

Audit Committee Agenda

Thursday, 21 September 2017 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 Emily Horne on 01424 451719 or email:
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		Page No.
3.	Final Accounts 2016/17 (Peter Grace, Assistant Director, Financial Services and Revenues)	1 - 86

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**FINANCIAL
REPORT AND
STATEMENT OF
ACCOUNTS
2016-17**



CONTENTS

		Page No.
1. INFORMATION ACCOMPANYING THE FINANCIAL STATEMENTS		
1.1 General Information		3
1.2 Narrative Report		4 - 11
1.3 Expenditure summaries:-		
Corporate Resources		12
Operational Services		13
Service Measures		17
1.4 The Annual Governance Statement		19 – 23
1.5 Statement of Responsibilities		24
1.6 Independent Auditor's Report		24 – 26
2. ACCOUNTS		
Expenditure and Funding Analysis (Note to the accounts)		
Core Accounting Statements:		
Comprehensive Income and Expenditure Statement		28
Movement in Reserves		29
Balance Sheet		31
Cash Flow Statement		32
Notes to the Core Financial Statements (including accounting policies)		
	Note	Page No.
Changes to accounting policies and re-statements	1	33
Accounting Policies	2	33 – 45
Critical Judgements	3	45
Assumptions Made About Future and Other Major Sources of Estimation and Uncertainty	4	46
Events After the Balance Sheet Date	5	46
Expenditure and Funding Analysis	6	47 – 48
Adjustments Between Accounting and Funding Basis	7	48 – 50
Expenditure and Income analysed by nature	8	50
Fees, charges and other service income	9	51
Grants and Contributions	10	51
Defined Benefit Pension Scheme	11	51 – 54
Earmarked Reserves	12	55 – 57
Unusable Reserves	13	57 – 59
Capital Expenditure and Capital Financing	14	59 – 61
Non-Current Assets and Assets for Sale	15	61 – 64
Debtors and contingent assets	16	65
Liabilities	17	65
Financial Instruments	18	66 – 71
Cash Flow Reconciliation	19	71 - 72
Employee Remuneration	20	72 – 73

CONTENTS

		Page No.
Termination and Exit Packages	21	73
Leases	22	74
External Audit Costs	23	75
Members Allowances	24	75
Related Party Transactions	25	75 – 76
Exceptional items	26	76
Collection Fund Income and Expenditure Statement and Notes		77 – 81
Glossary		82 – 85

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NARRATIVE REPORT

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 2016-17 was 62,077

COUNCIL TAX & BUSINESS RATING INFORMATION

Rateable value of business premises at 31 March 2017	£57,869,797
Net Borough Council Revenue Expenditure (excluding capital charges)	£14,374,228
Council Tax Base	24,678
Council Tax at Band D - includes all preceptors	£1,732.86

EMPLOYEES

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

	NUMBER OF EMPLOYEES	
	2015-16	2016-17
Full time	258	260
Part time (full time equivalents)	54	51
Total	<u>312</u>	<u>311</u>

The direct cost of employment during the year was :-

	2015-16	2016-17
	£'000	£'000
Wages and Salaries	8,882	8,956
National Insurance	642	847
Pension Contributions	1,617	1,659
Total	<u>11,141</u>	<u>11,462</u>

NARRATIVE REPORT

INTRODUCTION

The Council's accounts for the year of 2016-17 are set out on pages 28 to 81. 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 position.

1. 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 Income and Expenditure Statement can be found on pages 54 and 55.

(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. This statement is included within the Financial Report for ease of reference.

(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

NARRATIVE REPORT

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.

(b) Notes to the Core Financial Statements, which include explanations and more detailed information.

(c) 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.

2. 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.

3. Material assets/liabilities

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

4. Pension

The net long term pension liability stood at about £40m, compared to £46m a year before. 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. In 2015/16 the discount rate increased slightly, and this was the main factor in the reduction in the reported liability. The wide fluctuations in values from year to year 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.

NARRATIVE REPORT

5. 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 £13,416,284. The carry forwards into 2017/18 amount to some £271,000.

The following table compares the major elements of the budget and actual for general fund services in 2016-17:-

	Original Budget £000	Revised Budget £000	Actual Outturn £000	Variance £000
Directorates				
Corporate Resources	5,043	4,632	3,908	(724)
Operational Services	10,324	10,936	9,508	(1,428)
Contingencies	400	340	0	(340)
Direct Service Expenditure	15,767	15,908	13,416	(2,492)
Net Interest Payments	218	179	241	62
Revenue contributions to capital	690	1,040	934	(106)
Other operating costs	519	505	438	(67)
Net Contribution to / (from) Reserves*	(1,496)	(3,267)	(480)	2,787
Net Council Expenditure	15,698	14,365	14,549	184
Less Government Grant	(6,394)	(5,005)	(5,154)	(149)
Less retained business rates	(3,085)	(3,141)	(3,176)	(35)
Collection Fund Surplus	(165)	(165)	(165)	0
Amount to be met by Council Tax Payers	6,054	6,054	6,054	0

	Original Budget £000	Revised Budget £000	Actual Outturn £000	Variance £000
Direct Service Expenditure	15,767	15,908	13,416	(2,492)
Net Interest Payments	218	179	241	62
Revenue contributions to capital	690	1,040	934	(106)
Other operating costs	519	505	438	(67)
Grants, business rates and council tax	(15,698)	(14,365)	(14,549)	(184)
Net expenditure excluding reserve movements	1,496	3,267	480	(2,787)
Contributions to reserves	2,374	887	1,577	690
Capital use of earmarked reserves	(690)	(1,040)	(934)	106
Revenue use of earmarked reserves	(2,298)	(3,037)	(2,009)	1,028
Transfer to Transition Reserve	(582)	(77)	0	77
Transfer to/(from) Specific Reserve	(300)	0	0	0
Net budget surplus transferred to reserves	0	0	(886)	(886)

NARRATIVE REPORT

Whilst there are numerous underspends one of the most significant was the Disabled Facilities Grant (DFG) which changed from a revenue grant to a capital grant. For 2016/17 there was £431,000 that had been received but not spent in the capital programme and therefore has been recognised as grant received in the revenue figures above.

Council Tax

The balance on the Collection Fund at 31 March 2017 was £2.5m, of which the Council's share was £358,000. The in-year collection rate, which was budgeted at 96.3%, was narrowly missed (96.25% achieved). The actual amount being collected from prior years increased again, and the council can expect the same in respect of 2017/18.

NNDR

The rateable value of business premises at 31 March 2017 was £57,869,797 compared to £57,853,178 at 31 March 2016. However there are still 170 appeals outstanding (excluding multiple appeals), with a total rateable value of £17.9m, and many date back to the start of the 2010 list. There are a number of multiple appeals for the same property, making an accurate estimate of the liability very difficult. The budget collection rate of 98.0% was achieved as the actual collection rate was 98.8%

The net collectable sum for the year was £20,845,000, £522,000 less than original forecast (NNDR1) of £21,367,000. The NNDR element of the Collection Fund has a deficit balance of £312,000 (the Council's share of the £1,075,000 overall deficit).

2017-18 Budget

The table below summarises planned net expenditure on services for 2017-18, compared to 2016-17, 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.

	2016-17 Revised Budget	2017-18 Original Budget	Change 2016-17 to 2017-18
	£	£	£
Directorates			
Corporate Resources	2,511,230	2,692,710	181,480
Operational Services	13,056,340	11,802,367	(1,253,973)
Contingencies	340,000	400,000	60,000
Direct Service Expenditure	15,907,570	14,895,077	(1,012,493)
Net Interest Payments	178,436	232,753	54,317
Other operating costs	504,975	831,669	326,694
Net Contribution to / (from) Reserves	(2,227,089)	(2,260,342)	(33,253)
Net Council Expenditure	14,363,892	13,699,157	(664,735)
Less Government Grant :-			
Revenue Support Grant	(2,835,303)	(2,038,000)	797,303
Other general Grants	(2,160,381)	(1,662,407)	497,974
Retained business rates	(3,149,361)	(3,484,514)	(335,153)
Collection Fund Surplus	(164,593)	(232,205)	(67,612)
Amount to be met by Council Tax Payers	6,054,254	6,282,031	227,777

NARRATIVE REPORT

6. Performance review

Hastings

Hastings is a beautiful and vibrant coastal cosmopolitan town that is steeped in rich history and culture. With a coast line 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 90,000 residents of Hastings enjoy a large country park, award winning galleries, museums and theatres that regular host events through the year.

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

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

Medium Term Financial Strategy (MTFS)

The Council has consistently maintained a healthy reserves position and benefits from financial stability. This is reflected in the Council's effective monitoring of financial performance and maintaining a balanced budget reflected in forward planning as outlined in the Medium Term Financial Strategy (MTFS) approved by Cabinet in November 2016.

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 will have to be taken into account when updating future financial forecasts. However, the Government's decision to call a general election in June 2017 means that the Local Government Finance Bill, which included proposals for further business rates reform and localisation, will not complete its passage through Parliament as originally timetabled. It will remain for the new Government to set its priorities following the election and decide whether or not to reintroduce the Bill, thereby creating new uncertainties when planning the council's MTFS.

During the year the Council approved an Efficiency Plan that demonstrates how the Council will effectively manage its finances over the Efficiency Plan's timeframe and as a result of a successful submission the Government agreed a four year funding settlement which helps the Council to make more informed financial decision. 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.

End of Year Performance 2016/17

The Council uses a range of indicators to measure the performance and these are broadly split between corporate priorities such as financial targets, operational priorities such as Environmental, Housing and Regeneration targets. The indicators that measure the performance assess each target through a series of 'milestones'. These milestones are measured on a quarterly basis, and at 31 March those that have achieved their target are given a Green status, narrowly missed target (which may be because the target has changed or been affected by external circumstances) as Amber status and those not achieved a Red status.

A range of indicators are used to measure performance, varying from financial indicators that are used to assess performance on key income streams such as off-street parking, to usage indicators, which measure levels of attendance at key discretionary services such as the Museum, White Rock Theatre. Targets for these indicators 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.

NARRATIVE REPORT

Corporate Priorities

Despite another challenging financial year, the Council has continued to perform well on its Corporate Priorities, meeting 94% of its targets for the year 2016/17. This is comparable with previous years, with 67% in 2015/16 and 94% in 2014/15.

Year	On Target
2014/15	94%
2015/16	67%
2016/17	94%

Those Corporate Priorities that have experienced delays are, in the main, priorities where the Council is working in partnership with other organisations, or where contractors for developments have been engaged. Managing external relationships, whether contractual or in partnerships, has been recognised within the strategic risk register for 2017/18.

Operational Priorities

Performance on the Council's core business measures has been good across the year and fairly consistent with previous years, with 90% of targets being achieved by the end of the year. This compares with 78% for 2015/16 and 93% for 2014/15.

Year	On Target
2014/15	93%
2015/16	78%
2016/17	90%

One of the main areas of difficulty is within Homelessness as demand for housing increases. The Council is continually reviewing and developing its strategy to meet housing need and changing circumstances

As well as the continued pressure on performance expectations and resource there have been a number of successes delivered across the council include:

- The purchase of Muriel Matters House providing ongoing significant revenue savings
- The purchase of Sedlescombe Road North retail park proving an ongoing revenue stream, helping to support employment and ensuring that the retail sector within Hastings is preserved whilst enhancing the surrounding business area
- On the 14th December 2016 the Council commenced Universal Credit as part of the Government welfare reform plans
- Introduction of new kiosks and concessions along the seafront

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.

7. Capital Expenditure

The Council spent £16,896,000 on capital projects during 2016-17, as summarised below:

Scheme	Revised Budget £'000	Outturn £'000
Harbour Arm and new groynes	450	450
Central St. Leonards Town Heritage Initiative 2	105	104
CCTV Control room	200	202

NARRATIVE REPORT

Scheme	Revised Budget £'000	Outturn £'000
Retail property purchase	7,700	7,707
Land West Marina	127	127
Disabled Facilities Grants	900	966
Private Sector Renewal grants	5	10
Muriel Matters House Purchase	4,400	4,400
Muriel Matters House refurbishment	1	0
Office accommodation	87	87
Town Hall works	29	26
Road at Pelham Arcade	35	11
Restoration of Pelham Crescent/ Pelham Arcade	130	60
Seafront Strategy - structures	0	1
Public Realm	61	3
Castle Access/ Interpretation (£100k -15/16*)	70	51
Empty Homes Strategy - CPO	20	12
White Rock baths	41	40
Sandrock Park land purchase	23	0
Coastal Space Regeneration Project - Phase II	0	0
Country Park -Interpretive Centre	40	25
Sea Escapes - CCF III Coastal Communities Fund Capital	366	371
CPO property	150	135
Bottle Alley	159	11
Kiosk above Bottle Alley	79	54
Playgrounds Upgrade Programme	43	14
Playgrounds Carnoustie and Kensington Close	39	1
New Factory unit	1,353	1,408
Land Churchfields Estate	620	620
Additional chalets	61	0
Parking machines and boards	70	0
Total	17,364	16,896

This capital expenditure was financed as shown below:-

	£'000
Capital receipts	697
Government grants and other contributions:	
towards assets	623
towards REFCUS	1,418
Revenue and Reserves	934
Borrowing	13,224
	<u>16,896</u>

The Council is planning to spend £5,795,000 on capital projects during 2017-18, as follows. £3,717,000 is due to be funded by grants and contributions, and the rest from reserves and capital receipts.

Scheme	£'000
Harbour Arm and new groynes	2,440
Groyne Refurbishment	5
Disabled Facilities Grants	1,000

NARRATIVE REPORT

Scheme	£'000
Private sector renewal grants	70
Road at Pelham Arcade	90
Restoration of Pelham Crescent/ Pelham Arcade	227
Public Realm	50
Castle Access/ Interpretation	237
Empty Homes Strategy - CPO	70
Coastal Space Regeneration Project - Phase II	875
Country Park -Interpretive Centre	161
Sea Escapes - CCF III Coastal Communities Fund Capital	0
Further sea defence works	70
New ERP system	500
	<hr/>
	5,795
	<hr/> <hr/>

8. Borrowing Facilities

Total loans outstanding owed to external sources for capital spending amount to £26.5m. Under the prudential code for borrowing the Council's Capital Financing Requirement is £29.783m

9. 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 2017 is £19.825m compared with £20.187m million at 31st March 2016.

10. 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 (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 current rating list came into operation. Appeals since 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 stood at £2.625m at 31 March 2017, of which £1.075m (40%) relates to this Council's potential liability. This is an estimate based on past settlement of appeals, but the actual liability could be a significantly different figure.

11. Events after the balance sheet date

Following the referendum result on 23 June 2016 which meant that the United Kingdom is to leave the European Union (EU), the Prime Minister triggered Article 50 on 29 March 2017 which formally began this process. As there is still a degree of uncertainty regarding the implications, the risk associated with leaving the EU is not yet measurable. The impact will be closely monitored and any impacts considered and reported through the appropriate channels within the Council's governance structure.

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

2015-16 Re-stated				2016-17			
Expend	Income	Net	Service	Revised Estimate	Expend	Income	Net
£	£	£		£	£	£	£
141,316	0	141,316	Director of Corporate Services and Governance	151,420	151,973	0	151,973
255,523	0	255,523	Corp. Policy, Partnerships and Performance	271,970	269,012	0	269,012
103,674	0	103,674	Electoral Services	101,770	103,740	0	103,740
208,726	0	208,726	Estates Services	214,850	213,571	0	213,571
125,114	0	125,114	Building Surveyors	129,010	129,025	0	129,025
353,258	(41,394)	311,864	Legal Services	307,420	352,679	(39,762)	312,917
177,559	(10,679)	166,880	Audit and Investigations Services	175,890	193,716	(1,491)	192,225
612,045	(1,578)	610,467	Accountancy Services	626,930	638,954	(1,576)	637,378
1,846,352	(57,019)	1,789,333	Revenues Services	1,694,250	1,741,434	(54,535)	1,686,899
474,066	(3,032)	471,034	Personnel and Organisational Development and Business Support	489,020	469,016	(6,297)	462,719
122,588	65	122,653	Corporate Personnel Expenses	131,960	113,543	(480)	113,063
670,605	2,144	672,749	Contact Centre	594,050	603,197	(11,544)	591,653
161,496	(743)	160,753	Digital by Design	152,190	152,950	0	152,950
152,291	(18,799)	133,492	Admin Buildings - Town Hall	103,880	200,684	(94,717)	105,967
558,770	(7,912)	550,858	Admin Buildings - Muriel Matters House	245,750	288,128	(45,083)	243,045
82,524	0	82,524	Admin Buildings - General Expenses	97,640	87,149	0	87,149
30,083	0	30,083	Admin Buildings - Corporate Archive	26,950	25,483	0	25,483
230,848	0	230,848	Corporate Expenses	243,640	241,988	(20)	241,968
488,178	(40)	488,138	IT	530,740	534,584	(4,407)	530,177
189,892	0	189,892	IT Reserve / Hardware	268,000	245,701	0	245,701
20,036	0	20,036	Land & Property Systems-GIS	20,580	20,563	0	20,563
120,961	0	120,961	Corporate Management Expenses	136,140	153,402	(23,667)	129,735
374,300	0	374,300	Non Distributed Costs	428,800	428,800	0	428,800
51,855,127	(52,448,614)	(593,487)	Benefit Payments and Administration	(198,000)	47,571,094	(48,084,778)	(513,684)
0	(268,575)	(268,575)	Council Tax and Business Rates Collection	(363,510)	0	(195,574)	(195,574)
16,303	(391,503)	(375,200)	Employment Areas	(366,790)	26,068	(399,002)	(372,934)
111,406	(1,513,425)	(1,402,019)	Factory Units	(1,343,030)	148,122	(1,517,324)	(1,369,202)
230,398	(1,464,050)	(1,233,652)	Farms and Other Properties	(1,189,940)	292,060	(1,738,423)	(1,446,363)

EXPENDITURE SUMMARIES

2015-16 Re-stated				2016-17			
Expend	Income	Net	Service	Revised Estimate	Expend	Income	Net
£	£	£		£	£	£	£
69,490	0	69,490	St Mary in the Castle	21,820	21,662	0	21,662
88,165	99	88,264	Other Expenditure	331,610	95,401	(26,042)	69,359
91,001	(45,775)	45,226	Registration of Electors	45,790	85,655	(29,376)	56,279
337,050	(629)	336,421	Cost of Democracy	328,180	323,209	0	323,209
155,099	(151,904)	3,195	Election Expenses	54,230	240,319	(170,039)	70,280
609	5	614	Local Strategic Partnership	0	31	0	31
639	(893)	(254)	Sustainable Development	3,120	1,553	(106)	1,447
0	0	0	Public Consultation	0	0	0	0
140	(717)	(577)	Climate Change Project / Ecofab Project	0	0	0	0
27,333	0	27,333	Pier Closure Costs	100,000	155,807	0	155,807
19,881	0	19,881	Shelters and Seats	22,850	17,952	0	17,952
13,113	0	13,113	Naming and Numbering	11,010	11,653	0	11,653
72,875	(1,310)	71,565	Decorative Lighting	91,880	65,216	(560)	64,656
403,640	(463,080)	(59,440)	Foreshore Trust	(60,580)	101,595	(163,737)	(62,142)
Corporate Resources and Governance							
60,992,474	(56,889,358)	4,103,116		4,631,490	56,516,689	(52,608,540)	3,908,149
364,942	(1,786)	363,156	Environmental Services Management & Administration	348,420	382,225	347	382,572
290,901	4,483	295,384	Amenities Administration	219,520	220,725	0	220,725
412,713	(14,255)	398,458	Waste and Parking Team	421,820	459,372	(7,522)	451,850
389,667	(135)	389,532	Administration - Housing	373,230	376,625	(244,560)	132,065
105,616	(10,454)	95,162	Local Land Planning & Admin	80,040	86,834	(12,860)	73,974
151,198	0	151,198	Director of Operational Services	155,940	159,117	2	159,119
82,139	0	82,139	Leisure Administration	82,130	83,103	0	83,103
82,240	0	82,240	Resort Services Management and Administration	85,660	134,512	0	134,512
132,212	0	132,212	Regeneration Administration Division	138,950	141,323	0	141,323
311,182	(13,210)	297,972	Communications & Marketing	292,100	301,746	(5,929)	295,817
111,918	0	111,918	Building Control	87,000	80,855	0	80,855
795,657	(230,564)	565,093	Development Control & Conservation	535,120	816,830	(321,576)	495,254

EXPENDITURE SUMMARIES

2015-16 Re-stated				2016-17			
Expend	Income	Net	Service	Revised Estimate	Expend	Income	Net
£	£	£		£	£	£	£
107,594	(379,898)	(272,304)	Local Land Charges Register	(237,920)	93,477	(373,007)	(279,530)
538,276	(217,526)	320,750	Homelessness & Preventing Repossessions	363,370	735,990	(278,253)	457,737
157,709	0	157,709	Homelessness Prevention	135,730	135,840	0	135,840
145,936	(89,262)	56,674	Social Lettings	(23,970)	318,118	(360,729)	(42,611)
108,367	(3,484)	104,883	Homelessness Strategy	163,770	94,971	0	94,971
12,476	(664)	11,812	Housing Register	17,200	15,959	0	15,959
93,190	(120,285)	(27,095)	Deposits funded by ESCC	3,990	121,513	(105,678)	15,835
44,348	(37,375)	6,973	Youth Homelessness	11,350	45,965	(28,500)	17,465
2,662	0	2,662	Anti Poverty	5,200	5,200	0	5,200
25	0	25	POAL Officer	0	42,000	0	42,000
5,999	(14,275)	(8,276)	Land Auction Pilot	0	0	0	0
264,094	(3,260)	260,834	Housing Renewal	270,030	276,807	(20,351)	256,456
48,150	(103,734)	(55,584)	Rogue Landlords	72,140	62,155	(19,000)	43,155
211,627	(31,685)	179,942	Selective Licensing	(38,060)	445,832	(545,399)	(99,567)
152,055	(281,550)	(129,495)	Housing Licensing	47,740	76,111	(28,742)	47,369
109,527	(67,500)	42,027	Housing Solution Services	17,920	131,704	(561,730)	(430,026)
58,069	(25,000)	33,069	Coastal Space Enforcement Activities	19,620	19,666	0	19,666
15,406	0	15,406	Dangerous Structures	2,500	3,515	0	3,515
5,844	(2,600)	3,244	Coastal Local Economic Partnership (LEP)	4,650	18,380	(12,917)	5,463
101,590	0	101,590	Housing - NHS Clinical Commissioning Group CCG	582,850	402,340	0	402,340
47,294	(7,277)	40,017	Sustainable Housing in Inclusive Neighbourhoods	(230)	9,088	(6,326)	2,762
0	0	0	Climate Active Neighbourhoods	(3,970)	2,128	0	2,128
0	0	0	Syrian Resettlement Programme	(122,130)	64,744	(108,347)	(43,603)
0	0	0	Rough Sleeper Prevention	0	4,437	(50,000)	(45,563)
1,059,253	(770,012)	289,241	Regeneration Activity	365,100	460,054	(145,231)	314,823
215,637	(22)	215,615	Planning Policy	298,340	188,314	(20)	188,294
164,429	(29,201)	135,228	Cultural Activities	171,150	236,778	(66,243)	170,535
173,533	(138,412)	35,121	Cultural Development	200,770	381,626	(185,523)	196,103
0	0	0	Regional Growth Fund Four - SUCCESS Programme	0	0	0	0

EXPENDITURE SUMMARIES

2015-16 Re-stated				2016-17			
Expend	Income	Net	Service	Revised Estimate	Expend	Income	Net
£	£	£		£	£	£	£
12	(404)	(392)	Answers in the Carbon Economy	0	0	0	0
134,545	(2,119)	132,426	External Funding Initiatives	133,020	116,805	(1,387)	115,418
0	0	0	Safe Ice	0	0	0	0
55,393	(83)	55,310	Community Cohesion	51,210	53,801	(2,755)	51,046
32,325	(48,187)	(15,862)	Fisheries Local Action Group (FLAG)	0	6,220	(9,112)	(2,892)
4,719	(10,568)	(5,849)	Coastal Communities Fund	0	0	0	0
20,068	2,000	22,068	Employability	36,610	37,089	(1,680)	35,409
9,949	(10,943)	(994)	Talent Match	(230)	2,356	(2,570)	(214)
41,791	(41,740)	51	Sea Escapes - CCF III Coastal Communities Fund	0	97,365	(96,964)	401
400,441	(53,623)	346,818	Community Partnership	299,610	346,894	(46,353)	300,541
365	(5,900)	(5,535)	Older and Younger People	5,550	5,917	(4,535)	1,382
9,799	0	9,799	Youth Activities (Young Persons Council)	10,200	13,561	(3,361)	10,200
0	0	0	Town Centre Management	0	0	0	0
0	0	0	Community Development Activity	0	0	0	0
11,567	0	11,567	Image Raising Campaign Project	18,000	39,259	(21,259)	18,000
157,662	(80,817)	76,845	1066 Country Campaign	85,930	209,223	(112,023)	97,200
84,274	(30,205)	54,069	Tourism Marketing	40,620	89,638	(50,454)	39,184
86,385	0	86,385	Tourist Information Centre	66,690	92,949	0	92,949
24,810	(6,766)	18,044	Community Awareness	9,900	21,291	(11,958)	9,333
3,000	0	3,000	Twinning / Sierra Leone	3,000	4,604	0	4,604
141,161	(87,344)	53,817	Raising the Profile of Hastings	85,480	138,069	(55,193)	82,876
0	(484)	(484)	Normal castles Interreg Project	0	0	(178)	(178)
3,568	0	3,568	Meteorological Expenses	3,800	3,293	0	3,293
32,306	(15)	32,291	Civic & Ceremonial Expenses	31,170	27,278	0	27,278
31,549	(30,450)	1,099	Filming	(4,000)	22,319	(26,872)	(4,553)
7,161	(5,000)	2,161	Coastal Protection	15,370	5,612	0	5,612
5,967	0	5,967	Navigational Aids	7,490	428	0	428
7,704	0	7,704	Environmental Schemes Net Shops	9,100	1,427	0	1,427
256,345	(372,259)	(115,914)	Cliff Railways	(126,100)	260,766	(388,291)	(127,525)
17,950	(56,940)	(38,990)	Castle and Caves	(47,750)	29,026	(66,412)	(37,386)

EXPENDITURE SUMMARIES

2015-16 Re-stated				2016-17			
Expend	Income	Net	Service	Revised Estimate	Expend	Income	Net
£	£	£		£	£	£	£
20,795	(180,468)	(159,673)	Chalets and Beach Huts	(174,230)	20,126	(196,767)	(176,641)
607,411	(1,000)	606,411	White Rock Theatre	606,840	640,412	1,000	641,412
87,114	(49,865)	37,249	Seafront	36,090	58,873	(48,889)	9,984
374,396	(57,146)	317,250	Museums and Art Galleries	373,760	416,071	(60,025)	356,046
4,289	0	4,289	First World War Project	(11,290)	4,022	0	4,022
61,488	(32,112)	29,376	Sports Management	8,900	54,001	(54,032)	(31)
10,036	(100)	9,936	Falaise Fitness Centre	28,820	28,048	(100)	27,948
37,638	(19,000)	18,638	Sports Centres	83,050	68,665	(10,391)	58,274
5,000	0	5,000	William Parker Athletic Track	5,000	5,000	0	5,000
29,260	0	29,260	Sports Development	27,100	33,527	0	33,527
74,062	(51,237)	22,825	Street Games	21,960	53,351	(38,982)	14,369
29,755	(26,882)	2,873	Sports for All	0	32,191	(36,103)	(3,912)
153,451	(81,581)	71,870	Active Hastings	61,780	137,905	(87,270)	50,635
85,145	(15,837)	69,308	Play Development	67,550	90,497	(21,648)	68,849
0	0	0	Primary Care Trust Play Grant	3,850	2,600	0	2,600
36,626	0	36,626	Play Pathfinder	32,000	31,061	0	31,061
0	0	0	Playground Projects	0	65,091	(65,100)	(9)
0	0	0	Chart CLLD Connecting Hastings & Rother Together	0	19,556	(19,500)	56
0	0	0	Community Dev 1066 Community Grants	30,000	28,165	(2,700)	25,465
11,566	(49,958)	(38,392)	Opening Doors	1,350	46,331	(46,939)	(608)
5,000	0	5,000	Let's Get Moving (CCG)	68,400	28,822	0	28,822
11,386	0	11,386	British BID DCLG - Loan Fund	18,830	23,031	0	23,031
761	0	761	Hastings Pier CPO	0	0	0	0
32	(367)	(335)	Classroom on the Coast	0	0	0	0
0	0	0	Hastings Pier Charity - Additional Grant	0	0	0	0
151,823	(1,780)	150,043	Food Safety	151,280	157,016	(1,475)	155,541
41,073	0	41,073	Health and Safety	45,050	45,582	(1,100)	44,482
156,987	(4,445)	152,542	Environmental Protection	182,670	159,851	(4,557)	155,294
45,999	(12,030)	33,969	Pest Control	34,380	40,383	(10,997)	29,386
95,160	(189,915)	(94,755)	Local Licensing	(89,580)	98,301	(189,903)	(91,602)
64,920	(78,385)	(13,465)	Liquor Licensing	(18,710)	65,714	(82,467)	(16,753)
38,298	(34,938)	3,360	Gambling Licensing	5,980	40,509	(28,214)	12,295
34,675	(2,050)	32,625	stray Dog Contact	31,680	34,675	(2,100)	32,575
31,971	0	31,971	Emergency Planning	32,980	31,524	0	31,524

EXPENDITURE SUMMARIES

2015-16 Re-stated				2016-17			
Expend	Income	Net	Service	Revised Estimate	Expend	Income	Net
£	£	£		£	£	£	£
1,411,801	(2,084,200)	(672,399)	Parking	(810,490)	1,376,516	(2,308,572)	(932,056)
231,514	0	231,514	Close Circuit Television	204,140	206,830	(100)	206,730
17,731	(25,382)	(7,651)	ESCC Highway Tree Maintenance	(3,000)	26,146	(25,000)	1,146
5,106	(75)	5,031	Public Realm	0	0	0	0
994,912	(65,898)	929,014	Waste Collection	983,240	990,389	(63,044)	927,345
304,785	(229,393)	75,392	Recycling	149,860	372,166	(232,339)	139,827
1,152,151	(18,889)	1,133,262	Street Cleansing	1,141,430	1,240,582	(19,000)	1,221,582
225,866	(270,545)	(44,679)	Greenwaste	(64,230)	227,250	(307,641)	(80,391)
173,659	0	173,659	Waste and Environmental Enforcement Team	162,490	156,821	0	156,821
11,318	0	11,318	Together Action	26,000	21,094	0	21,094
114,976	(10,000)	104,976	Safer Hastings Partnership (HBC)	93,370	100,040	(6,500)	93,540
129,275	(62,439)	66,836	Safer Hastings Partnership (External)	8,080	48,292	(51,124)	(2,832)
0	0	0	CS Domestic Violence (CCG)	0	65,900	(65,900)	0
13,826	0	13,826	Watercourses	16,700	13,287	0	13,287
607,522	(1,088,999)	(481,477)	Cemetery and Crematorium	(476,250)	667,732	(1,175,455)	(507,723)
17,239	0	17,239	Travellers Costs	17,690	17,689	0	17,689
23,371	(50)	23,321	Town Centre	26,620	26,184	0	26,184
43,847	(22,011)	21,836	Allotments	1,050	25,519	(24,252)	1,267
8,725	0	8,725	Housing Renewal	18,780	10,099	0	10,099
127,828	0	127,828	Arboriculture	128,990	134,567	0	134,567
1,330,507	(80,054)	1,250,453	Parks and Gardens	1,269,690	1,288,123	(111,546)	1,176,577
197,133	(70,000)	127,133	Bathing Water Quality	31,830	31,955	0	31,955
191,199	(45,122)	146,077	Hastings Country Park	84,300	125,392	(43,677)	81,715
94,272	(63,873)	30,399	Countryside Stewardship	49,720	124,401	(116,988)	7,413
306,574	0	306,574	Public Conveniences	328,830	338,650	(761)	337,889
18,695,545	(8,456,816)	10,238,729	Operational Services	10,936,070	19,457,694	(9,949,609)	9,508,085

Service Measures

2015-16		2016-17
	Numbers of:	
42,437	Museum visitors	45,497
92,778	East Hill Cliff Railway users	94,255
98,760	West Hill Cliff Railway users	94,433
22	Public Conveniences	21
203	Burials	196
81,127	Grave spaces	81,228

EXPENDITURE SUMMARIES

1,399	Cremations	1,509
3,065,000	Dustbins Emptied (Bin Equivalents)	3,070,000
9,423	Recycling tonnage	9,500
948	Planning Applications	733
2	Conservation Area Projects	2
259	Building Regulation Applications	240
1,738	Local Land Charges (full searches only)	1,658
2,144	Car Parking Spaces (Off-Street)	2,144
3,216	Penalty Charge Notices issued	3,454
2,184	Licences Issued	2,147
468	Food Hygiene Inspections	474
129	Health & Safety Inspections	179
58,315	Local Electorate	62,077
99	Number of Factory Units	100
270	Kilometres of Streets maintained within the Borough	270
1,483,850	Rental Income from Factory Units (£)	1,489,079

Annual Governance Statement

Hastings Borough Council

Annual Governance Statement 2016/2017

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" (2012 Edition).
3. In 2016, the Chartered Institute for Public Finance and Accountancy / Society of Local Authority Chief Executives, issued updated guidance for delivering good governance in local government. A review of the Council's Code of Corporate Governance is underway to take account of the revised principles. The aim is for this work to have been completed and allow time to adapt and then report this time next year.
4. A copy of the code is on our website at www.hastings.gov.uk.
5. 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

6. 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.
7. 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.
8. 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 2017, up to the date of approval of the Statement of Accounts.

The governance framework

9. 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. Part II of 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.

Annual Governance Statement

- Hastings Borough Council facilitates policy and decision-making via a Cabinet Structure with Cabinet Member 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.
- 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 or members of the public to confidentially raise with the Council any suspicions they may have. There is also 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 member 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 unqualified 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, Agresso, which integrates the general ledger function with those of budgetary control and payments. These are supported by the Finance Operating Procedures (FOPs) manual held on the Council's intranet which contains information on financial and business procedures and processes to 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 28 Key Indicators that can be used to assess the 'health' of the organisation. This, together

Annual Governance Statement

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 Trustee for all purposes to 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.
- Service Reviews – The Council's transformation programme has undertaken intensive business process mapping of a range of services to (where possible) move services online to realise efficiencies and improve processes for our customers and staff. Progress against the transformation programme is detailed in our quarterly performance reports. These coincide with existing plans for service reviews being planned through the Priorities, Income & Efficiency Reviews (PIER) process.
- Member Development – Before Members can undertake their roles all Members have to undertake the appropriate training. This includes full induction for all new Members, a range of compulsory training so that members can fulfil their roles on our committees, and leadership training where appropriate provided in conjunction with the LGA. Member training and development is monitored and evaluated quarterly by the Member 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.

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 (2010)'

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 Members 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 Revenues	-	Assistant Director Financial Services and

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. This was last updated and approved by Cabinet on 6 October 2014.
16. The arrangements for the provision of internal audit are contained within the Council's Financial Rules, which are included within the Constitution. The Assistant Director Financial Services and Revenues 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 2011. 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

Annual Governance Statement

18. From the work undertaken by Hastings Audit in 2016/17 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 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)'. In accordance with its categorisation of significant issues, there are no new issues to report, however, provided below is an update to an ongoing risk 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 2017/18 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 last year, it was reported that there was a new emerging issue to do with the implications arising from the national referendum and the vote to exit the EU. 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. Councillors will be informed of the implications as and when sufficient detail becomes available.
23. 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 28 to 76 give a true and fair view of the financial position of the Council as at 31 March 2017 and its income and expenditure for the year ended 31st March 2017.

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

[To Follow]

Independent Auditor's Report

Independent Auditor's Report

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2015-16 restated				2016-17		
Gross	Income	Net		Gross	Income	Net
£'000	£'000	£'000		£'000	£'000	£'000
59,684	(53,865)	5,819	Corporate Services and Governance	58,711	(52,609)	6,102
25,740	(13,499)	12,241	Operational Services:	22,649	(11,367)	11,282
<u>85,424</u>	<u>(67,364)</u>	<u>18,060</u>	Cost of Services	<u>81,360</u>	<u>(63,976)</u>	<u>17,384</u>
0	(244)	(244)	(Gain) or loss on sale of assets	0	(721)	(721)
<u>0</u>	<u>(244)</u>	<u>(244)</u>	Other operating expenditure	<u>0</u>	<u>(721)</u>	<u>(721)</u>
532	0	532	Interest payable and similar charges	703	0	703
1,435	0	1,435	Net interest on defined pension liabilities	1,363	0	1,363
0	(315)	(315)	Interest receivable and similar income	0	(301)	(301)
(171)	(76)	(247)	Income and expenditure in relation to investment properties and changes in their fair value	(44)	(68)	(112)
<u>1,796</u>	<u>(391)</u>	<u>1,405</u>		<u>2,022</u>	<u>(369)</u>	<u>1,653</u>
0	(6,068)	(6,068)	Council Tax Income	0	(6,180)	(6,180)
5,326	(7,980)	(2,654)	Non domestic rates	5,403	(8,354)	(2,951)
0	(3,727)	(3,727)	Revenue Support Grant	0	(2,835)	(2,835)
0	(2,939)	(2,939)	Other non-ringfenced government grants	0	(2,974)	(2,974)
0	(220)	(220)	Capital grants and contributions	0	(814)	(814)
0	(1,200)	(1,200)	Clinical Commissioning Group	0	0	0
<u>5,326</u>	<u>(22,134)</u>	<u>(16,808)</u>		<u>5,403</u>	<u>(21,157)</u>	<u>(15,754)</u>
<u>92,546</u>	<u>(90,133)</u>	<u>2,413</u>	(Surplus) or Deficit on Provision of Services	<u>88,785</u>	<u>(86,223)</u>	<u>2,562</u>
		(12,142)	Surplus on revaluation of non-current assets			(6,746)
		4,394	Impairment losses on non-current assets charged to the revaluation reserve			655
		(7,706)	Remeasurement of the net defined benefit pension liability			(567)
		<u>(15,454)</u>	Other Comprehensive Income and Expenditure			<u>(6,658)</u>
		<u>(13,041)</u>	Total Comprehensive Income and Expenditure			<u>(4,096)</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
2015-16	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2014	(500)	(19,662)	(712)	(259)	(21,133)	(46,136)	(67,269)
Movement in Reserves in 2014-15:							
(Surplus)/deficit on the provision of services (accounting basis)	2,413	0	0	0	2,413	0	2,413
Other Comprehensive Income and Expenditure	0	0	0	0	0	(15,454)	(15,454)
Total Comprehensive Income and Expenditure	2,413	0	0	0	2,413	(15,454)	(13,041)
Adjustments between accounting and funding basis under regulation - note 7	(2,938)	0	710	(49)	(2,277)	2,277	0
Net (increase)/decrease before transfers to Earmarked reserves	(525)	0	710	(49)	136	(13,177)	(13,041)
Transfers to/from Earmarked reserves - note 8	525	(525)	0	0	0	0	0
(Increase)/Decrease in Year	0	(525)	710	(49)	136	(13,177)	(13,041)
Balance at 31 March 2016	(500)	(20,187)	(2)	(308)	(20,997)	(59,313)	(80,310)

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Ear- marked Reserves	Capital Receipts reserve	Capital grants unapplied	Total usable reserves	Unusable Reserves	Total Authority Reserves
2016-17	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2016	(500)	(20,187)	(2)	(308)	(20,997)	(59,313)	(80,310)
Movement in Reserves in 2015-16:							
(Surplus)/deficit on the provision of services (accounting basis)	2,562	0	0	0	2,562	0	2,562
Other Comprehensive Income and Expenditure	0	0	0	0	0	(6,658)	(6,658)
Total Comprehensive Income and Expenditure	2,562	0	0	0	2,562	(6,658)	(4,096)
Adjustments between accounting and funding basis under regulation - note 7	(2,082)	0	(136)	(190)	(2,408)	2,408	0
Net increase/decrease before transfers to Earmarked reserves	480	0	(136)	(190)	154	(4,250)	(4,096)
Transfers to/from Earmarked reserves - note 7	(480)	480	0	0	0	0	0
(Increase)/Decrease in Year	0	480	(136)	(190)	154	(4,250)	(4,096)
Balance at 31 March 2017	(500)	(19,707)	(138)	(498)	(20,843)	(63,563)	(84,406)

BALANCE SHEET

31 March 2016		31 March 2017
£'000		£'000
98,416	Property, Plant and Equipment <i>Note 14</i>	115,274
1,132	Investment Properties <i>Note 14</i>	1,178
24	Intangible Assets	14
14,556	Heritage Assets <i>Note 14</i>	14,789
3,408	Long Term Debtors <i>Note 15</i>	2,184
117,536	LONG TERM ASSETS	133,439
114	Inventories	71
0	Assets Held for Sale <i>Note 14</i>	0
8,450	Short Term Debtors <i>Note 15</i>	9,042
21,063	Short Term Investments <i>Note 19</i>	23,093
2,230	Cash and Cash Equivalents <i>Cash Flow</i>	4,932
31,857	CURRENT ASSETS	37,138
(6,247)	Short Term Creditors <i>Note 16</i>	(7,963)
(6,092)	Short Term Borrowing <i>Note 19</i>	(9,198)
(1,799)	Provisions <i>Note 16</i>	(1,615)
(147)	Capital grants received in advance	0
(14,285)	CURRENT LIABILITIES	(18,776)
(13,497)	Long Term Borrowing <i>Note 16</i>	(25,441)
(1,151)	Long Term Creditors <i>Note 16</i>	(1,058)
(40,150)	Net Pension Liability <i>Note 17</i>	(40,896)
(54,798)	LONG TERM LIABILITIES	(67,395)
80,310	NET ASSETS	84,406
(500)	General Fund	(500)
(20,187)	Earmarked reserves	(19,707)
(2)	Capital Receipts Reserve	(138)
(308)	Capital grants and contributions	(498)
(20,997)	USABLE RESERVES	(20,843)
(3)	Deferred capital receipts	(268)
(52,963)	Revaluation Reserve	(58,364)
(46,890)	Capital Adjustment Account	(45,897)
40,150	Pensions Reserve	40,896
(172)	Financial instruments Adjustment Account	(19)
220	Accumulated Absences Account	135
345	Collection Fund Adjustment Account	(46)
(59,313)	UNUSABLE RESERVES	(63,563)
(80,310)	TOTAL RESERVES	(84,406)

CASH FLOW STATEMENT

2015-16		2016-17
£'000		£'000
(14,525)	Taxation	(14,768)
(59,416)	Grants and Contributions	(55,655)
(10,645)	Sales of goods and rendering of services	(14,596)
(286)	Interest received	(301)
(424)	other receipts from operating activities	(791)
(85,296)	Cash inflows generated from operating activities	(86,111)
10,228	Cash paid to and on behalf of employees	9,987
50,238	Housing benefit payments	47,573
5,326	NNDR Tariff and levy payments	5,403
13,528	Cash paid to suppliers of goods and services	14,403
523	Interest paid	630
7,893	Other operating cash payments	5,290
87,736	Cash outflows generated from operating activities	83,286
2,440	Net cashflows from operating activities	(2,825)
(776)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(831)
1,242	Purchase of property, plant and equipment, investment property and intangible assets	15,368
8,000	Purchase of short-term and long-term investments	15,000
0	Other payments for investing activities	0
(7,000)	Proceeds from the sale of short-term and long-term investments	(13,000)
(367)	Other receipts from investing activities	(667)
1,099	Net cashflows from investing activities	15,870
(34,368)	Cash receipts from short term and long term borrowing.	(41,515)
32,050	Repayments of short term and long term borrowing	26,528
(1,153)	Changes in National Non-Domestic Rates balances held for preceptors	(98)
323	Changes in Council tax balances held for preceptors	(662)
(3,148)	Net cashflows from financing activities	(15,747)
391	Net (Increase) / decrease in cash and cash equivalents	(2,702)
2,621	Cash and bank balances 1 April	2,230
(391)	Change during the year	2,702
2,230	Cash and bank balances 31 March	4,932
31 March 2016		31 March 2017
3	Cash in hand	3
666	Bank balances	1,893
1,561	Cash equivalents	3,036
2,230	Totals	4,932

NOTES TO CORE FINANCIAL STATEMENTS

1 CHANGES TO ACCOUNTING POLICIES AND TO PREVIOUS YEARS FIGURES

Changes to 2016/17 Code of Practice

The 2016/17 Code of Practice incorporates several changes to accounting standards, but those that apply to this Council have not necessitated major changes or restatements of the figures for 2015/16.

The new Code does, however, include changes to the presentation of the Comprehensive Income and Expenditure Statement (CIES), under which services are analysed according to the operational structure, rather than by the current standard service headings. The new format is supplemented by the new Expenditure and Funding Analysis, reconciling the budget outturn figures in the Narrative Report to the Comprehensive Income and Expenditure Statement.

The Code of Practice now stipulates that the Comprehensive Income and Expenditure Statement is shown before, rather than after, the Movement in Reserves Statement, and the note previously shown called "Amounts Reported for Resource Allocation Decisions" is no longer required. The opportunity has been taken to revise the ordering of notes to the accounts, and to incorporate some notes within the Comprehensive Income and Expenditure Statement.

Changes to the 2017-18 Code of Practice

Although there have been some changes to accounting standards, which are incorporated in the 2017-18 Code of Practice, there are no changes with any impact on this Council, and therefore the 2016-17 figures will not require any re-statement arising from accounting changes.

2 ACCOUNTING POLICIES

2.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2016-17 financial year and its position at the end of 31 March 2017. 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 2016-17, 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 the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- 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.

NOTES TO CORE FINANCIAL STATEMENTS

- 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;
- 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).

The Council participates in the Local Authority Mortgage Scheme (LAMS) using the cash backed option. The mortgage lenders require a 5 year deposit from the Council to match the 5 year life of the indemnity. The deposit placed with the mortgage lender provides an integral part of the mortgage lending, and is treated as capital expenditure and a loan to a third party. The Capital Financing Requirement (CFR) rose by the amount of the total indemnity. Part of this debt was repaid in full in 2016-17 and the rest is due for repayment in 2017-18. The repayment is treated as a capital receipt, then applied to reduce the CFR rather than to finance new borrowing. As this is a temporary (5 year) arrangement and the funds should be returned in full, the Council has considered whether MRP should be made and has determined any amount is trivial and therefore there is no need to set aside a provision to repay the debt liability in the interim period.

2.5 Contingent Assets

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.

Contingent assets are not recognised in the balance sheet, but their existence is recorded in a note to the accounting statements.

NOTES TO CORE FINANCIAL STATEMENTS

2.6 Contingent Liabilities

A contingent liability is a possible obligation 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 liability is related to a legal action against the authority, whose outcome is uncertain when the balance sheet is compiled.

Contingent liabilities may 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 reliably measured.

Contingent liabilities are not recognised in the balance sheet, but their existence is recorded in a note to the accounting statements.

2.7 Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the accounting year multiplied by an average for pension and National Insurance. This accrual relating to leave entitlements is 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 are charged to the General Fund in the financial year in which the salary payment is made.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. 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 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

NOTES TO CORE FINANCIAL STATEMENTS

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

2.8 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.

NOTES TO CORE FINANCIAL STATEMENTS

2.9 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.

2.10 Fair Value

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

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

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

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

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

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the year end
- Level 2 Inputs, other than quoted prices within Level 1, that are observable for the asset or liability, either directly or indirectly
- Level 3 Unobservable inputs for the asset or liability

2.11 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".

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.

NOTES TO CORE FINANCIAL STATEMENTS

Financial Assets

The term “financial asset” covers cash and beneficial contractual rights to receive or exchange cash or liabilities. Most of the Council’s financial assets come within the category of “loans and receivables”. These are financial assets that have fixed or determinable payments, and are not quoted in an active market. The Council also sometimes invests in short term Certificates of Deposit (£10m at 31 March 2017). These are classified as Available for Sale, but, as they are only held for a short period, the Council accounts for them as if they were Loans and Receivables.

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”.
- The debtor for the bank deposit for the LAMS scheme; this is allocated to long term or short term debtors, depending on the time outstanding before maturity.
- A long term loan to Amicus Horizon for £1,788,000 included in the balance sheet under long term debtors.
- Loans to the Foreshore Trust totalling £272,000 (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 would be included in the balance sheet as “long term investments” but there were none as at 31 March 2017.

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the 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.

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

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.

2.12 Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

NOTES TO CORE FINANCIAL STATEMENTS

2.13 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.

2.14 Heritage Assets

The Council's Heritage Assets are as follows:

- 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 the Council does not consider that reliable cost or valuation information can be obtained for the castle and caves. This is because of the historic nature of the assets and lack of comparable market values. 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 2.19.

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.

NOTES TO CORE FINANCIAL STATEMENTS

Any impairment is recognised and measured in accordance with the policies on impairment of property plant and equipment- see note 2.19.

2.15 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 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.

2.16 Leases

Definition of a lease

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.

(a) The Council as Lessee

Finance Leases

Where the Council uses or occupies an asset held under a finance lease, the asset is recognised as such in the appropriate line in the balance sheet, subject to the de minimis limit noted in 2.16 above. The value recognised is the fair value, or (if lower) the present value of the minimum lease payments. This value is offset on the balance sheet by a creditor or long term liability for the leasing charge.

NOTES TO CORE FINANCIAL STATEMENTS

As these assets are included as part of the Council's property plant and equipment balance, they are subsequently accounted for, in relation to disposal, depreciation, impairment, etc., as set out below in 2.19.

Minimum lease payments are apportioned between interest payable as the finance charge and the reduction of the outstanding liability. The finance charge is calculated to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating Leases

Lease payments for operating leases are recognised as an expense on a straight-line basis over the lease term, unless they can be otherwise apportioned in line with benefits received.

(b) The Council as Lessor

Operating 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.

2.17 Overheads and Support Services

Following changes to the presentation of financial statements, outlined in Note 1, charges for overheads and support services are no longer reflected in the Comprehensive Income and Expenditure Statement or in any of the notes to the accounts. The figures shown now reflect only the costs of services directly under the control of managers.

For other purposes, particularly statutory returns to the Government, the costs of overheads and support services are charged to those services that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2016-17 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

2.18 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.

2.19 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 (2.14 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 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.

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

2.21 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 contains the difference between the statutory and accounting liability for the cost of accumulated absences: the cost is properly chargeable to the Comprehensive Income and Expenditure Statement, but not to the General Fund.
- Financial Instruments Adjustment Account: this represents the difference between the accounting and legislative charges for finance costs.
- 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.

2.22 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.

2.23 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.

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 Parties).

NOTES TO CORE FINANCIAL STATEMENTS

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.

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 an increase in the pension liability of £13,220,000.
- 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 £1,583,000.
- A 0.5% increase in pensions would increase the liability by £11,465,000

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.

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, which is calculated on the basis of the success rate of appeals already settled. This provision is based on appeals received by the Valuation Office at the end of March. Appeals lodged after 31 March 2015 can only be backdated to 1 April 2015, and the calculation does not make any assessment of appeals still to be lodged, the impact being considered immaterial.

NOTE 5. EVENTS AFTER THE BALANCE SHEET DATE

There are no events after the balance sheet date

NOTES TO CORE FINANCIAL STATEMENTS

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.

Net expenditure chargeable to the General Fund	2015-16			Net expenditure chargeable to the General Fund	2016-17	
	Adjustments between funding and accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement			Adjustments between funding and accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
4,103	1,716	5,819	Corporate Services and Governance	3,908	2,194	6,102
10,239	2,002	12,241	Operational Services:	9,508	1,774	11,282
14,342	3,718	18,060	Cost of Services	13,416	3,968	17,384
(14,867)	(780)	(15,647)	Other Income and Expenditure	(12,936)	(1,886)	(14,822)
(525)	2,938	2,413	Surplus or Deficit before reserve movements	480	2,082	2,562

General Fund	Earmarked Reserves	Total		General Fund	Earmarked Reserves	Total
(500)	(19,662)	(20,162)	Opening balances	(500)	(20,187)	(20,687)
(525)	0	(525)	Surplus or Deficit	480	0	480
525	(525)	0	Transfer to (from) earmarked reserves	(480)	480	0
(500)	(20,187)	(20,687)	Closing balances	(500)	(19,707)	(20,207)

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
2015-16				
Corporate Services and Governance	1,769	(54)	1	1,716
Operational Services:	1,650	326	26	2,002
Cost of Services	3,419	272	27	3,718

NOTES TO CORE FINANCIAL STATEMENTS

	Adjustments between Funding and Accounting Basis			
	Capital and Assets	Pensions	Other	Total
	£'000	£'000	£'000	£'000
Other income and expenditure from the Expenditure and Funding Analysis	(1,907)	1,435	(308)	(780)
Net Difference	1,512	1,707	(281)	2,938

	Adjustments between Funding and Accounting Basis			
	Capital and Assets	Pensions	Other	Total
	£'000	£'000	£'000	£'000
2016-17				
Corporate Services and Governance	2,796	(573)	(29)	2,194
Operational Services:	1,316	523	(65)	1,774
Cost of Services	4,112	(50)	(94)	3,968
Other income and expenditure from the Expenditure and Funding Analysis	(3,020)	1,363	(229)	(1,886)
Net Difference	1,092	1,313	(323)	2,082

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.

NOTES TO CORE FINANCIAL STATEMENTS

	General Fund Balance £'000	Capital Receipts reserve £'000	Capital grants unapplied £'000	Unusable Reserves £'000	Total £'000
2015-16					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Amortisation Intangible Assets	(23)	0	0	23	0
Depreciation and impairment of non-current assets	(2,421)	0	0	2,421	0
Movements in value of Investment Properties	176	0	0	(176)	0
Gain or (loss) on disposal of non-current assets	(532)	0	0	532	0
Capital receipts to Usable Capital Receipts Reserve	777	(779)	0	2	0
Capital grants and contributions to Capital Grants Unapplied Reserve	220	0	(220)	0	0
Difference between accounting and statutory finance costs	51	0	0	(51)	0
Difference between accounting and statutory employment benefit	(35)	0	0	35	0
Difference between accounting and statutory credit for Council Tax	(18)	0	0	18	0
Difference between accounting and statutory credit for Non-Domestic Rates	283	0	0	(283)	0
Revenue Expenditure Financed from Capital under Statute	(2,993)	0	0	2,993	0
Difference between accounting and statutory credit for pension costs	(1,707)	0	0	1,707	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory provision for the financing of capital investment	510	0	0	(510)	0
Capital expenditure financed from revenue	757	0	0	(757)	0
Other adjustments					
Capital expenditure financed from Capital Receipts	0	1,489	0	(1,489)	0
Capital expenditure financed from Capital grants and contributions	2,017	0	171	(2,188)	0
Total for 2015-16	(2,938)	710	(49)	2,277	0

NOTES TO CORE FINANCIAL STATEMENTS

	General Fund Balance £'000	Capital Receipts reserve £'000	Capital grants unapplied £'000	Unusable Reserves £'000	Total £'000
2016-17					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Amortisation Intangible Assets	(10)	0	0	10	0
Depreciation and impairment of non-current assets	(4,020)	0	0	4,020	0
Movements in value of Investment Properties	46	0	0	(46)	0
Gain or (loss) on disposal of non-current assets	(377)	0	0	377	0
Capital receipts to Usable Capital Receipts Reserve	1,098	(833)	0	(265)	0
Capital grants and contributions to Capital Grants Unapplied Reserve	225	0	(225)	0	0
Difference between accounting and statutory finance costs	(153)	0	0	153	0
Difference between accounting and statutory employment benefit	85	0	0	(85)	0
Difference between accounting and statutory credit for Council Tax	(39)	0	0	39	0
Difference between accounting and statutory credit for Non-Domestic Rates	430	0	0	(430)	0
Revenue Expenditure Financed from Capital under Statute	(1,499)	0	0	1,499	0
Difference between accounting and statutory credit for pension costs	(1,313)	0	0	1,313	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory provision for the financing of capital investment	505	0	0	(505)	0
Capital expenditure financed from revenue	934	0	0	(934)	0
Other adjustments					
Capital expenditure financed from Capital Receipts	0	697	0	(697)	0
Capital expenditure financed from Capital grants and contributions	2,006	0	35	(2,041)	0
Total for 2016-17	(2,082)	(136)	(190)	2,408	0

NOTE 8. EXPENDITURE AND INCOME ANALYSED BY NATURE

2015-16 £'000	2016-17 £'000
14,580 Employee benefits expenses	14,287
69,851 Other service expenses	64,407
2,268 Depreciation, amortisation, impairment	3,984

NOTES TO CORE FINANCIAL STATEMENTS

2015-16		2016-17
£'000		£'000
523	Interest payments	703
5,326	NDR Tariff and levy	5,403
92,548	Total expenditure	88,784
(244)	(Gain) or loss on disposal of assets	(721)
(13,575)	Fees, charges and other service income	(12,698)
(315)	Interest and investment income	(301)
(14,048)	Income from taxation	(14,534)
(61,951)	Government grants and contributions	(57,969)
(90,133)	Total income	(86,223)
2,415	(Surplus) or Deficit on the Provision of Services	2,561

NOTE 9. FEES, CHARGES AND OTHER SERVICE EXPENDITURE

2015-16		2016-17
£'000		£'000
(6,433)	Corporate Services and Governance	(4,296)
(7,065)	Operational Services:	(8,333)
(77)	Investment Properties	(69)
(13,575)	Total fees, charges and other service income	(12,698)

NOTE 10. GRANTS AND CONTRIBUTIONS

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

Grants	2015-16			2016-17		
	£'000	Contribs. £'000		Grants £'000	Contribs. £'000	Total £'000
(50,125)	0	(50,125)	DWP benefits and other grants	(48,150)	0	(48,150)
(204)	0	(204)	DCLG grants	(996)	0	(996)
0	(266)	(266)	Contributions from other local authorities	0	(233)	(233)
(2,017)	0	(2,017)	Grants for revenue financed from capital under statute	(1,418)	0	(1,418)
(1,096)	(157)	(1,253)	Other Grants and Contributions	(241)	(308)	(549)
(53,442)	(423)	(53,865)	Total within Cost of Services	(50,805)	(541)	(51,346)
(3,727)	0	(3,727)	Revenue Support Grant	(2,835)	0	(2,835)
(233)	0	(233)	New Burdens Grant	(159)	0	(159)
(800)	0	(800)	Benefits Administration Grant and Council Tax admin support	(758)	0	(758)
(1,017)	0	(1,017)	New Homes Bonus	(1,396)	0	(1,396)
(102)	0	(102)	Efficiency Support Grant	0	0	0
(787)	0	(787)	Section 31 Grant Income	(656)	0	(656)
0	0	0	Transition Grant	(5)	0	(5)

NOTES TO CORE FINANCIAL STATEMENTS

2015-16			2016-17		
Grants £'000	Contribs. £'000	Total £'000	Grants £'000	Contribs. £'000	Total £'000
(220)	0	(220)	(814)	0	(814)
(1,200)	0	(1,200)	0	0	0
(8,086)	0	(8,086)	(6,623)	0	(6,623)
Total within Taxation and non-specific grant income					
(61,528)	(423)	(61,951)	(57,428)	(541)	(57,969)
Total grants and contributions					

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 £2,827,000 at 31 March 2017, (£2,559,000 at 31 March 2016) and the Council made payments totalling £179,000 in 2016-17 (£180,000 in 2015-16), 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.

2015-16 £'000	2016-17 £'000
Comprehensive Income and Expenditure Statement	
2,186	2,044
83	0
2,269	2,044
1,435	1,363
1,435	1,363
3,704	3,407
1,523	(17,065)
Actuarial gains & losses:	
0	(2,060)
(7,266)	22,952
(1,963)	(4,394)

NOTES TO CORE FINANCIAL STATEMENTS

2015-16		2016-17
£'000		£'000
(7,706)	Re-measurement of the net defined benefit liability	(567)
(4,002)	Total Comprehensive Income and Expenditure Statement	2,840
Movement in Reserves Statement		
3,704	Reversal of items relating to retirement benefit debited or credited to the Comprehensive Income and Expenditure Statement	3,407
(1,997)	Employer's pension contributions and direct payments to pensioners payable in the year	(2,094)
1,707	Total taken to Note 6	1,313

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

2015-16		2016-17
£'000	Reconciliation of Fair Value of Employer Assets (scheme Assets):	£'000
101,721	Value of Assets at 1 April	99,907
3,101	Interest income on plan assets	3,347
509	Contributions by Members	522
1,997	Contributions by the Employer	2,094
(1,523)	Return on assets excluding amounts recognised in Other Comprehensive Income	17,065
(5,898)	Benefits Paid	(5,438)
99,907	Value of Assets at 31 March	117,497

2015-16		2016-17
£'000	Reconciliation of Defined Benefit Obligation (scheme Liabilities):	£'000
(147,870)	Value of Liabilities at 1 April	(140,057)
(2,186)	Current Service Cost	(2,044)
(4,536)	Interest Cost	(4,710)
(509)	Contribution by Members	(522)
Actuarial Gains and (Losses):		
0	Change in demographic assumptions	2,060
7,266	Change in financial assumptions	(22,952)
1,963	Other experience gains and (losses)	4,394
(83)	(Losses) and Gains on Curtailments	0
5,898	Benefits Paid	5,438
(140,057)	Value of Liabilities at 31 March	(158,393)
(40,150)	Net Liability at 31st March	(40,896)

Annual Contribution to fund

The estimated contribution for 2017-18 is £1,825,000, compared with the actual contribution of £2,094,000 for 2016-17.

Plan Assets

NOTES TO CORE FINANCIAL STATEMENTS

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

31 March 2016				31 March 2017				
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	
				Equity Securities:				
1,833.3	0.5	1,833.8	2%	Consumer	2,189.2	0.0	2,189.2	2%
1,193.3	1.0	1,194.3	1%	Manufacturing	1,158.5	0.0	1,158.5	1%
257.8	3.2	261.0	0%	Energy and Utilities	197.4	0.0	197.4	0%
2,952.0	0.2	2,952.2	3%	Financial Institutions	3,553.7	0.0	3,553.7	3%
1,264.7	1.1	1,265.8	1%	Health and Care	2,012.1	0.0	2,012.1	2%
1,520.0	0.2	1,520.2	2%	Information Technology	1,674.4	0.0	1,674.4	1%
0.0	503.3	503.3	1%	Other	234.3	398.2	632.5	1%
				Debt Securities:				
0.0	1,817.6	1,817.6	2%	UK Government	0.0	3,255.8	3,255.8	3%
0.0	1,859.5	1,859.5	2%	Other	209.6	0.0	209.6	0%
				Private Equity:				
0.0	5,965.7	5,965.7	6%	All	0.0	6,723.8	6,723.8	6%
				Real Estate:				
633.3	11,200.2	11,833.5	12%	UK Property	0.0	11,266.6	11,266.6	10%
0.0	0.0	0.0	0%	Overseas Property	0.0	0.0	0.0	0%
				Investment funds and unit trusts:				
64.4	51,724.1	51,788.5	51%	Equities	14.4	64,697.5	64,711.9	54%
3,977.4	7,622.8	11,600.2	12%	Bonds	0.0	13,554.7	13,554.7	12%
0.0	108.3	108.3	0%	Hedge Funds	0.0	118.0	118.0	0%
49.0	0.0	49.0	0%	Commodities	174.0	0.0	174.0	0%
0.0	1,687.1	1,687.1	2%	Infrastructure	0.0	1,298.8	1,298.8	1%
0.0	341.9	341.9	0%	Other	0.0	128.0	128.0	0%
				Derivatives:				
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	0.0	0.0	0%	Foreign exchange	0.0	24.7	24.7	0%
0.0	0.0	0.0	0%	Other	0.0	0.0	0.0	0%
				Cash and cash equivalents				
3,325.1	0.0	3,325.1	3%	All	2,963.9	1,649.4	4,613.3	4%
17,070.3	82,836.7	99,907.0	100%	Totals	14,381.5	103,115.5	117,497.0	100%

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:

2015-16

	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.2	Men	
24.4	Women	
	Longevity at 65 for future pensioners:	
24.2	Men	
26.7	Women	

2016-17

22.1
24.4
23.8
26.3

NOTES TO CORE FINANCIAL STATEMENTS

	2015-16	2016-17
2.1%	Rate of inflation	2.4%
4.1%	Rate of increase in salaries	2.8%
2.1%	Rate of increase in pensions	2.4%
3.4%	Rate for discounting scheme liabilities	2.5%
	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 2015	Movement 2015-16	Balance at 1 April 2016	Movement 2016-17	Balance at 31 March 2017
		£'000	£'000	£'000	£'000	£'000
(1)	General Reserve	(7,116)	(421)	(7,537)	(107)	(7,644)
(2)	Capital Reserve	(1,467)	743	(724)	87	(637)
(3)	Renewal and Repairs Reserve	(1,757)	(97)	(1,854)	106	(1,748)
(4)	Risk Management Reserve	(360)	20	(340)	10	(330)
(5)	Information Technology Reserve	(281)	63	(218)	32	(186)
(6)	On-Street Car Parking Surplus Reserve	(83)	18	(65)	17	(48)
(7)	Section 106 Reserve	(622)	76	(546)	4	(542)
(8)	VAT reserve	(269)	12	(257)	0	(257)
(9)	Government Grants Reserve	(754)	157	(597)	30	(567)
	Area Based Grant Unapplied Reserve	(1)	1	0	0	0
(10)	Monuments in perpetuity	(51)	0	(51)	3	(48)
(11)	Ore Valley Reserve	(302)	52	(250)	0	(250)
(12)	Mortgage Reserve	(92)	(33)	(125)	(23)	(148)
(13)	Invest to save and efficiency Reserve	(748)	(204)	(952)	174	(778)
(14)	Resilience and Stability Reserve	(600)	0	(600)	0	(600)
(15)	Transition Reserve	(2,222)	0	(2,222)	0	(2,222)
(16)	Redundancy Reserve	(648)	0	(648)	0	(648)
(17)	Community Safety Reserve	(350)	0	(350)	0	(350)
(18)	Economic Development Reserve	(504)	0	(504)	3	(501)
	Land Charges Claim	(140)	140	0	0	0
(19)	Safer Hastings Partnership Reserve	(48)	7	(41)	(2)	(43)
	Parks and Gardens Reserve	(10)	10	0	0	0
(20)	Bathing Water Reserve	(60)	28	(32)	0	(32)
(21)	First World War Reserve	(10)	5	(5)	(12)	(17)
(22)	Coastal Communities Reserve	(10)	0	(10)	0	(10)
(23)	Carry-forwards	(535)	78	(457)	186	(271)
(24)	Clinical Commissioning Group	(602)	(1,104)	(1,706)	442	(1,264)

NOTES TO CORE FINANCIAL STATEMENTS

(25)	Young Peoples Council	(20)	10	(10)	(9)	(19)
	Sports for All	0	(6)	(6)	6	0
(26)	Revenue Hardship Fund	0	(80)	(80)	0	(80)
(27)	Disabled Facilities Grant	0	0	0	(431)	(431)
(28)	Syrian Resettlement Programme	0	0	0	(36)	(36)
	Total	(19,662)	(525)	(20,187)	480	(19,707)

For Reserves with a balance at as 31st March 2017 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.

NOTES TO CORE FINANCIAL STATEMENTS

- 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 - The Coastal Communities Fund (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.
- 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 the Syrian resettlement programme

NOTE 13. UNUSABLE RESERVES

Unusable reserves are held for various purposes as set out in the Accounting Policies (see Note 2.21 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.

2015-16	Balance 1 April 2015 £'000	Comp- rehensive I&E £'000	Accounting - Financing Adjust. £'000	Balance 31 March 2016 £'000
Deferred capital receipts	(5)	0	2	(3)
Revaluation Reserve	(45,772)	(7,748)	557	(52,963)
Capital Adjustment Account	(47,182)	0	292	(46,890)
Pensions Reserve	46,149	(7,706)	1,707	40,150
Financial instruments Adjustment A/c	(121)	0	(51)	(172)
Accumulated Absences Account	185	0	35	220
Collection Fund Adjustment Account	610	0	(265)	345
Total	(46,136)	(15,454)	2,277	(59,313)

2016-17	Balance 1 April 2016 £'000	Comp- rehensive I&E £'000	Accounting - Financing Adjust. £'000	Balance 31 March 2017 £'000
Deferred capital receipts	(3)	0	(265)	(268)
Revaluation Reserve	(52,963)	(6,091)	690	(58,364)
Capital Adjustment Account	(46,890)	0	993	(45,897)
Pensions Reserve	40,150	(567)	1,313	40,896
Financial instruments Adjustment A/c	(172)	0	153	(19)
Accumulated Absences Account	220	0	(85)	135
Collection Fund Adjustment Account	345	0	(391)	(46)
Total	(59,313)	(6,658)	2,408	(63,563)

NOTES TO CORE FINANCIAL STATEMENTS

Deferred Capital Receipts

2015-16		2016-17
£000		£000
(5)	Balance 1 April	(3)
	Accounting / Financing Adjustments:	
2	Deferred receipts received to Capital Receipts Reserve	(265)
(3)	Balance 31 March	(268)

Revaluation Reserve

2015-16		2016-17
£000		£000
(45,772)	Balance 1 April	(52,963)
	Comprehensive Income & Expenditure:	
(7,748)	(Gain) or Loss on revaluation of assets	(6,091)
	Accounting / Financing Adjustments:	
142	Gain or (loss) on sale of non-current assets	232
415	Depreciation charged to Revaluation Reserve	458
(52,963)	Balance 31 March	(58,364)

Capital Adjustment Account

2015-16		2016-17
£000		£000
(47,182)	Balance 1 April	(46,890)
	Accounting / Financing Adjustments:	
23	Write down Intangible Assets	10
2,421	Depreciation and impairment of non-current assets	4,020
(176)	Movements in value of Investment Properties	(46)
390	Gain or (loss) on sale of non-current assets	145
2,993	Revenue Expenditure Financed from Capital under Statute	1,499
(510)	Statutory provision for the financing of capital investment	(505)
(757)	Capital expenditure financed from revenue	(934)
(1,489)	Capital expenditure financed from Capital Receipts	(697)
(2,188)	Capital expenditure financed from Capital grants and contributions	(2,041)
(415)	Depreciation charged to Revaluation Reserve	(458)
(46,890)	Balance 31 March	(45,897)

Pensions Reserve

2015-16		2016-17
£000		£000
46,149	Balance 1 April	40,150
	Comprehensive Income & Expenditure:	
(7,706)	Re-measurement of the net defined benefit liability	(567)
	Accounting / Financing Adjustments:	

NOTES TO CORE FINANCIAL STATEMENTS

	Difference between accounting and statutory credit for pension costs	1,313
1,707		
40,150	Balance 31 March	40,896

Financial Instruments Adjustment Account

2015-16 £000		2016-17 £000
(121)	Balance 1 April	(172)
	Accounting / Financing Adjustments:	
(51)	Difference between accounting and statutory finance costs	153
(172)	Balance 31 March	(19)

Accumulated Absences Account

2015-16 £000		2016-17 £000
185	Balance 1 April	220
	Accounting / Financing Adjustments:	
35	Difference between accounting and statutory employment benefit	(85)
220	Balance 31 March	135

Collection Fund Adjustment Account

2015-16 £000		2016-17 £000
610	Balance 1 April	345
	Accounting / Financing Adjustments:	
	Difference between accounting and statutory credit for Council Tax	39
(283)	Difference between accounting and statutory credit for Non-Domestic Rates	(430)
345	Balance 31 March	(46)

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.

NOTES TO CORE FINANCIAL STATEMENTS

2015-16			2016-17		
Fin. Lease £'000	Other £'000	Total £'000	Fin. Lease £'000	Other £'000	Total £'000
254	18,320	18,574	254	17,810	18,064
<i>Opening Capital Financing Requirement 1 April</i>					
<i>Capital Investment</i>					
0	1,041	1,041	0	15,211	15,211
0	0	0	0	0	0
0	14	14	0	0	0
0	354	354	0	135	135
0	31	31	0	51	51
0	0	0	0	0	0
0	2,994	2,994	0	1,499	1,499
<i>Sources of finance</i>					
0	(1,489)	(1,489)	0	(697)	(697)
0	0	0	0	0	0
0	(171)	(171)	0	(623)	(623)
0	(2,017)	(2,017)	0	(1,418)	(1,418)
0	(757)	(757)	0	(934)	(934)
0	0	0	0	13,224	13,224
0	0	0	0	(1,000)	(1,000)
0	(510)	(510)	0	(505)	(505)
254	17,810	18,064	254	29,529	29,783

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

31 March 2016			31 March 2017		
Fin. Lease £'000	Other £'000	Total £'000	Fin. Lease £'000	Other £'000	Total £'000
242	98,174	98,416	242	115,032	115,274
0	1,132	1,132	0	1,178	1,178
0	24	24	0	14	14
0	0	0	0	0	0
0	14,556	14,556	0	14,789	14,789
0	2,789	2,789	0	1,789	1,789
0	1,000	1,000	0	1,000	1,000
0	(52,963)	(52,963)	0	(58,364)	(58,364)
12	(46,903)	(46,891)	12	(45,909)	(45,897)
254	17,809	18,063	254	29,529	29,783

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

NOTES TO CORE FINANCIAL STATEMENTS

Council has set aside a sum equivalent to 4% of the 1 April balance of the CFR, plus the impact of capital expenditure financed from loan in subsequent years.

The Council also advanced two amounts of £1m under the Local Authority Mortgage Scheme (LAMS), the first in 2012/13 and the second in 2013/14. These advances were financed from loan, increasing the CFR, but the Council did not need to provide any MRP for these amounts, as they were expected to be repaid in full. The earlier loan was repaid in full during 2016/17, and the second one falls to be repaid in 2017/18.

The annual and cumulative figures set aside are as follows:

2015-16				2016-17		
Fin. Lease	Other	Total		Fin. Lease	Other	Total
£'000	£'000	£'000		£'000	£'000	£'000
799	3090	3,889	Balance 1 April	799	3,600	4,399
0	510	510	MRP for the year	0	505	505
799	3,600	4,399	Balance 31 March	799	4,105	4,904

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 2015	72,490	2,940	13,868	12,866	459	85	102,708
Additions	54	309	88	65	0	525	1,041
Disposals	(131)	0	0	0	0	0	(131)
Impairment losses	(1,192)	0	0	0	(57)	0	(1,249)
Impairment loss reversals	64	0	0	0	71	0	135
Reclassifications	(29)	0	0	0	29	0	0
Revaluations	874	0	0	0	5,142	0	6,016
Value 31 March 2016	72,130	3,249	13,956	12,931	5,644	610	108,520
Cumulative Depreciation:							
Opening value 1 April 2015	(533)	(1,570)	(6,993)	(289)	(7)	0	(9,392)
Charge for the year	(825)	(276)	(492)	0	(7)	0	(1,600)
Disposals	8	0	0	0	0	0	8
Impairment loss reversals	293	0	0	0	0	0	293
Revaluations	573	0	0	0	14	0	587
Balance 31 March 2016	(484)	(1,846)	(7,485)	(289)	0	0	(10,104)
Net book value 31 March 2016	71,646	1,403	6,471	12,642	5,644	610	98,416

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
Cost:							
Opening value 1 April 2016	72,130	3,249	13,956	12,931	5,644	610	108,520
Additions	14,375	208	523	15	0	90	15,211
Disposals	(1)	0	0	0	(248)	0	(249)
Impairment losses	(2,376)	0	0	0	0	0	(2,376)
Impairment loss reversals	19	0	0	0	0	0	19
Reclassifications	112	252	0	0	(26)	(338)	0
Revaluations	4,520	0	0	0	937	0	5,457
Value 31 March 2017	88,779	3,709	14,479	12,946	6,307	362	126,582
Cumulative Depreciation:							
Opening value 1 April 2016	(484)	(1,846)	(7,485)	(289)	0	0	(10,104)
Charge for the year	(824)	(338)	(493)	0	(8)	0	(1,663)
Disposals	0	0	0	0	6	0	6
Impairment loss reversals	0	0	0	0	0	0	0
Revaluations	452	0	0	0	1	0	453
Balance 31 March 2017	(856)	(2,184)	(7,978)	(289)	(1)	0	(11,308)
Net book value 31 March 2017	87,923	1,525	6,501	12,657	6,306	362	115,274

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 2016 and 31 March 2017 were carried out by Wilkes Head and Eve, a professional firm of valuers, in line with the principles set out in Note 2.19.

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:							
2012-13	3,230	0	0	0	0	0	3,230
2013-14	2,947	0	0	0	0	0	2,947
2014-15	3,162	0	0	0	1,430	0	4,592
2015-16	23,604	0	0	0	818	0	24,422
2016-17	52,739	0	0	0	4,058	0	56,797
Historic Cost	2,241	1,525	6,501	12,657	0	362	23,285
Net book value 31 March 2017	87,923	1,525	6,501	12,657	6,306	362	115,273

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

NOTES TO CORE FINANCIAL STATEMENTS

INVESTMENT PROPERTIES

Income and expenditure relating to investment properties was as follows:

2015-16		2016-17
£'000		£'000
(76)	Rental income from investment property	(68)
5	Direct operating expenses arising from investment property	2
(176)	Net gains/(losses) from fair value adjustments	(46)
<hr/>		<hr/>
(247)	Total	(112)

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

2015-16		2016-17
£'000		£'000
956	Balance at start of the year	1,132
0	Purchases	0
176	Net gains/ (losses) from fair value adjustments	46
<hr/>		<hr/>
1,132	Balance at end of the year	1,178

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

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 Gorrings Fine Arts Auctioneers and Valuers of 15 North Street Lewes East Sussex, BN7 2PD.

2015-16		2016-17
£'000		£'000
13,380	Balance at start of the year	14,556
31	Additions	51
1,145	Revaluations	182
<hr/>		<hr/>
14,556	Balance at end of the year	14,789

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

31 March		31 March
2016		2017
£000's		£000's
400	Turner Painting of Old Town	405
1,640	Art Collection - General	1,661
7,416	Art Collection - other	7,509
616	Ceramics Glass & Porcelain	623
3,527	Misc. - Silver, books, manuscripts etc.	3,571

NOTES TO CORE FINANCIAL STATEMENTS

31 March 2016 £000's	31 March 2017 £000's
625 Machinery, Equipment & other	633
201 Civic Regalia	204
31 Hastings Castle	82
100 Coins	101
14,556	14,789

ASSETS HELD FOR SALE

2015-16 £'000	2016-17 £'000
55 Balance outstanding at start of year	0
354 Additions	135
(409) Assets sold	(135)
0	0

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 £203,000, for doubtful debts for trade accounts receivable, compared to £154,000 as at 31 March 2016.

31 March 2016 £'000	31 March 2017 £'000
Amounts falling due within one year:	
2,486 Central government bodies	3,788
224 Other Local Authorities & Public Bodies	561
0 Public corporations	0
4,540 All other bodies	4,693
1,200 NHS	0
8,450	9,042
Amounts falling due after one year (all other bodies):	
0 Central government bodies	95
0 Other Local Authorities & Public Bodies	19
3,408 All other bodies	2,070
3,408	2,184
11,858	11,226

CONTINGENT ASSETS

Following the case of Fleming v HMRC it has been possible for VAT registered bodies to reclaim tax paid in relation to such activities as cultural, sporting, car parking excess charges, trade waste and crematorium memorial fees, going back over a number of years. As a result the Council employed a national firm of accountants to pursue the recovery of a significant sum of overpaid VAT (and subsequent interest) and a claim was lodged. The Council have been successful in the cultural, sporting, and trade waste claims. A claim for compound interest has been made relating to these claims, and this is dependent on success in the High Courts.

NOTES TO CORE FINANCIAL STATEMENTS

NOTE 17. LIABILITIES

CREDITORS

31 March 2016 £'000		31 March 2017 £'000
	Amounts falling due within one year:	
(1,056)	Central government bodies	(1,703)
(1,903)	Other Local Authorities	(2,368)
(3,288)	All other bodies	(3,892)
(6,247)	Total short term creditors	(7,963)
	Amounts falling due after one year:	
(1,151)	Other entities and individuals	(295)
0	Other Local Authorities	(763)
(1,151)	Total Long Term Creditors	(1,058)
(7,398)	Total Creditors	(9,021)

PROVISIONS

The Council not made any further provisions in 2016-17 for the legal fees relating to the Compulsory purchased property claims and appeals relating to non-domestic rates.

	Balance at 1 April 2016 £'000	Additional Provisions made £'000	Amounts used £'000	Reversals £'000	Balance at 31 March 2017 £'000
Pier Closure Legal Costs Provision	(34)	0	0	34	0
Compulsory purchase order provision	(465)	0	0	0	(465)
NNDR provision for appeals - HBC element	(1,300)	(313)	463	0	(1,150)
	(1,799)	(313)	463	34	(1,615)

CONTINGENT LIABILITIES

The Council served a notice on 16 June 2006 to restrict access to the Pier under Section 78 of the Buildings Act 1984. This action was taken due to the extremely dangerous condition of the Pier following the failure by the owners to undertake works to ensure the safety of users. A company (Manolete Partners Plc) is making a claim against the Council as a result of restricting access in the sum of £300,000 plus £1.5 million for loss of goodwill. The Council does not accept that it should be liable to pay any compensation as a result of the action taken to safeguard the public. In addition there are two arbitrations outstanding. One concerns 4 previous tenants of the Pier. They have not quantified their claims. The other arbitration is by Manolete Partners plc and is based on the figures already quoted. The arbitration was heard in December 2016 and January 2017 but the result has yet to be released.

MMI (Municipal Mutual Insurance Ltd), 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. There remains a risk that the costs could increase over time, and the remaining potential liability has been estimated at £374,000.

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 last approved by Council on 24 February 2016 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2016-17 was set at £40m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £40m. 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 Capita 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 2016-17 was approved by Full Council on 24 February 2016 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 recoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2017 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 2016			Category	31 March 2017		
Amount	Bad Debt Provision	Estimated maximum exposure to default		Amount	Bad Debt Provision	Estimated maximum exposure to default
£'000	£'000	£'000		£'000	£'000	£'000
2,224	(154)	2,070	Trade receivables	1,305	(203)	1,102
1,146	0	1,146	Other trade debtors	1,890	0	1,890
3,370	(154)	3,216	Total	3,195	(203)	2,992

NOTES TO CORE FINANCIAL STATEMENTS

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

31 March 2016		31 March 2017
£'000		£'000
547	Less than three months	241
304	More than three months	560
851	Total	801

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.

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 2016		31 March 2017
£'000		£'000
27,477	Less than 1 year	31,862
3,239	Less than 5 years greater than 1 year	2,068
30,716	Total	33,930

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.

NOTES TO CORE FINANCIAL STATEMENTS

31 March 2016	31 March 2017
£'000	£'000
(7,750) Less than 1 year	(9,198)
(1,000) Between 1 and 2 years	(2,000)
(2,000) Between 3 and 5 years	0
(300) Between 6 and 10 years	(1,244)
(10,451) More than 10 years	(22,197)
(21,501) Total	(34,639)

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:

- 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, subject to influences from Government grants.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together 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:

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

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.

NOTES TO CORE FINANCIAL STATEMENTS

FINANCIAL INSTRUMENT BALANCES

The Council's investments are all included within the category of "loans and receivables"

31 March 2016			31 March 2017	
Book Value £'000	Fair Value £'000		Book Value £'000	Fair Value £'000
21,063	21,066	Loans and Receivables	23,093	23,101
(63)	(63)	Less accrued interest	(93)	(93)
21,000	21,003	Short term Investments	23,000	23,008
2,224	2,224	Trade accounts receivable	1,305	1,305
(154)	(154)	Provision for impairment	(203)	(203)
1,031	1,031	LAMS Deposit	1,000	1,000
1,146	1,146	Other trade debtors	1,890	1,890
4,247	4,247	Short Term Debtors	3,992	3,992
3	3	Mortgages	0	0
1,000	1,000	LAMS Deposit	1,793	1,793
1,788	1,788	Amicus Horizon loan	11	11
410	410	Foreshore Trust	0	0
38	38	Staff car loans	264	264
3,239	3,239	Long Term Debtors	2,068	2,068
2,230	2,230	Cash and Cash Equivalents	4,932	4,932
30,716	30,719	Total Financial Assets	33,992	34,000

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

31 March 2016			31 March 2017	
Book Value £'000	Fair Value £'000		Book Value £'000	Fair Value £'000
(13,497)	(17,310)	Public Works Loan Board	(25,441)	(29,102)
(254)	(254)	Long Term Creditors	(1,058)	(1,058)
(13,751)	(17,564)	Long Term Liabilities	(26,499)	(30,160)
(6,092)	(6,092)	Short Term Loans	(9,198)	(9,198)
92	0	Adjust for interest on long term loans	133	0
(1,750)	(1,750)	Short Term Creditors	(1,703)	(1,703)
(7,750)	(7,842)	Short Term Liabilities	(10,768)	(10,901)
(21,501)	(25,406)	Total Financial Liabilities	(37,267)	(41,061)

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:

NOTES TO CORE FINANCIAL STATEMENTS

2015-16		2016-17
£'000		£'000
	Interest receivable	
(299)	Interest from loans and receivables	(294)
(3)	Other interest receivable	(7)
(302)	Total Interest receivable	(301)
	Interest payable	
448	Interest on long term borrowing	499
71	Other interest payable and similar charges	204
519	Total Interest payable	703

Valuation Techniques for Fair Value

The fair values valuations have been provided by the Council's Treasury Management advisor, Capita 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, Capita 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 outlines in accounting policy 2.10 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 Capita from the market on 31st March, using bid prices where applicable.

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

2015-16		2016-17
£'000		£'000
2,413	(Surplus) or deficit on the provision of services	2,562
(1,600)	Depreciation of Property Plant and Equipment	(1,663)
(821)	Impairment of Property Plant and Equipment	(2,766)
(23)	Amortisation of Intangible Assets	(10)
(1,707)	Pension Fund adjustments	(1,313)
176	Movements in the market value of Investment Properties	455

NOTES TO CORE FINANCIAL STATEMENTS

2015-16		2016-17
£'000		£'000
(532)	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	(377)
	Changes in level of revenue accruals:	
375	Long Term Debtors	(26)
(15)	Short Term Investments	30
0	Long Term Creditors	(1)
9	Inventories	(43)
1,777	Short Term Debtors	(692)
1,963	Short Term Creditors	(1,015)
0	Short Term Borrowing	(62)
(571)	Provisions	184
776	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,098
220	Capital Grant & Contributions	814
2,440	Net cash flows from Operating Activities	(2,825)

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.

* 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.

Post holder information (Post title)	Salary (Inc. fees & Allowances)	Expense Allowance	Com-pensation for loss of office	Benefits in Kind (e.g. lease cars)*	Pension Contributions**	Total Remuneration
	£	£	£	£	£	£
Financial Year: 2015-16						
Director of Corporate Resources and Governance	79,585	0	0	4,671	17,363	101,619
Director of Operational Services	81,600	0	0	7,782	17,626	107,007
Assistant Director of Finance and Revenues (Section 151 Officer)	80,540	0	0	0	15,992	96,532
Assistant Director of Regeneration	68,097	0	0	0	13,285	81,382
Assistant Director of Environmental Services	68,740	0	0	0	13,424	82,164
Assistant Director of Housing	68,097	0	0	0	13,285	81,382
Total	446,659	0	0	12,453	90,974	550,086

NOTES TO CORE FINANCIAL STATEMENTS

Financial Year: 2016-17

Director of Corporate Resources and Governance	87,872	6,243	17,246	111,361
Director of Operational Services	82,416	8,384	17,802	108,602
Assistant Director of Finance and Revenues (Section 151 Officer)	81,345		16,823	98,168
Assistant Director of Regeneration	71,388		15,288	86,676
Assistant Director of Environmental Services	71,388		14,914	86,302
Assistant Director of Housing	71,388		14,638	86,026
Total	465,797	0	0	14,627
			96,711	577,135

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 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 :-

2015-16		2016-17	
5	£50,000 - 54,999	4	
0	£55,000 - 59,999	1	
4	£60,000 - 64,999	4	
3	£65,000 - 69,999	1	
0	£70,000 - 74,999	3	
0	£75,000 - 79,999	0	
2	£80,000 - 84,999	1	
1	£85,000 - 89,999	0	
0	£90,000 - £94,999	2	
<u>15</u>		<u>16</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.

The Council terminated the contracts of 4 employees in 2016-17, incurring costs of £85,389 (£165,214 relating to 5 employees in 2015-16). These costs are charged to the Council's Comprehensive Income and Expenditure Statement in the current year.

There is a difference between the termination benefits disclosed and the amounts charged to the Comprehensive Income and Expenditure Statement. The methodology and assumptions used to determine the curtailment cost are different to those used to determine the strain cash contribution due from employers. The reasons for this are:

NOTES TO CORE FINANCIAL STATEMENTS

- The curtailment figure is determined using accounting assumptions at the accounting date (in line with the requirements of the accounting standard). In addition, the methodology used to determine this figure differs slightly from that used to determine the strain contribution.
- The strain cash contribution due from the employer is based on the assumptions at the 2016 actuarial valuation and, as mentioned above, the methodology is slightly different than that applied for the curtailment figure. The strain costs are reflected in the figures below 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 number of employees of the Council whose exit packages were within the following ranges were:

2015-16			Banding		2016-17			
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	1	1	11,628	£0 - 20,000	2	0	2	12,936
1	2	3	78,920	£20,001 - 40,000	0	1	1	36,288
0	0	0	0	£40,001 - 60,000	0	1	1	41,104
0	1	1	74,666	£60,001 - 80,000	0	0	0	0
1	4	5	165,214		2	2	4	90,328

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:

2015-16			2016-17	
£'000			£'000	
1,926	Not later than one year		2,501	
4,893	Later than one year and not later than five years		7,387	
44,560	Later than five years		42,426	
51,379			52,314	

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 2016-17 contingent rents of £59,473 were receivable by the Council (£56,738 in 2015-16).

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 BDO.

NOTES TO CORE FINANCIAL STATEMENTS

2015-16 £'000	2016-17 £'000
56 External audit services	55
0 Other services	0
56	55

NOTE 24. MEMBERS ALLOWANCES

2015-16 £'000	2016-17 £'000
279 Members Allowances	280
5 Conferences, Training and Travelling Expenses	11
284	291

32 Number of Councillors	32*
£ 8,884 Average sum per Councillor	£ 9,096

* During the financial year 34 members were in office but only 32 at any one time

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 much 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 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.

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. Seven members are also members of East Sussex County Council. £467,000 (£472,000 2015-16) was paid to Hastings and St Leonards Foreshore Charitable Trust of which some members are Trustees. The Council also cancelled a loan £127,000 advanced in 2015/16 as consideration for a parcel of land at West Marina. Repayments were made on the remaining annuity loan which was advanced as £300,000 during 2015/16, £272,319 of which was outstanding at 31 March 2017. 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 was in a position of general control or management.

NOTES TO CORE FINANCIAL STATEMENTS

2015-16			Organisation	2016-17		
Paid to (Supplier)	Received From (Customer)	Balance at 31/03/16		Paid to (Supplier)	Received From (Customer)	Balance at 31/03/17
£'000	£'000	£'000		£'000	£'000	£'000
10	8	0	Education Futures Trust	10	0	0
18	0	0	St Marys in the Castle	0	0	0
0	1	0	East Sussex Energy Infrastructure & Development Ltd	0	0	0
9	39	0	Hastings and St Leonards Credit Union	0	0	0
1	0	0	Broomgrove Community Centre	0	0	0
10	0	0	Hastings International Chess Congress	10	0	0
			SouthWater Area Community Centre	1	0	0
1	0	0	Hastings Centre Trading Limited	0	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. The Financial statements of the Foreshore Trust showed:

	31 March 2016 £'000	31 March 2017 £'000
Fixed assets	654	1,391
Current Assets	1,846	1,389
Creditors	<u>(468)</u>	<u>(153)</u>
Net current Assets	1,378	1,236
Creditors over 1 year	0	(387)
Total Funds	<u>2,032</u>	<u>2,240</u>

During the year 2016-17 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 £1,312,000 and expenditure of £ 845,000, giving a net figure of £467,000 within the Council's own Accounts (net figure in 2015-16 was £472,000).

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.

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.

2015-16		2016-17
£'000		£'000
	<u>Council Tax</u>	
	INCOME	
(42,565)	Income from Council Taxpayers	(44,793)
	EXPENDITURE	
	Precepts and demands on Collection Fund	
29,195	East Sussex County Council	30,894
3,552	Sussex Police and Crime Commissioner	3,675
2,000	East Sussex Fire Authority	2,140
5,835	Hastings Borough Council	6,054
	Apportionments of previous year surplus	
1,280	East Sussex County Council	824
153	Sussex Police and Crime Commissioner	99
91	East Sussex Fire Authority	58
250	Hastings Borough Council	165
	Bad & Doubtful Debts	
678	Write offs of uncollectable income	490
(371)	Provision for uncollectable income-addition / (reduction)	651
42,663		45,050
98	Movement on Fund Balance - (surplus) / deficit	257

FUND BALANCE FOR COUNCIL TAX

(2,875)	Balance brought forward	(2,777)
98	(Surplus) / deficit for year	257
(2,777)	Balance carried forward	(2,520)

2015-16		2016-17
£'000		£'000
	<u>Non-Domestic Rates</u>	
	INCOME	
(21,767)	Income from Ratepayers	(22,419)
30	Transitional Protection payments	132
	Apportionments of previous year deficit	
(1,021)	Government	(798)
(184)	East Sussex County Council	(144)
(20)	East Sussex Fire Authority	(16)
(816)	Hastings Borough Council	(639)

COLLECTION FUND

2015-16		2016-17
£'000		£'000
(23,778)	Total	(23,884)
EXPENDITURE		
Precepts and demands on Collection Fund		
10,643	Government	10,683
1,916	East Sussex County Council	1,923
213	East Sussex Fire Authority	214
8,514	Hastings Borough Council	8,547
Bad & Doubtful Debts		
238	Write offs of uncollectable income	321
73	Provision for uncollectable income-addition / (reduction)	(41)
Impairments resulting from appeals		
203	Write offs	1,403
1,139	Provision for uncollectable income-addition / (reduction)	(375)
132	Transfer to General Fund - Cost of Collection Allowance	134
23,071		22,809
(707)	Movement on Fund Balance - (surplus) / deficit	(1,075)
FUND BALANCE FOR DON-DOMESTIC RATES		
2,563	Balance brought forward	1,856
(707)	(Surplus) / deficit for year	(1,075)
1,856	Balance carried forward	781
COLLECTION FUND BALANCE		
2015-16		2016-17
£'000		£'000
(312)	Balances brought forward	(921)
(609)	(Surplus) / deficit for year	(818)
(921)	Balance - (surplus) / deficit carried forward	(1,739)

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 2016-17 was 49.7p, compared to 49.3p for 2015-16, and the small business multiplier was 48.4p compared with 48.0p in 2015-16. The rateable value of business premises at 31 March 2017 was £57,869,797, compared to £57,853,178 at 31 March 2016.

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	7,827.0	6/9	5,217.60
Band B - over £40,000 up to £52,000	8,124.0	7/9	6,318.60
Band C - over £52,000 up to £68,000	5,973.0	8/9	5,309.20
Band D - over £68,000 up to £88,000	5,127.0	-	5,127.40
Band E - over £88,000 up to £120,000	1,727.0	11/9	2,110.80
Band F - over £120,000 up to £160,000	737.0	13/9	1,065.60
Band G - over £160,000 up to £320,000	185.0	15/9	308.3
Band H - over £320,000	19.0	18/9	36
	29,719		25,493.50

Council Tax Base and amount originally expected for 2016-17	Collection Rate 96.8%	24,678
East Sussex County Council share		30,894,388
Sussex Police and Crime Commissioner		3,674,801
East Sussex Fire Authority share		2,140,076
Hastings Borough Council share		6,054,254
		42,763,519

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.

2015-16		2016-17	
Council Tax £'000	NNDR £'000	Council Tax £'000	NNDR £'000
Balance brought forward :-			
0	1,282	0	928
(2,067)	230	(2,001)	167
(247)	0	(239)	0
(146)	26	(140)	19
(415)	1,025	(397)	742
(2,875)	2,563	(2,777)	1,856
(Surplus) / Deficit			

Movement on Fund Balance :-			
0	(354)	0	(537)
66	(63)	182	(97)
8	0	23	0
6	(7)	13	(11)
18	(283)	39	(430)

COLLECTION FUND

2015-16				2016-17	
Council Tax	NDR			Council Tax	NDR
£'000	£'000			£'000	£'000
Balance brought forward :-					
98	(707)	(Surplus) / Deficit		257	(1,075)
Balance carried forward :-					
0	928	Government		0	391
(2,001)	167	East Sussex County Council		(1,819)	70
		Sussex Police & Crime			
(239)	0	Commissioner		(216)	0
(140)	19	East Sussex Fire Authority		(127)	8
(397)	742	Hastings Borough Council		(358)	312
(2,777)	1,856	(Surplus) / Deficit		(2,520)	781

NOTE 4. BALANCES HELD FOR EACH COUNCIL

	Government	ESCC	Police	Fire	Hastings BC	Total
	£	£	£	£	£	£
Balances as at 31 March 2016						
1: Council Tax						
Arrears	0	3,980,196	473,433	275,711	779,984	5,509,324
Impairment Allowance for doubtful debts	0	(2,815,262)	(334,868)	(195,015)	(551,696)	(3,896,841)
Overpayments	0	(744,863)	(88,599)	(51,597)	(145,968)	(1,031,027)
Prepayments	0	(439,815)	(52,315)	(30,466)	(86,189)	(608,785)
(Surplus)/deficit	0	(2,000,920)	(238,758)	(140,353)	(396,798)	(2,776,829)
Totals	0	(2,020,664)	(241,107)	(141,720)	(400,667)	(2,804,158)
2: Non-Domestic Rates						
Arrears	565,049	101,709	0	11,301	452,039	1,130,098
Impairment allowance for doubtful debts	(415,600)	(74,808)	0	(8,312)	(332,480)	(831,200)
Overpayments	(79,423)	(14,297)	0	(1,588)	(63,539)	(158,847)
Prepayments	(48,773)	(8,780)	0	(975)	(39,018)	(97,546)
Provision for losses on appeals	(1,625,000)	(292,500)	0	(32,500)	(1,300,000)	(3,250,000)
(Surplus)/deficit	927,893	167,021	0	18,558	742,315	1,855,787
Totals	(675,854)	(121,655)	0	(13,516)	(540,683)	(1,351,708)

COLLECTION FUND

	Government	ESCC	Police	Fire	Hastings BC	Total
	£	£	£	£	£	£
Balances as at 31 March 2017						
1: Council Tax						
Arrears	0	4,273,776	508,354	296,047	837,515	5,915,692
Impairment Allowance for doubtful debts	0	(3,285,373)	(390,786)	(227,580)	(643,822)	(4,547,561)
Overpayments	0	(803,379)	(95,560)	(55,651)	(157,435)	(1,112,025)
Prepayments	0	(470,391)	(55,952)	(32,584)	(92,181)	(651,108)
(Surplus)/deficit	0	(1,818,873)	(216,604)	(126,630)	(358,104)	(2,520,211)
Totals	0	(2,104,240)	(250,548)	(146,398)	(414,027)	(2,915,213)
2: Non-Domestic Rates						
Arrears	557,189	100,294	0	11,144	445,751	1,114,378
Impairment allowance for doubtful debts	(395,236)	(71,142)	0	(7,905)	(316,188)	(790,471)
Overpayments	(257,158)	(46,289)	0	(5,143)	(205,727)	(514,317)
Prepayments	(85,120)	(15,322)	0	(1,702)	(68,096)	(170,240)
Provision for losses on appeals	(1,437,500)	(258,750)	0	(28,750)	(1,150,000)	(2,875,000)
(Surplus)/deficit	390,476	70,285	0	7,810	312,380	780,951
Totals	(1,227,349)	(220,924)	0	(24,546)	(981,880)	(2,454,699)

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.

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

SETTLEMENT (PENSION)

Settlements will take account of outgoing bulk transfers and will show the difference between the accounting liability and the amount paid to settle the liability.

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.