well-maintained, uncluttered, clean and functional urban public spaces, especially along the seafront and in our town centres, integrated with high quality protected green spaces accessible to all.

**A greener town:** To promote practices that minimise our carbon footprint through our policies and our own operations, protect and enhance biodiversity, and limit damaging consequences of human intervention on the natural environment.

**Improving the way we work:** To maximise the benefits provided by new technology, to take opportunities for smarter 'One Team' working and continue our drive to be more Customer First focused and efficient in the design and delivery of services.

The Council's corporate plan continues to remain ambitious when set against the background of reductions in annual grant settlements. The Council has a very good track record of achieving its objectives and improving performance, and will look to enhance income streams to continue to provide high quality services. It continues to be well placed to deliver the programme in 2019/20. Significantly reduced resources will however inevitably impact on service delivery in the years ahead.

## **Customer First Strategy**

On the 4th July 2016 the Council adopted the Customer First Strategy.

The strategy sets out the Council's intention to put customers at the heart of service delivery. Customer First means:

- Meeting the needs of our customers
- Being accessible
- Improving customer experience
- Providing value.

## **Medium Term Financial Strategy (MTFS)**

Local government as a whole has faced more severe reductions than other parts of the public sector and has needed to provide strong discipline and management to put itself in a position to best address these challenges.

The MTFS is a key document in setting out the Council's approach to establishing a financial base to enable the Council's policies and priorities to be delivered. The MTFS seeks to identify the financial risks that will affect the annual budgets for each of the next 4 years (2019/20 to 2022/23) in order that key priorities can be matched to expected funding.

Good financial management requires councils to properly plan for the future in order to match longer term ambitions and plans with anticipated resources. At present there are a number of key areas of financial uncertainty which cause problems when seeking to accurately forecast available resources for the years ahead. The MTFS seeks to identify these uncertainties, and where possible make an informed view of the likely resource implications. Where there is no clarity as yet, generally, a prudent approach is adopted.

The Council accepted the government's offer for a four year settlement in order to provide some certainty on part of the Council's funding stream. The 4 year settlement provides for the Revenue Support Grant to reduce from £2.038m in 2017/18 to £1.542m in 2018/19 and £988,000 in 2019/20 (which is now rolled into the 75% business rates retention pilot). In announcing the Local Government Settlement on 13 December 2018 the government advised that the Council had been successful in its bid for piloting 75% business rates retention as part of the East Sussex Business Rates Pool. The government's spending Review (SR19) is expected to be undertaken in 2019 which may help inform the Council on the total size of the pot that will be made available for Local Government as against the other spending priorities of the government. In readiness for 2020/21 the results of the Fair Funding Review and retention 75% of business rates should be announced by December 2020. This may well impact on the remaining income streams, such as New Homes Bonus and Discretionary Housing Payments.

Finances are managed by matching Council priorities to funding across the medium term; The MTFS identifies the risks that the Council faces in doing so. The annual budget cycle refines the process for the immediate year ahead and determines the most appropriate use of available resources as well as setting the Council Tax for the borough.

# NARRATIVE REPORT

The Council has consistently maintained a healthy reserves position and benefits from financial stability. This is demonstrated in the Council's effective monitoring of financial performance and maintaining a balanced budget reflected in forward planning as outlined in the MTFS approved by Cabinet in September 2018.

Since 2013 the Government has provided additional incentives to increase funding and distribute reserves via the localisation of Business Rates and New Homes Bonus. These have been beneficial to the Council and are important elements of its financial planning. The impacts of changes to New Homes Bonus and 100% Business Rates retention that were announced during 2016/17 have been taken into account when updating future financial forecasts. However, the Government's decision to call a general election in June 2017 meant that the Local Government Finance Bill, which included proposals for further business rates reform and localisation, has not completed its passage through Parliament as originally timetabled and it remains to be seen whether or not the Bill will be reintroduced, thereby creating new uncertainties when planning the council's MTFS.

The MTFS and Corporate Plan are regularly reviewed to ensure that the Council is well-placed to react to the new challenges it faces. To support the MTFS objectives, the Council's main focus is to maximise income through income generation initiatives whilst ensuring that resources are managed effectively and efficiently.

The latest vision of the MTFS is shown below. The budget for 2019/20 has been balanced but further work is needed going in to the future to identify further savings and efficiencies to balance the budget for future years.

# NARRATIVE REPORT

Ref	Revenue Budget Forward Plan	2018-19 Revised Budget £000's	2019-20 Budget £000's	2020-21 Projection £000's	2021-22 Projection £000's	2022-23 Projection £000's
1	<b>Net Service Expenditure</b>	13,314	13,325	13,692	14,065	14,447
2	<b>Funding Commitments:-</b>					
3	Pension Fund - Employers increase			0	0	0
4	Election Costs (bi-annually)			120	0	120
5	Waste Contract - Recycling			156	156	156
6	Street Cleaning Contract			112	112	112
7	Revenues & Benefits - 2019/20 bad debt provision.			189	189	189
8	<b>Savings/Additional Income Identified</b>					
9	PIER income - Energy Gross (shown net in Apx K)			(117)	(256)	(259)
10	PIER income Commercial Property (Gross)			(422)	(433)	(433)
11	PIER other (Apx K)			(273)	(614)	(614)
12	PIER removal of temporary growth (Apx K)			0	0	(80)
13	Fees and Charges			(60)	(120)	(180)
14	Contingency Provision	47	300	300	300	300
15	Interest (net of Fees ) & other Adjustments	884	1,335	1,355	1,223	1,160
16	Minimum Revenue Provision (excl. Inc Gen Adj)	795	1,184	1,628	1,775	1,875
17	Contribution to Reserves	1,039	744	744	744	744
18	Net Use of Earmarked Reserves	(1,872)	(1,772)	(1,772)	(1,772)	(1,772)
19	<b>Net Council Expenditure</b>	<b>14,207</b>	<b>15,116</b>	<b>15,652</b>	<b>15,370</b>	<b>15,765</b>
20	Taxbase	25,582	25,865	26,124	26,385	26,649
21	Council Tax	257.81	265.50	273.44	281.61	290.03
22	<b>Funding</b>					
23	From Collection Fund - Council Tax	(6,595)	(6,867)	(7,143)	(7,430)	(7,729)
24	From Collection Fund - Business Rates	(2,884)	(3,563)	(3,599)	(3,635)	(3,671)
25	Revenue Support Grant	(1,542)	0	0	0	0
26	New Homes Bonus	(650)	(556)	(274)	(319)	(276)
27	New Homes Bonus return funding	(9)	0	0	0	0
28	Council Tax Support Admin Grant	(167)	(161)	(149)	(138)	(127)
29	Housing Benefit Admin Grant	(421)	(389)	(360)	(333)	(308)
30	NNDR (Surplus) / Deficit	63	(28)	0	0	0
31	NNDR Pooling	(86)	(91)	(91)	(91)	(91)
32	Business Rates Section 31 Grant	(1,044)	(1,569)	(1,600)	(1,632)	(1,665)
33	Council Tax Surplus	(126)	(145)	0	0	0
34	<b>Contribution To General Fund</b>	<b>(13,459)</b>	<b>(13,370)</b>	<b>(13,216)</b>	<b>(13,578)</b>	<b>(13,868)</b>
35	<b>Funding Shortfall / (Surplus)</b>	<b>747</b>	<b>1,747</b>	<b>2,436</b>	<b>1,792</b>	<b>1,897</b>
36	<b>Use of General Reserve</b>	0	0	0	0	0
37	<b>Use of Transition Reserve</b>	(547)	(1,096)	0	0	0
38	<b>Use of Resilience and Stability Reserve</b>	0	0	0	0	0
39	<b>Use of Community Safety Reserve</b>	(100)	(250)	0	0	0
40	<b>Use of Economic Development Reserve</b>	(100)	(401)	0	0	0
41	<b>Net Funding Shortfall / (Surplus)</b>	<b>0</b>	<b>0</b>	<b>2,436</b>	<b>1,792</b>	<b>1,897</b>

\*References to appendices relate to the 2019/20 Budget Book available on the Councils website.

## Capital Strategy

The CIPFA revised 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report, which seeks to provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The Council's Capital Strategy for 2019/20 was approved by Full Council on 20<sup>th</sup> February 2019 and is available on the Councils website. The aim of this capital strategy is to ensure that all elected members on the Full Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

# NARRATIVE REPORT

This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the capital Strategy and the budget report. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset.

The capital strategy seeks to identify:

- The corporate governance arrangements for these types of activities;
- Service objectives relating to the Capital expenditure;
- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- The payback period (MRP policy);
- For non-loan type investments, the cost against the current market value;
- The risks associated with each activity.

Where a physical asset is being bought, details of market research, advisers used, ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are identified.

The Capital strategy, and in particular the capital programme supports the Council's Corporate plan and is closely tied to the Medium Term Financial Strategy and the budget. The Capital Strategy is required to be compiled for a longer timeframe – generally 10 to 20 years although not specified.

The Council's future spending plans are evolving and as such the Capital Strategy and other strategies will need to be re-determined by full Council when the future plans are sufficiently robust. The report does detail the Council's borrowing commitments until 2061/62 that result from past and current capital programmes. This will help to inform the affordability question as to the level of capital expenditure and borrowing that can be contemplated in the future.

## **Priority Income and Efficiency Reviews (PIER)**

Due to the financial pressures the Council is under it has developed the PIER process to enable a detailed examination of service performance and priorities, cost pressures, and the scope for achieving efficiency savings and additional income.

The objectives of the process are as follows:-

- To provide services with an opportunity to submit proposals for the business plan. The proposals include all unavoidable growth and savings amounts.
- To allow service delivery proposals to be measured against the corporate plan objectives.
- To provide a mechanism for challenging service proposals in an informed, robust and constructive fashion.
- The revenue estimates and the capital programme are closely linked. As such service bids for capital funding are considered at the same stage.

In addition to the annual Strategic Budget (PIER) process the Council continues to have a programme of areas to review e.g. service reviews, and business reengineering process reviews in order that efficiencies continue to be achieved, monitored and potential new areas identified.

The scale of the budget savings required to balance the budget on a sustainable basis for years ahead is large. The time between the identification and the achievement of savings, as well as income generation, can be significant and the Council will need to be prepared to continue to use a proportion of its reserves to balance the budget and for future invest to save initiatives.

## **Income Generation**

The Council has a number of key income streams besides Council Tax and Business Rates. These include for example car parking, rents from land, industrial estates and shopping centres, cemetery, cliff railways, planning, licensing, lettings and land charges.

The Council has stepped up the level of income it is receiving from property and is looking to diversify its income streams further through the housing company and from energy. The table below highlights some of the more recent acquisitions and initiatives that have either generated or saved money and will go a little way to meeting the massive funding reductions the Council is experiencing and thus helps to protect services.

# NARRATIVE REPORT

Acquisitions/lettings	Est Income- 2018/19	MRP and Interest	Net Additional Income
	£	£	£
Muriel Matters	321,000		
MM Shops	41,000		
<b>Sub Total</b>	362,000	220,800	141,200
Muriel Matters - Council Chamber etc	23,000		23,000
Town Hall	97,000		97,000
BD Food Factory	40,000	91,488	(£51,488)
Sedlescombe Road North	465,067	294,613	170,454
Sea Front Kiosks	7,900		7,900
Bexhill rd retail park (TKMAX)	547,080	356,660	190,420
Sedlescombe Rd North (2)	89,000	50,000	39,000
Property Fund	85,000		85,000
<b>Totals</b>	1,716,047	1,013,561	702,486

The table above excludes the recent purchase of a site in Bexhill Rd which is currently being redeveloped, and also a site within the town centre which will meet regeneration and economic development priorities as well as providing the Council with enhanced income streams. Over the last few years initiatives which generate new income streams (and savings from purchasing Muriel Matters House) have secured some £1.6m additional income/savings per year.

The Cabinet approved the Income Generation Strategy on the 11<sup>th</sup> September 2017. This included Capital expenditure of £50m spread over a period of 3 years to be financed from borrowing. The strategy is subject to further review in 2019/20.

Further income generating ideas are being considered including renewable energy generation from solar, wind and other alternatives. The council has an estate within which there are opportunities to reduce energy consumption and to generate and sell energy. There are existing powers for the Council to do this; for example: The Sale of Electricity by Local Authorities (England and Wales) Regulations 2010 (SI 2010/1910). The Council is therefore reviewing these opportunities with a view to investing if the criteria set out in the income generation strategy are met.

## **CCLA Local Authority Property Fund**

CCLA manage investments for charities, religious organisations and the public sector. Due to the current low interest rates offered by banks and in a bid to achieve improved investment returns the council has invested £2,000,000 of its reserves in the CCLA Local Authority Property Fund. The objective of the fund is to provide investors with a high level of income and long-term capital appreciation. The fund is considered suitable for the long-term funds of any local authority seeking exposure to UK commercial property. An advisory board for the fund has been established to represent the interests of investors and the public sector as a whole. The advisory board meet quarterly with the manager of the fund, CCLA, to provide guidance and monitor the management and development of the fund. The increased level of risk associated with this investment will be countered by the superior level of returns that will be received. The return achieved in 2018/19 was 5.99%.

## **4. Performance Review**

### **Revenue**

The Council has continued to perform well despite continued Government cuts in funding.

The summary table below shows outturn for the year. The total service expenditure is £11,468,516. The carry forwards into 2019-20 amount to some £686,000.

The following table compares the major elements of the budget and actual for general fund services in 2018-19:-

# NARRATIVE REPORT

	2018-19 Original Budget £000	2018-19 Revised Budget £000	2018-19 Actual Outturn £000	Variance £000
<b>Directorates</b>				
Corporate Resources	3,490	3,916	3,688	(228)
Operational Services	8,811	9,397	7,924	(1,473)
Contingencies	500	47	0	(47)
<b>Direct Service Expenditure</b>	<b>12,801</b>	<b>13,360</b>	<b>11,612</b>	<b>(1,748)</b>
Net Interest Payments	1,190	884	858	(26)
Revenue contributions to capital	0	0	0	0
Other operating costs	1,116	795	795	0
<b>Net Council Expenditure</b>	<b>15,107</b>	<b>15,039</b>	<b>13,265</b>	<b>(1,774)</b>
Less Government Grant	(2,789)	(3,768)	(4,117)	(349)
Less retained business rates	(3,928)	(2,970)	(2,860)	110
Collection Fund Surplus	(62)	(126)	(126)	0
Council Tax	(6,595)	(6,595)	(6,595)	0
<b>Net expenditure excluding reserve movements</b>	<b>1,733</b>	<b>1,580</b>	<b>(433)</b>	<b>(2,013)</b>
Contributions to reserves	1,072	1,039	2,736	1,697
Capital use of earmarked reserves	0	0	0	0
Revenue use of earmarked reserves	(1,766)	(1,872)	(1,478)	394
Transfer to/(from) Transition Reserve	(839)	(547)	(625)	(78)
Transfer to/(from) Specific Reserve	(200)	(200)	(200)	0
<b>Net budget surplus transferred to General Reserve</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Whilst there are numerous under and overspends the most significant variances (in excess of +/- £100,000) were as follows:

## Corporate Resources

- Housing Benefit Payments and Administration is showing an overspend of £300,000 as there has been lower than anticipated benefit subsidy paid on some aspects of Housing Benefit administration. This variance constitutes less than 1% variation to the level of benefits subsidy expenditure.
- Other Expenditure is showing a underspend of (£225,000) in relation to severance (redundancy) payments. When setting budgets it is no known which services severance costs will fall on so a central budget is set within Corporate Resources. The actual cost of severance gets charges to individual services so this underspend will be offset by costs within services.
- Council Tax and Business Rates Collection is showing a favourable underspend of (£139,000) due to a reduction in the level of the bad debts provision.
- The IT Reserve is showing an underspend of £127,000 due to the rollout of hardware being delayed as we are waiting to upgrade to a newer operating system. The variance will go back to the reserve and be spent in 2019-20.

## Operational Services

- Selective Licensing is showing a favourable variance of £484,000 due to licencing income received in this year that will be used to cover future year's expenditure. This additional income has been transferred to the Selective Licencing reserve being due to fewer licences processed than estimated. Income for licences received but not yet granted carried forward into the new year.

# NARRATIVE REPORT

- An item of spend of £240,000 is showing on NHS Clinical Commissioning Group (CCG). This spending is fully funded by grant received from the CCG and held in earmarked reserves. A transfer from earmarked reserves (NHS Hastings and Rother CCG Revenue Grant) has been made to offset this.
- Controlling Migration Fund is showing a underspend of £181,000 due to additional grant received. This will be spent in 2019/20.

## **Council Tax**

The balance on the Collection Fund at 31 March 2019 was £1.449m, of which the Council's share was £195,000.

## **NNDR**

The rateable value of business premises at 31 March 2019 was £62,294,534 compared to £62,806,889 at 31 March 2018. This change mainly reflects the movement to the new 2017 rating list.

Excluding multiple appeals there were still 76 appeals outstanding relating to the 2010 list, with a total rateable value of £10.1m, and many date back to the start of this list. There are a number of multiple appeals for the same property, making an accurate estimate of the liability very difficult. There is very little information on appeals against the 2017 list, so a standard percentage reduction in income has been estimated.

The net collectable sum for the year was £20,793,000, £139,000 less than original forecast (NNDR1) of £20,932,000. This partially reflects additional reliefs imposed by the Government, for which the Council is compensated by Section 31 grants. The NNDR element of the Collection Fund has a deficit balance of £159,000 (the Council's share of the £398,000 overall deficit).

## **Material assets/liabilities**

The Council purchased the following significant assets during the year as part of its economic development and regeneration objective:

Lacuna Place	£9,262,000
311-323 Bexhill Road	£5,010,000
Heron House	£2,673,000
591 Sedlescombe Rd	£2,406,000

These significant new material assets have mainly been financed by a combination of loans from the Public Works Loan Board (PWLb).

No new material liabilities have been incurred during the financial year.

## **Pension**

The net long term pension liability changed very little during the year, moving from £40.4m to £41.6m. The prescribed method for measuring the liability in accounting terms relates to investment values as at 31 March each year, and discounts liabilities according to the low rates of interest currently prevailing. Changes in discount rates can trigger wide fluctuations in values from year to year, but these do not therefore necessarily correspond with the longer term view of contribution rates required to maintain the Council's need to provide for pension payments over the longer term.

## 2019-20 Budget

The table below summarises planned net expenditure on services for 2019-20, compared to 2018-19, and shows how this is funded from government grants, business rates and council tax. The Council's target of a balanced budget is being achieved by matching planned expenditure by income from fees, charges, government grants, council tax and non-domestic rates and use of reserves. The sum of £1,747,000 is identified within the budget as being required from reserves to fund the 2019-20 deficit.

# NARRATIVE REPORT

	2018-19 Revised Budget £000	2019-20 Original Budget £000	Variance 2018-19 to 2019-20 £000
<b>Directorates</b>			
Corporate Resources	3,916	3,853	(63)
Operational Services	9,397	9,473	76
Contingencies	47	300	253
<b>Direct Service Expenditure</b>	<b>13,360</b>	<b>13,626</b>	<b>266</b>
Net interest payments	884	1,334	450
Other operating costs	795	1,184	389
Revenue contribution to capital	0	0	0
Net Contribution to / (from) Reserves	(1,580)	(2,773)	(1,193)
Capital use of earmarked reserves	0	0	0
<b>Net Council Expenditure</b>	<b>13,459</b>	<b>13,371</b>	<b>(88)</b>
Less Government Grant :-			
Revenue Support Grant	(1,542)	0	1,542
Other general Grants	(2,226)	(2,677)	(451)
Retained business rates	(2,970)	(3,654)	(684)
Collection Fund Surplus	(126)	(173)	(47)
<b>Amount to be met by Council Tax Payers</b>	<b>6,595</b>	<b>6,867</b>	<b>272</b>

## End of Year Performance 2018/19

The council's 2018/19 corporate plan was divided into 3 areas; Inclusion, Growth and Futureproof. The section below shows our performance against these targets along with the target for 2019/20. A RAG (Red, Amber, Green) status for each item shows our position at the end of the year.

### Inclusion

Name	Actual 2018/19	Status 2018/19	Target 2018/19	Target 2019/20
1. Improved street and environmental cleanliness (levels of litter, dog fouling, detritus, graffiti and flyposting)	6%	Not Met (R)	5%	5%
2. Percentage of household waste sent for reuse, recycling and composting	30.5%	Met (G)	30.0%	30.0%
3. % of food establishments which are broadly compliant with food hygiene law	99.0%	Met (G)	92.0%	92.0%
4. The average number of failed bin collections (per 100,000 collections)	105	Not Met (R)	100	100
5. Total attendances at Council Leisure Centres	417,547	Met (G)	411,400	417,600
6. Number of visitors to the White Rock Theatre	110,441	No targets - for information only		
7. Number of homelessness cases prevented	459	Met (G)	300	300
8. % of homeless cases resulting in a placement in emergency accommodation	42%	Met (G)	50%	See note below

## NARRATIVE REPORT

9. Private sector homes meeting the required standard	162	Not Met (R)	200	200
10. Number of affordable homes created	64	Not Met (R)	75	75
11. Average number of days to process new housing benefit claims	17.9	Not Met (R)	15.0	15.0
12. Average number of days to process changes to housing benefit claims	5.4	Not Met (R)	5.0	5.0
13. Average number of days to process new Council Tax Reduction claims	16.2	Not Met (R)	15.0	15.0
14. Average number of days to process changes to Council Tax Reduction claims	5.4	Not Met (R)	5.0	5.0

5 of 13 indicators met target. Indicator 8 will be replaced by another indicator measuring the length of stay in emergency accommodation.

### Growth

Name	Actual 2018/19	Status 2018/19	Target 2018/19	Target 2019/20
15. Green Flag status retained for our key parks and open spaces	Retained	Met (G)	Retained	Retained
16. Number of visitors to Hastings Museum and Art Gallery	45,605	Met (G)	45,000	45,500
17. Long term empty properties returned to use	195	Met (G)	70	70
18. Number of neglected and derelict buildings improved	52	Met (G)	50	50
19. Net number of new homes built	184	Not Met (R)	200	200
20. % major planning applications determined within 13 weeks or another later date as agreed with the applicant	100.0%	Met (G)	80.0%	80.0%
21. Non-major planning applications determined within 8 weeks or another later date as agreed with the applicant	94.5%	Met (G)	80.0%	80.0%
22. % householder planning applications determined within 8 weeks or another later date as agreed with the applicant	97.9%	Met (G)	80.0%	80.0%
23. Major planning applications determined within 13 weeks or as agreed with the applicant assessed over a 2 year rolling period e.g. 2017/18 to 2018/19 and 2018/19 to 2019/20	82.2%	Met (G)	60.0%	60.0%
24. Non-major planning applications determined within 8 weeks or as agreed with the applicant over a 2 year rolling period	87.3%	Met (G)	70.0%	70.0%

9 of 10 indicators met target

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## Futureproof

Name	Actual 2018/19	Status 2018/19	Target 2018/19	Target 2019/20
25. % of customers self-serving online (through those transactions currently available on line)	63.3%	Not Met (R)	65.0%	65.0%
26. The proportion of working days/shifts lost due to sickness absence	8.98	Not Met (R)	6.25	6.25
27. % Council Tax collected in year	94.5%	Not Met (R)	96.3%	See note below
28. % Non-domestic rates collected in year	97.6%	Not Met (R)	98.0%	See note below

0 of 4 indicators met target. For indicators 27 and 28, with performance down to its lowest level for a number of years, we are reviewing our recovery strategy and looking to implement a specialised recovery team to focus on making significant improvements in collection rates over the next 2 years. New targets will be agreed as part of this project, and it would not be appropriate to set targets before this work is complete.

Targets for all the indicators above are discussed with Directors and Assistant Directors, and are set by members before the start of each new financial year. The targets for both Corporate and Operations are reviewed each year and changed according to the requirements of the Council and therefore may increase or decrease in number.

## Capital Expenditure

The Council spent £24,247,000 on capital projects during 2018-19, as summarised below:

Scheme	2018-19	2018-19
	Revised Budget	Outturn
	£'000	£'000
New Factory unit	0	29
New ERP system	178	249
Commercial Property Invt - 591 Sedlescombe Rd	2,387	2,406
Private Sector Renewal Support	50	7
Disabled Facilities Grant	1,882	1,254
H15 Empty Homes Strategy - CPO	0	0
Restoration of Pelham Crescent/ Pelham Arcade	25	30
Work on Harbour Arm and New Groynes	1,675	1,556
Public Realm	50	13
CCTV Control Room	0	(8)
East Hill Cliff Railway	0	(16)
Town Hall Works	0	(10)
Factory Refurbishment (ACE)	0	(2)
Castleham BC West Refurb	0	(4)
Additional Chalets	0	4
Playgrounds Upgrade Programme	58	36
Playgrounds Carnoustie & Kensington Close	0	11
Conversion of 12/13 York Buildings	55	3
Hastings Housing Company	5,710	324
DSO - Waste and Cleansing service - Vehicles	0	18
Energy - Solar Panels	39	62
Coastal Communities scheme 4	142	219
Buckshole and Shornden Reservoirs	71	0
Priory Meadow Contribution to Capital Works	124	162

# NARRATIVE REPORT

	2018-19 Revised Budget	2018-19 Outturn
	£'000	£'000
Commercial Property Investments	8,022	11,935
Commercial Property Investments - 311-323 Bexhill	5,010	5,010
Harold Place Redevelopment	71	71
Purchase of Temporary Homelessness Accommodation	691	873
DSO Waste and Cleansing service - Depot Works and Equipment	72	15
<b>Total</b>	<b>26,312</b>	<b>24,247</b>

This capital expenditure was financed as shown below:-

	£'000
Capital receipts	1,804
Government grants and other contributions:	
towards assets	1,793
towards REFCUS	1,254
Sums set aside from revenue and reserves	0
Borrowing	19,396
	<b>24,247</b>

The Council is planning to spend £19,251,000 on capital projects during 2019-20, as shown in the table below. £15,876,000 is due to be funded from borrowing, £2,595,000 by grants and contributions, £596,000 from capital receipts and £184,000 from reserves.

Scheme	£000
Sandrock Park - Land Purchase	23
Conversion of 12/13 York Buildings	602
Priory Meadow Contribution towards Capital works	126
Commercial Property Investments	4,741
Private Sector Renewal Support	50
Disabled Facilities Grant	1,500
Empty Homes Strategy - CPO	100
Purchase of Temporary Homelessness Accommodation	2,500
Restoration of Pelham Crescent/ Pelham Arcade	182
Road at Pelham Arcade	114
Groyne Refurbishment	75
Work on Harbour Arm and New Groynes	338
Further Sea Defence works	150
Public Realm	50
Country Park - Interpretive Centre	662
Playgrounds Upgrade Programme	102
Hastings Housing Company	5,000
DSO - Waste and Cleansing service – Vehicles	780
DSO Waste and Cleansing service - Depot Works & Equipment	256
Energy - Solar Panels	1,661
Energy - Ground Mounted Solar	84
Priory Street Multi Storey Car Park	120
Lower Bexhill Road	35
	<b>19,251</b>

# NARRATIVE REPORT

## **Borrowing Facilities**

Total loans outstanding owed to external sources for capital spending amount to £61.1m. Under the prudential code for borrowing the Council's Capital Financing Requirement is £58.1m. The difference relates to spending on schemes slipping into the next financial year.

## **Reserves**

The Council has set aside reserves for a number of purposes, including provision for the renewal and repair of equipment, repair and maintenance of buildings, carry forwards and the financing of capital expenditure.

The balance on these reserves at 31st March 2019 is £18.476 million compared with £18.042 million at 31st March 2018.

## **Non Domestic Rates**

From 1 April 2013 the regime around the income that Local Authorities collect from business rates changed from one where the authority collected purely on behalf of Central Government to one where this income is shared between Central Government, Local Authorities and major precepting bodies. This change affected the retention of the income collected and introduced a risk to the Council for failure to collect rates in comparison with a predetermined "Start-Up" funding assessment.

The Council collects National Non Domestic Rates (NNDR) and retains 40% of it for its own use, the remainder being passed on to the Government (50%), East Sussex County Council (9%), and East Sussex Fire and Rescue Authority Service (1%). This activity involves the usual risk of non-payment, mitigated by managing the allowance for impairment of debt. There is also the risk of losses from appeals against the values determined by the Valuation Offices. Prior to 31 March 2015 appeals could be backdated to 1 April 2010, when the 2010 list came into operation. Appeals relating to the 2010 list after the start of 2015/16 can only be backdated to 1 April 2015. There are still many appeals outstanding against the 2010 list, and the provision for this list stood at £1.128m at 31 March 2019, This is an estimate based on past settlement of appeals, but the actual liability could be a significantly different figure. The new 2017 list came into effect on 1 April 2017. Few appeals have been settled against this list, and the Council has therefore assumed a standard 4.7% reduction in income (£2.827m), so the total provision stood at £3.955m at 31 March 2019. This Council's share of the total potential liability is 40% of the total: £1.582m.

## **Conclusion**

Hastings Borough Council has continued to perform well despite the recent cuts to funding and the challenging economic climate. The Council has embarked on an ambitious transformation programme and income generation strategy to meet these expectations, and to help preserve the vibrant local economy.

The Council will need to maintain its focus on delivering its day to day operations, and balancing quality and demand with reducing resources. A strong performance management system and an ambitious Transformation Programme and supported by robust Corporate Plan and Financial Strategies will help to achieve this.

## **5. Explanation of the Financial Statements**

### **Annual Financial Report**

The annual financial report is made up as follows:

#### **(i) Expenditure summaries**

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

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year.

The service summaries reflect the outturn position for each directorate as compared to the revised budget. A reconciliation between the Directorate Income and Expenditure and the Cost of Services in the Comprehensive

# NARRATIVE REPORT

Income and Expenditure Statement can be found in the Expenditure and Funding Analysis (Note 6) on pages 58 to 60.

(ii) Annual Governance Statement

Issues relating to governance and internal financial controls are particularly pertinent to the preparation and publication of the Statement of Accounts. Regulation 6 of the Accounts and Audit Regulations 2015 requires authorities to carry out an annual review of the effectiveness of its system of internal control. Having considered the findings of the review, members are then required to approve an annual governance statement, prepared in accordance with proper practices in relation to internal control.

(iii) Statement of Responsibilities

The Statement of Responsibility sets out the general responsibilities of both the Council and the Chief Finance Officer, in making proper financial arrangements and in maintaining financial records.

(iv) Independent Auditor's report

(v) Statement of Accounts.

The Statement of Accounts consists of the following

a) The Core Accounting Statements

The following four statements show in broad terms where the Council's money comes from, what it is spent on, and what services it provides.

*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 (or Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund for tax setting purposes (see Note 6 for details). The line entitled "Net (Increase) / Decrease before Transfers to Earmarked Reserves" shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

*Comprehensive Income and Expenditure Statement*

This shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations, and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

*Balance Sheet*

This shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first grouping is of usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (such as the Capital Reserve being used to fund capital expenditure). The second grouping includes reserves that hold unrealised gains or losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

*Cash Flow Statement*

This shows the changes in cash and cash equivalents of the Council during the reporting period. 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 is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of the services provided by the Council. Investing activities represent the amount to which cash outflows have been made for resources which are intended to contribute towards the Council's future service delivery.

# NARRATIVE REPORT

- b) Notes to the Core Financial Statements, which include explanations and more detailed information.
- c) Group Accounts - These accounts show the material interests that the Council has in its subsidiary companies. The group accounts are structured in line with the Council's core accounting statements, and are accompanied by notes in the same way.
- d) The Collection Fund Income and Expenditure Account - the Council is required to maintain a Collection Fund to receive sums by way of Council Tax and Business Rates.

Payments out include sums required by precepting bodies such as the East Sussex County Council, the Police and the Council's own General Fund, the contribution to the Government for Business Rates and other amounts relating to the operation of the Fund.

## **Accounting Policies**

This Statement of Accounts, in common with those for the whole of the public sector, is compiled in line with International Financial Reporting Standards (IFRS). The detailed requirements relating to local authorities are brought together in the CIPFA Code of Practice and summarised in the notes on accounting policies.

## **6. Further Information**

Further information about the accounts is available from Financial Services at the address shown on page 2.

P. Grace CPFA - Chief Finance Officer

## EXPENDITURE SUMMARIES

2017-18				2018-19			
Expend	Income	Net	Service	Revised Estimate	Expend	Income	Net
£	£	£		£	£	£	£
148,005	0	148,005	Director of Corporate Services and Governance	154,290	151,939	(335)	151,605
264,292	0	264,292	Corp. Policy, Partnerships and Performance	261,160	258,294	0	258,294
108,446	0	108,446	Electoral Services	110,850	107,906	0	107,906
207,850	0	207,850	Estates Services	215,830	211,441	(15)	211,427
126,819	0	126,819	Building Surveyors	129,180	128,792	0	128,792
422,793	(77,037)	345,756	Legal Services	326,850	458,032	(127,844)	330,188
169,459	(5,386)	164,073	Audit and Investigations Services	174,370	178,474	(23,761)	154,713
654,450	(131)	654,319	Accountancy Services	767,740	755,356	(3,958)	751,398
1,692,948	(128,772)	1,564,176	Revenues Services	1,668,210	1,730,363	(68,888)	1,661,475
447,556	(1,120)	446,436	Personnel and Organisational Development and Business Support	472,670	484,215	(1,849)	482,366
130,086	(3,870)	126,216	Corporate Personnel Expenses	196,960	174,718	(175)	174,543
593,104	(8,282)	584,822	Contact Centre	594,600	593,469	(4,220)	589,250
173,184	0	173,184	Digital by Design	150,380	169,510	0	169,510
154,816	(101,531)	53,285	Admin Buildings - Town Hall	34,920	141,029	(134,507)	6,522
334,199	(57,905)	276,294	Admin Buildings - Muriel Matters House	320,490	313,334	(38,447)	274,888
63,214	0	63,214	Admin Buildings - General Expenses	73,000	64,492	0	64,492
27,738	0	27,738	Admin Buildings - Corporate Archive	32,270	40,303	0	40,303
244,126	130	244,256	Corporate Expenses	285,230	286,163	0	286,163
531,330	(38)	531,292	IT	563,820	560,728	0	560,728
251,846	0	251,846	IT Reserve / Hardware	328,000	204,584	(3,735)	200,850
20,979	0	20,979	Land & Property Systems- GIS	22,820	22,801	0	22,801
1,626,108	(48,464)	1,577,644	Corporate Management Expenses	158,170	170,168	(17,484)	152,684
660,420	0	660,420	Non Distributed Costs	711,420	728,500	0	728,500
39,611,471	(40,595,919)	(984,448)	Benefit Payments and Administration	(418,670)	35,346,989	(35,465,951)	(118,962)
0	(217,462)	(217,462)	Council Tax and Business Rates Collection	(231,620)	0	(370,347)	(370,347)
37,033	(406,230)	(369,197)	Employment Areas	(380,600)	28,452	(407,486)	(379,034)
113,681	(1,562,695)	(1,449,014)	Factory Units	(1,372,880)	143,608	(1,575,995)	(1,432,386)
375,583	(2,379,499)	(2,003,916)	Farms and Other Properties	(2,441,170)	467,794	(2,706,011)	(2,238,217)
6,019	0	6,019	St Mary in the Castle	21,820	4,714	0	4,714
363,833	(5,258)	358,575	Other Expenditure	276,000	79,109	(28,333)	50,777
86,521	(26,078)	60,443	Registration of Electors	61,970	74,161	(17,990)	56,171
329,897	0	329,897	Cost of Democracy	348,370	350,380	0	350,380

## EXPENDITURE SUMMARIES

2017-18				2018-19			
Expend	Income	Net	Service	Revised Estimate	Expend	Income	Net
£	£	£		£	£	£	£
227,171	(215,582)	11,589	Election Expenses	108,330	111,398	(1,603)	109,795
14,818	0	14,818	Sustainable Development	2,330	250	0	250
113,248	0	113,248	Pier Closure Costs	0	0	0	0
16,645	0	16,645	Shelters and Seats	18,730	10,828	0	10,828
5,410	(120)	5,290	Street Naming and Numbering	8,210	7,718	0	7,718
88,524	0	88,524	Decorative Lighting	93,400	64,578	(750)	63,828
4,927	0	4,927	Corporate Systems ERP	20,000	18,194	0	18,194
(10,969)	(48,769)	(59,738)	Foreshore Trust	(60,290)	470,243	(530,475)	(60,232)
0	0	0	Communications and Design	109,120	113,098	(8,378)	104,720
<b>50,437,580</b>	<b>(45,890,018)</b>	<b>4,547,562</b>	<b>Corporate Resources and Governance</b>	<b>3,916,280</b>	<b>45,226,129</b>	<b>(41,538,535)</b>	<b>3,687,594</b>
299,029	(1,588)	297,441	Environmental Services Management & Administration	652,650	639,865	3	639,868
213,359	0	213,359	Amenities Administration	220,440	217,536	0	217,536
402,772	(1,650)	401,122	Waste and Parking Team	815,760	827,600	(7,276)	820,325
508,249	(50,842)	457,407	Administration - Housing	398,850	325,996	(24,574)	301,422
90,887	(13,420)	77,467	Local Land Planning & Admin	81,300	96,418	(9,596)	86,822
151,728	0	151,728	Director of Operational Services	152,930	154,912	(455)	154,457
81,225	(25)	81,200	Leisure Administration	83,000	82,844	25	82,869
60,656	0	60,656	Resort Services Management and Administration	66,510	73,916	0	73,916
137,498	0	137,498	Regeneration Administration Division	157,850	153,794	0	153,794
241,714	(10,644)	231,070	Communications & Marketing	130,490	139,694	(4,912)	134,781
74,449	0	74,449	Building Control	57,960	59,410	0	59,410
811,493	(391,160)	420,333	Development Control & Conservation	536,390	829,572	(350,003)	479,569
117,108	(329,993)	(212,885)	Local Land Charges Register	(202,960)	83,479	(279,174)	(195,695)
1,137,473	(618,834)	518,639	Homelessness & Preventing Repossessions	777,530	1,774,541	(907,131)	867,410
197,569	(81,770)	115,799	Homelessness Prevention	0	180,542	(180,532)	10
299,764	(277,500)	22,264	Rough Sleeper prevention	23,310	737,353	(810,868)	(73,515)
228,475	(225,628)	2,847	Syrian Resettlement Programme	(11,290)	735,466	(746,710)	(11,245)
368,163	(416,521)	(48,358)	Social Lettings	42,590	364,629	(339,942)	24,687

## EXPENDITURE SUMMARIES

2017-18					2018-19		
Expend	Income	Net	Service	Revised Estimate	Expend	Income	Net
£	£	£		£	£	£	£
105,422	0	105,422	Homelessness Strategy	121,780	122,042	0	122,042
16,369	0	16,369	Housing Register	17,670	17,667	0	17,667
114,850	(137,350)	(22,500)	Deposits funded by ESCC	(22,500)	139,276	(165,599)	(26,322)
45,753	(36,416)	9,337	Youth Homelessness	9,660	52,196	(44,502)	7,694
243,887	(13,469)	230,418	Housing Renewal	251,320	274,136	(59,244)	214,892
0	0	0	Controlling Migration Fund	50,460	54,746	(185,322)	(130,576)
412,295	(559,739)	(147,444)	Selective Licensing	(230,740)	291,938	(1,006,869)	(714,931)
13,772	(20,063)	(6,291)	Housing Licensing	(151,810)	107,373	(291,710)	(184,337)
85,488	(668,564)	(583,076)	Housing Solution Services	38,810	94,793	(119,018)	(24,225)
1,202	0	1,202	Dangerous Structures	2,500	20,689	0	20,689
674,703	0	674,703	Housing - NHS Clinical Commissioning Group CCG	0	994,950	(755,187)	239,763
32,322	(40,470)	(8,148)	Sustainable Housing in Inclusive Neighbourhoods	(760)	57,100	(57,860)	(760)
14,363	(9,389)	4,974	Climate Active Neighbourhoods	(6,410)	10,014	(16,424)	(6,410)
398,501	(84,320)	314,181	Regeneration Activity	292,750	358,230	(120,116)	238,114
293,828	(115)	293,713	Planning Policy	290,360	239,072	(3,882)	235,191
181,866	(81,619)	100,247	Cultural Activities	117,210	176,576	(59,432)	117,144
109,898	(26,526)	83,372	Cultural Development	64,650	61,600	73	61,672
76,762	(91)	76,671	External Funding Initiatives	71,360	63,697	3	63,700
50,602	0	50,602	Community Cohesion	45,250	49,113	(368)	48,745
56,768	(65,649)	(8,881)	Fisheries Local Action Group (FLAG)	(10,450)	37,805	(48,254)	(10,449)
167,181	(235,250)	(68,069)	Coastal Communities Fund	31,120	180,157	(179,612)	545
129	0	129	Employability	0	0	0	0
29,789	(45,589)	(15,800)	Chart CLLD Connecting Hastings & Rother Together	(15,800)	102,546	(118,346)	(15,800)
244,018	0	244,018	Community Partnership	245,150	244,850	0	244,850
2,793	(526)	2,267	Older and Younger People	1,890	501	(1,000)	(499)
5,430	(200)	5,230	Youth Activities (Young Persons Council)	5,000	6,700	(1,500)	5,200
779	(1,179)	(400)	1066 Community Grants	0	556	0	556
9,330	0	9,330	Town Centre Management (BID)	9,300	0	0	0
5,000	0	5,000	Community Development Activity	5,000	0	0	0
160,854	(88,586)	72,268	1066 Country Campaign	90,770	147,154	(81,552)	65,602

## EXPENDITURE SUMMARIES

2017-18					2018-19		
Expend	Income	Net	Service	Revised Estimate	Expend	Income	Net
£	£	£		£	£	£	£
65,622	(21,679)	43,943	Tourism Marketing	51,000	58,561	(33,716)	24,845
168,027	(124,593)	43,434	Tourist Information Centre	52,450	75,551	0	75,551
22,490	(9,982)	12,508	Community Awareness	5,100	14,983	(12,029)	2,954
3,000	0	3,000	Twinning / Sierra Leone	0	(1,000)	0	(1,000)
152,547	(52,534)	100,013	Raising the profile of Hastings	63,380	131,526	(59,201)	72,325
1,824	0	1,824	Meteorological Expenses	1,240	857	(32)	825
26,347	0	26,347	Civic & Ceremonial Expenses	26,160	21,463	(3,005)	18,458
27,916	(38,333)	(10,417)	Filming	(4,000)	52,576	(40,959)	11,617
2,320	0	2,320	Coastal Protection	2,230	400	0	400
1,341	0	1,341	Navigational Aids	1,440	303	0	303
15,878	0	15,878	Environmental Schemes Net Shops	12,300	13,692	0	13,692
275,317	(421,240)	(145,923)	Cliff Railways	(149,850)	287,782	(432,472)	(144,690)
15,619	(23,000)	(7,381)	Castle and Caves	(25,570)	25,717	(35,544)	(9,828)
29,923	(191,754)	(161,831)	Chalets and Beach Huts	(226,060)	21,160	(271,494)	(250,334)
631,868	0	631,868	White Rock Theatre	668,450	636,105	0	636,105
70,618	(55,342)	15,276	Seafront	8,390	286,830	(297,148)	(10,317)
430,738	(77,667)	353,071	Museums and Art Galleries	329,250	360,223	(23,827)	336,396
5,358	0	5,358	First World War Project	0	17,923	(16,760)	1,163
53,471	(56,288)	(2,817)	Sports Management	9,400	59,479	(71,004)	(11,525)
13,248	(100)	13,148	Falaise Fitness Centre	42,870	28,365	(100)	28,265
38,685	(18,470)	20,215	Sports Centres	43,840	27,473	(20,093)	7,380
5,000	0	5,000	William Parker Athletic Track	5,000	(10,000)	0	(10,000)
49,133	(27,789)	21,344	Opening Doors	25,760	44,246	(23,957)	20,289
29,996	(4,200)	25,796	Sports Development	27,100	26,946	0	26,946
21,283	(25,279)	(3,996)	Street Games	(1,520)	25,555	(21,052)	4,503
25,747	(14,180)	11,567	Sports for All	2,450	14,757	(38,205)	(23,448)
145,314	(105,244)	40,070	Active Hastings	17,370	109,010	(112,989)	(3,979)
111,365	(41,354)	70,011	Play Development	80,140	115,215	(38,576)	76,638
0	0	0	Primary Care Trust Grant	1,250	0	0	0
30,559	0	30,559	Play Pathfinder	32,000	29,451	(825)	28,626
1,164	(4,000)	(2,836)	Playground Projects	0	20,605	(17,500)	3,105
4,000	0	4,000	Lets Get Moving (CCG)	0	0	0	0
0	0	0	Renewable Energy Solutions	90,280	156,668	(42,819)	113,849
149,196	0	149,196	Food Safety	14,870	13,152	0	13,152
44,556	(2,366)	42,190	Health and Safety	26,370	28,187	(2,679)	25,508
173,356	(5,128)	168,228	Environmental Protection	50,780	37,519	(4,438)	33,081
38,906	(12,644)	26,262	Pest Control	31,520	40,807	(10,471)	30,337
93,605	(218,983)	(125,378)	Local Licensing	6,910	196,550	(229,320)	(32,770)
55,317	(75,993)	(20,676)	Liquor Licensing	(84,400)	385	(78,046)	(77,661)

## EXPENDITURE SUMMARIES

2017-18				2018-19			
Expend	Income	Net	Service	Revised Estimate	Expend	Income	Net
£	£	£		£	£	£	£
35,253	(32,930)	2,323	Gambling Licensing	(31,400)	0	(27,227)	(27,227)
36,056	(3,865)	32,191	Stray Dog Contract	34,060	36,060	(500)	35,560
32,099	0	32,099	Emergency Planning	34,870	33,678	0	33,678
1,409,504	(2,409,011)	(999,507)	Parking	(1,008,400)	545,447	(1,647,973)	(1,102,526)
211,205	0	211,205	Close Circuit Television	205,270	232,529	0	232,529
19,466	(25,000)	(5,534)	ESCC Highway Tree Maintenance	(500)	21,532	(25,000)	(3,468)
0	0	0	Public Realm	40,000	0	0	0
999,842	(60,880)	938,962	Waste Collection	1,080,470	1,127,149	(66,261)	1,060,888
391,253	(238,676)	152,577	Recycling	(157,870)	186,313	(348,584)	(162,271)
1,194,531	(19,000)	1,175,531	Street Cleansing	1,289,250	1,381,717	(107,922)	1,273,795
0	0	0	Waste and Street Cleansing (DSO)	37,000	34,302	0	34,302
244,273	(322,129)	(77,856)	Greenwaste	(63,340)	271,146	(353,865)	(82,719)
250,800	(105,430)	145,370	Waste and Environmental Enforcement Team	(4,000)	24,600	(43,290)	(18,690)
24,051	0	24,051	Together Action	19,000	11,839	(16,270)	(4,431)
110,819	(19,500)	91,319	Safer Hastings Partnership (HBC)	107,500	110,708	(119)	110,588
47,481	(75,912)	(28,431)	Safer Hastings Partnership (External)	0	75,595	(84,807)	(9,211)
47,072	(47,072)	0	CS Domestic Violence (CCG)	0	105,302	(105,532)	(230)
13,819	0	13,819	Watercourses	20,140	13,946	0	13,946
647,110	(1,166,307)	(519,197)	Cemetery and Crematorium	(588,540)	619,435	(1,220,826)	(601,391)
17,261	0	17,261	Travellers Costs	17,610	18,345	0	18,345
25,218	0	25,218	Town Centre	26,850	25,632	0	25,632
21,272	(23,473)	(2,201)	Allotments	(16,980)	16,570	(30,117)	(13,547)
7,115	0	7,115	Ecology	12,750	7,045	0	7,045
155,277	(150)	155,127	Arboriculture	129,080	113,134	0	113,134
1,545,240	(100,256)	1,444,984	Parks and Gardens	1,342,560	1,409,471	(156,416)	1,253,055
103,442	(50,518)	52,924	Hastings Country Park	54,970	99,734	(37,673)	62,061
101,104	(88,542)	12,562	Countryside Stewardship	14,000	104,457	(97,923)	6,534
261,827	(2,569)	259,258	Public Conveniences	258,200	292,920	(26,658)	266,262
0	0	0	Hastings Housing Company LTD	0	(4,174)	0	(4,174)
0	0	0	DESTI-SMART Interreg	0	4,154	(4,154)	0
0	0	0	Fish Brand	0	60,907	(60,906)	0
0	0	0	Upstraw - Interreg	0	18,023	(18,023)	0
0	0	0	Museum and Schools Project	0	32,003	(62,046)	(30,043)
<b>19,958,609</b>	<b>(10,954,047)</b>	<b>9,004,562</b>	<b>Operational Services</b>	<b>9,397,300</b>	<b>21,381,582</b>	<b>(13,457,218)</b>	<b>7,924,364</b>

# SERVICE MEASURES

## Service Measures

2017-18		2018-19
	Numbers of:	
43,206	Museum visitors	45,604
98,619	East Hill Cliff Railway users	103,011
99,253	West Hill Cliff Railway users	98,094
19	Public Conveniences	19
171	Burials	167
81,288	Grave spaces	81,336
1,474	Cremations	1,460
3,114,956	Dustbins Emptied (Bin Equivalents)	3,282,074
9,300	Recycling tonnage	9,500
1,028	Planning Applications	1,003
2	Conservation Area Projects	2
233	Building Regulation Applications	215
1,260	Local Land Charges (full searches only)	975
2,144	Car Parking Spaces (Off-Street)	2,153
3,311	Penalty Charge Notices issued	3,593
1,821	Licences Issued	1,634
409	Food Hygiene Inspections	398
211	Health & Safety Inspections	141
64,451	Local Electorate	64,206
100	Number of Factory Units	100
270	Kilometres of Streets maintained within the Borough	270
1,552,448	Rental Income from Factory Units (£)	1,567,089

# DRAFT ANNUAL GOVERNANCE STATEMENT

## Scope of responsibility

1. Hastings Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Hastings Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility, Hastings Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk. Hastings Borough Council 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" (2016 Edition).
3. A copy of the code is on our website at [www.hastings.gov.uk](http://www.hastings.gov.uk).
4. This statement explains how Hastings Borough Council has complied with the code and also meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

## The purpose of the governance framework

5. The governance framework comprises the systems and processes, culture and values for the direction and control of the authority and its activities through which it accounts to, engages 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.
6. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks to the achievement of policies, aims and objectives and therefore provides a reasonable rather than an absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Hastings Borough Council 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.
7. The governance framework has been in place for a number of years at Hastings Borough Council and, in particular, for the year ended 31 March 2019, up to the date of approval of the Statement of Accounts.

## The governance framework

8. The key elements of the systems and processes that comprise the authority's governance arrangements include arrangements for the following:
  - Hastings Borough Council continues to have an established Corporate Plan setting out a strategic overview and the priorities that guide our investment and activities. The Corporate Plan sets out the Council's work plan for the current financial year with targets and performance indicators which are monitored and reported on publicly every quarter.
  - Hastings Borough Council facilitates policy and decision-making via a Cabinet Structure with Cabinet Councillor portfolios. There is an Overview and Scrutiny Committee which covers all portfolios. An Audit Committee provides independent assurance to the Council on risk management and control, and the effectiveness of the arrangements the Council has for these matters. It undertakes the core functions of an Audit Committee as identified in 'CIPFA's Audit Committees: Practical Guidance for Local Authorities'. The Constitution is reviewed at least annually by the Monitoring Officer and is codified into one document that is available on the external web pages.
  - Hastings Borough Council ensures compliance with established policies, procedures, laws and regulations – including risk management. There is a corporate induction programme and service induction routines are in place for new staff. This now includes an e-learning module. Information regarding policies and procedures are held on the intranet which continues to be enhanced and developed.

## DRAFT ANNUAL GOVERNANCE STATEMENT

- The Council has an Internal Audit function and informal protocols for working with External Audit. External Audit also reviews compliance with policies, procedures, laws and regulations within their remit.
- Hastings Borough Council has continued to enhance and strengthen its internal control environment through the introduction and updating of new policies and procedures.
- The Risk Champion is the Director of Corporate Services and Governance.
- The Corporate Risk Management Group also incorporates the Health & Safety framework.
- The Council has a Whistle Blowing Policy based on the British Standards model that enables staff, contractors, councillors or the public to confidentially raise with the council any suspicions they may have. There is also a dedicated fraud hotline. The Council also has a customer comments and complaints system that is monitored by management.
- Hastings Borough Council's Internal Audit function continues to support managers at all levels to give a better understanding of how to enhance risk management in their area of responsibility and to have some understanding of the process throughout the council. The high-level risk management methodology was designed to provide more focus to councillor and senior officer management of risk. The Strategic Risk Register is formally reviewed at the Corporate Risk Management meetings and the Operational Risk Registers are reviewed at Directorate Management Team (DMT) meetings.
- The Audit Committee perform an annual rigorous review of the Strategic and Operational Risk Registers and also when new emerging risks arise.
- Hastings Borough Council ensures the economical, effective and efficient use of resources, and secures continuous improvement in the way in which its functions are exercised. The External Auditor passed an unmodified audit opinion on value for money providing assurance to the public over its financial resilience and that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources.
- Financial management in Hastings Borough Council and the reporting of financial standing is undertaken through a general ledger and management information system, Unit 4, which integrates the general ledger function with those of budgetary control, payments and income. The HR System (currently Midland Trent) is being migrated to the Enterprise Resource Planning system for efficiency gains.
- Finance Operating Procedures (FOPs) are held on the council's intranet and support the council's constitution. The FOPs contain information on financial and business procedures and processes that must be followed in all areas of the council.
- A scheme of delegation which sets out the powers of Directors, the Financial rules and Contract Standing Orders form part of the Constitution. A rigorous system of monthly risk based financial monitoring ensures that any significant budget variances are identified in a timely way, and corrective action is initiated if necessary.
- Performance management in Hastings Borough Council and the reporting of performance management continues to show good results. The Council has focussed its quarterly reporting of data on Key Indicators that can be used to assess the 'health' of the organisation. This, together with the reporting on each of the service's commitments set out in the Corporate Plan, enables a rounded view of how the Council is performing against key issues of concern to local people. Performance indicators are recorded and monitored using an in-house developed spreadsheet system.
- The Director of Corporate Services and Governance has assumed the role of Senior Information Risk Owner (SIRO) who has overall responsibility for the Council's information risk policy.
- Hastings Borough Council is the sole Trustee for the Foreshore Trust. Its business is conducted through the Charity Committee which meets every quarter. The charity has a Protector to protect the charity from conflicts of interest, financial and otherwise, arising from the Council's position as charitable trustee and local authority with its own priorities. At Annual Council, the Leader of the Council allocates responsibilities of the Cabinet to include Chair of the Charity Committee.

## DRAFT ANNUAL GOVERNANCE STATEMENT

- Service Reviews – The council's transformation programme has continued to undertake intensive business process mapping of a range of services to (where possible) move services online and or to realise efficiencies and improve processes for our customers and staff. Progress against the transformation programme is detailed in quarterly performance reports. These coincide with existing plans for service reviews being planned through the Priorities, Income & Efficiency Reviews (PIER) process and the Strategic Oversight and Project Board (SOAPB).
- Councillor Development – Before councillors can undertake their roles all councillors have to undertake the appropriate training. This includes full induction for all new councillors, a range of compulsory training so that councillors can fulfil their roles on our committees, and leadership training where appropriate provided in conjunction with the LGA. Councillor training and development is monitored and evaluated quarterly by the Councillor Training and Development Group.
- Consultation – The council undertakes a range of consultation throughout the year subject to activities identified in the corporate plan. The council also consults annually on its corporate plan and budget with a variety of stakeholders.
- The Hastings and St. Leonards Local Strategic Partnership (LSP) Board is a body that brings together key representatives from the private/business, community/voluntary and public sector and has a rotating chair person. The LSP Board meet quarterly to address key issues affecting the town as a whole improve the quality of life for those who live and work in the town. They are supported by an Executive Delivery Group (EDG) which also meets quarterly, chaired by the Director of Operational Services.
- The key role of the Local Strategic Partnership (LSP) is to:
  - i Identify and report strategic issues, which key partners should be aware of.
  - ii Provide strategic leadership on any Borough wide issue, identified by partners and agreed by the LSP, where no other appropriate existing organisation or partnership can be identified.
  - iii Act to bring together intelligence, expertise and community and business support to identify priorities and develop solutions to maximise the town's economic opportunities and address barriers to regeneration.
- An Executive Board meets alternate Mondays and consists of the Leader and Deputy Leader of the Council, Director of Corporate Services and Governance and Director of Operational Services. Both councillors and senior management are kept apprised of progress and new developments and are able to determine direction in light of these.

### **Changes to the Council's Structure and Governance arrangements**

9. It was reported in the last Annual Governance Statement that Hastings Borough Council had established the Hastings Housing Company, a wholly owned housing company limited by shares. Its governance arrangements and business plan had been carefully considered by Cabinet at its meeting held on 11 September 2017. Its purpose was to initially acquire and provide housing for rent in the Borough with the potential to undertake development in the future. The Hastings Housing Company has expanded and now has assets valued at approximately £1.2m.

### **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)'**

10. The Assistant Director Financial Services and Revenues, is the Council's Chief Finance Officer and 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 (2019)'**

## DRAFT ANNUAL GOVERNANCE STATEMENT

11. The role of the Chief Auditor at Hastings Borough Council complies with the CIPFA statement.

### Review of effectiveness

12. Hastings Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control and effectiveness of Internal Audit. The review of effectiveness is informed by the work of the Directors within the authority who have responsibility for the development and maintenance of the governance environment, the Audit Committee's annual report to Council and also by comments made by the external auditors and other review agencies and inspectorates.
13. The Council contributes to the delivery of the town's Sustainable Community Strategy through its membership of the Local Strategic Partnership and via targets included in the Corporate Plan. The Council monitors and reports publicly on progress so residents can see how issues that matter to them are being tackled. The plan is monitored on a quarterly basis by the Overview and Scrutiny Committee.
14. The Council's constitution sets out the responsibilities of both Councillors and their senior managers. In particular, the Council has identified the three statutory posts as follows:
- Head of Paid Service - Director of Corporate Services & Governance
- Monitoring Officer - Chief Legal Officer
- Section 151 officer - Assistant Director Financial Services and Revenues (Chief Finance Officer)
15. The Council continues to assess how its overall corporate governance responsibilities are discharged. In particular the Council has adopted the CIPFA/SOLACE guidance and has developed a local code of corporate governance.
16. The arrangements for the provision of internal audit are contained within the Council's Financial Rules, which are included within the Constitution. The Chief Finance Officer is responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting and other systems of internal control as required by the Accounts and Audit Regulations 2015. The Internal Audit service is managed, independently, by the Assistant Director and operates in accordance with the Public Sector Internal Audit Standards. The Hastings audit plan is prioritised by a combination of the key internal controls, assessment and review on the basis of risk and the Council's corporate governance arrangements, including risk management. The work is further supplemented by reviews around the main financial systems, scheduled visits to council establishments and fraud investigations. The resulting work plan is discussed and agreed with the Directors and the Audit Committee and shared with the Council's external auditor. Regular meetings between the internal and external auditor ensure that duplication of effort is avoided. All Hastings Internal Audit reports include an assessment of the adequacy of internal control and prioritised action plans to address any areas needing improvement.
17. The Council's review of the effectiveness of the system of internal control is informed by:
- Directorate assurance based on management and performance information
  - Scrutiny reports covering a planned scrutiny review programme but also any item can be subject to a scrutiny review
  - Work undertaken by Hastings BC Internal Audit during the year and summarised in the Annual Internal Audit Report
  - Work undertaken by the external auditor reported in their Annual Audit Letter and particularly their audit opinion on the Financial Statements and on Value for Money
  - Other work undertaken by independent inspection bodies.
  - Corporate Management Group and Audit Committee review of the Strategic and Operational Risk Registers
18. From the work undertaken by Hastings Audit in 2018/19 the Chief Auditor was able to give the following assurance "I am able to provide a reasonable assurance on the key areas of risk management, corporate

## DRAFT ANNUAL GOVERNANCE STATEMENT

governance and financial control". In this context "reasonable assurance" means that the systems can be relied upon to prevent error, fraud or misappropriation occurring without detection, and that nothing was found that would materially affect the Council's standing or Annual Accounts.

### Significant governance issues

19. The Council follows the CIPFA/SOLACE guidance entitled 'Delivering Good Governance in Local Government (Guidance Note for English Authorities)'. There are no new issues to report, however, provided below is an update to the ongoing risks on which progress was reported last year.
20. In the last Annual Governance Statement, it was reported that there was still a significant risk relating to the reduction in Government grant funding. A balanced budget for 2019/20 was achieved whilst retaining an appropriate level of reserves but indications are that funding will continue to be under extreme pressure as the Government seeks to reduce public spending into the future.
21. This year has again, been a period of change and development. There have been continuing financial pressures. Despite this challenging environment there have been significant achievements and continuing improvement in the Council's overall governance arrangements.
22. Also, for the last 2 years, it was reported that there was a potential risk to do with the implications arising from 'Brexit'. This still potentially has significant implications in the years ahead for the level of external funding that Hastings and the Council receives and the joint working that is undertaken with partner organisations both in this country and Europe. It may also have implications on the Council's central government funding, business rate income, procurement arrangements and Treasury management strategy. A comprehensive risk assessment of a 'No Deal Brexit' was reported to the Audit Committee at its meeting on 15 November 2018. Councillors will be informed of the implications as and when sufficient detail becomes available.
23. Most of these risks to services in the future stem from the large scale reductions in funding. One strand of the council's strategy to mitigate the losses of funding is to generate additional income. The Council is reviewing its Income Generation Strategy and will be reporting to Cabinet in July 2019. Its activities continue to be monitored by the Income Generation Board consisting of Councillors and Senior Officers.
24. Where we have identified areas for further improvement we will take the necessary action to implement changes that will further develop our governance framework.

Signed:.....

Leader of the Council

Signed:.....

Director of Corporate Services & Governance

# STATEMENT OF RESPONSIBILITIES

## THE COUNCIL'S RESPONSIBILITIES

The Council is required :-

- (i) To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Hastings that officer is the Assistant Director Financial Services and Revenues (referred to as Chief Financial Officer hereafter).
- (ii) To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- (iii) To approve the Statement of Accounts.

## RESPONSIBILITIES OF THE CHIEF FINANCIAL OFFICER

The chief financial officer is responsible for the preparation of the Council's statement of accounts in accordance with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in United Kingdom (the CODE).

In preparing this statement of accounts, the Chief Financial Officer has :

- (i) Selected suitable accounting policies and then applied them consistently;
- (ii) Made judgements and estimates that were reasonable and prudent;
- (iii) Complied with the local authority code

The Chief Financial Officer has also:

- (i) Kept proper accounting records which were up to date;
- (ii) Taken reasonable steps for the prevention and detection of fraud and other irregularities

I certify that I have fulfilled my responsibilities noted above and that the accounts set out on pages 39 to 104 give a true and fair view of the financial position of the Council as at 31 March 2019 and its income and expenditure for the year ended 31st March 2019.

Signed on behalf of Hastings Borough Council:

P Grace CPFA,

Chief Finance Officer

Cllr John Rankin

Chair of the Audit Committee

# INDEPENDENT AUDITOR'S REPORT

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HASTINGS BOROUGH COUNCIL

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Hastings Borough Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement, the Group Balance Sheet, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, and the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2019 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Financial Report and Statement of Accounts, the Narrative Report, and the Annual Governance Statement, other than the Authority and group financial statements and, our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude

# INDEPENDENT AUDITOR'S REPORT

that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Other information we are required to report on by exception under the Code of Audit Practice**

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

## **Opinion on other matter required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Financial Report and Statement of Accounts, 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 are required to report by exception**

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- 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 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.
- We have nothing to report in respect of the above matters.

## **Responsibilities of the Authority, the Chief Financial Officer and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer. The Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

# INDEPENDENT AUDITOR'S REPORT

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing 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 issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

### **Responsibilities of the Authority**

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

### **Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority 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 Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

# INDEPENDENT AUDITOR'S REPORT

## **Report on other legal and regulatory requirements - Certificate**

We certify that we have completed the audit of the financial statements of the Hastings Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

### **Use of our report**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Darren Wells  
for and on behalf of Grant Thornton UK LLP, Local Auditor  
2nd Floor  
St Johns House  
Crawley  
RH10 1HS

Date

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2017-18			2018-19			
Gross	Income	Net		Gross	Income	Net
£'000	£'000	£'000		£'000	£'000	£'000
50,608	(45,890)	4,718	Corporate Services and Governance	46,889	(41,539)	5,350
25,968	(12,897)	13,071	Operational Services:	25,483	(14,711)	10,772
<u>76,576</u>	<u>(58,787)</u>	<u>17,789</u>	Cost of Services	<u>72,372</u>	<u>(56,250)</u>	<u>16,122</u>
0	(659)	(659)	(Gain) or loss on sale of assets	0	(519)	(519)
<u>0</u>	<u>(659)</u>	<u>(659)</u>	Other operating expenditure	<u>0</u>	<u>(519)</u>	<u>(519)</u>
1,090	0	1,090	Interest payable and similar charges	1,323	0	1,323
1,037	0	1,037	Net interest on defined pension liabilities	1,070	0	1,070
0	(305)	(305)	Interest receivable and similar income	0	(396)	(396)
0	0	0	Movement in the fair value of financial instruments	0	(30)	(30)
64	(190)	(126)	Income and expenditure in relation to investment properties and changes in their fair value	129	(66)	63
<u>2,191</u>	<u>(495)</u>	<u>1,696</u>		<u>2,522</u>	<u>(492)</u>	<u>2,030</u>
0	(6,427)	(6,427)	Council Tax Income	0	(6,646)	(6,646)
5,463	(8,241)	(2,778)	Non domestic rates	5,555	(8,422)	(2,867)
0	(2,038)	(2,038)	Revenue Support Grant	0	(1,542)	(1,542)
0	(2,673)	(2,673)	Other non-ringfenced government grants	0	(2,574)	(2,574)
0	(2,696)	(2,696)	Capital grants and contributions	0	(924)	(924)
<u>5,463</u>	<u>(22,075)</u>	<u>(16,612)</u>		<u>5,555</u>	<u>(20,108)</u>	<u>(14,553)</u>
<u>84,230</u>	<u>(82,016)</u>	<u>2,214</u>	(Surplus) or Deficit on Provision of Services	<u>80,449</u>	<u>(77,369)</u>	<u>3,080</u>
		1,890	(Surplus) or Deficit on revaluation of non-current assets			2,805
		655	Impairment losses on non-current assets charged to the revaluation reserve			0
		64	Valuation (gains) / losses on available for sale financial assets reserve			0
		(2,702)	Remeasurement of the net defined benefit pension liability			2,903
	<u>(93)</u>		Other Comprehensive Income and Expenditure			<u>5,708</u>
		<u>2,121</u>	Total Comprehensive Income and Expenditure			<u>8,788</u>

## MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Ear-marked Reserves	Capital Receipts reserve	Capital grants unapplied	Total usable reserves	Unusable Reserves	Total Authority Reserves
<b>2018-19</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2018	(500)	(18,042)	(489)	(2,716)	(21,747)	(60,538)	(82,285)
Movement in Reserves in 2018-19							
(Surplus)/deficit on the provision of services (accounting basis)	3,080	0	0	0	3,080	0	3,080
Other Comprehensive Income and Expenditure	0	0	0	0	0	5,708	5,708
<b>Total Comprehensive Income and Expenditure</b>	<b>3,080</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,080</b>	<b>5,708</b>	<b>8,788</b>
Adjustments between accounting and funding basis under regulation - note 7	(3,514)	0	489	869	(2,156)	2,156	0
<b>Net increase/decrease before transfers to Earmarked reserves</b>	<b>(434)</b>	<b>0</b>	<b>489</b>	<b>869</b>	<b>924</b>	<b>7,864</b>	<b>8,788</b>
Transfers to/from Earmarked reserves - note 7	433	(433)	0	0	0	0	0
Rounding	1	0	0	0	0	0	0
<b>(Increase)/Decrease in Year</b>	<b>0</b>	<b>(433)</b>	<b>489</b>	<b>869</b>	<b>924</b>	<b>7,864</b>	<b>8,788</b>
<b>Balance at 31 March 2019</b>	<b>(500)</b>	<b>(18,476)</b>	<b>0</b>	<b>(1,847)</b>	<b>(20,823)</b>	<b>(52,674)</b>	<b>(73,497)</b>

## 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>2017-18</b>							
Balance at 1 April 2017	(500)	(19,707)	(138)	(498)	(20,843)	(63,563)	(84,406)
Movement in Reserves in 2017-18							
(Surplus)/deficit on the provision of services (accounting basis)	2,214	0	0	0	2,214	0	2,214
Other Comprehensive Income and Expenditure	0	0	0	0	0	(93)	(93)
Total Comprehensive Income and Expenditure	2,214	0	0	0	2,214	(93)	2,121
Adjustments between accounting and funding basis under regulation - note 7	(549)	0	(351)	(2,218)	(3,118)	3,118	0
Net increase/decrease before transfers to Earmarked reserves	1,665	0	(351)	(2,218)	(904)	3,025	2,121
Transfers to/from Earmarked reserves - note 7	(1,665)	1,665	0	0	0	0	0
(Increase)/Decrease in Year	0	1,665	(351)	(2,218)	(904)	3,025	2,121
<b>Balance at 31 March 2018</b>	<b>(500)</b>	<b>(18,042)</b>	<b>(489)</b>	<b>(2,716)</b>	<b>(21,747)</b>	<b>(60,538)</b>	<b>(82,285)</b>

# BALANCE SHEET

31 March 2018		31 March 2019
£'000		£'000
120,353	Property, Plant and Equipment <i>Note 15</i>	136,427
15,048	Heritage Assets <i>Note 15</i>	15,555
1,164	Investment Properties <i>Note 15</i>	1,042
435	Intangible Assets <i>Note 15</i>	596
1,936	Long Term Investments <i>Note 18</i>	1,966
2,954	Long Term Debtors <i>Note 16</i>	3,188
<b>141,890</b>	<b>LONG TERM ASSETS</b>	<b>158,774</b>
10,041	Short Term Investments <i>Note 18</i>	8,042
34	Assets Held for Sale	0
53	Inventories	40
7,100	Short Term Debtors <i>Note 16</i>	8,733
20,022	Cash and Cash Equivalents <i>Cash Flow</i>	17,870
<b>37,250</b>	<b>CURRENT ASSETS</b>	<b>34,685</b>
(2,563)	Short Term Borrowing <i>Note 18</i>	(924)
(12,606)	Short Term Creditors <i>Note 17</i>	(9,545)
(1,997)	Provisions <i>Note 17</i>	(2,204)
(100)	Capital grants received in advance	(100)
<b>(17,266)</b>	<b>CURRENT LIABILITIES</b>	<b>(12,773)</b>
(430)	Long Term Creditors <i>Note 17</i>	(664)
(38,759)	Long Term Borrowing <i>Note 18</i>	(60,511)
(40,400)	Net Pension Liability <i>Note 11</i>	(46,014)
<b>(79,589)</b>	<b>LONG TERM LIABILITIES</b>	<b>(107,189)</b>
<b>82,285</b>	<b>NET ASSETS</b>	<b>73,497</b>
(500)	General Fund <i>MIRS</i>	(500)
(18,042)	Earmarked reserves <i>Note 12</i>	(18,476)
(489)	Capital Receipts Reserve <i>MIRS</i>	0
(2,716)	Capital grants and contributions <i>MIRS</i>	(1,847)
<b>(21,747)</b>	<b>USABLE RESERVES</b>	<b>(20,823)</b>
(55,296)	Revaluation Reserve <i>Note 13</i>	(51,752)
64	Available for Sale Reserve <i>Note 13</i>	0
0	Pooled Investment Funds Adjustment Account <i>Note 13</i>	34
(45,081)	Capital Adjustment Account <i>Note 13</i>	(46,934)
(521)	Deferred capital receipts <i>Note 13</i>	0
40,400	Pensions Reserve <i>Note 13</i>	46,014
(104)	Collection Fund Adjustment Account <i>Note 13</i>	(36)
<b>(60,538)</b>	<b>UNUSABLE RESERVES</b> <i>Note 13</i>	<b>(52,674)</b>
<b>(82,285)</b>	<b>TOTAL RESERVES</b>	<b>(73,497)</b>

# CASH FLOW STATEMENT

<b>2017-18</b>		<b>2018-19</b>
£'000		£'000
(14,627)	Taxation	(15,261)
(54,630)	Grants and Contributions	(39,121)
(14,186)	Sales of goods and rendering of services	(16,625)
(349)	Interest received	(338)
(654)	other receipts from operating activities	(205)
<b>(84,446)</b>	<b>Cash inflows generated from operating activities</b>	<b>(71,550)</b>
9,904	Cash paid to and on behalf of employees	10,819
40,803	Housing benefit payments	34,156
5,413	NNDR Tariff and levy payments	5,559
15,949	Cash paid to suppliers of goods and services	15,329
936	Interest paid	1,255
6,469	Other operating cash payments	8,491
<b>79,474</b>	<b>Cash outflows generated from operating activities</b>	<b>75,609</b>
<b>(4,972)</b>	<b>Net cashflows from operating activities</b>	<b>4,059</b>
(447)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,316)
10,234	Purchase of property, plant and equipment, investment property and intangible assets	22,488
25,000	Purchase of short-term and long-term investments	8,000
(36,000)	Proceeds from the sale of short-term and long-term investments	(10,021)
(2,797)	Other receipts from investing activities	(924)
<b>(4,010)</b>	<b>Net cashflows from investing activities</b>	<b>18,227</b>
(22,665)	Cash receipts from short term and long term borrowing.	(22,310)
16,122	Repayments of short term and long term borrowing	2,271
734	Changes in National Non-Domestic Rates balances held for preceptors	(534)
(299)	Changes in Council tax balances held for preceptors	439
<b>(6,108)</b>	<b>Net cashflows from financing activities</b>	<b>(20,134)</b>
<b>(15,090)</b>	<b>Net (Increase) / decrease in cash and cash equivalents</b>	<b>2,152</b>
4,932	Cash and bank balances 1 April	20,022
15,090	Change during the year	(2,152)
<b>20,022</b>	<b>Cash and bank balances 31 March</b>	<b>17,870</b>
31 March 2018		<b>31 March 2019</b>
199	Cash in hand	170
5,114	Bank balances	2,671
14,709	Cash equivalents	15,029
<b>20,022</b>	<b>Totals</b>	<b>17,870</b>

# NOTES TO CORE FINANCIAL STATEMENTS

## 1 CHANGES TO ACCOUNTING POLICIES AND TO PREVIOUS YEARS FIGURES

### Changes to the 2018-19 Code of Practice

There are some changes which have been incorporated into the 2018-19 Code of Practice, but none of them have had any material impact or to require any restatements of the 2017-18 figures.

**IFRS 9 Financial Instruments** The Council has adopted IFRS 9 Financial Instruments with effect from 1st April 2018. The main changes include the reclassification of financial assets and the earlier recognition of the impairment of financial assets.

The Council does not consider the reclassification changes to have had a material impact upon the financial statements because the majority of its financial assets retain the same measurement basis.

The Council does not consider the impairment changes to have had a material impact upon the financial statements because the impairment charges are immaterial for its treasury management assets (e.g. bank deposits and bonds).

**IFRS 15 -Revenue from Contracts with Customers** The Council has adopted IFRS 15 with effect from 1st April 2018. The standard requires the recognition of revenue from contracts, based on control-based revenue recognition model. The council does not have any material revenue streams within the scope of the new standard.

**IAS 12 -Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses** The Council has adopted IAS 12 with effect from 1st April 2018. The standard applies to deferred tax assets related to debt instruments measured at fair value.

**IAS 7-Statement of Cash Flows: Disclosure Initiative** The Council has adopted IAS 7 with effect from 1st April 2018. The council has not been required to produce any further disclosures.

### Changes to 2019-20 Code of Practice

Standards that have been issued but not yet adopted include:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

# NOTES TO CORE FINANCIAL STATEMENTS

## 2 ACCOUNTING POLICIES

### 2.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2018-19 financial year and its position at the end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which specify that the Statement is prepared in accordance with proper accounting practices. These primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19, supported by International Financial Reporting Standards. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets and certain financial liabilities.

### 2.2 Accruals of Expenditure and Income

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, and where the amounts are significant, 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 the payments are made.
- Interest payable on borrowings and receivable on investments is accounted for 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 income 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.
- Accruals for income are offset by allowances for the impairment of debt where it is determined that recovery is unlikely, although the Council continues to attempt to recover sums legally due. This policy applies to contractual debt as well as to statutory debt for Council Tax, Non-Domestic Rates and overpayments of Housing Benefit.

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, 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 split between payments due to be made in the following financial year, which are held as Short Term Creditors, and any other amounts, due in succeeding financial years, which are shown as Long Term Creditors. In the event of a deficit, the amounts are split between Short Term and Long Term Debtors.

### 2.3 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 three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and which form an integral part of the Council's cash management.

### 2.4 Charges to Revenue for Non-Current Assets and other capital expenditure

- The Surplus or Deficit on the Provision of Services is debited or credited 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;

# NOTES TO CORE FINANCIAL STATEMENTS

- Any subsequent reversal of such losses;
- The annual amortisation of intangible fixed assets attributable to the service.
- Any revenue costs which are met from capital resources as Revenue Expenditure Financed from Capital under Statute (REFCUS – see 2.20 below)

The Council is not required to raise Council Tax to fund these charges, and they are therefore reversed through appropriations from the Capital Adjustment Account to the General Fund. However, the Council is required to make an annual contribution from revenue resources to the Capital Adjustment Account to reduce its overall borrowing requirement. This is termed the Minimum Revenue Provision (MRP).

## 2.5 Contingent Assets and Liabilities

A contingent asset is a possible asset that arises from a past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council. Typically a contingent asset is related to a legal action by the Council, whose outcome is uncertain when the balance sheet is compiled.

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

## 2.6 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. Prior to 2017-18 an accrual was 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 was made at the wage and salary rates applicable in the accounting year multiplied by an average for pension and National Insurance. This accrual relating to leave entitlements was charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that the cost of these accrued benefits were charged to the General Fund in the financial year in which the salary payment is made.

The Code of Practice stipulates that a council need not comply with it if the information is not material to the “true and fair” view of its financial position, financial performance and cash flows, and to the understanding of users of the financial statements and notes. This provision applies to both the disclosures and to accounting principles. In line with this dispensation the Council omits a number of disclosures specified by the Code. From 2017-18 it has discontinued adherence to the requirement to accrue for outstanding annual leave etc, on the grounds that this figure had been immaterial, with little annual variation, since it was first recorded in 2010-11.

### 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. These are charged on an accruals basis to the relevant service in the Comprehensive Income and Expenditure Statement at the earlier of the dates on which the council can no longer withdraw the offer of benefits, or when it recognises the costs of a restructuring that involves the payment of termination benefits.

### Post-Employment Benefits

The majority of employees of the Council are members of the Local Government Pension Scheme, administered by East Sussex County Council for local authorities within East Sussex. This scheme provides defined benefits to

# NOTES TO CORE FINANCIAL STATEMENTS

members (retirement lump sums and pensions), earned as employees work for the Council. We therefore account for this scheme as a defined benefit plan.

The liabilities of the East Sussex County Council pension scheme attributable to this 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 of 2.5% (based on the indicative rate of return on the iBoxx Sterling Corporate Index, AA over 20 years).

The assets of the East Sussex County Council Pension Fund attributable to this Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

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

- Service cost, comprising:
  - current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the service 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. Past service costs include the cost of curtailments, which are normally linked to an event giving rise to a post employment benefit. Past service costs are debited to the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement
  - net interest on the defined liability – the change to the net pension liability that arises from the passage of time during the year. This is charged to the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.
- contributions by scheme participants, which increase plan liabilities, but correspondingly increase plan assets, and are therefore not reflected in the Comprehensive Income and Expenditure Statement
- remeasurements – changes in the present value of the net pensions liability, resulting from:
  - the return on plan assets, excluding the amounts included in net interest.
  - experience adjustments (the differences between the previous actuarial assumptions and what has actually occurred).
  - the effects of changes in actuarial assumptions
- benefits paid, which reduce plan assets, but correspondingly reduce its liabilities, and are therefore not reflected in the Comprehensive Income and Expenditure Statement
- contributions paid to the East Sussex County Council Pension Fund – the employer's contributions to the pension fund for the financial year, chargeable to the General Fund, but not accounted for as an expense.

Statutory provisions require the Council to charge the General Fund balance with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. This means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of contributions paid rather than as benefits are earned by the employee.

## 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

# NOTES TO CORE FINANCIAL STATEMENTS

year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## 2.7 Events after the Balance Sheet date

Events after the Balance Sheet Date are those events, both favourable and unfavourable, that occur between the end of the financial year and the date when the Statement of Accounts is authorised for issue. There are potentially two types of events:

- If they provide evidence of conditions that existed at the end of the reporting period, the Statement of Accounts is amended to reflect these events;
- If they are indicative of conditions that arose after the reporting period, the Statement of Accounts is not amended. If, however, an event would have a material effect, a disclosure is made in the notes to the accounts, outlining the event and its estimated financial effect.

Any event taking place after the accounts are authorised for issue is not reflected in the Statement of Accounts.

## 2.8 Exceptional Items

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

## 2.9 Fair Value

The Council measures some of its non-financial assets (surplus assets and investment properties, and its financial asset classified as fair value through profit and loss) 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

## 2.10 Financial instruments

### Financial Liabilities

The term "financial liability" covers contractual obligations to deliver or exchange financial assets to another entity. The Council's financial liabilities include loans taken out with the Public Works Loan Board, and also some amounts included within short term and long term creditors, which come within the category of "Other Financial Liabilities".

# NOTES TO CORE FINANCIAL STATEMENTS

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. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

## Financial Assets

The term “financial asset” covers cash and beneficial contractual rights to receive or exchange cash or liabilities. The Council invests in two types of financial assets:

- Financial assets held at amortised cost - assets that are held solely for the repayment of principal and interest where the Council's objectives are achieved by collecting contractual cash flows.
- Financial instruments held at fair value through profit and loss – assets whose fair value may change over the lifetime of the asset.

The Council's balance sheet includes the following groups of financial assets:

- Trade debtors are recorded as invoices issued to individuals or other entities, for which immediate payment is required. The balance awaiting collection (“Trade accounts receivable”) is included in the balance sheet under “short term debtors”.
- Cash held in current or call accounts, together with investments for periods of less than three months, is included in the balance sheet under “cash and cash equivalents”.
- Long term loans to Optivo for £1,793,000 and Hastings Housing company Ltd for £1,308,000 are included in the balance sheet under long term debtors.
- Loans to the Foreshore Trust and The Source totalling £234,000 (partly long term and partly short term). These loans are either at, or at the equivalent to the PWLB rate of interest, which is equal to the same rate as the Council borrows money, but less than the market rate that the Foreshore Trust would otherwise need to borrow at. Although this constitutes a “soft loan”, the accounting adjustments would be immaterial, and the Council does not apply them as permitted by the accounting Code.
- Investments taken out for periods of between three months and one year are included in the balance sheet as “short term investments”.

Investments taken out for periods of longer than one year are included in the balance sheet as “long term investments”.

### **Financial Assets held at Amortised Cost**

Assets held at amortised cost 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 Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For 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 Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The Council recognises expected credit losses on all of its financial assets held at amortised cost either on a 12 month or lifetime basis. Only lifetime losses are recognised for trade debtors held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly, or remains low, losses are assessed on the basis of 12 month expected losses.

# NOTES TO CORE FINANCIAL STATEMENTS

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

## **Financial Assets Measured at Fair Value through Profit and Loss**

Financial assets measured at fair value through profit and loss (FVPL) 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. The fair value measurements of the financial assets are based on the following techniques:

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

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

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

Assets are maintained in the Balance Sheet at fair value. The Council currently holds an investment in a property fund valued at £1.966m at 31 March 2019 and the fair values are based on the quoted market price. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services

Pooled investment funds such as this are subject to Statutory Instrument 1207/2018 which dictates that changes in the fair value of the investment are reversed out of the General Fund and accumulated in an unusable reserve – the Pooled Investment Fund Adjustment Account – until the investment is recognised.

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 Pooled Investment Fund Adjustment Account.

## **2.11 Government Grants and Other Contributions**

Whether paid on account, by instalments or in arrears, we recognise government grants and third party contributions and donations as due to the Council when there is reasonable assurance that the Council will comply with the conditions attached to the payments, and that the grants and contributions will be received.

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as receipts received in advance (either current or long-term). When conditions are satisfied the grant or contribution is credited to the Comprehensive Income and Expenditure Statement.

Grants and contributions towards specific services for revenue purposes are credited against the appropriate line in the Cost of Services, but if grants and contributions are not related to specific services they are credited as Taxation and Non-Specific Grant Expenditure and Income, along with all grants and contributions receivable towards investment in non-current assets. As these capital grants and contributions are not properly credited to the General Fund, an equivalent appropriation is made from the General Fund into the Capital Grants Unapplied Reserve, which is set aside for the financing of capital investment. When it has been applied for financing it is transferred to the Capital Adjustment Account.

## **2.12 Heritage Assets**

The Council's Heritage Assets are as follows:

# NOTES TO CORE FINANCIAL STATEMENTS

- A collection of heritage assets at its museums
- The mayor's Civic Regalia
- Hastings Castle
- Hastings Caves

The above assets are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the Council's history and local area. However, because of the historic nature of the assets and lack of comparable market values the Council does not consider that reliable cost or valuation information can be obtained for the castle and caves. Consequently the Council does not recognise the value of these Heritage Assets on the Balance Sheet, other than the capitalisation of annual expenditure to enhance the assets.

Where possible, Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment.

## Valuation

The Museum collections and civic regalia are reported in the Balance Sheet at market value as approximated by insurance valuation which is based on market values. There is a periodic programme of valuations and the items in the collection are valued by an external valuer. The assets in the categories above are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

The insurance values are reviewed on an annual basis to ensure there have been no material changes.

Valuation gains and losses are accounted for in accordance with the general policies on revaluation of property, plant and equipment- see note 2.17.

## Impairments

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the policies on impairment of property plant and equipment- see note 2.17.

### **2.13 Income from Council Tax and Non-Domestic Rates**

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

### **2.14 Investment Properties**

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 Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance.

However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund

# NOTES TO CORE FINANCIAL STATEMENTS

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.

## 2.15 Leases

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment or a number of payments, the right to use an asset (property, plant and equipment, investment properties, non-current assets available for sale or intangible assets) for an agreed period of time. A finance lease is a lease that transfers substantially all of the risks and rewards incidental to ownership to the lessee. Any lease that does not come within the definition of a finance lease is accounted for as an operating lease.

The Council has a number of leasing agreements, acting both as lessee (paying for the use of assets) and as lessor (receiving money for the use of assets).

The Council reviews all of its leases to determine how they stand against various criteria which distinguish between finance and operating leases. In undertaking this review, however, the Council operates a de minimis level, for assets or class of directly related assets valued at less than £50,000 are treated within the accounts as an operating lease.

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.

Although the Council acts as a lessee, as outlined above, the amounts involved are immaterial.

The Council does not act as a lessor for any finance leases. Income from operating leases is recognised on a straight-line basis over the lease term, unless they can be otherwise apportioned in line with the benefits provided.

## 2.16 Prior period adjustments

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes to accounting policies are only made when required by proper accounting practices or if 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. When 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 applied.

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

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.

## 2.17 Property, Plant and Equipment

### Definition and Categories

Property, plant and equipment consists of assets that have physical substance and are held for use in the provision of services, for rental to others, or for administrative purposes, and that are expected to be used during more than one financial year. They exclude assets which are held purely for investment purposes (Investment properties), assets which the Council is actively seeking to sell (Assets available for sale), and assets coming within the definition of Heritage Assets (2.12 above). Property, plant and equipment is made up of the following categories:

- Land and buildings – properties owned by the Council, other than those in another category shown below, or Investment Properties.

## NOTES TO CORE FINANCIAL STATEMENTS

- Vehicles, plant and equipment – individual items or groupings of items which are purchased from capital resources.
- Infrastructure, which for this Council consists of sea defences, and some footways, lighting and bus stops.
- Community assets – properties such as parks, which are used for the community as a whole, with no determinable market value in their present use, and which are not likely to be sold.
- Surplus assets – individual properties which the Council has determined to be surplus to operational requirements, but which are not actively being marketed.
- Assets under construction – capital expenditure on an asset before it is brought into use.

### 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 secures but does not add to an asset's potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged to the Comprehensive Income and Expenditure Account as an expense when it is incurred. Assets valued at less than £50,000 are not included on the balance sheet, provided that the total excluded has no material impact.

### Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- Land and buildings – current value, usually based on the market value for the existing use (EUV). Some specialised properties, where the valuer cannot identify a market for the asset, are instead valued on the basis of depreciated replacement cost (DRC).
- Vehicles, plant and equipment – current value, for which depreciated historic cost is normally used as a proxy.
- Infrastructure – depreciated historic cost
- Community Assets – historic cost or insurance value when first recognised as fixed assets
- Surplus assets - fair value, based on market value for the best and highest use in its existing condition, taking account, for example, of any planning consents at the balance sheet date
- Assets under construction – historic cost

### Revaluation

We revalue assets included in the Balance Sheet at current value when there may have been material changes in the value, but as a minimum every five years. Asset values are also reviewed each year to ensure that the balance sheet values are not materially misstated as a result of changes in asset values during the 5-year rolling programme. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains are credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account. Reductions in value are charged to the Revaluation Reserve, up to the amount held for that asset in the Revaluation Reserve, or otherwise to the Comprehensive Income and Expenditure Statement.

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

The revaluation exercise also involves a review and update to expected asset lives.

### Impairment

The values of each category of assets and of material individual assets are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for as follows:

## NOTES TO CORE FINANCIAL STATEMENTS

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

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

### Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continued use, it is reclassified as an Asset Held for Sale. The asset is revalued in its existing use immediately before its reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains to fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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 Comprehensive Income and Expenditure Statement. An equivalent transfer is made to the General Fund to the Capital Adjustment Account to eliminate the impact on the General Fund, and any revaluation gains accumulated for the asset in the Revaluation Reserve are also transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. These are credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement, but an equivalent appropriation is made from the General Fund to the Capital Receipts Reserve. There is a legal requirement that sale proceeds held in this reserve can only be used to reduce debt or to finance capital expenditure.

In some cases the receipt of income from asset disposals is delayed until a future financial year. In such cases a credit is made to the unusable Deferred Capital Receipts Reserve, matched by a long-term or short term debtor. When the income is received, the debtor is written down and a transfer is made from the Deferred Capital Receipts Reserve to the Capital Receipts Reserve.

### Depreciation

Depreciation is provided for on all assets with a determinable finite life by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use. Depreciation is calculated on the following bases:

- Land – not subject to depreciation
- Buildings – straight-line allocation over the life of the property as estimated by the valuer, taking account of newly assessed lives where properties were revalued as at 1 April.
- Vehicles, plant and equipment – is depreciated on a straight-line basis over the expected life of the asset
- Infrastructure – is depreciated on a straight-line basis over the expected life of the asset
- Community assets – not subject to depreciation
- Surplus assets - straight-line allocation over the life of the property as estimated by the valuer
- Assets under construction – not subject to depreciation

Where new assets are acquired or brought into use, depreciation is charged from the start of the following year. Depreciation is charged for the full final year when assets are sold.

# NOTES TO CORE FINANCIAL STATEMENTS

Depreciation is charged to the Cost of Services in the Comprehensive Income and Expenditure Statement, but this is not a proper charge against the General Fund. A transfer is therefore made from the Capital Adjustment Account to the General Fund to reverse the impact.

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.

## 2.18 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 Comprehensive Income and Expenditure Statement 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, either wholly or partially, and credited back to the relevant services.

Provisions may sometimes relate to income, where the Council has collected income in a previous financial year and has a quantifiable liability to repay some or all of it. In the particular case of the provision for losses arising from rating appeals, the whole of the provision is included in the Collection Fund Income and Expenditure Statement, but only the Council's 40% share of the liability is included in the Balance Sheet.

Apart from this particular case, 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), it is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

## 2.19 Reserves

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

Usable reserves comprise the following:

- Capital Receipts Reserve: proceeds from the sales of non-current assets are initially credited to the Income and Expenditure Account, 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 Income and Expenditure Account 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:

- 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,

## NOTES TO CORE FINANCIAL STATEMENTS

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.

- Revaluation Reserve: this consists of accumulated gains on individual items of Property, Plant and Equipment and Heritage Assets. 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: This 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.
- 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 the employer's contributions to the pension fund (including payments relating to unfunded benefits). 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.
- Accumulated Absences Reserve: this contained the difference between the statutory and accounting liability for the cost of accumulated absences: the cost was properly chargeable to the Comprehensive Income and Expenditure Statement, but not to the General Fund. As noted in 2.6 above, this adjustment was immaterial, and has been discontinued from 2017-18.
- Financial Instruments Adjustment Account: this represented the difference between the accounting and legislative charges for finance costs. For this Council this reflected discounts received in previous years when restructuring PWLB loans: the final adjustments were made as scheduled during 2017-18, so that the balance sheet value is zero.
- 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.
- Available for Sale Financial Instruments Reserve: For 2017/18 and previous years, 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.The reserve was abolished as a result of the introduction of IFRS 9 – Financial Instruments and the opening balance was transferred to the Pooled Investment Fund Adjustment Account.
- Pooled Investment Fund Adjustment Account: this contains the gains made by the Council arising from increases in the value of its pooled 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.

# NOTES TO CORE FINANCIAL STATEMENTS

## **2.20 Revenue Expenditure Financed from Capital Under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset, is charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged, so there is no impact on the level of Council Tax.

Similarly income received and accounted for as grants and contributions towards this category of capital expenditure is credited as income to the relevant service account, but a transfer from the Capital Adjustment Account reverses the credit and the impact on Council Tax.

## **2.21 Value Added Tax (VAT)**

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

## **2.22 Group Accounts – Recognition of Group Entities and Basis of Consolidation**

Group Accounts will be prepared in accordance with IFRS 10 (consolidated financial statements) and IFRS 12 (disclosure of interest in other entities), where it is considered that the Council has a material interest in subsidiaries. Group Accounts will be prepared on the basis of a full consolidation of the financial transactions and balances of the Council and a relevant subsidiary. Any gains and losses arising from a subsidiary will be fully reflected in the Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement and Cash Flow Statement within the Group column. Group accounts will be prepared using consistent accounting policies. Where intra-group transactions occur they will be removed in the consolidation.

## **2.23 Intangible Assets**

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The calculated amounts for amortisation and impairment are charged to the Cost of Services in the Comprehensive Income and Expenditure Account,

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

## **NOTE 3. CRITICAL JUDGEMENTS**

As outlined in Note 25, the Council acts as the sole trustee for the Hastings and St Leonards Foreshore Charitable Trust. The scheme is so constituted as to prevent the Council from obtaining any benefit from the Trust's activities and no group accounts are produced. Further details of the Foreshore Trust are given in Note 25 (Related Party Transactions).

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

The Statement of Accounts contains 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.

# NOTES TO CORE FINANCIAL STATEMENTS

## Pensions Accounting

The estimate of the pension liability depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes to 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. Details of these assumptions are included in Note 11. The effect on the liability for changes to assumptions are:

- A 0.5% decrease in the discount rate would result in a 9% increase in the pension liability of £14,992,000.
- An increase of one year in life expectancies for pensioners would increase the liability by about 3-5%.
- A 0.5% increase in the salary rate would increase the liability by £1,705,000.
- A 0.5% increase in pensions would increase the liability by £13,068,000

All these assumptions are listed in Note 11, and are re-assessed every year. 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.

## Property, Plant and Equipment

The council's external valuers provide a full valuation of all properties every 5 years. On an annual basis they provide desktop valuations as at 31<sup>st</sup> March for the entire Council's investment portfolio, and for its operational portfolio where there has been material movement since the last full valuation.

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 (EUV). If there is no such market properties are valued at Depreciated Replacement Cost (DRC).

## Allowances for impairment of debt

The policies for assessing allowances for impairment of debt are outlined in Note 2.2 above. All of these allowances are based on assessments of the Council's ability to recover debt over future years, and are therefore a matter of judgement, based largely on past performance. As part of the allowances for Council Tax and Non-Domestic Rates relate to other authorities and the Government (also outlined in Note 2.2), the assessment that this Council makes also impacts on the debtors and creditors established for these bodies.

## Allowance for the impact of rating appeals

Similarly the Council maintains a provision for the impact of outstanding rating appeals. There are two elements to this provision:

- Outstanding appeals relating to the 2010 list are assessed on the basis of reductions in rateable value on appeals already settled.
- No appeals have been settled on the 2017 list, so an overall reduction of 4.7% has been assumed, in line with central projections.

## **NOTE 5. EVENTS AFTER THE BALANCE SHEET DATE**

There were no material events after the balance sheet date that impacted on the view of the Council's finances contained in this set of accounts.

## **NOTE 6. EXPENDITURE AND FUNDING ANALYSIS**

This note shows how the accounting and financing adjustments make up the difference between the outturn report and the Comprehensive Income and Expenditure Statement.

## NOTES TO CORE FINANCIAL STATEMENTS

Net expenditure chargeable to the General Fund	2017-18			2018-19		
	Adjustments between funding and accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net expenditure chargeable to the General Fund	Adjustments between funding and accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
4,548	170	4,718	Corporate Services and Governance	3,688	1,662	5,350
9,005	4,066	13,071	Operational Services	7,924	2,848	10,772
13,553	4,236	17,789	Cost of Services	11,612	4,510	16,122
(11,888)	(3,687)	(15,575)	Other Income and Expenditure Rounding	(12,045)	(996)	(13,041) (1)
1,665	549	2,214	Surplus or Deficit before reserve movements	(433)	3,514	3,080

General Fund	Earmarked Reserves	Total		General Fund	Earmarked Reserves	Total
(500)	(19,707)	(20,207)	Opening balances	(500)	(18,042)	(18,542)
1,665	0	1,665	Surplus or Deficit	(433)	0	(433)
(1,665)	1,665	0	Transfer to (from) earmarked reserves	433	(433)	0
0	0	0	Rounding	0	(1)	(1)
(500)	(18,042)	(18,542)	Closing balances	(500)	(18,476)	(18,976)

An analysis of the accounting and financing adjustments are shown in the table below, and they are also shown in detail in Note 7.

	Adjustments between Funding and Accounting Basis			
	Capital and Assets	Pensions	Other	Total
	£'000	£'000	£'000	£'000
<b>2018-19</b>				
Corporate Services and Governance	1,447	224	(9)	1,662
Operational Services:	1,431	1,417	0	2,848
Cost of Services	2,878	1,641	(9)	4,510
Other income and expenditure from the Expenditure and Funding Analysis	(2,113)	1,070	47	(996)
<b>Net Difference</b>	<b>765</b>	<b>2,711</b>	<b>38</b>	<b>3,514</b>

## NOTES TO CORE FINANCIAL STATEMENTS

	<b>Adjustments between Funding and Accounting Basis</b>			
	<b>Capital and Assets</b>	<b>Pensions</b>	<b>Other</b>	<b>Total</b>
	£'000	£'000	£'000	£'000
<b>2017-18</b>				
Corporate Services and Governance	470	(229)	(71)	<b>170</b>
Operational Services:	2,741	1,398	(73)	<b>4,066</b>
Cost of Services	3,211	1,169	(144)	<b>4,236</b>
Other income and expenditure from the Expenditure and Funding Analysis	(4,694)	1,037	(30)	<b>(3,687)</b>
<b>Net Difference</b>	<b>(1,483)</b>	<b>2,206</b>	<b>(174)</b>	<b>549</b>

### NOTE 7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

	<b>General Fund Balance</b>	<b>Capital Receipts reserve</b>	<b>Capital grants unapplied</b>	<b>Unusable Reserves</b>	<b>Total</b>
	£'000	£'000	£'000	£'000	£'000
<b>2018-19</b>					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Amortisation Intangible Assets	(88)	0	0	88	<b>0</b>
Depreciation and impairment of non-current assets	(2,296)	0	0	2,296	<b>0</b>
Movements in value of Investment Properties	(124)	0	0	124	<b>0</b>
Gain or (loss) on disposal of non-current assets	(276)	0	0	276	<b>0</b>
Capital receipts to Usable Capital Receipts Reserve	794	(1,315)	0	521	<b>0</b>
Capital grants and contributions to Capital Grants Unapplied Reserve	924	0	(924)	0	<b>0</b>
Difference between accounting and statutory credit for Council Tax	(76)	0	0	76	<b>0</b>
Difference between accounting and statutory credit for Non-Domestic Rates	8	0	0	(8)	<b>0</b>
Revenue Expenditure Financed from Capital under Statute	(494)	0	(1,254)	1,748	<b>0</b>
Movement in the fair value of financial instruments	30			(30)	<b>0</b>
Difference between accounting and statutory charge for pension costs	(2,711)	0	0	2,711	<b>0</b>
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory provision for the financing of capital investment	795	0	0	(795)	<b>0</b>
Capital expenditure financed from revenue	0	0	0	0	<b>0</b>

## NOTES TO CORE FINANCIAL STATEMENTS

	General Fund Balance £'000	Capital Receipts reserve £'000	Capital grants unapplied £'000	Unusable Reserves £'000	Total £'000
Other adjustments					
Capital expenditure financed from Capital Receipts	0	1,804	0	(1,804)	0
Capital expenditure financed from Capital grants and contributions	0	0	3,047	(3,047)	0
<b>Total for 2018-19</b>	<b>(3,514)</b>	<b>489</b>	<b>869</b>	<b>2,156</b>	<b>0</b>

	General Fund Balance £'000	Capital Receipts reserve £'000	Capital grants unapplied £'000	Unusable Reserves £'000	Total £'000
<b>2017-18</b>					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Amortisation Intangible Assets	(3)	0	0	3	0
Depreciation and impairment of non-current assets	(1,755)	0	0	1,755	0
Movements in value of Investment Properties	(39)	0	0	39	0
Gain or (loss) on disposal of non-current assets	(43)	0	0	43	0
Capital receipts to Usable Capital Receipts Reserve	702	(449)	0	(253)	0
Capital grants and contributions to Capital Grants Unapplied Reserve	2,428	0	(2,428)	0	0
Difference between accounting and statutory finance costs	(19)	0	0	19	0
Difference between accounting and statutory employment benefit	135	0	0	(135)	0
Difference between accounting and statutory credit for Council Tax	(87)	0	0	87	0
Difference between accounting and statutory credit for Non-Domestic Rates	145	0	0	(145)	0
Revenue Expenditure Financed from Capital under Statute	(3,397)	0	0	3,397	0
Difference between accounting and statutory charge for pension costs	(2,206)	0	0	2,206	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory provision for the financing of capital investment	717	0	0	(717)	0
Capital expenditure financed from revenue	662	0	0	(662)	0
Other adjustments					
Capital expenditure financed from Capital Receipts	0	98	0	(98)	0
Capital expenditure financed from Capital grants and contributions	2,211	0	210	(2,421)	0
<b>Total for 2017-18</b>	<b>(549)</b>	<b>(351)</b>	<b>(2,218)</b>	<b>3,118</b>	<b>0</b>

# NOTES TO CORE FINANCIAL STATEMENTS

## NOTE 8. EXPENDITURE AND INCOME ANALYSED BY NATURE

<b>2017-18</b>		<b>2018-19</b>
<b>£'000</b>		<b>£'000</b>
14,927	Employee benefits expenses	<b>16,600</b>
60,953	Other service expenses	<b>54,463</b>
1,797	Depreciation, amortisation, impairment	<b>2,508</b>
1,090	Interest payments	<b>1,323</b>
5,463	NDR Tariff and levy	<b>5,555</b>
84,230	<b>Total expenditure</b>	<b>80,449</b>
(659)	(Gain) or loss on disposal of assets	<b>(519)</b>
(14,146)	Fees, charges and other service income	<b>(17,183)</b>
(305)	Interest and investment income	<b>(426)</b>
(14,668)	Income from taxation	<b>(15,068)</b>
(52,238)	Government grants and contributions	<b>(44,173)</b>
(82,016)	<b>Total income</b>	<b>(77,369)</b>
2,214	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>3,080</b>

## NOTE 9. FEES, CHARGES AND OTHER SERVICE INCOME

<b>2017-18</b>		<b>2018-19</b>
<b>£'000</b>		<b>£'000</b>
(5,025)	Corporate Services and Governance	(5,522)
(8,930)	Operational Services:	(11,595)
(191)	Investment Properties	(66)
(14,146)	<b>Total fees, charges and other service income</b>	<b>(17,183)</b>

## NOTE 10. GRANTS AND CONTRIBUTIONS

The table below outlines Government grants and other external contributions accounted for within the Comprehensive Income and Expenditure Statement.

2017-18			2018-19		
Grants	Contribs.	Total	Grants	Contribs.	Total
£'000	£'000	£'000	£'000	£'000	£'000
(40,635)	0	(40,635)	<b>(35,308)</b>	<b>0</b>	<b>(35,308)</b>
(1,765)	0	(1,765)	<b>(1,867)</b>	<b>0</b>	<b>(1,867)</b>
0	(28)	(28)	<b>0</b>	<b>(157)</b>	<b>(157)</b>
(1,943)	0	(1,943)	<b>(1,254)</b>	<b>0</b>	<b>(1,254)</b>
(85)	(377)	(462)	<b>(1,541)</b>	<b>(177)</b>	<b>(1,718)</b>
<b>(44,428)</b>	<b>(405)</b>	<b>(44,833)</b>	<b>(39,970)</b>	<b>(334)</b>	<b>(40,304)</b>
<b>Total within Cost of Services</b>					

## NOTES TO CORE FINANCIAL STATEMENTS

2017-18			2018-19		
Grants	Contribs.	Total	Grants	Contribs.	Total
£'000	£'000	£'000	£'000	£'000	£'000
(2,038)	0	(2,038)	(1,542)	0	(1,542)
0	0	0	(310)	0	(310)
(638)	0	(638)	(587)	0	(587)
(1,018)	0	(1,018)	(650)	0	(650)
(1,011)	0	(1,011)	(1,111)	0	(1,111)
(5)	0	(5)	0	0	0
(2,696)	0	(2,696)	(924)	0	(924)
<b>(7,406)            0            (7,406)</b>			<b>(5,124)            0            (5,124)</b>		
<b>(51,834)            (405)            (52,239)</b>			<b>(45,094)            (334)            (45,428)</b>		

### NOTE 11. DEFINED BENEFIT PENSION SCHEMES

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these will not actually be payable until employees retire, the Council has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered locally by East Sussex County Council: this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The Council also previously incurred some liabilities for unfunded pensions, resulting from the award of added years' entitlements to members of staff taking early retirement. This liability, which is included in the total net liability reported in the table below, stood at £2,529,000 at 31 March 2019, (£2,519,000 at 31 March 2018) and the Council made payments totalling £173,000 in 2018-19 (£171,000 in 2017-18), as part of the overall payments reported below.

Under the Local Government Pension Scheme retirement benefits are based on the employee's final salary, and are increased each year in line with the Consumer Price Index.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement.

2017-18		2018-19
£'000		£'000
<b>Comprehensive Income and Expenditure Statement</b>		
3,280	Current Service Cost	3,376
0	Curtailements	490
<u>3,280</u>	Cost of Services	<u>3,866</u>
1,037	Net interest expense	1,070
<u>1,037</u>	Financing and Investment Income and Expenditure	<u>1,070</u>
<u>4,317</u>	Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services	<u>4,936</u>
69	Return on plan assets, less included in interest expense	(5,498)

## NOTES TO CORE FINANCIAL STATEMENTS

Actuarial gains & losses:		
(2,574)	Changes in demographic assumptions	0
(197)	Changes in financial assumptions	8,304
0	Other	97
<hr/>		<hr/>
(2,702)	Re-measurement of the net defined benefit liability	2,903
<hr/>		<hr/>
1,615	Total Comprehensive Income and Expenditure Statement	7,839
<hr/>		<hr/>
<b>Movement in Reserves Statement</b>		
4,317	Reversal of items relating to retirement benefit debited or credited to the Comprehensive Income and Expenditure Statement	4,936
(2,111)	Employer's pension contributions and direct payments to pensioners payable in the year	(2,225)
<hr/>		<hr/>
2,206	<b>Total taken to Note 6</b>	2,711
<hr/>		<hr/>

The table below shows separately the movements in the assets and liabilities.

2017-18		2018-19
£'000	<b>Reconciliation of Fair Value of Employer Assets (scheme Assets):</b>	£'000
117,497	Value of Assets at 1 April	117,513
2,900	Interest income on plan assets	3,020
542	Contributions by Members	561
2,111	Contributions by the Employer	2,225
(69)	Return on assets excluding amounts recognised in Other Comprehensive Income	5,498
(5,468)	Benefits Paid	(5,396)
<hr/>		<hr/>
117,513	Value of Assets at 31 March	123,421
<hr/>		<hr/>

2017-18		2018-19
£'000	<b>Reconciliation of Defined Benefit Obligation (scheme Liabilities):</b>	£'000
(158,393)	Value of Liabilities at 1 April	(157,913)
(3,280)	Current Service Cost	(3,376)
(3,937)	Interest Cost	(4,090)
(542)	Contribution by Members	(561)
Actuarial Gains and (Losses):		
2,574	Change in demographic assumptions	0
197	Change in financial assumptions	(8,304)
0	Other experience gains and (losses)	(97)
0	(Losses) and Gains on Curtailments	(490)
5,468	Benefits Paid	5,396
<hr/>		<hr/>
(157,913)	Value of Liabilities at 31 March	(169,435)
<hr/>		<hr/>
(40,400)	Net Liability at 31st March	(46,014)
<hr/>		<hr/>

### Annual Contribution to fund

The estimated contribution for 2019-20 is £2,045,000 compared with the actual contribution of £2,225,000 for 2018-19.

# NOTES TO CORE FINANCIAL STATEMENTS

## Plan Assets

The plan's assets consist of the following categories, showing the value of assets and the percentage of the total.

31 March 2018				31 March 2019				
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>				
2,189.5	0.0	2,189.5	2%	Consumer	1,468.5	0.0	1,468.5	1%
1,158.6	0.0	1,158.6	1%	Manufacturing	1,009.8	0.0	1,009.8	1%
197.5	0.0	197.5	0%	Energy and Utilities	291.4	0.0	291.4	0%
3,554.2	0.0	3,554.2	3%	Financial Institutions	1,375.9	0.0	1,375.9	1%
2,012.4	0.0	2,012.4	2%	Health and Care	223.9	0.0	223.9	0%
1,674.6	0.0	1,674.6	1%	Information Technology	0.0	0.0	0.0	0%
234.4	398.2	632.6	1%	Other	240.7	0.0	240.7	0%
				<b>Debt Securities:</b>				
0.0	3,256.2	3,256.2	3%	UK Government	0.0	2,987.3	2,987.3	2%
209.6	0.0	209.6	0%	Other	0.0	2,285.2	2,285.2	2%
				<b>Private Equity:</b>				
0.0	6,724.7	6,724.7	6%	All	0.0	7,590.2	7,590.2	6%
				<b>Real Estate:</b>				
0.0	11,268.2	11,268.2	10%	UK Property	0.0	11,560.1	11,560.1	9%
0.0	0.0	0.0	0%	Overseas Property	0.0	0.0	0.0	0%
				<b>Investment funds and unit trusts:</b>				
14.4	64,706.4	64,720.8	54%	Equities	0.0	68,129.0	68,129.0	55%
0.0	13,556.6	13,556.6	12%	Bonds	0.0	20,309.7	20,309.7	16%
0.0	118.0	118.0	0%	Hedge Funds	0.0	79.8	79.8	0%
174.0	0.0	174.0	0%	Commodities	208.6	0.0	208.6	0%
0.0	1,298.9	1,298.9	1%	Infrastructure	0.0	731.8	731.8	1%
0.0	128.0	128.0	0%	Other	0.0	25.1	25.1	0%
				<b>Derivatives:</b>				
0.0	0.0	0.0	0%	Inflation	0.0	0.0	0.0	0%
0.0	0.0	0.0	0%	Interest rate	0.0	0.0	0.0	0%
0.0	24.7	24.7	0%	Foreign exchange	0.0	-14.1	-14.1	0%
0.0	0.0	0.0	0%	Other	0.0	0.0	0.0	0%
				<b>Cash and cash equivalents</b>				
2,964.3	1,649.6	4,613.9	4%	All	4,921.7	-3.6	4,918.1	4%
14,383.5	103,129.5	117,513.0	100%	<b>Totals</b>	<b>9,740.5</b>	<b>113,680.5</b>	<b>123,421.0</b>	<b>100%</b>

## Actuarial Assumptions

Liabilities have been assessed on an actuarial basis using the projected unit method. An estimate of the pensions that will be payable has been prepared by Hymans Robertson LLP, an independent firm of actuaries, being based on the latest full valuation of the scheme as at 31 March 2016. The main assumptions used in their calculations are:

2017-18		2018-19
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.1	Men	22.1
24.4	Women	24.4
	Longevity at 65 for future pensioners:	
23.8	Men	23.8
26.3	Women	26.3

## NOTES TO CORE FINANCIAL STATEMENTS

2.4%	Rate of inflation	2.5%
2.8%	Rate of increase in salaries	2.9%
2.4%	Rate of increase in pensions	2.5%
2.6%	Rate for discounting scheme liabilities	2.4%
	Take-up of option to convert annual pension into retirement lump sum:	
50%	Pre 2008	50%
75%	Post 2008	75%

### NOTE 12. EARMARKED RESERVES

The table below shows the balances for earmarked reserves, and the transfers made to or from the General Fund.

		Balance at 1 April 2017	Movement 2017-18	Balance at 1 April 2018	Movement 2018-19	Balance at 31 March 2019
		£'000	£'000	£'000	£'000	£'000
(1)	General Reserve	(7,644)	(24)	(7,668)	(46)	(7,714)
(2)	Capital Reserve	(637)	487	(150)	0	(150)
(3)	Renewal and Repairs Reserve	(1,748)	120	(1,628)	28	(1,600)
(4)	Risk Management Reserve	(330)	0	(330)	0	(330)
(5)	Information Technology Reserve	(186)	34	(152)	(1)	(153)
(6)	On-Street Car Parking Surplus Reserve	(48)	8	(40)	0	(40)
(7)	Section 106 Reserve	(542)	35	(507)	11	(496)
(8)	VAT reserve	(257)	5	(252)	0	(252)
(9)	Government Grants Reserve	(567)	(135)	(702)	(7)	(709)
(10)	Monuments in perpetuity	(48)	1	(47)	0	(47)
(11)	Ore Valley Reserve	(250)	0	(250)	0	(250)
(12)	Mortgage Reserve	(148)	148	0	0	0
(13)	Invest to save and efficiency Reserve	(778)	358	(420)	151	(269)
(14)	Resilience and Stability Reserve	(600)	0	(600)	0	(600)
(15)	Transition Reserve	(2,222)	398	(1,824)	624	(1,200)
(16)	Redundancy Reserve	(648)	0	(648)	42	(606)
(17)	Community Safety Reserve	(350)	0	(350)	100	(250)
(18)	Economic Development Reserve	(501)	0	(501)	100	(401)
(19)	Safer Hastings Partnership Reserve	(43)	(29)	(72)	(9)	(81)
(20)	Bathing Water Reserve	(32)	32	0	0	0
(21)	First World War Reserve	(17)	5	(12)	1	(11)
(22)	Coastal Communities Reserve	(10)	10	0	0	0
(23)	Carry-forwards	(271)	112	(159)	(527)	(686)
(24)	Clinical Commissioning Group	(1,264)	679	(585)	236	(349)
(25)	Young Peoples Council	(19)	0	(19)	19	0
(26)	Revenue Hardship Fund	(80)	0	(80)	0	(80)
(27)	Disabled Facilities Grant	(431)	(494)	(925)	(569)	(1,494)
(28)	Syrian Resettlement Programme	(36)	15	(21)	0	(21)
(29)	Selective Licensing Reserve	0	0	0	(574)	(574)
(30)	Housing licensing reserve	0	(6)	(6)	(33)	(39)
(31)	Community Housing Reserve	0	(94)	(94)	20	(74)
	Rounding	0	0	0	1	0
	<b>Total</b>	<b>(19,707)</b>	<b>1,665</b>	<b>(18,042)</b>	<b>(433)</b>	<b>(18,476)</b>

# NOTES TO CORE FINANCIAL STATEMENTS

For Reserves with a balance at as 31<sup>st</sup> March 2019 the reasons for maintaining these earmarked reserves are shown below:

- 1 The General Reserve is used to support revenue spending.
- 2 The Capital Reserve is earmarked to support capital spending.
- 3 The Renewal and Repairs Reserve is maintained for the purchase of vehicles, plant, equipment and the repair and redecoration of property.
- 4 The Risk Management Reserve is used to cover excesses on claims and certain small risks. The object is to minimise insurance premiums providing sufficient cover. It is also a reserve in respect of future MMI insurance liabilities.
- 5 The Information Technology Reserve is for the purpose of financing the purchase of computing equipment and computer systems required by the Council.
- 6 On-street car parking surpluses are shared with East Sussex County Council. Shares will be spent on traffic management and transportation issues within the borough.
- 7 Section 106 Reserve – these are the developers' contributions to be used to finance various projects.
- 8 VAT reserve holds receipts of windfall VAT reclaim and the monies have been earmarked for use in various revenue and capital schemes.
- 9 Government Grants and Contribution Reserve contains the equivalent amount of grants provided by the Government or contributions from other bodies during the financial year that will not be used to finance expenditure until after the end of the financial year.
- 10 The Monuments in Perpetuity reserve has been set up to maintain burial plots at the Cemetery.
- 11 Ore Valley reserve has been set up to fund activity in the area.
- 12 Mortgage Reserve - interest earned on the deposit of the money invested in the Local Authority Mortgage Scheme is set aside in a ring fenced reserve to be used to fund potential liabilities in the event of any default and the guarantee being called upon.
- 13 Invest to save Reserve - To provide future funding for projects which will delivery savings but require upfront funding.
- 14 Resilience and Stability Reserve- To cushion the impact of fluctuations in business rates income and costs of Council tax reduction scheme.
- 15 Transition Reserve is the sum put aside to cushion the impact of significant grant reduction in future years.
- 16 Redundancy Reserve - sum put aside to help meet expected redundancy costs arising in future years.
- 17 Community Safety Reserve - is specifically earmarked over the medium term to maintain Community Safety activities as further central Government grant reductions occur.
- 18 Economic Development Reserve is specifically earmarked for significant job creation activity over the medium term.
- 19 Safer Hastings Partnership - is specifically earmarked to reduce crime, disorder and anti-social behaviour in neighbourhoods and on the streets.
- 20 Bathing Water Project was funded by the Environment Agency to improve the quality of the bathing water in the local area.
- 21 First World War Project - A five year project to research locally and commemorate the first world war through outreach to the community and exhibitions.
- 22 Coastal Communities Reserve (CCF) - The CCF aims to encourage the economic development of UK coastal communities by awarding funding to create sustainable economic growth and jobs.
- 23 Carry-forwards - To fund specific Revenue expenditure originally budgeted for in the current year.

## NOTES TO CORE FINANCIAL STATEMENTS

- 24 Clinical Commissioning Group - To fund Health projects aimed at enabling Lifestyle and behavioural change in Hastings.
- 25 Young Peoples Council - To fund Young Peoples Council activities.
- 26 Revenue Hardship Fund - To support cases of Hardship relating to Council Tax.
- 27 Disabled Facility Grant - Funding for disabled adaptations.
- 28 Syrian Resettlement Programme Reserve - Funding received to support Syrian resettlement programme.
- 29 Selective Licensing – To smooth the impact of non-refundable license income received up-front but covering several years.
- 30 Housing Licensing - To smooth the impact of non-refundable license income received up-front but covering several years.
- 31 Community Housing – Government grant for us over more than one year.

### NOTE 13. UNUSABLE RESERVES

Unusable reserves are held for various purposes as set out in the Accounting Policies (see Note 2.19 above). The tables below summarise the movements in the balances of the reserves, and movements on the individual reserves are then shown in more detail.

2018-19	Balance 1 April 2018	Adoption of IFRS 9	Restated Opening Balance	Comp- rehensive I&E	Accounting - Financing Adjust.	Balance 31 March 2019
	£'000	£'000	£'000	£'000	£'000	£'000
Deferred capital receipts	(521)		(521)	0	521	0
Revaluation Reserve	(55,296)		(55,296)	2,805	739	(51,752)
Capital Adjustment Account	(45,081)		(45,081)	0	(1,853)	(46,934)
Pensions Reserve	40,400		40,400	2,903	2,711	46,014
Financial instruments Adjustment A/c	0		0	0	0	0
Financial Instruments Revaluation Reserve	0	64	64	0	(30)	34
Pooled Investment Funds Adjustment Account	0		0	0	0	0
Accumulated Absences Account	0		0	0	0	0
Collection Fund Adjustment Account	(104)		(104)	0	68	(36)
Available for sale reserve	64	(64)	0	0	0	0
<b>Total</b>	<b>(60,538)</b>	<b>0</b>	<b>(60,538)</b>	<b>5,708</b>	<b>2,156</b>	<b>(52,674)</b>

2017-18	Balance 1 April 2017	Comp- rehensive I&E	Accounting - Financing Adjust.	Balance 31 March 2018
	£'000	£'000	£'000	£'000
Deferred capital receipts	(268)	0	(253)	(521)
Revaluation Reserve	(58,364)	2,545	523	(55,296)
Capital Adjustment Account	(45,897)	0	816	(45,081)
Pensions Reserve	40,896	(2,702)	2,206	40,400
Financial instruments Adjustment A/c	(19)	0	19	0
Accumulated Absences Account	135	0	(135)	0
Collection Fund Adjustment Account	(46)	0	(58)	(104)
Available for sale reserve	0	64	0	64
<b>Total</b>	<b>(63,563)</b>	<b>(93)</b>	<b>3,118</b>	<b>(60,538)</b>

# NOTES TO CORE FINANCIAL STATEMENTS

## Deferred Capital Receipts

<b>2017-18</b>		<b>2018-19</b>
£000		£000
(268)	Balance 1 April	(521)
	Accounting / Financing Adjustments:	
(521)	Deferred receipts from asset disposals	0
268	Deferred receipts received to Capital Receipts Reserve	521
<b>(521)</b>	<b>Balance 31 March</b>	<b>0</b>

## Revaluation Reserve

<b>2017-18</b>		<b>2018-19</b>
£000		£000
(58,364)	Balance 1 April	(55,296)
	Comprehensive Income & Expenditure:	
2,545	(Gain) or Loss on revaluation of assets	2,805
	Accounting / Financing Adjustments:	
20	Gain or (loss) on sale of non-current assets	297
503	Depreciation charged to Revaluation Reserve	443
0	Rounding	(1)
<b>(55,296)</b>	<b>Balance 31 March</b>	<b>(51,752)</b>

## Capital Adjustment Account

<b>2017-18</b>		<b>2018-19</b>
£000		£000
(45,897)	Balance 1 April	(45,081)
	Accounting / Financing Adjustments:	
3	Write down Intangible Assets	88
1,755	Depreciation and impairment of non-current assets	2,296
39	Movements in value of Investment Properties	124
23	Gain or (loss) on sale of non-current assets	(21)
3,397	Revenue Expenditure Financed from Capital under Statute	1,748
(717)	Statutory provision for the financing of capital investment	(795)
(662)	Capital expenditure financed from revenue	0
(98)	Capital expenditure financed from Capital Receipts	(1,804)
(2,421)	Capital expenditure financed from Capital grants and contributions	(3,047)
(503)	Depreciation charged to Revaluation Reserve	(443)
0	Rounding	1
<b>(45,081)</b>	<b>Balance 31 March</b>	<b>(46,934)</b>

## Pensions Reserve

<b>2017-18</b>		<b>2018-19</b>
£000		£000
40,896	Balance 1 April	40,400
	Comprehensive Income & Expenditure:	
(2,702)	Re-measurement of the net defined benefit liability	2,903
	Accounting / Financing Adjustments:	
2,206	Difference between accounting and statutory credit for pension costs	2,711
<b>40,400</b>	<b>Balance 31 March</b>	<b>46,014</b>

# NOTES TO CORE FINANCIAL STATEMENTS

## Financial Instruments Adjustment Account

<b>2017-18</b>		<b>2018-19</b>
£000		£000
(19)	Balance 1 April	0
	Accounting / Financing Adjustments:	
19	Difference between accounting and statutory finance costs	0
<b>0</b>	<b>Balance 31 March</b>	<b>0</b>

## Accumulated Absences Account

<b>2017-18</b>		<b>2018-19</b>
£000		£000
135	Balance 1 April	0
	Accounting / Financing Adjustments:	
(135)	Difference between accounting and statutory employment benefit	0
<b>0</b>	<b>Balance 31 March</b>	<b>0</b>

## Collection Fund Adjustment Account

<b>2017-18</b>		<b>2018-19</b>
£000		£000
(46)	Balance 1 April	(104)
	Accounting / Financing Adjustments:	
87	Difference between accounting and statutory credit for Council Tax	76
(145)	Difference between accounting and statutory credit for Non-Domestic Rates	(8)
<b>(104)</b>	<b>Balance 31 March</b>	<b>(36)</b>

## Available for sale assets reserve

<b>2017-18</b>		<b>2018-19</b>
£000		£000
0	Balance 1 April	64
	Adoption of IFRS 9	(64)
	Accounting / Financing Adjustments:	
	Comprehensive Income & Expenditure:	
64	(Gain)/loss on revaluation of available for sale financial assets	0
<b>64</b>	<b>Balance 31 March</b>	<b>0</b>

# NOTES TO CORE FINANCIAL STATEMENTS

## Pooled Investment Funds Adjustment Account

2017-18		2018-19
£000		£000
0	Balance 1 April	0
	Adoption of IFRS 9	64
	Accounting / Financing Adjustments:	
0	Movement in fair value of financial instruments	(30)
<b>0</b>	<b>Balance 31 March</b>	<b>34</b>

## NOTE 14. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (Including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the 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. The CFR is analysed in the second part of this note.

2017-18			2018-19		
Fin. Lease	Other	Total	Fin. Lease	Other	Total
£'000	£'000	£'000	£'000	£'000	£'000
254	29,824	30,078			
					Opening Capital Financing Requirement 1 April
			<b>254</b>	<b>39,239</b>	<b>39,493</b>
					<i>Capital Investment</i>
0	9,710	9,710	0	21,923	21,923
0	25	25	0	3	3
0	424	424	0	249	249
0	0	0	0	0	0
0	5	5	0	0	0
0	780	780	0	324	324
0	3,397	3,397	0	1,748	1,748
					<i>Sources of finance</i>
0	(98)	(98)	0	(1,804)	(1,804)
					Capital receipts
					Government grants and other contributions:
0	(478)	(478)	0	(1,793)	(1,793)
	(1,943)	(1,943)		(1,254)	(1,254)
					towards assets
					towards REFCUS
0	(662)	(662)	0	0	0
					Sums set aside from revenue and reserves
0	11,160	11,160	0	19,396	19,396
					Financed from loan
0	(1,028)	(1,028)	0	0	0
0	(717)	(717)	0	(795)	(795)
					Repayments from debtors
					Minimum Revenue Provision
254	39,239	39,493	254	57,840	58,094
					Closing Capital Financing Requirement 31 March

## NOTES TO CORE FINANCIAL STATEMENTS

The opening and closing Capital Financing Requirements are made up of the following balance sheet items:

31 March 2018			31 March 2019			
Fin. Lease £'000	Other £'000	Total £'000		Fin. Lease £'000	Other £'000	Total £'000
121	120,232	120,353	Property, Plant and Equipment	244	136,183	136,427
0	15,048	15,048	Investment Properties	0	1,042	1,042
0	435	435	Intangible Assets	0	596	596
0	1,164	1,164	Assets Held for Sale	0	0	0
0	34	34	Heritage assets	0	15,555	15,555
0	2,796	2,796	Long Term Debtors	0	3,120	3,120
0	40	40	Short Term Debtors	0	40	40
(38)	(55,258)	(55,296)	Revaluation Reserve	0	(51,752)	(51,752)
170	(45,251)	(45,081)	Capital Adjustment Account	9	(46,943)	(46,934)
<u>253</u>	<u>39,240</u>	<u>39,493</u>		<u>253</u>	<u>57,841</u>	<u>58,094</u>

The Council has to set money aside as a Minimum Revenue Provision (MRP) to reduce the CFR. Before 1 April 2007 commutation rules meant that this Council was not obliged to set aside an annual MRP. Since then the Council has set aside a sum equivalent to 4% of the 1 April 2007 balance of the CFR, plus the impact of capital expenditure financed from loan in subsequent years.

The CFR includes some long and short term debtors, as the advances have been financed from capital resources. The CFR is reduced as repayments are made.

31 Mar 2018		31 Mar 2019
£'000		£'000
780	Hastings Housing Company Ltd	1,308
1,788	Amicus Horizon / Optivo	1,793
23	The Source	19
244	Foreshore Trust	215
<u>2,835</u>		<u>3,335</u>

The annual and cumulative figures set aside are as follows:

2017-18 Restated			2018-19			
Fin. Lease £'000	Other £'000	Total £'000		Fin. Lease £'000	Other £'000	Total £'000
			Set aside to date			
953	4175	5,128	Balance 1 April	953	4,892	5,845
0	717	717	MRP for the year	0	795	795
<u>953</u>	<u>4,892</u>	<u>5,845</u>	Balance 31 March	<u>953</u>	<u>5,687</u>	<u>6,640</u>
			Repaid to date			
(953)	(1,728)	(2,681)	Balance 1 April	(953)	(2,810)	(3,763)
0	(1,082)	(1,082)	Net debt movement against set aside	0	0	0
<u>(953)</u>	<u>(2,810)</u>	<u>(3,763)</u>	Balance 31 March	<u>(953)</u>	<u>(2,810)</u>	<u>(3,763)</u>
<u>0</u>	<u>2,082</u>	<u>2,082</u>	<b>Net set aside</b>	<u>0</u>	<u>2,877</u>	<u>2,877</u>

# NOTES TO CORE FINANCIAL STATEMENTS

## NOTE 15. NON-CURRENT ASSETS AND ASSETS FOR SALE

### PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings	Vehicles Plant etc	Infra- structure	Comm. Assets	Surplus Props.	Under Construct.	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost:							
Opening value 1 April 2018	94,820	2,582	14,933	13,002	6,272	83	131,692
Additions	20,224	25	1,556	47	71	0	21,923
Disposals	(241)	(218)	0	0	0	0	(459)
Impairment losses	(523)	0	0	0	(71)	0	(594)
Impairment loss reversals	140	0	0	0	0	0	140
Reclassifications	0	0	0	0	0	0	0
Revaluations	(4,582)	0	0	0	480	0	(4,102)
<b>Value 31 March 2019</b>	<b>109,838</b>	<b>2,389</b>	<b>16,489</b>	<b>13,049</b>	<b>6,752</b>	<b>83</b>	<b>148,600</b>
Cumulative Depreciation:							
Opening value 1 April 2018	(1,228)	(1,334)	(8,486)	(289)	(2)	0	(11,339)
Charge for the year	(1,049)	(272)	(520)	0	(1)	0	(1,842)
Disposals	0	218	0	0	0	0	218
Impairment loss reversals	0	0	0	0	0	0	0
Revaluations	790	0	0	0	0	0	790
<b>Balance 31 March 2019</b>	<b>(1,487)</b>	<b>(1,388)</b>	<b>(9,006)</b>	<b>(289)</b>	<b>(3)</b>	<b>0</b>	<b>(12,173)</b>
<b>Net book value 31 March 2019</b>	<b>108,351</b>	<b>1,001</b>	<b>7,483</b>	<b>12,760</b>	<b>6,749</b>	<b>83</b>	<b>136,427</b>

	Land & Buildings	Vehicles Plant etc	Infra- structure	Comm. Assets	Surplus Props.	Under Construct.	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost:							
Opening value 1 April 2017	88,779	3,709	14,479	12,946	6,307	362	126,582
Additions	9,118	73	454	56	0	9	9,710
Disposals	(47)	(1,199)	0	0	0	0	(1,246)
Impairment losses	(1,152)	0	0	0	(29)	0	(1,181)
Impairment loss reversals	1,167	0	0	0	0	0	1,167
Reclassifications	(277)	(1)	0	0	532	(288)	(34)
Revaluations	(2,768)	0	0	0	(538)	0	(3,306)
<b>Value 31 March 2018</b>	<b>94,820</b>	<b>2,582</b>	<b>14,933</b>	<b>13,002</b>	<b>6,272</b>	<b>83</b>	<b>131,692</b>

## NOTES TO CORE FINANCIAL STATEMENTS

	Land & Buildings	Vehicles Plant etc	Infra-structure	Comm. Assets	Surplus Props.	Under Construct.	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cumulative Depreciation:							
Opening value 1 April 2017	(856)	(2,184)	(7,978)	(289)	(1)	0	(11,308)
Charge for the year	(873)	(349)	(508)	0	(11)	0	(1,741)
Disposals	4	1,199	0	0	0	0	1,203
Impairment loss reversals	0	0	0	0	0	0	0
Revaluations	497	0	0	0	10	0	507
<b>Balance 31 March 2018</b>	<b>(1,228)</b>	<b>(1,334)</b>	<b>(8,486)</b>	<b>(289)</b>	<b>(2)</b>	<b>0</b>	<b>(11,339)</b>
<b>Net book value 31 March 2018</b>	<b>93,592</b>	<b>1,248</b>	<b>6,447</b>	<b>12,713</b>	<b>6,270</b>	<b>83</b>	<b>120,353</b>

The Council's properties categorised as Other Land and Buildings and Surplus Properties are subject to regular revaluations, which are phased over 5 years, but with an annual review to ensure that there are no material understatements or overstatements. The revaluations at both 31 March 2018 and 31 March 2019 were carried out by Wilkes Head & Eve LLP, a professional firm of valuers, in line with the principles set out in Note 2.17.

The assets were valued over financial years as follows:

	Land & Buildings	Vehicles Plant etc	Infra-structure	Comm. Assets	Surplus Props.	Under Construct.	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Valued in:							
2014-15	1,623	0	0	0	0	0	1,623
2015-16	22,712	0	0	0	0	0	22,712
2016-17	8,044	0	0	0	816	0	8,860
2017-18	14,485	0	0	0	4,503	0	18,988
2018-19	38,110	0	0	0	1,430	0	39,540
Historic Cost	23,377	1,001	7,483	12,760	0	83	44,704
<b>Net book value 31 March 2019</b>	<b>108,351</b>	<b>1,001</b>	<b>7,483</b>	<b>12,760</b>	<b>6,749</b>	<b>83</b>	<b>136,427</b>

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 2.9 above), both at the start and end of the financial year.

### INVESTMENT PROPERTIES

The movements in the values of investment properties are shown below:

<b>2017-18</b>	<b>2018-19</b>
£'000	£'000
1,178 Balance at start of the year	1,164
25 Purchases	2
(39) Net gains/ (losses) from fair value adjustments	(124)
1,164 Balance at end of the year	1,042

## NOTES TO CORE FINANCIAL STATEMENTS

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 2.9 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.

Income and expenditure on Investment Properties was as follows:

<b>2017-18</b>	<b>2018-19</b>
£'000	£'000
(190) Rental income from investment property	(66)
25 Direct operating expenses arising from investment property	5
39 Net gains/(losses) from fair value adjustments	124
(126) Total	63

### INTANGIBLE ASSETS

The Council accounts for its software as intangible assets. The annual movements in the balance sheet figures for intangible assets are shown below:

<b>2017-18</b>			<b>2018-19</b>		
<b>Gross</b>	<b>Amortised</b>	<b>Net Total</b>	<b>Gross</b>	<b>Amortised</b>	<b>Net Total</b>
£'000	£'000	£'000	£'000	£'000	£'000
126	(112)	14	550	(115)	435
0	(3)	(3)	0	(88)	(88)
424	0	424	249	0	249
550	(115)	435	799	(203)	596
		Balance at 31 March			

### HERITAGE ASSETS

The assets are preserved in ways appropriate to their nature and condition, and details of them are kept by the requisite department for control purposes and to allow periodic insurance valuations. Where possible the items are displayed in the town's museums or are open to the public such as the Castle and Caves. Items of Civic Regalia are used on public display where circumstances permit. Changes to valuations of Heritage assets were advised by Gorringes LLT Fine Arts Auctioneers and Valuers of 15 North Street Lewes East Sussex, BN7 2PD.

<b>2017-18</b>	<b>2018-19</b>
£'000	£'000
14,789 Balance at start of the year	15,048
5 Additions	0
254 Revaluations	507
15,048 Balance at end of the year	15,555

Heritage assets with balance sheet values have been subdivided by the following major categories:

## NOTES TO CORE FINANCIAL STATEMENTS

<b>31 March 2018</b>		<b>31 March 2019</b>	
£000's		£000's	
412	Turner Painting of Old Town	427	
1,690	Art Collection - General	1,752	
7,638	Art Collection - other	7,921	
634	Ceramics Glass & Porcelain	609	
3,633	Misc. - Silver, books, manuscripts etc.	3,768	
634	Machinery, Equipment & other	667	
207	Civic Regalia	207	
97	Hastings Castle	97	
103	Coins	107	
15,048		15,555	

### NOTE 16. DEBTORS AND CONTINGENT ASSETS

#### DEBTORS

The table below analyses the balance sheet figures between different types of debt. The Council has made an allowance for impairment of £438,000, for doubtful debts for trade accounts receivable, compared to £464,000 as at 31 March 2018.

<b>31 March 2018</b>		<b>31 March 2019</b>	
£'000		£'000	
	Amounts falling due within one year:		
125	Council taxpayers	1,167	
177	NNDR taxpayers	7	
3,019	Trade debtors	2,967	
4,172	Other debtors	5,972	
1,550	Prepayments	357	
(2,033)	Provisions for bad debts	(1,737)	
7,010	Total short term debtors	8,733	
156	NNDR preceptors and government	0	
2,798	Other debtors	3,188	
2,954	Amounts falling due after one year (all other bodies)	3,188	
9,964	Total Debtors	11,921	

#### CONTINGENT ASSETS

The council is involved in a retribution claim against Royal Mail in the High Court. This is in relation to VAT that was incurred on postal charges paid by the council. Royal Mail had invoiced for services on the basis that they were exempt from VAT however after review by the European Court of Justice in the Zipvit case it found that the services should have been standard rated. The Council is therefore seeking compensation for the VAT that was imbedded in the charges it was paying but was unable to recover as there was no VAT amount shown on the invoices sent by Royal Mail. It is likely that the Council will be successful in the court action and receive compensation with interest however it is also possible that an out of court settlement may be made. Legal proceedings began in 2015 but it is not possible to determine when matters will conclude or what settlement will be received.

# NOTES TO CORE FINANCIAL STATEMENTS

## NOTE 17. LIABILITIES

### CREDITORS

31 March 2018 £'000		31 March 2019 £'000
	Amounts falling due within one year:	
(321)	NNDR - preceptors	(381)
(1,606)	NNDR - government	(1,904)
(238)	NNDR taxpayers	(130)
(1,633)	Council tax - preceptors	(983)
(141)	Council tax taxpayers	(1,179)
(1,934)	Trade creditors	(1,274)
(5,160)	Other creditors	(2,455)
(1,483)	Received in advance	(1,239)
(12,516)	Total short term creditors	(9,545)
	Amounts falling due after one year:	
0	NNDR Government share long term	(18)
0	NNDR LG preceptors share long term	(4)
(134)	Council Tax preceptors share long term	(345)
(254)	Deferred Liability - Finance Leases	(253)
(42)	Other creditors	(44)
(430)	Total Long Term Creditors	(664)
(12,946)	Total Creditors	(10,209)

### PROVISIONS

Due to the localisation of Business Rates, which became effective from 1 April 2013, the Council has set aside a provision for any potential liabilities as a result of Business Rate payers' appeals against rateable valuations. The Council is responsible for a 40% share of this liability, the Ministry for Housing, Communities and Local Government 50%, East Sussex County Council for 9% and the East Sussex Fire and Rescue Authority for 1%. The provision includes an amount for appeals lodged to date but yet to be determined by the Valuation Office Agency (VOA) plus an amount for appeals expected but not yet lodged with VOA which has been estimated. It is expected that the majority of appeals will be settled by the VOA by 2020/21, but the Council cannot be certain as to when the appeals will be resolved because the timing of resettlement depends on the VOA.

The Council has not made any further provisions in 2018-19 for the legal fees relating to the Compulsory purchased property claims.

The Council made a provision in 2017/18 for the settlement of Pier closure compensation and costs that have not been paid or accrued for at the end of 2017/18. During 2018/19 some compensation claims and costs were settled but there still remain some compensation claims and costs to be settled. The exact amount and timings of any remaining settlements are not known but estimates have been made based on experience of settled claims.

	Balance at 1 April 2018 £'000	Additional Provisions made £'000	Amounts used £'000	Reversals £'000	Balance at 31 March 2019 £'000
Compulsory purchase order provision	(465)	0	0	0	(465)
Pier closure compensation	(245)	0	89	0	(156)
NNDR provision for appeals - HBC element	(1,287)	(1,131)	335	500	(1,583)
	(1,997)	(1,131)	424	500	(2,204)

# NOTES TO CORE FINANCIAL STATEMENTS

## CONTINGENT LIABILITIES

### Municipal Mutual Insurance Limited

MMI (Municipal Mutual Insurance Limited), a previous insurer of the Council and one that underwrote up to 95% of the insurance risks for local authorities in the early 1990's ceased underwriting in 1992 having suffered substantial losses. The Council and most of MMI's public sector members elected to participate in a 'Scheme of Arrangement' effectively becoming 'Scheme Creditors'. This potentially results in the Council having to pay back part of all claims that have been settled on behalf of Hastings BC since 1993 following the Scheme of Arrangement being triggered. The value of this potential liability is unknown and hard to quantify.

### McCloud Judgement

When the LGPS was reformed in 2014, transitional protections were applied to certain older members within ten years of normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government has requested leave to appeal to the Supreme Court and is expected to hear later in 2019 if this will be granted. The impact is therefore still highly uncertain, as two opposing outcomes are possible:

1. The Supreme Court overturns the previous ruling and benefits remain as they are, with the underpin only applying to a small group of members.
2. The Government's request for appeal is rejected, or the Supreme Court upholds the existing judgement, and benefits accrued from 2014 may need to be enhanced so that all members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that younger members would see an enhanced benefit rather than older members losing their existing protections.

Quantifying the impact of outcome 2 is very difficult because it will depend on members' future salary increases, length of service and retirement age. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression.

The Fund's actuary has estimated the following impact should the judgement be upheld (outcome 2):

	Central estimate	Monetary impact based on central estimate	Possible range
Past service cost	0.3% of opening obligation	£474k	0.1% - 1.0%
Current service cost	0.8% of pay	£67k	0.1% - 1.6% of pay
Change in financial assumptions	Depends on past and current service cost	£28k	Depends on past and current service cost impact
Closing defined benefit obligations		£569k	

These numbers are high level estimates based on fund level calculations and depend on several key assumptions. The possible range is based on different salary growth and retirement age scenarios and illustrates the level of uncertainty in the figures. The upper end of the range shown is not a definitive limit and the true impact could be higher. A full description of the data, methodology and assumptions underlying these estimates can be provided on request.

The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place, specifically the 'stabilisation' mechanism which slows down changes in contribution rates. However, if the judgement is upheld then there will be unavoidable upward pressure on contributions in future years.

# NOTES TO CORE FINANCIAL STATEMENTS

## NOTE 18. FINANCIAL INSTRUMENTS

### NATURE AND EXTENT OF RISKS

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

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

#### Overall procedures for managing risk

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

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations / standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures to the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual Treasury Management strategy which incorporates the prudential indicators was approved by Council on 12 February 2018 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2018-19 was set at £90m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £80m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 100% based on the Council's net debt.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed annually.

# NOTES TO CORE FINANCIAL STATEMENTS

## Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria is applied. The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Council is low in order to give priority to security of its investments. The key elements are the security of capital and the liquidity of investments.

This Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies – Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

The annual Investment Strategy for 2018-19 was approved by Full Council on 12 February 2018 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the council.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2019 that this was likely to crystallise. The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions.

The Council reviews trade debtors on a regular basis, and made a 100% provision against specific debts, 50% for those over 90 days overdue, and 10% for those less than 10 days. This is modified by excluding public sector bodies, and adjusting for debts where a payment plan is in place.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

31 March 2018			Category	31 March 2019		
Amount	Bad Debt Provision	Estimated maximum exposure to default		Amount	Bad Debt Provision	Estimated maximum exposure to default
£'000	£'000	£'000		£'000	£'000	£'000
1,968	(464)	1,504	Trade receivables	2,100	(438)	1,662
1,602	0	1,602	Other trade debtors	996	0	996
3,570	(464)	3,106	Total	3,096	(438)	2,658

The past due but not impaired amount can be analysed by age as follows:

## NOTES TO CORE FINANCIAL STATEMENTS

31 March 2018		31 March 2019
£'000		£'000
1,151	Less than three months	265
817	More than three months	843
1,968	Total	1,108

All other trade debtors are due to be received within one year, while trade payables are due to be paid in less than one year.

### Expected Credit Loss

	31 March 2019		
	12 month expected credit loss	Lifetime expected credit losses – simplified approach	Total
	£'000	£'000	£'000
Opening Balance as at 1 April 2018	(3)	(464)	(467)
Financial assets that have been derecognised	3	207	210
New financial assets originated or purchased	(5)	(206)	(211)
Amounts written off	0	5	5
Changes in models/risk parameters	0	20	20
<b>As at 31 March 2019</b>	<b>(5)</b>	<b>(438)</b>	<b>(443)</b>

12-month expected credit losses is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

The Council has the following exposure to credit risk at 31 March 2019.

Credit Risk Approach	Analysis	Credit risk rating	Gross carrying amount £'000	Credit Risk Impair ment Allowa nce £'000	Net carrying amount £'000
12-month expected credit losses	Fitch, Moody's and Standard & Poor's Credit Ratings Services	A	15,626	(5)	15,621
	Assets held with other public sector bodies - no credit risk	N/A	10,000		10,000
Simplified approach	Trade creditors and other receivables	N/A	3,096	(438)	2,658
Other	Assets held at fair value through profit and loss	N/A	1,966		1,966
Simplified approach	Other loans to counterparties with no expected credit risk	N/A	1,996		1,996
	Cash balances	N/A	272		272
			<b>32,956</b>	<b>(443)</b>	<b>32,513</b>

# NOTES TO CORE FINANCIAL STATEMENTS

## Liquidity risk

The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets is as follows:

31 March 2018		31 March 2019
£'000		£'000
33,128	Less than 1 year	28,523
3,960	Less than 5 years greater than 1 year	5,153
<u>37,088</u>	Total	<u>33,676</u>

## Refinancing and Maturity risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

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

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

The maturity analysis of financial liabilities is set out below. The amounts included are the payments to extinguish the liability, rather than the undiscounted future cash flows.

31 March 2018		31 March 2019
£'000		£'000
(2,254)	Less than 1 year	(558)
(261)	Between 1 and 2 years	(572)
(823)	Between 3 and 5 years	(1,805)
(1,451)	Between 6 and 10 years	(5,230)
(36,224)	More than 10 years	(52,904)
<u>(41,013)</u>	Total	<u>(61,069)</u>

## Market Risk

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

## NOTES TO CORE FINANCIAL STATEMENTS

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

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	<b>£'000</b>
Increase in interest payable on variable rate borrowings	<b>20</b>
Increase in interest receivable on variable rate investments	<b>(80)</b>
Impact on Surplus or Deficit on the Provision of Services	<b>(60)</b>

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost.

**Price risk** - The Council, excluding the pension fund and external fund managers, does not generally invest in equity shares or marketable bonds.

**Foreign Exchange risk** – the Council has a bank account denominated in Euros to deal with payments and receipts with the Euro countries, and therefore has a small risk of loss to movements in exchange rates.

### FINANCIAL INSTRUMENT BALANCES

The balances at the 1<sup>st</sup> April have been reclassified on the introduction of IFRS 9. The following tables reconcile the previous classifications with the new classifications.

## NOTES TO CORE FINANCIAL STATEMENTS

### Effect of reclassification and remeasurement on the Balance Sheet

Previous Classifications	Carrying amount brought forward at 1 April £000	New classifications at 1st April 2018			Total Balance Sheet carrying amount £000
		Amortised Cost £000	Fair value through profit or loss £000	Cash and Cash Equivalents £000	
Loans and Receivables	15,130	5,130			5,130
Available for Sale	1,936		1,936		1,936
Cash and cash equivalents	20,022	10,000		20,022	30,022
<b>Reclassified amounts at 1 April 2018</b>	<b>37,088</b>	<b>15,130</b>	<b>1,936</b>	<b>20,022</b>	<b>37,088</b>
<b>Remeasured carrying amounts at 1 April 2018</b>		<b>15,130</b>	<b>1,936</b>	<b>20,022</b>	<b>37,088</b>
Impact on General Fund Balance			0		
Impact on the Pooled Investment Fund Adjustment Account			64		

### Effect of reclassification and remeasurement on the Balance Sheet

	New classifications at 1st April 2018			Total Balance Sheet carrying amount £000
	Amortised cost £000	Fair value through profit or loss £000	Cash and Cash Equivalents £000	
<b>Remeasured carrying amounts 1st April 2018</b>	<b>15,130</b>	<b>1,936</b>	<b>20,022</b>	<b>37,088</b>
Consisting of:				
Non-current investments		1,936		1,936
Long term-debtors	2,024			2,024
Current investments	10,000			10,000
Current debtors	3,106			3,106
Cash and cash equivalents			20,022	20,022

The long term investment is categorised as an asset available for sale, while the short term investments are all included within the category of "loans and receivables".

## NOTES TO CORE FINANCIAL STATEMENTS

31 March 2018			31 March 2019	
Book Value	Fair Value		Book Value	Fair Value
£'000	£'000		£'000	£'000
1,936	1,936	Available for sale financial asset	0	0
0	0	Fair Value through Profit and Loss	1,966	1,966
<b>1,936</b>	<b>1,936</b>	<b>Long term Investments</b>	<b>1,966</b>	<b>1,966</b>
10,041	10,020	Loans and Receivables - at amortised cost	8,042	8,027
0	0	Provision for impairment	(5)	0
(41)	0	Less accrued interest	(42)	0
<b>10,000</b>	<b>10,020</b>	<b>Short term Investments</b>	<b>7,995</b>	<b>8,027</b>
1,968	1,968	Trade accounts receivable	996	996
1,602	1,602	Other debtors	2,100	2,100
(464)	(464)	Provision for impairment	(438)	(438)
<b>3,106</b>	<b>3,106</b>	<b>Short Term Debtors - at amortised cost</b>	<b>2,658</b>	<b>2,658</b>
1,788	1,788	Amicus Horizon loan	1,793	1,793
233	233	Foreshore Trust	186	186
3	3	Staff car loans	17	17
0	0	The Source	16	16
0	0	Hastings Housing Company	1,175	1,175
<b>2,024</b>	<b>2,024</b>	<b>Long Term Debtors at amortised cost</b>	<b>3,187</b>	<b>3,187</b>
<b>20,022</b>	<b>20,028</b>	<b>Cash and Cash Equivalents</b>	<b>17,870</b>	<b>17,870</b>
<b>37,088</b>	<b>37,114</b>	<b>Total Financial Assets</b>	<b>33,676</b>	<b>33,708</b>

The Council's borrowings are liabilities carried at amortised cost, and the details are set out below.

31 March 2018			31 March 2019	
Book Value	Fair Value		Book Value	Fair Value
£'000	£'000		£'000	£'000
(38,759)	(42,757)	Public Works Loan board	(60,511)	(66,914)
(254)	(254)	Long Term Creditors	(253)	(253)
<b>(39,013)</b>	<b>(43,011)</b>	<b>Long Term Liabilities</b>	<b>(60,764)</b>	<b>(67,167)</b>
(2,563)	(2,256)	Short Term Loans	(924)	(558)
273	0	Adjust for interest on long term loans	349	0
(3,811)	(3,811)	Short Term Creditors	(4,151)	(4,151)
<b>(6,101)</b>	<b>(6,067)</b>	<b>Short Term Liabilities</b>	<b>(4,726)</b>	<b>(4,709)</b>
<b>(45,114)</b>	<b>(49,078)</b>	<b>Total Financial Liabilities</b>	<b>(65,490)</b>	<b>(71,876)</b>

# NOTES TO CORE FINANCIAL STATEMENTS

## Interest Receivable and Payable

The table below sets out the interest receivable and payable for the year related to financial assets and liabilities, reconciled to the amounts included in the Comprehensive Income and Expenditure Statement:

2017-18 £'000		2018-19 £'000
	<b>Interest receivable</b>	
(281)	Interest from loans and receivables	(351)
(24)	Other interest receivable	(45)
<hr/>		<hr/>
(305)	<b>Total Interest receivable</b>	<b>(396)</b>
	<b>Interest payable</b>	
512	Interest on long term borrowing	254
578	Other interest payable and similar charges	1,069
<hr/>		<hr/>
1,090	<b>Total Interest payable</b>	<b>1,323</b>

## Valuation Techniques for Fair Value

The fair value valuations have been provided by the Council's Treasury Management advisor, Link Asset Services. This uses the Net Present Value (NPV) approach, which provides an estimate of the value of payments in the future in today's terms. This is a widely accepted valuation technique commonly used by the private sector. The discount rate used in the NPV calculation should be equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation, for an instrument with the same duration i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the same, although for complex structures it is sometimes difficult to obtain the rate for an instrument with identical features in an active market. In such cases, Link Assets Services has used the prevailing rate of a similar instrument with a published market rate, as the discount factor.

The fair value calculations for these financial instruments are in line with level 2 of the hierarchy outlined in accounting policy 2.9 above (Inputs, other than quoted prices within Level 1, that are observable for the asset or liability, either directly or indirectly).

For loans from the PWLB, valued in line with level 2, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures.

The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value in the Balance Sheet. Since this will include accrued interest as at the Balance Sheet date, the calculations also include accrued interest in the fair value calculation. This figure is calculated up to and including the valuation date.

The rates quoted in this valuation were obtained by Link Asset Services from the market on 31st March, using bid prices where applicable.

Fair Value through Profit and Loss assets are valued in line with Level 1 (quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the year end) with regard to the fair value hierarchy.

## NOTES TO CORE FINANCIAL STATEMENTS

### NOTE 19 RECONCILIATION BETWEEN THE SURPLUS/DEFICIT ON THE PROVISION OF SERVICES AND THE CASH FLOWS FROM OPERATING ACTIVITIES

2017-18		2018-19
£'000		£'000
2,214	(Surplus) or deficit on the provision of services	3,080
(1,742)	Depreciation of Property Plant and Equipment	(1,840)
(13)	Impairment of Property Plant and Equipment	(456)
(3)	Amortisation of Intangible Assets	(88)
(2,206)	Pension Fund adjustments	(2,711)
(39)	Movements in the market value of Investment Properties	(124)
(43)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(276)
0	FVPL Financial Instrument Reversal	30
	Changes in level of revenue accruals:	
759	Long Term Debtors	428
(52)	Short Term Investments	21
(1)	Long Term Creditors	(2)
(18)	Inventories	(13)
(2,227)	Short Term Debtors	2,204
(4,477)	Short Term Creditors	2,680
(140)	Short Term Borrowing	(74)
(382)	Provisions	(207)
702	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	795
2,696	Capital Grant & Contributions	924
<b>(4,972)</b>	<b>Net cash flows from Operating Activities</b>	<b>4,371</b>

### NOTE 20. EMPLOYEE REMUNERATION

The table below shows the remuneration of senior management. The figures include where appropriate amounts receivable in relation to returning officer duties.

Post holder information (Post title)	Salary (Inc. fees & Allowances) £	Benefits in Kind (e.g. lease cars)* £	Pension Contributions** £	Total Remuneration £
<b>Financial Year: 2017-18</b>				
Director of Corporate Resources and Governance	88,036	6,723	15,890	110,649
Director of Operational Services	82,416	8,943	14,876	106,235
Assistant Director of Finance and Revenues (Section 151 Officer)	82,158	0	14,169	96,327
Assistant Director of Regeneration	64,957	0	11,130	76,087
Assistant Director of Environmental Services	72,102	0	12,354	84,456
Assistant Director of Housing	72,102	0	12,354	84,456
<b>Total</b>	<b>461,771</b>	<b>15,666</b>	<b>80,773</b>	<b>558,210</b>

## NOTES TO CORE FINANCIAL STATEMENTS

Post holder information (Post title)	Salary (Inc. fees & Allowances)	Benefits in Kind (e.g. lease cars)*	Pension Contributions**	Total Remuneration
<b>Financial Year: 2018-19</b>				
Director of Corporate Resources and Governance	86,914	6,506	15,688	109,108
Director of Operational Services	86,841	0	15,174	102,014
Assistant Director of Finance and Revenues (Section 151 Officer)	83,792	0	14,451	98,243
Assistant Director of Regeneration	65,007	0	11,061	76,068
Assistant Director of Environmental Services	73,543	0	12,601	86,144
Assistant Director of Housing	73,543	0	12,601	86,144
<b>Total</b>	<b>469,640</b>	<b>6,506</b>	<b>81,576</b>	<b>557,722</b>

\* Lease car costs shown in benefits in kind above are based on P11D values provided to HMRC and do not necessarily reflect the actual costs borne by the council.

\*\* This includes pension strain costs where applicable. The strain costs are reflected in the figures on a cash basis but in fact are paid into the fund on a monthly basis as a 1% enhanced charge to the employer.

The table below shows the number of employees in the year whose remuneration was greater than £50,000. For this purpose remuneration means amounts paid to or receivable by an employee, and includes sums due by way of expenses allowance (so far as these sums are chargeable to United Kingdom income tax), and the estimated monetary value of any other benefits received by an employee otherwise than in cash. It includes compensation payments, but excludes employer's pension contributions. This table shows total remuneration paid to individual employees for the year, whereas the detailed tables above show remuneration against the relevant senior post. In some cases a particular post may be held by more than one employee during the course of the year, and conversely an employee may hold more than one post.

The number of employees of the Council whose emoluments were within the following ranges were :-

2017-18		2018-19	
5	£50,000 - £54,999	5	
0	£55,000 - £59,999	2	
4	£60,000 - £64,999	2	
2	£65,000 - £69,999	4	
3	£70,000 - £74,999	4	
0	£75,000 - £79,999	0	
1	£80,000 - £84,999	1	
0	£85,000 - £89,999	1	
2	£90,000 - £94,999	1	
<u>17</u>		<u>20</u>	

### NOTE 21. TERMINATION BENEFITS AND EXIT PACKAGES

Termination benefits include lump sum payments to departing employees, enhancements to retirement benefits, and salaries paid to the end of a notice period, but when the employee ceases to provide services to the Council. We accrue for such payments at the point when a decision is made to terminate employment, rather than when the benefits fall due for payment. These payments are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement.

## NOTES TO CORE FINANCIAL STATEMENTS

The Council terminated the contracts of 16 employees in 2018-19, incurring costs of £217,525. In comparison it terminated the contracts of one employee in 2017-18, incurring costs of £20,901. Termination costs are charged to the Council's Comprehensive Income and Expenditure Statement in the year when the employment was terminated.

The number of employees of the Council whose exit packages were within the following ranges were:

2017-18				Banding	2018-19			
Number of exit packages			Cost		Number of exit packages			Cost
Compuls. Redund.	Other departures	Total exit packages	Total £		Compuls. Redund.	Other departures	Total exit packages	Total £
0	0	0	0	£0 – £20,000	4	7	11	83,102
0	1	1	20,901	£20,001 - £40,000	0	5	5	134,423
<u>0</u>	<u>1</u>	<u>1</u>	<u>20,901</u>		<u>4</u>	<u>12</u>	<u>16</u>	<u>217,525</u>

### NOTE 22. LEASES

#### COUNCIL ACTING AS LESSOR – OPERATING LEASES

The Council leases out property under operating leases for the following purposes:

- for economic development purposes
- to provide suitable affordable accommodation for local businesses.
- for the provision of community services, and leisure services

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

2017-18		2018-19	
£'000		£'000	
3,631	Not later than one year	4,401	
12,119	Later than one year and not later than five years	14,236	
76,316	Later than five years	78,532	
<u>92,066</u>		<u>97,169</u>	

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2018-19 contingent rents of £296,387 were receivable by the Council (£225,360 in 2017-18).

### NOTE 23. EXTERNAL AUDIT COSTS

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

2017-18		2018-19	
£'000		£'000	
50	External audit services	36	
5	Other services	11	
<u>55</u>		<u>47</u>	

# NOTES TO CORE FINANCIAL STATEMENTS

## NOTE 24. MEMBERS ALLOWANCES

2017-18 £'000		2018-19 £'000
278	Members Allowances	292
4	Conferences, Training and Travelling Expenses	9
<hr/>		<hr/>
282		301
32	Number of Councillors	32
£8,692	Average sum per Councillor	£9,409

## NOTE 25. RELATED PARTY TRANSACTIONS

### Definition

The term "related party" covers any relationship between the Council and body or individual, where one of the parties can exercise significant influence over the policies and decisions of the other.

### Central Government

The central government provides significant amounts of the Council's funding and determines its statutory framework. Details of transactions with central government are shown in the Comprehensive Income and Expenditure Statement, the Cash Flow Statement, and notes 10 (Grants and Contributions), 16 (Debtors and Contingent Assets) and 17 (Liabilities).

### East Sussex Pension Scheme

The Council participates in the East Sussex Pension Scheme, making annual contributions to the East Sussex Pension Fund as set out in Note 11. Although the scheme is administered by East Sussex County Council, the pension fund is a separate entity.

### Hastings Housing Company Ltd

During 2017/18 the Council established a wholly owned Housing Company limited by share - Hastings Housing Company Ltd. The company has been designed to initially acquire, develop and deliver housing for both market rent, and to provide sub market housing, with the potential to undertake development in the future. A key objective of the Housing Company is: To acquire existing or newly built property with a view to letting these to local people at market or submarket rents.

### Members and Senior Officers

All members and senior officers are required to complete an annual return, disclosing the details of any interest of themselves and their close family members, which might have an impact on their activities on behalf of the Council.

Members of the Council have direct control over the Council's financial and operating policies. The Council also nominates members to sit on outside bodies. Four current members are also members of East Sussex County Council. £473,000 (£432,000 2017-18) was paid to Hastings and St Leonards Foreshore Charitable Trust of which some members are Trustees. Repayments were made on the remaining annuity loan which was advanced as £300,000 during 2015/16, £215,100 of which was outstanding at 31 March 2019. There were no other interests in any related party transactions during the year. The register of Member's Interest is held at the Town Hall and is open to public inspection. For all the organisations listed in the table below the relationship to the organisation was that the member or senior officer was in a position of general control or management.

## NOTES TO CORE FINANCIAL STATEMENTS

2017-18			Organisation	2018-19		
Paid to (Supplier)	Received From (Customer)	Balance at 31/03/18		Paid to (Supplier)	Received From (Customer)	Balance at 31/03/19
£,000	£,000	£,000		£,000	£,000	£,000
0	0	0	Hastings & Rother Voluntary Association for the Blind	1	0	0
17	11	0	Education Futures Trust	64	18	0
11	0	0	St Mary in the Castle	0	26	0
219	0	0	Love Hastings Limited	273	3	0
10	0	0	Hastings International Chess Congress	10	0	0
22	0	0	The Fellowship Of St Nicholas	35	0	0
2	0	0	Idolrich Theatre Rotto	2	0	0
2	0	0	Energise Sussex Coast Limited	4	0	0
26	0	0	Sussex Coast College Hastings	26	0	0

### Grants to Voluntary Organisations

#### Hastings and St Leonards Foreshore Trust

The Council acts as the sole trustee for the Hastings and St Leonards Foreshore Charitable Trust. The trusteeship scheme is so constituted as to prevent the Council from obtaining any benefit from the Trust's activities.

During the year 2018-19 the Trust accrued net income resulting from the activities recorded in the Council's accounts. The net results of the Trust was made up of income of £1,333,000 and expenditure of £860,000, giving a net figure of £473,000 within the Council's own Accounts (net figure in 2017-18 was £432,000).

The net income was mainly in respect of car parking and seafront entertainment.

#### NOTE 26. EXCEPTIONAL ITEMS

There were no exceptional items in this financial year.

# GROUP ACCOUNTS

## **Introduction**

As set out in the narrative report above, Hastings Housing Company Ltd is a wholly owned subsidiary of the Council, and group accounts are therefore prepared to combine the accounts of the Council and Hastings Housing Company Ltd. Transactions and indebtedness between the Council and the company have been eliminated in the preparation of these accounts.

The purpose of the main accounting statements is as set out in the accounting statements above for the Council alone.

The accounting Code of Practice requires the same disclosures to be made for group accounts as for the Council's own accounts. However the impact of the Hastings Housing Company figures on the group totals is immaterial, other than for those notes included.

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2017-18			2018-19			
Gross	Income	Net		Gross	Income	Net
£'000	£'000	£'000		£'000	£'000	£'000
50,608	(45,890)	4,718	Corporate Services and Governance	46,888	(41,539)	5,350
25,964	(12,897)	13,067	Operational Services:	25,483	(14,711)	10,772
<u>76,572</u>	<u>(58,787)</u>	<u>17,785</u>	Cost of Services	<u>72,371</u>	<u>(56,250)</u>	<u>16,122</u>
0	(659)	(659)	(Gain) or loss on sale of assets	0	(519)	(519)
<u>0</u>	<u>(659)</u>	<u>(659)</u>	Other operating expenditure	<u>0</u>	<u>(519)</u>	<u>(519)</u>
1,090	0	1,090	Interest payable and similar charges	1,323	0	1,323
1,037	0	1,037	Net interest on defined pension liabilities	1,070	0	1,070
0	(305)	(305)	Interest receivable and similar income	0	(354)	(354)
0	0	0	Movement in the fair value of financial instruments	0	(30)	(30)
70	(192)	(122)	Income and expenditure in relation to investment properties and changes in their fair value	169	(105)	64
<u>2,197</u>	<u>(497)</u>	<u>1,700</u>		<u>2,562</u>	<u>(489)</u>	<u>2,073</u>
0	(6,427)	(6,427)	Council Tax Income	0	(6,646)	(6,646)
5,463	(8,241)	(2,778)	Non domestic rates	5,555	(8,422)	(2,867)
0	(2,038)	(2,038)	Revenue Support Grant	0	(1,542)	(1,542)
0	(2,673)	(2,673)	Other non-ringfenced government grants	0	(2,574)	(2,574)
0	(2,696)	(2,696)	Capital grants and contributions	0	(924)	(924)
<u>5,463</u>	<u>(22,075)</u>	<u>(16,612)</u>		<u>5,555</u>	<u>(20,108)</u>	<u>(14,553)</u>
<u>84,232</u>	<u>(82,018)</u>	<u>2,214</u>	(Surplus) or Deficit on Provision of Services	<u>80,488</u>	<u>(77,366)</u>	<u>3,123</u>
		1,890	(Surplus) or Deficit on revaluation of non-current assets			2,805
		655	Impairment losses on non-current assets charged to the revaluation reserve			0
		64	Valuation (gains) / losses on available for sale financial assets reserve			0
		(2,702)	Remeasurement of the net defined benefit pension liability			2,903
		<u>(93)</u>	Other Comprehensive Income and Expenditure			<u>5,708</u>
		<u>2,121</u>	Total Comprehensive Income and Expenditure			<u>8,831</u>

## GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Ear-marked Reserves	Capital Receipts reserve	Capital grants unapplied	Total usable reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Reserves of Subsidiary	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>2018-19</b>									
Balance at 1 April 2018	(500)	(18,042)	(489)	(2,716)	(21,747)	(60,538)	(82,285)	40	(82,245)
Movement in Reserves in 2018-19									
(Surplus)/deficit on the provision of services (accounting basis)	3,122	0	0	0	3,122	0	3,122	1	3,123
Other Comprehensive Income and Expenditure	0	0	0	0	0	5,708	5,708		5,708
Total Comprehensive Income and Expenditure	3,122	0	0	0	3,122	5,708	8,830	1	8,831
Adjustments between group accounts and authority accounts	(42)	0	0	(42)		0	(42)	42	0
Adjustments between accounting and funding basis under regulation - note 7	(3,514)	0	489	869	(2,156)	2,156	0		0
Net increase/decrease before transfers to Earmarked reserves	(434)	0	489	827	966	7,864	8,788	43	8,831
Transfers to/from Earmarked reserves - note 7	433	(433)	0	0	0	0	0	0	0
Rounding	1								
(Increase)/Decrease in Year	0	(433)	489	827	966	7,864	8,788	43	8,831
<b>Balance at 31 March 2019</b>	<b>(500)</b>	<b>(18,475)</b>	<b>0</b>	<b>(1,889)</b>	<b>(20,781)</b>	<b>(52,674)</b>	<b>(73,497)</b>	<b>83</b>	<b>(73,414)</b>

## GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Ear-marked Reserves	Capital Receipts reserve	Capital grants unapplied	Total usable reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Reserves of Subsidiary	Total Reserves
<b>2017-18</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2017	(500)	(19,707)	(138)	(498)	(20,843)	(63,563)	(84,406)	0	(84,406)
Movement in Reserves in 2017-18									
(Surplus)/deficit on the provision of services (accounting basis)	2,214	0	0	0	2,214	0	2,214	40	2,254
Other Comprehensive Income and Expenditure	0	0	0	0	0	(93)	(93)		(93)
Total Comprehensive Income and Expenditure	2,214	0	0	0	2,214	(93)	2,121	40	2,161
Adjustments between group accounts and authority accounts	0			0		0	0		0
Adjustments between accounting and funding basis under regulation - note 7	(549)	0	(351)	(2,218)	(3,118)	3,118	0		0
Net (increase)/decrease before transfers to Earmarked reserves	1,665	0	(351)	(2,218)	(904)	3,025	2,121	40	2,161
Transfers to/from Earmarked reserves - note 8	(1,665)	1,665	0	0	0	0	0	0	0
(Increase)/Decrease in Year	0	1,665	(351)	(2,218)	(904)	3,025	2,121	40	2,161
<b>Balance at 31 March 2018</b>	<b>(500)</b>	<b>(18,042)</b>	<b>(489)</b>	<b>(2,716)</b>	<b>(21,747)</b>	<b>(60,538)</b>	<b>(82,285)</b>	<b>40</b>	<b>(82,245)</b>

## GROUP BALANCE SHEET

HBC 31 March 2018	Group 31 March 2018		HBC 31 March 2019	Group 31 March 2019
£'000	£'000		£'000	£'000
120,353	120,353	Property, Plant and Equipment	136,427	136,427
15,048	15,048	Heritage Assets	15,555	15,555
1,164	1,948	Investment Properties	1,042	2,231
435	435	Intangible Assets	596	596
1,936	1,936	Long Term Investments	1,966	1,966
2,954	2,180	Long Term Debtors	3,188	2,012
<b>141,890</b>	<b>141,900</b>	<b>LONG TERM ASSETS</b>	<b>158,774</b>	<b>158,787</b>
10,041	10,041	Short Term Investments	8,042	8,042
34	34	Assets Held for Sale	0	0
53	53	Inventories	40	40
7,100	7,055	Short Term Debtors	8,733	8,600
20,022	20,022	Cash and Cash Equivalents	17,870	17,912
<b>37,250</b>	<b>37,205</b>	<b>CURRENT ASSETS</b>	<b>34,685</b>	<b>34,594</b>
(2,563)	(2,563)	Short Term Borrowing	(924)	(923)
(12,606)	(12,610)	Short Term Creditors	(9,545)	(9,550)
(1,997)	(1,997)	Provisions	(2,204)	(2,204)
(100)	(101)	Capital grants received in advance	(100)	(100)
<b>(17,266)</b>	<b>(17,271)</b>	<b>CURRENT LIABILITIES</b>	<b>(12,773)</b>	<b>(12,777)</b>
(430)	(430)	Long Term Creditors	(664)	(664)
(38,759)	(38,759)	Long Term Borrowing	(60,511)	(60,511)
(40,400)	(40,400)	Net Pension Liability	(46,014)	(46,014)
<b>(79,589)</b>	<b>(79,589)</b>	<b>LONG TERM LIABILITIES</b>	<b>(107,189)</b>	<b>(107,189)</b>
<b>82,285</b>	<b>82,245</b>	<b>NET ASSETS</b>	<b>73,497</b>	<b>73,415</b>
(500)	(500)	General Fund	(500)	(500)
	39	Retained Earnings in Subsidiary	0	82
(18,042)	(18,042)	Earmarked reserves	(18,476)	(18,476)
(489)	(489)	Capital Receipts Reserve	0	0
(2,716)	(2,716)	Capital grants and contributions	(1,847)	(1,847)
<b>(21,747)</b>	<b>(21,708)</b>	<b>USABLE RESERVES</b>	<b>(20,823)</b>	<b>(20,741)</b>
(55,296)	(55,296)	Revaluation Reserve	(51,752)	(51,752)
64	0	Available for Sale Reserve	0	0
0	64	Financial Instruments Revaluation Reserve	0	0
0	0	Pooled Investment Funds Adjustment Account	34	34
(45,081)	(45,080)	Capital Adjustment Account	(46,934)	(46,934)
(521)	(521)	Deferred capital receipts	0	0
40,400	40,400	Pensions Reserve	46,014	46,014
(104)	(104)	Collection Fund Adjustment Account	(36)	(36)
<b>(60,538)</b>	<b>(60,537)</b>	<b>UNUSABLE RESERVES</b>	<b>(52,674)</b>	<b>(52,674)</b>
<b>(82,285)</b>	<b>(82,245)</b>	<b>TOTAL RESERVES</b>	<b>(73,497)</b>	<b>(73,415)</b>

## GROUP CASH FLOW STATEMENT

HBC 2017-18	Group 2017-18		HBC 2018-19	Group 2018-19
£'000	£'000		£'000	£'000
(14,627)	(14,627)	Taxation	(15,261)	(15,261)
(54,630)	(54,630)	Grants and Contributions	(39,121)	(39,121)
(14,186)	(14,186)	Sales of goods and rendering of services	(16,625)	(16,625)
(349)	(349)	Interest received	(338)	(338)
(654)	(654)	other receipts from operating activities	(205)	(205)
<b>(84,446)</b>	<b>(84,446)</b>	<b>Cash inflows generated from operating activities</b>	<b>(71,550)</b>	<b>(71,550)</b>
9,904	9,904	Cash paid to and on behalf of employees	10,819	10,819
40,803	40,803	Housing benefit payments	34,156	34,156
5,413	5,413	NNDR Tariff and levy payments	5,559	5,559
15,949	15,949	Cash paid to suppliers of goods and services	15,329	15,372
936	936	Interest paid	1,255	1,255
6,469	6,469	Other operating cash payments	8,804	8,804
<b>79,474</b>	<b>79,474</b>	<b>Cash outflows generated from operating activities</b>	<b>75,922</b>	<b>75,965</b>
<b>(4,972)</b>	<b>(4,972)</b>	<b>Net cashflows from operating activities</b>	<b>4,372</b>	<b>4,415</b>
(447)	(447)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,316)	(1,316)
10,234	10,234	Purchase of property, plant and equipment, investment property and intangible assets	22,175	22,175
25,000	25,000	Purchase of short-term and long-term investments	8,000	8,000
(36,000)	(36,000)	Proceeds from the sale of short-term and long-term investments	(10,021)	(10,021)
(2,797)	(2,797)	Other receipts from investing activities	(924)	(924)
<b>(4,010)</b>	<b>(4,010)</b>	<b>Net cashflows from investing activities</b>	<b>17,914</b>	<b>17,914</b>
(22,665)	(22,665)	Cash receipts from short term and long term borrowing.	(22,310)	(22,310)
16,122	16,122	Repayments of short term and long term borrowing	2,271	2,271
734	734	Changes in National Non-Domestic Rates balances held for preceptors	(534)	(534)
(299)	(299)	Changes in Council tax balances held for preceptors	439	439
<b>(6,108)</b>	<b>(6,108)</b>	<b>Net cashflows from financing activities</b>	<b>(20,134)</b>	<b>(20,134)</b>
<b>(15,090)</b>	<b>(15,090)</b>	<b>Net (Increase) / decrease in cash and cash equivalents</b>	<b>2,152</b>	<b>2,195</b>
4,932	4,932	Cash and bank balances 1 April	20,022	20,022
15,090	15,090	Change during the year	(2,152)	(2,109)
<b>20,022</b>	<b>20,022</b>	<b>Cash and bank balances 31 March</b>	<b>17,870</b>	<b>17,913</b>
31 March 2018			<b>31 March 2019</b>	
199	199	Cash in hand	170	170
5,114	5,114	Bank balances	2,671	2,671
14,709	14,709	Cash equivalents	15,029	15,072
<b>20,022</b>	<b>20,022</b>	<b>Totals</b>	<b>17,870</b>	<b>17,913</b>

## GROUP NOTES

The notes where there is a material difference between group and single entity are Financial Instruments and Investment Properties. These are shown below:

### Financial Instruments

HBC 31 March 2018 Book Value £'000	Group 31 March 2018 Book Value £'000		HBC 31 March 2019 Book Value £'000	Group 31 March 2019 Book Value £'000
1,936	1,936	Available for sale financial asset	0	0
0	0	Fair Value through Profit and Loss	1,966	1,966
<b>1,936</b>	<b>1,936</b>	<b>Long term Investments</b>	<b>1,966</b>	<b>1,966</b>
10,041	10,041	Loans and Receivables - at amortised cost	8,042	8,042
0	0	Provision for impairment	(5)	(5)
(41)	(41)	Less accrued interest	(42)	(42)
<b>10,000</b>	<b>10,000</b>	<b>Short term Investments</b>	<b>7,995</b>	<b>7,995</b>
1,968	1,968	Trade accounts receivable	996	996
1,602	1,602	Other debtors	2,100	1,974
(464)	(464)	Provision for impairment	(438)	(438)
<b>3,106</b>	<b>3,106</b>	<b>Short Term Debtors - at amortised cost</b>	<b>2,658</b>	<b>2,532</b>
1,788	1,788	Amicus Horizon loan	1,793	1,793
233	233	Foreshore Trust	186	186
3	3	Staff car loans	17	17
0	0	The Source	16	16
0	0	Hastings Housing Company	1,175	0
<b>2,024</b>	<b>2,024</b>	<b>Long Term Debtors at amortised cost</b>	<b>3,187</b>	<b>2,012</b>
<b>20,022</b>	<b>20,022</b>	<b>Cash and Cash Equivalents</b>	<b>17,870</b>	<b>17,913</b>
<b>37,088</b>	<b>37,088</b>	<b>Total Financial Assets</b>	<b>33,676</b>	<b>32,418</b>

The group's borrowings are liabilities carried at amortised cost, and the details are shown below:

## GROUP NOTES

31 March 2018	31 March 2018		31 March 2019	31 March 2018
Book Value £'000	Book Value £'000		Book Value £'000	Book Value £'000
(38,759)	(38,759)	Public Works Loan board	(60,511)	(60,511)
(254)	(254)	Long Term Creditors	(253)	(253)
<b>(39,013)</b>	<b>(39,013)</b>	<b>Long Term Liabilities</b>	<b>(60,764)</b>	<b>(60,764)</b>
(2,563)	(2,563)	Short Term Loans	(924)	(924)
273	273	Adjust for interest on long term loans	349	349
(3,811)	(3,811)	Short Term Creditors	(4,151)	(4,151)
<b>(6,101)</b>	<b>(6,101)</b>	<b>Short Term Liabilities</b>	<b>(4,726)</b>	<b>(4,726)</b>
<b>(45,114)</b>	<b>(45,114)</b>	<b>Total Financial Liabilities</b>	<b>(65,490)</b>	<b>(65,490)</b>

### Investment Properties

The movement in the values of investment properties are shown below:

2017-18	2017-18		2018-19	2018-19
HBC	Group		HBC	Group
£'000	£'000		£'000	£'000
1,178	1,178	Balance at start of the year	1,164	1,948
25	809	Purchases	2	405
(39)	(39)	Net gains/ (losses) from fair value adjustments	(124)	(124)
<b>1,164</b>	<b>1,948</b>	<b>Balance at end of the year</b>	<b>1,042</b>	<b>2,229</b>

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 2.9 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.

Income and expenditure on Investment Properties was as follows:

2017-18	2017-18		2018-19	2018-19
HBC	Group		HBC	Group
£'000	£'000		£'000	£'000
(190)	(190)	Rental income from investment property	(66)	(104)
25	25	Direct operating expenses arising from investment property	5	5
39	39	Net gains/(losses) from fair value adjustments	124	124
<b>(126)</b>	<b>(126)</b>	<b>Total</b>	<b>63</b>	<b>25</b>

# COLLECTION FUND

## COLLECTION FUND INCOME & EXPENDITURE ACCOUNT

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 this Council's share of it is included in the Balance Sheet. The account has been prepared on the accruals basis. The costs of administering collection are accounted for in the General Fund, offset by a cost of collection allowance for rate collection, retained before allocating the net income between the precepting authorities.

2017-18 £'000		2018-19 £'000
	<b><u>Council Tax</u></b>	
	<b>INCOME</b>	
(47,673)	Income from Council Taxpayers	(50,897)
	<b>EXPENDITURE</b>	
	Precepts and demands on Collection Fund	
32,984	East Sussex County Council	35,639
2,218	Sussex Police and Crime Commissioner	4,244
3,863	East Sussex Fire and Rescue Authority	2,328
6,282	Hastings Borough Council	6,595
	Apportionments of previous year surplus	
1,176	East Sussex County Council	642
82	Sussex Police and Crime Commissioner	76
140	East Sussex Fire and Rescue Authority	45
232	Hastings Borough Council	126
	Bad & Doubtful Debts	
88	Write offs of uncollectable income	591
1,189	Provision for uncollectable income-addition / (reduction)	1,101
48,254		51,387
581	Movement on Fund Balance - (surplus) / deficit	490

### FUND BALANCE FOR COUNCIL TAX

(2,520)	Balance brought forward	(1,939)
581	(Surplus) / deficit for year	490
(1,939)	Balance carried forward	(1,449)

2017-18 £'000		2018-19 £'000
	<b><u>Non-Domestic Rates</u></b>	
	<b>INCOME</b>	
(22,099)	Income from Ratepayers	(23,478)
91	Transitional Protection payments	(3)
	Apportionments of previous year deficit	
(296)	Government	(79)
(53)	East Sussex County Council	(14)
(6)	East Sussex Fire and Rescue Authority	(2)
(237)	Hastings Borough Council	(64)
(22,600)	Total	(23,640)

## COLLECTION FUND

2017-18		2018-19
£'000		£'000
<b>EXPENDITURE</b>		
	Precepts and demands on Collection Fund	
10,412	Government	10,466
1,874	East Sussex County Council	1,884
208	East Sussex Fire and Rescue Authority	209
8,330	Hastings Borough Council	8,373
	Bad & Doubtful Debts	
130	Write offs of uncollectable income	204
197	Provision for uncollectable income-addition / (reduction)	778
	Impairments resulting from appeals	
610	Write offs	837
342	Provision for uncollectable income-addition / (reduction)	738
134	Transfer to General Fund - Cost of Collection Allowance	132
<u>22,237</u>		<u>23,621</u>
<u>(363)</u>	Movement on Fund Balance - (surplus) / deficit	<u>(19)</u>
<b>FUND BALANCE FOR DON-DOMESTIC RATES</b>		
781	Balance brought forward	418
(363)	(Surplus) / deficit for year	(19)
<u>418</u>	Balance carried forward	<u>399</u>
<b>COLLECTION FUND BALANCE</b>		
2017-18		2018-19
£'000		£'000
(1,739)	Balances brought forward	(1,521)
218	(Surplus) / deficit for year	471
<u>(1,521)</u>	Balance - (surplus) / deficit carried forward	<u>(1,050)</u>

### NOTE 1. INCOME FROM BUSINESS RATES (NNDR)

The Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate. From the amount collected 50% is paid to central government, 9% to the County Council, and 1% to the Fire Authority, while this council retains 40%. The amount retained is transferred to the General Fund, but this is offset by a tariff paid to central government.

The full multiplier for 2018-19 was 49.3p, compared to 47.9p for 2017-18, and the small business multiplier was 48.0p compared with 46.6p in 2017-18. The rateable value of business premises at 31 March 2019 was £62,294,534 compared to £62,806,889 at 31 March 2018.

# COLLECTION FUND

## NOTE 2. COUNCIL TAX BASE

Band & Value	Number of Chargeable Properties	Relationship to Band D	Annual Amount £
Band A - up to £40,000	8,323.45	6/9	5,548.30
Band B - over £40,000 up to £52,000	8,536.30	7/9	6,639.30
Band C - over £52,000 up to £68,000	6,127.30	8/9	5,446.50
Band D - over £68,000 up to £88,000	5,184.05	-	5,184.05
Band E - over £88,000 up to £120,000	1,772.95	11/9	2,166.90
Band F - over £120,000 up to £160,000	757.95	13/9	1,094.80
Band G - over £160,000 up to £320,000	188.00	15/9	313.30
Band H - over £320,000	17.00	18/9	34.00
	<b>30,907.00</b>		<b>26,427.15</b>
	<b>Collection Rate</b>		
Council Tax Base and amount originally expected for 2018-19	96.5%		25,582
East Sussex County Council share			35,638,540
Sussex Police and Crime Commissioner			4,244,310
East Sussex Fire and Rescue Authority share			2,327,962
Hastings Borough Council share			6,595,295
			<b>48,806,107</b>

## NOTE 3. SURPLUSES & DEFICITS

In accordance with the accounting code of practice surpluses and deficits arising from the collection of Council Tax and Rates are to be apportioned between respective authorities on the basis of their precepts or demands on the Collection Fund. The table below shows the respective balances on the collection fund and how they relate to each authority.

2017-18				2018-19	
Council Tax £'000	NNDR £'000			Council Tax £'000	NNDR £'000
		Balance brought forward :-			
0	391	Government		0	209
(1,819)	70	East Sussex County Council		(1,406)	38
(216)	0	Sussex Police & Crime Commissioner		(166)	0
(127)	8	East Sussex Fire and Rescue Authority		(96)	4
(358)	312	Hastings Borough Council		(271)	167
<b>(2,520)</b>	<b>781</b>	(Surplus) / Deficit		<b>(1,939)</b>	<b>418</b>
		Movement on Fund Balance :-			
0	(182)	Government		0	(10)
413	(32)	East Sussex County Council		350	(2)
50	0	Sussex Police & Crime Commissioner		37	0
31	(4)	East Sussex Fire and Rescue Authority		27	0
87	(145)	Hastings Borough Council		76	(8)
<b>581</b>	<b>(363)</b>	(Surplus) / Deficit		<b>490</b>	<b>(20)</b>

# COLLECTION FUND

2017-18				2018-19	
Council Tax	NNDR			Council Tax	NNDR
£'000	£'000			£'000	£'000
		Balance carried forward :-			
0	209			0	199
(1,406)	38			(1,056)	36
(166)	0			(129)	0
(96)	4			(69)	4
(271)	167			(195)	159
(1,939)	418	(Surplus) / Deficit		(1,449)	398

## NOTE 4. BALANCES HELD FOR EACH COUNCIL

	Government	ESCC	Police	Fire	Hastings BC	Total
	£	£	£	£	£	£
<b>Balances as at 31 March 2019</b>						
<b>1: Council Tax</b>						
Arrears	0	6,205,931	821,428	405,156	1,148,381	8,580,896
Impairment Allowance for doubtful debts	0	(4,944,941)	(654,521)	(322,832)	(915,041)	(6,837,335)
Overpayments	0	(852,375)	(112,822)	(55,648)	(157,728)	(1,178,573)
Prepayments	0	(471,338)	(62,387)	(30,771)	(87,219)	(651,715)
(Surplus)/deficit	0	(1,054,925)	(129,460)	(68,899)	(195,221)	(1,448,505)
<b>Totals</b>	<b>0</b>	<b>(1,117,648)</b>	<b>(137,762)</b>	<b>(72,994)</b>	<b>(206,828)</b>	<b>(1,535,232)</b>
<b>2: Non-Domestic Rates</b>						
Arrears	800,276	144,049	0	16,006	640,221	1,600,552
Impairment allowance for doubtful debts	(780,915)	(140,565)	0	(15,618)	(624,732)	(1,561,830)
Overpayments	(104,342)	(18,781)	0	(2,087)	(83,474)	(208,684)
Prepayments	(58,676)	(10,561)	0	(1,174)	(46,941)	(117,352)
Provision for losses on appeals	(1,977,500)	(355,950)	0	(39,550)	(1,582,000)	(3,955,000)
(Surplus)/deficit	199,461	35,903	0	3,989	159,569	398,922
<b>Totals</b>	<b>(1,921,696)</b>	<b>(345,905)</b>	<b>0</b>	<b>(38,434)</b>	<b>(1,537,357)</b>	<b>(3,843,392)</b>

## COLLECTION FUND

	Government £	ESCC £	Police £	Fire £	Hastings BC £	Total £
<b>Balances as at 31 March 2018</b>						
<b>1: Council Tax</b>						
Arrears	0	5,345,607	636,626	349,183	989,262	7,320,678
Impairment Allowance for doubtful debts	0	(4,188,689)	(498,845)	(273,612)	(775,162)	(5,736,308)
Overpayments	0	(759,557)	(90,458)	(49,615)	(140,564)	(1,040,194)
Prepayments	0	(480,804)	(57,261)	(31,407)	(88,978)	(658,450)
(Surplus)/deficit	0	(1,406,528)	(166,116)	(95,674)	(270,813)	(1,939,131)
<b>Totals</b>	<b>0</b>	<b>(1,489,971)</b>	<b>(176,054)</b>	<b>(101,125)</b>	<b>(286,255)</b>	<b>(2,053,405)</b>
<b>2: Non-Domestic Rates</b>						
Arrears	714,651	128,637	0	14,293	571,721	1,429,302
Impairment allowance for doubtful debts	(493,732)	(88,871)	0	(9,875)	(394,986)	(987,464)
Overpayments	(279,722)	(50,350)	0	(5,594)	(223,777)	(559,443)
Prepayments	(17,903)	(3,223)	0	(358)	(14,323)	(35,807)
Provision for losses on appeals	(1,608,500)	(289,530)	0	(32,170)	(1,286,800)	(3,217,000)
(Surplus)/deficit	208,896	37,601	0	4,178	167,117	417,792
<b>Totals</b>	<b>(1,476,310)</b>	<b>(265,736)</b>	<b>0</b>	<b>(29,526)</b>	<b>(1,181,048)</b>	<b>(2,952,620)</b>

# 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.

## BALANCE SHEET

This is a statement that shows the Council's overall financial position for the year ended 31 March. It identifies what is owned by the Council, what it owes and what it is owed.

## BUDGET

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

## CAPITAL EXPENDITURE

Expenditure on the provision and improvements of non-current assets, including assets that are not directly owned by the Council (see below for Revenue Expenditure Financed from Capital Under Statute).

## CAPITAL RECEIPTS

The proceeds from the sale of non-current assets.

## CASH EQUIVALENTS

Cash equivalents are investments that mature three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

## COMMUNITY ASSETS

Assets such as parks that the Council intends to hold in perpetuity, that have no determinable useful life, and which may have restrictions on their disposal.

## CREDITORS

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

## CONTINGENT

An asset or liability can be contingent. This means that 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.

## CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities is thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services.

# GLOSSARY

## CURRENT SERVICE COSTS (PENSIONS)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

## CURTAILMENT

Curtailments will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous year.

## DEBTORS

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

## DEFINED BENEFIT SCHEME

A pension scheme under which benefits are payable under regulations, in which the benefits are not directly related to the scheme investments. The scheme may be funded or unfunded.

## 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, 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.

## FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

## FINANCIAL INSTRUMENTS

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, to the more complex derivatives e.g. swaps 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 include Revenue Support Grant and Housing Benefit subsidy.

## HERITAGE ASSETS

These are assets which are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.

## IMPAIRMENT

A reduction in the value of an asset, whether from physical or economic causes, or because of a reduction in the market price.

# GLOSSARY

## INFRASTRUCTURE ASSETS

A category of Property, Plant and Equipment, covering inalienable assets, expenditure on which is recoverable only by continued use of the asset created. An example is the sea wall and promenade.

## INTANGIBLE ASSETS

Identifiable non-monetary assets such as software licences.

## INVESTMENT PROPERTIES

Property held solely to earn rentals or for capital appreciation or both.

## LEASES

An agreement whereby the lessor conveys to the lessee, in return for a payment or a number of payments, the right to use an asset for an agreed period of time.

## PAST SERVICE COST

Discretionary pension benefits awarded on early retirement are treated as past service costs. This includes added years and unreduced pension benefits awarded before the rule of 85 age.

## PRECEPT

The amount of money the County Council, the Sussex Police and Crime Commissioner and the Fire Authority have instructed the Borough Council to collect and pay over to it out of Council Tax receipts held in the Collection Fund; similarly the statutory share of Non-Domestic Rates that are payable to the Government, County Council and the Fire Authority.

## 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.

## PROPERTY PLANT AND EQUIPMENT (PPE)

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

## PUBLIC WORKS LOAN BOARD (PWLB)

A Government financed body which provides a source of long term borrowing for local authorities.

## REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Under statute some expenditure is allowed to be treated as capital for financing purposes, but does not result in the acquisition of a non-current asset for the Council.

## 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 SUPPORT GRANT

A Government grant distributed to local authorities to augment income raised by charges for services, council tax and non-domestic rates. It is centrally determined on a needs basis.

# GLOSSARY

## UNUSABLE RESERVES

These are reserves, including those offsetting non-current assets and the negative reserve that offsets the long-term pension liability, that are not immediately available for use to support revenue or capital expenditure.

## USABLE RESERVES

These reserves are available to support the Council's expenditure, although the Capital Receipts Reserve and the Capital Grants and Contributions Reserve may only be used for capital purposes.

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