

# Audit Committee Agenda

Thursday, 22 September 2016 at 6.00 pm

Council Chamber, Aquila 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: [ehorne@hastings.gov.uk](mailto:ehorne@hastings.gov.uk)

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# Agenda Item 3 Public Document Pack

## AUDIT COMMITTEE

29 JUNE 2016

Present: Councillors Beaver (Chair), Clark (Vice-Chair), Chowney and Charman

### 35. DECLARATION OF INTEREST

There were no declarations of interest made at this meeting.

### 36. APOLOGIES FOR ABSENCE

Absence was noted for Councillor Sinden.

### 37. MINUTES OF THE MEETING HELD ON 17 MARCH 2016

**RESOLVED** – (unanimously) that the minutes of the meeting held on 17 March 2016 be approved and signed by the Chair as a true record.

### 38. BDO GRANT CLAIMS AND RETURNS CERTIFICATION - YEAR ENDED 31 MARCH 2015

The Assistant Director – Financial Services & Revenues presented his report setting out the audit of the Housing Benefit Subsidy Claim undertaken by external audit. The BDO report summarises the matters arising from the certification of the Housing Benefit Subsidy Claim for the financial year ended 31 March 2015. The report also included the amount of fees incurred.

It was noted that there had been a slight delay in agreeing the certified grant claim 2014/15 due to the additional testing that was required.

The report identified a change to the draft claim due to a change in the Council's entitlement.

Members sought clarification on the testing process.

Councillor Clark thanked everyone involved in keeping the errors to a minimum.

**RESOLVED** – (unanimously) to accept the External Auditor's Report on the Audit of the Housing Benefit Subsidy Claim for the year ended 31 March 2015.

### 39. BDO PLANNING LETTER 2016/17

The Assistant Director – Financial Services & Revenues introduced his report setting out the Planning Letter to consider the matters raised by the Council's external auditors (BDO) in respect of their proposed audit fees and programme of work for the 2016/17 financial year. The Planning Letter to the Audit Committee was appended to the report.

## AUDIT COMMITTEE

29 JUNE 2016

Jody Etherington, Audit Manager BDO, presented the plan. He informed the committee that the scale fee was consistent with 2015/16. However, there had been a delay in certification for the 2014/15 housing benefit claim. The certification fee for 2015/16 will remain the same.

Councillor Clarke enquired why there was downward pressure on the audit fees and whether it was a reflection across the public sector or due to current times.

The Audit Manager, BDO, confirmed that the scale audit fees were set by the Public Sector Audit Appointments Ltd (PSAA) and that there had been a 25% reduction in the fee's for 2015/16.

**RESOLVED – (unanimously) that the Audit accepts the report.**

### **40. AUDIT COMMITTEE REPORT 2015/16 TO COUNCIL**

The Assistant Director – Financial Services & Revenues presented the Chief Auditors report on the annual review of the effectiveness of Internal Audit to Council.

He advised that the internal and corporate government controls were still working and the outcome was positive.

Councillor Clarke queried the status of the contingency plan and was advised that it was still ongoing.

**RESOLVED – (unanimously) that the Audit report 2016 be presented to Council.**

### **41. ANNUAL GOVERNANCE STATEMENT 2015/16**

The Assistant Director – Financial Services & Revenues presented the Chief Auditors report on the Annual Government Statement 2015/16. The purpose of the report was to provide assurance that the Council's governance framework was adequate and effective.

The Committee was asked to recommend the Leader of the Council and Director of Corporate Services and Governance sign the Annual Governance Statement 2015/16 on behalf of the Council in accordance with the Accounts and Audit Regulations 2015.

The Annual Governance Statement for 2015/16 was appended to the report.

In the last Annual Governance Statement 2015/16, one risk had been identified relating to the reduction in Government grant funding. The budget for 2016/17 has been balanced. No further risks were identified in annual governance.

Councillor Beaver asked if the risk to funding in last statement will be the same now that funding will stop for EU projects.

## AUDIT COMMITTEE

29 JUNE 2016

The Assistant Director – Financial Services & Revenues confirmed that existing schemes had been approved, however going forward funding will only last till 2020/21 and no further. Funding received during the last year has been significant for the town, however some claims have not been submitted. They are not at risk.

Councillor Clarke referred to the financial risk regarding 'Brexit', for example, he said the fishermen will lose access to the ice maker. We need to make it clear what is funded by EU and that we will inevitably do less of.

The Assistant Director – Financial Services & Revenues explained that the Fishermen's Icemaker will be applied for under Flag II and community led local development (CLLD).

The Assistant Director – Financial Services & Revenues said that uncertainty remains regarding the external funding and implications going forward. Interest rates will be reported in mid-term financial statements.

### **RESOLVED – (unanimously):**

- 1. that the Assistant Director – Financial Services & Revenues amends the Annual Governance Statement to include the emerging implications arising from the national referendum and the vote to exit the EU.**
- 2. that the Audit Committee recommends that the Leader and Director of Corporate Services and Governance sign the Annual Governance Statement.**

### **42. NOTIFICATION OF ANY ADDITIONAL URGENT ITEMS (IF ANY)**

None.

(The Chair declared the meeting closed at. 6.33 pm)

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# Agenda Item 4

**Report to:** Audit Committee

**Date of Meeting:** 22 September 2016

**Report Title:** Final Accounts 2015/16

**Report By:** Peter Grace  
Assistant Director- Financial Services and Revenues

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## **Purpose of Report**

The Audit Committee are asked to approve the Statement of Accounts (2015-16) on behalf of the Council in accordance with the Accounts & Audit Regulations 2015.

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## **Recommendation(s)**

1. The draft Statement of Accounts be approved and a copy signed by the Chair of the Audit Committee in accordance with the Accounts & Audit Regulations 2015.

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## **Reasons for Recommendations**

Compliance with statutory requirements and good practice. The Council is accountable for the use of public money and continuously seeks to improve Value for Money.

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## Introduction

1. The Accounts & Audit Regulations 2015 require the Council to approve the Statement of Accounts by the 30 September each year. This Committee has delegated authority to approve the accounts on behalf of the Council. The audited Financial report including the Statement of Accounts is attached.
2. The Council's external auditors (BDO) have finished auditing the full accounts and the Auditors Report is contained within the statements. BDO are required to report on the audit and amendments from the draft Statement of Accounts and this report is elsewhere on the agenda.

## Statement of Accounts

3. The Statement of Accounts as defined in the regulations and CIPFA Code of Practice comprises:
  - Movement in Reserves
  - Comprehensive Income and Expenditure Statement
  - Balance Sheet
  - Cash Flow Statement
  - Notes to the Core Financial Statements
  - The Collection Fund Income and Expenditure Account
4. The Statement of Accounts, in common with those for all other local authorities, is compiled in line with International Financial Reporting Standards (IFRS).
5. The Statement of Accounts is contained within the financial report in the attached Appendix .

## The Accounting Statements

6. The Movement in Reserves 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 unusable reserves. 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.
7. The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations, and this may be different from the accounting cost.
8. The Balance Sheet shows the value 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. 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". Statement of Total Recognised Gains and Losses brings together all the gains and losses of the Council for the year and shows the aggregate increase or decrease in its net worth.

9. The Cash Flow Statement 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. Cash flows arising from financing activity are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.
10. The Collection Fund Income and Expenditure Account showed a deficit for the year of £98,000 in respect of Council Tax. In respect of Non Domestic Rates there was an in year surplus on the fund of £707,000 . The overall surplus for the year amounting to £609,000. There was a surplus of £312,000 carried forward from the previous year which when combined with the surplus for 2015/16 leaves an overall surplus on the fund of £921,000. Hastings Borough Council's share is a surplus of £297,000 in respect of Council Tax Collection and a deficit of £742,000 in respect of Non Domestic Rates.
11. Further interpretation of the accounts highlighting key issues is contained within the explanatory foreword of the Statement of Accounts.

## Financial Position

12. The outturn position in respect of Direct Service Expenditure of £14.3 million. 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.
13. The reconciliation between the cost of services in the Comprehensive Income and Expenditure Statement and the cost for taxation purposes can be found in note 6.

## Reserves

14. Total reserves have increased to £20.2m as at 31 March 2016 as detailed in Note 7. As detailed in the February 2016 budget report underspends from the 2015/16 year has been used to strengthen the invest to save budget. This provides the Council with the opportunity to make ongoing revenue savings and pursue income generation opportunities. It should be noted that £1.7m of the total balance is in respect of monies held in respect of the NHS Clinical Commission Group initiative and if it was not for this the balance on the reserves would show a decrease.

15. The Medium Term Financial Strategy identified the need for any underspend to be used as an opportunity to strengthen reserves, and given the estimated budget reductions required in 2016/17 and beyond there remains a strong case for doing so. The Medium Term Financial Strategy will be reviewed in the autumn and will include a further review of reserves in the light of future government funding and expenditure pressures.
16. It should be noted that no provision has been made in respect of the claim for compensation as a result of the closure of the Pier on safety grounds. There has also been a significant claim in respect of rate relief for NHS hospital Trusts – which has not been accepted by the Council.

## **Pensions**

17. An accounting standard (IAS19) requires Councils (and businesses) to disclose the deficits/surpluses in their pension funds on an annual basis and to include the deficit within the Balance sheet. This necessitates actuaries identifying the assets and liabilities of the respective institutions investing within the fund on a point in time basis i.e. what the value of Pension Fund investments were worth on 31 March. It should be noted that this is a snap shot of the pension fund on just one day and that equities and bond prices go up and down on a daily basis.
18. There has been a improvement in the balance sheet since last year. This is principally because financial assumptions at 31 March 2016 are more favourable than they were at 31 March 2015. This has the effect of decreasing liabilities. The overall effect is that the pension fund has moved from a deficit of £46.1million to a deficit of £40.1million.
19. East Sussex County Council administers the pension scheme. Full actuarial valuations are carried out on a three yearly basis (last carried out as at 31st March 2014) and Council contribution rates are determined at that time for a three year period.

## **Financial Strategy**

20. Over the next two financial years, 2017/18 and 2018/19, budget deficits have been identified amounting to £1,490,000 and £2,481,000 respectively. Given that funding reductions look set to continue for many years and given that major uncertainties remain in the world economy, the Council needs to identify further efficiencies, invest to save opportunities, and cut costs in order to further transform itself to a lower spending Council and to achieve a balanced budget in this very challenging environment.

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### **Wards Affected**

None

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### **Policy Implications**

Please identify if this report contains any implications for the following:

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Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	No
Environmental Issues	No
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	No
Local People's Views	No

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**Additional Information**

Appendix A – Financial Statements 2015-16

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**Officer to Contact**

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**DRAFT FINANCIAL  
REPORT AND  
STATEMENT OF  
ACCOUNTS  
2015-16**



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# GENERAL INFORMATION

## 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 at the March 2011 Census as provided by the Office of National Statistics was 90,254.

The registered electorate in 2015-16 was 59,737

### COUNCIL TAX & BUSINESS RATING INFORMATION

Rateable value of business premises at 31 March 2016	£57,853,178
Net Borough Council Revenue Expenditure (excluding capital charges)	£14,890,898
Council Tax Base	24,281
Council Tax at Band D - includes all preceptors	£1,673.24

### EMPLOYEES

The average number of persons employed by the Council during the period was:-

	<b>2014-15</b>	<b>2015-16</b>
	Number	
Full time	264	<b>258</b>
Part time (full time equivalents)	45	<b>54</b>
Total	<u>309</u>	<u><b>312</b></u>

The direct cost of employment during the year was :-

	<b>2014-15</b>	<b>2015-16</b>
	£'000	
Wages and Salaries	9,116	<b>8,882</b>
National Insurance	685	<b>642</b>
Pension Contributions	1,662	<b>1,617</b>
Total	<u>11,463</u>	<u><b>11,141</b></u>

# NARRATIVE REPORT

## INTRODUCTION

The Council's accounts for the year of 2015-16 are set out on pages 26 to 80. 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 52 and 53.

#### (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 Note 6 for details). The line entitled "Net (Increase) / Decrease before Transfers to Earmarked Reserves" shows

# NARRATIVE REPORT

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 in despite continued Government cuts in funding.

The summary table below shows outturn for the year. The total service expenditure is £14,341,848. The carry forwards into 2016/17 amount to some £457,000

The following table compares the major elements of the budget and actual for general fund services in 2015-16:-

	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual Outturn</b>	<b>Variance</b>
	£	£	£	£
<b>Directorates</b>				
Corporate Resources	3,100,270	2,776,000	1,989,289	(786,711)
Operational Services	12,333,170	13,169,409	12,352,559	(816,850)
Contingencies	400,000	89,800	0	(89,800)
<b>Direct Service Expenditure</b>	<b>15,833,440</b>	<b>16,035,209</b>	<b>14,341,848</b>	<b>(1,693,361)</b>
Net Interest Payments	170,000	121,000	188,687	67,687
Other operating costs	514,000	511,419	510,209	(1,210)
Net Contribution to / (from) Reserves*	(1,424,887)	(997,210)	(149,847)	847,363
<b>Net Council Expenditure</b>	<b>15,092,553</b>	<b>15,670,418</b>	<b>14,890,898</b>	<b>(779,520)</b>
Less Government Grant	(6,243,355)	(6,413,911)	(5,646,438)	767,473
Less retained business rates	(2,763,686)	(3,170,995)	(3,158,948)	12,047
Collection Fund Surplus	(250,026)	(250,026)	(250,026)	0
<b>Amount to be met by Council Tax Payers</b>	<b>5,835,486</b>	<b>5,835,486</b>	<b>5,835,486</b>	<b>(0)</b>

Whilst there are numerous underspends one of the most significant is the reduced expenditure in respect of Housing Benefits of some £503,000 (1% variance), partly due to improved bad debt recovery rates, but also lower number of claimants. The reduction in claimant numbers is higher than anticipated (over 3% reduction) and it is hoped that the trend will continue

### Council Tax

The balance on the Collection Fund at 31 March 2016 was £2.8m. The in-year collection rate, which was budgeted at 96.5%, was narrowly missed (96.22% achieved). The actual amount being collected from prior years increased again, and the council can expect the same in respect of 2015/16 – thus leading again to a surplus on the Collection Fund that can be distributed in 2017/18.

### NDR

The rateable value of business premises at 31 March 2016 was £57,853,178 compared to £57,649,272 at 31 March 2015. However there was a late rush of appeals following the Government's announcement that any received after 31 March 2015 could not be backdated before that date and as a 31 March 2016 many of those cases have not been settled. The rateable value of appeals outstanding is now £31m. The backlog from the 2010 list is unlikely to be cleared before the 2017 appeal list comes into effect on 1 April 2017.

# NARRATIVE REPORT

## 2016-17 Budget

The table below summarises planned net expenditure on services for 2016-17, compared to 2015-16, 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.

	<b>2015-16 Revised Budget</b>	<b>2016-17 Original Budget</b>	<b>Change 2015-16 to 2016-17</b>
	£	£	£
<b>Directorates</b>			
Corporate Resources	2,776,000	3,020,824	244,824
Operational Services	13,169,409	12,346,189	(823,220)
Contingencies	89,800	400,000	310,200
<b>Direct Service Expenditure</b>	<b>16,035,209</b>	<b>15,767,013</b>	<b>(268,196)</b>
Net Interest Payments	121,000	218,000	97,000
Other operating costs	511,419	519,642	8,223
Net Contribution to / (from) Reserves	(997,210)	(806,191)	191,019
<b>Net Council Expenditure</b>	<b>15,670,418</b>	<b>15,698,464</b>	<b>28,046</b>
Less Government Grant :-			
Revenue Support Grant	(3,727,234)	(2,835,303)	891,931
Other general Grants	(2,686,677)	(3,559,122)	(872,445)
Retained business rates	(3,170,995)	(3,085,192)	85,803
Collection Fund Surplus	(250,026)	(164,593)	85,433
<b>Amount to be met by Council Tax Payers</b>	<b>5,835,486</b>	<b>6,054,254</b>	<b>218,768</b>

## 6. Performance review

The Council uses a range of indicators to measure the performance and these are broadly split into three categories of Corporate Priorities such as Financial targets, Operational Priorities such as Environmental, Housing and Regeneration targets and Cross Cutting Priorities such as Poverty, sustainability targets. The indicators that measure the performance assess each target through a series of 'milestones' that need to be achieved throughout the year. 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 did not hit target as 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 and White Rock Theatre. Targets for these indicators are discussed with Directors and Assistant Directors, and are set by members of the Council. The targets for both Corporate and Operations are reviewed each year and change 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 18 out of 27 targets for the year 2015/16. This is comparable with previous years, with 30 out of 32 projects in 2014/15 and 16 out of 18 projects in 2013/14 meeting their targets.

Year	On Target
2013/14	89%
2014/15	94%
2015/16	67%

Those Corporate Priorities that have experienced delays, in the main, are 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 2016/17.

The other main target that was not met was for the "in year" collection of Council Tax, which finished the year at 96.22% against the target of 96.3%. Despite narrowly missing this target performance overall was still very good.

## Operational Priorities

Performance on the Council's core business measures has been good across the year and fairly consistent with previous years, with 66 out of the 85 targets being achieved by the end of the year. This compares with 98 out of 114 for 2014/15 and 26 out of 33 2013/14.

Year	On Target
2013/14	79%
2014/15	86%
2015/16	78%

One of the main areas of difficulty is within the Planning service mainly due to staffing shortages and increased workload. Performance has improved throughout the year and by quarter 4 the target was being met for Major applications completed within 13 weeks or as agreed with the applicant but was not met for Minor and Household applications as the table below shows:

Quarter target	Majors % 90%	Minors % 85%	Householder applications 65%
1	67%	69%	42%
2	50%	60%	36%
3	88%	81%	70%
4	100%	79%	50%
<b>Average</b>	<b>83%</b>	<b>71%</b>	<b>48%</b>

The Planning Service has put in place specific measures in order to achieve the new targets, which include reduced negotiations, focusing on clearing historic backlogs, and reducing the total number of applications through intensive target and performance management. As such, the authority expects performance to continue to improve through 2016/17.

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

- The delivery of the Source Skate park
- The revival of the Hastings pier
- The achievement of a "good" rating standard for bathing water
- Adoption of Management Development Plan

## 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 to meet these expectations, and to help preserve the vibrant local economy

# NARRATIVE REPORT

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 £4,434,000 on capital projects during 2015-16, as summarised below:

<b>Scheme</b>	<b>Budget</b> £'000	<b>Outturn</b> £'000
Town Heritage Initiative Phase 2	186	131
CCTV Control Room	363	223
Disabled Facilities grants	737	746
Restoration of Pelham Crescent	130	98
Public Realm Improvements	159	79
White Rock Baths regeneration	1,172	1,134
Aquila House project	563	566
Bottle Alley	235	110
Castleham Road Industrial unit	200	87
Town Hall Works	371	428
CPO property	354	354
Sea Escapes Coastal Communities Fund	100	0
Other schemes	665	478
<b>Total</b>	<b>5,235</b>	<b>4,434</b>

This capital expenditure was financed as shown below:-

	£'000
Capital receipts	1,489
Government grants and other contributions:	
towards assets	171
towards REFCUS	2,017
Sums set aside from revenue and reserves	757
	<b>4,434</b>

The Council is planning to spend £7,909,000 on capital projects during 2016-17, as follows:

<b>Scheme:</b>	<b>Budget</b> £'000
New Factory unit	1,200
Aquila House Purchase (incl Stamp duty land tax)	4,400
Kiosk above Bottle Alley	79
Factory Block Churchfield Estates	370
Empty Homes Strategy - CPO	70
Central St. Leonards Town Heritage Initiative 2	63
Restoration of Pelham Crescent/ Pelham Arcade	175
Road at Pelham Arcade	65
Coastal Space Regeneration Project - Phase II	875

# NARRATIVE REPORT

Castle Access/ Interpretation (£100k -15/16*)	264
Groyne Refurbishment	35
Public Realm	50
Country Park -Interpretive Centre	177
Playgrounds Upgrade Programme	40
Sea Escapes - CCF III Coastal Communities Fund Capital	46
	<hr/>
	<b>7,909</b>

This capital expenditure will be financed as shown below:-

	£'000
Capital grants and contributions	2,662
Capital receipts	393
Use of reserves	690
PWLB loans	4,164
	<hr/>
	<b>7,909</b>

## 8. Borrowing Facilities

Total loans outstanding owed to external sources for capital spending amount to £14.497m. Under the prudential code for borrowing the Council's Capital Financing Requirement is £18.064m. The difference between these two figures represents the extent to which the Council has in effect borrowed from its own internal resources such as reserves.

## 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 2016 is £20.187m compared with £19.662m million at 31st March 2015.

## 10. Non Domestic Rates

From 1 April 2013 the regime around the income that Local Authorities collect from National Non Domestic or Business Rates (NNDR) 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. As very few appeals were settled during 2015/16 the provision for losses on appeal has increased, and stood at £1.3m at 31 March 2016. This is an estimate based on past settlement of appeals, but in practice could be a significantly different figure.

# NARRATIVE REPORT

## **11. Events after the balance sheet date**

The EU referendum will result in the country leaving the EU. The council received substantial funding from the EU. The existing grants and schemes in place are expected to continue until the programmes finish. However the position on grant applications that are in the pipeline remains to be clarified.

## 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

2014-15 Re-stated				2015-16			
Expend	Income	Net	Service	Revised Estimate	Expend	Income	Net
£	£	£		£	£	£	£
212,539	0	212,539	Director of Corporate Services and Governance	168,560	149,237	0	149,237
277,328	0	277,328	Corp. Policy, Partnerships and Performance	329,760	270,418	0	270,418
187,976	0	187,976	Electoral Services	228,470	111,278	0	111,278
205,522	0	205,522	Estates Services	358,600	219,650	0	219,650
324,202	(48,887)	275,315	Legal Services	254,790	126,607	0	126,607
0	0	0	Building Surveyors	385,560	374,839	(41,394)	333,445
240,854	(33,488)	207,366	Audit and Investigations Services	210,950	184,946	(10,679)	174,267
585,215	(562)	584,653	Accountancy Services	824,850	644,712	(1,578)	643,134
1,731,934	(29,973)	1,701,961	Revenues Services	2,923,190	1,899,451	(57,019)	1,842,432
578,379	(2,163)	576,216	Personnel and Organisational Development and Business Support	643,500	497,323	(3,032)	494,291
128,968	0	128,968	Corporate Personnel Expenses	170,380	122,588	65	122,653
642,799	0	642,799	Contact Centre	965,710	695,411	2,144	697,555
37,968	(425)	37,543	Digital by Design	254,090	164,688	(743)	163,945
219,509	(5,530)	213,979	Admin Buildings - Town Hall	151,700	168,606	(18,799)	149,807
595,016	(31,843)	563,173	Admin Buildings - Aquila House	753,560	1,542,919	(7,912)	1,535,007
85,552	0	85,552	Admin Buildings - General Expenses	89,210	82,524	0	82,524
34,340	0	34,340	Admin Buildings - Corporate Archive	86,810	179,332	0	179,332
212,442	0	212,442	Corporate Expenses	1,164,590	230,848	0	230,848
476,954	(23)	476,931	IT	749,210	521,958	(40)	521,918
265,308	0	265,308	IT Reserve / Hardware	309,550	189,892	0	189,892
19,433	0	19,433	Land & Property Systems-GIS	43,390	20,036	0	20,036
(6,871,880)	0	(6,871,880)	Less recharges to other services	(11,066,430)	(8,258,273)	0	(8,258,273)
190,358	(152,894)	37,464	Non-recharged costs	0	138,990	(138,987)	3
672,367	0	672,367	Corporate Management Expenses	608,300	628,358	0	628,358
324,463	0	324,463	Non Distributed Costs	377,330	377,392	0	377,392
53,944,851	(52,271,931)	1,672,920	Benefit Payments and Administration	1,857,740	53,762,407	(52,448,614)	1,313,793
1,057,623	(350,168)	707,455	Council Tax and Business Rates Collection	715,970	1,060,193	(268,575)	791,618
55,701	(385,929)	(330,228)	Employment Areas	(336,350)	46,197	(391,503)	(345,306)

## EXPENDITURE SUMMARIES

2014-15 Re-stated				2015-16			
Expend	Income	Net	Service	Revised Estimate	Expend	Income	Net
£	£	£		£	£	£	£
275,982	(1,476,431)	(1,200,449)	Factory Units	(1,197,860)	277,022	(1,513,425)	(1,236,403)
308,634	(1,575,006)	(1,266,372)	Farms and Other Properties	(1,078,050)	372,215	(1,464,050)	(1,091,835)
106,312	0	106,312	St Mary in the Castle	59,290	75,417	0	75,417
68,520	(2,259)	66,261	Other Expenditure	225,210	88,165	99	88,264
160,259	(84,449)	75,810	Registration of Electors	166,040	192,994	(45,775)	147,219
1,191,520	0	1,191,520	Cost of Democracy	1,039,720	957,966	(629)	957,337
241,206	(61,161)	180,045	Election Expenses	98,330	244,110	(151,904)	92,206
30,820	0	30,820	Local Strategic Partnership	29,800	23,074	5	23,079
21,868	(2,630)	19,238	Sustainable Development	22,090	19,002	(893)	18,109
15,341	0	15,341	Public Consultation	11,100	7,179	0	7,179
7,410	(11,473)	(4,063)	Climate Change Project	(760)	140	(717)	(577)
100,002	0	100,002	Pier Closure Costs	30,000	27,333	0	27,333
20,850	0	20,850	Shelters and Seats	21,750	19,881	0	19,881
12,074	0	12,074	Street Naming and Numbering	14,740	13,113	0	13,113
86,112	(1,260)	84,852	Decorative Lighting	111,610	85,111	(1,310)	83,801
308,404	(308,404)	0	Foreshore Trust	0	462,390	(463,080)	(690)
<b>Corporate Resources and Governance</b>				<b>2,776,000</b>	<b>58,878,649</b>	<b>(56,889,358)</b>	<b>1,989,291</b>
499,673	(25)	499,648	Environmental Services Management & Administration	717,130	382,326	(1,786)	380,540
161,133	0	161,133	Leisure Administration	279,990	87,608	0	87,608
547,131	(52,888)	494,243	Amenities Administration	409,470	312,938	4,483	317,421
356,125	(15,665)	340,460	Waste and Parking Team	835,800	427,986	(14,255)	413,731
0	0	0	Resort Services Planning	217,830	82,794	0	82,794
110,118	(19,600)	90,518	Management & Admin	155,710	111,458	(10,454)	101,004
0	0	0	Director of Operational Services	308,000	156,266	0	156,266
280,796	0	280,796	Regeneration Administration Division	292,600	161,517	0	161,517
318,449	(20,989)	297,460	Communications & Marketing	525,030	332,348	(13,210)	319,138
428,146	(44)	428,102	Administration - Housing	950,120	407,582	(135)	407,447
				<b>(4,691,680)</b>			

## EXPENDITURE SUMMARIES

2014-15 Re-stated			Service	2015-16			
Expend	Income	Net		Revised Estimate	Expend	Income	Net
£	£	£		£	£	£	
(2,592,360)	0	(2,592,360)	Less recharges to other services		(2,427,466)	0	(2,427,466)
109,211	(109,211)	0		0	35,357	(35,357)	0
36,057	0	36,057	Building Control	84,650	91,464	0	91,464
957,472	(430,217)	527,255	Development Control & Conservation	791,320	1,136,809	(230,564)	906,245
242,311	(288,231)	(45,920)	Local Land Charges Register	(118,540)	179,692	(379,898)	(200,206)
597,025	(181,375)	415,650	Homelessness & Preventing Repossessions	434,360	633,347	(217,526)	415,821
226,623	0	226,623	Homelessness Prevention	236,830	241,537	0	241,537
0	0	0	Social Lettings	103,059	161,568	(89,262)	72,306
179,089	0	179,089	Homelessness Strategy	204,790	155,080	(3,484)	151,596
74,542	0	74,542	Housing Register	112,280	114,496	(664)	113,832
0	0	0	Housing NHS Clinical Commissioning Group	254,550	101,590	0	101,590
139,107	(168,403)	(29,296)	Deposits funded by ESCC	27,250	114,398	(120,285)	(5,887)
62,477	(37,875)	24,602	Youth Homelessness	23,620	71,224	(37,375)	33,849
18,692	0	18,692	Anti Poverty	5,200	2,662	0	2,662
82,207	(47,586)	34,621	POAL Officer	0	25	0	25
16,913	0	16,913	Land Auction Pilot	22,000	5,999	(14,275)	(8,276)
596,562	(13,396)	583,166	Housing Renewal	614,470	578,443	(3,260)	575,183
187,808	(122,725)	65,083	Rogue landlords	91,440	90,143	(103,734)	(13,591)
0	0	0	Selective licensing	102,100	235,327	(31,685)	203,642
246,529	(314,023)	(67,494)	Housing Licensing	(79,170)	203,613	(281,550)	(77,937)
60,365	(15,000)	45,365	Housing Solution Services	34,890	152,127	(67,500)	84,627
87,660	(25,000)	62,660	Coastal Space Enforcement Activities	55,040	89,424	(25,000)	64,424
31,547	0	31,547	Dangerous Structures	15,300	15,406	0	15,406
0	(1,000)	(1,000)	Affordable Housing (Section 106)	0	0	0	0
617,474	(213,526)	403,948	Regeneration Activity	519,060	650,136	(197,701)	452,435
506,630	(100)	506,530	Planning Policy	340,230	284,567	(22)	284,545
152,617	(10,000)	142,617	Cultural Activities	177,910	183,646	(29,201)	154,445
38,158	(413)	37,745	Getting Hastings Ready (Cultural Development)	130,800	167,928	(121,117)	46,811
0	0	0	Regional Growth Fund Four - SUCCESS Programme	2,200	584,318	(582,188)	2,130

## EXPENDITURE SUMMARIES

2014-15 Re-stated				2015-16			
Expend	Income	Net	Service	Revised Estimate	Expend	Income	Net
£	£	£		£	£	£	£
1,807,409	(1,806,674)	735	Answers in the Carbon Economy	0	12	(404)	(392)
148,516	0	148,516	External Funding Initiatives	166,160	151,114	(2,119)	148,995
39,789	(47,690)	(7,901)	Safe Ice	(3,930)	9,250	(17,295)	(8,045)
19,980	(19,980)	0	Public Art	0	0	0	0
61,396	(4,273)	57,123	Community Cohesion	55,710	55,393	(83)	55,310
70,731	(53,065)	17,666	Fisheries Local Action Group (FLAG)	0	32,325	(48,187)	(15,862)
339,511	0	339,511	Coastal Communities Fund	0	4,719	(10,568)	(5,849)
67,118	(7,627)	59,491	Employability	22,200	20,068	2,000	22,068
0	0	0	Talent Match	0	9,949	(10,943)	(994)
0	0	0	Sea Escapes - CCF III Coastal Communities Fund Revenue	0	41,791	(41,740)	51
399,129	(25,522)	373,607	Community Partnership	325,700	412,498	(53,623)	358,875
6,543	(1,544)	4,999	Older and Younger People	0	365	(5,900)	(5,535)
44,224	0	44,224	Youth Activities (Young Persons Council)	11,800	9,799	0	9,799
34,201	0	34,201	Image Raising Campaign Project	15,000	11,567	0	11,567
227,158	(80,044)	147,114	1066 Country Campaign	134,200	219,358	(80,817)	138,541
261,239	(22,400)	238,839	Tourism Marketing	157,780	237,086	(30,205)	206,881
0	0	0	Tourist Information Centre	109,590	121,261	0	121,261
52,218	(6,006)	46,212	Community Awareness	46,270	67,478	(6,766)	60,712
15,369	0	15,369	Twinning / Sierra Leone	8,470	11,130	0	11,130
179,459	(60,869)	118,590	Raising the Profile of Hastings	102,890	182,214	(87,344)	94,870
1,783	(500)	1,283	Norman Castles Interreg Project	0	0	(484)	(484)
4,605	0	4,605	Meteorological Expenses	4,800	3,568	0	3,568
72,380	(57)	72,323	Civic & Ceremonial Expenses	68,680	67,016	(15)	67,001
15,020	(19,473)	(4,453)	Filming	(4,000)	31,549	(30,450)	1,099
23,793	0	23,793	Coastal Protection	26,820	25,304	(5,000)	20,304
10,256	0	10,256	Navigational Aids	10,030	10,245	0	10,245
1,223	0	1,223	Env. Schemes Net Shops	10,150	9,427	0	9,427
292,414	(365,916)	(73,502)	Cliff Railways	(68,210)	308,671	(372,259)	(63,588)
32,830	(60,714)	(27,884)	Castle and Caves	(36,940)	39,795	(56,940)	(17,145)
55,407	(173,233)	(117,826)	Chalets & Private Huts Sites	(139,390)	49,436	(180,468)	(131,032)
682,633	(2,143)	680,490	White Rock Theatre	651,250	635,232	(1,000)	634,232

## EXPENDITURE SUMMARIES

2014-15 Re-stated				2015-16			
Expend	Income	Net	Service	Revised Estimate	Expend	Income	Net
£	£	£		£	£	£	£
212,115	(46,549)	165,566	Seafront	178,060	235,625	(50,232)	185,393
500,015	(25,479)	474,536	Museums & Art Gallery	453,690	482,915	(57,146)	425,769
8,321	(1,000)	7,321	First World War Project	9,700	4,289	0	4,289
75,412	(48,170)	27,242	Sports and Events Management	33,470	85,873	(32,112)	53,761
50,839	(100)	50,739	Falaise Fitness Centre	23,820	20,074	(100)	19,974
417,382	0	417,382	Public Conveniences	366,690	316,522	0	316,522
69,884	(19,423)	50,461	Sports Centres	24,800	43,661	(19,000)	24,661
5,000	0	5,000	William Parker Athletic Track	5,000	5,000	0	5,000
74,868	0	74,868	Sports Development	102,160	98,406	0	98,406
83,898	(82,080)	1,818	Street Games	25,340	85,002	(51,238)	33,764
12,129	(21,358)	(9,229)	Sports for All	4,570	29,755	(26,882)	2,873
0	0	0	Opening Doors	(33,570)	11,566	(49,958)	(38,392)
0	0	0	Lets Get Moving (CCG)	32,760	5,000	0	5,000
213,329	(79,274)	134,055	Active Hastings	100,350	182,571	(81,581)	100,990
128,907	(6,916)	121,991	Play Development	148,880	157,784	(15,837)	141,947
68,198	0	68,198	Play Pathfinder	84,240	79,150	0	79,150
5,896	0	5,896	Boyne Road Playground	200	0	0	0
220,293	(4,044)	216,249	Food Safety	279,700	277,056	(1,780)	275,276
145,677	(770)	144,907	Health and Safety	97,990	103,751	0	103,751
342,222	(3,082)	339,140	Environmental Protection	296,010	297,703	(4,445)	293,258
81,401	(13,606)	67,795	Pest Control	53,320	65,890	(12,030)	53,860
117,071	(169,522)	(52,451)	Local Licensing	(29,840)	132,314	(189,915)	(57,601)
84,502	(79,950)	4,552	Liquor Licensing	5,690	90,779	(78,385)	12,394
75,342	(24,248)	51,094	Gambling Licensing	23,900	57,254	(34,938)	22,316
5,961	0	5,961	Tobacco Control Grant	3,700	761	0	761
37,137	(3,125)	34,012	Stray Dog Contract	35,880	37,701	(2,050)	35,651
36,823	0	36,823	Emergency Planning	38,200	37,155	0	37,155
1,656,368	(2,040,564)	(384,196)	Parking	(492,110)	1,699,120	(2,084,200)	(385,080)
257,555	(14,514)	243,041	Closed Circuit Television	257,270	255,747	0	255,747
14,880	(20,210)	(5,330)	ESCC Highways Tree Maintenance	(3,000)	17,731	(25,382)	(7,651)
99,442	(20,000)	79,442	Public Realm	40,000	5,106	(75)	5,031
1,178,252	(56,740)	1,121,512	Waste Collection	1,001,510	1,061,916	(65,898)	996,018
474,798	(226,814)	247,984	Recycling	219,990	360,480	(229,393)	131,087
1,278,703	(19,035)	1,259,668	Street Cleansing	1,230,800	1,241,349	(18,889)	1,222,460
279,325	(220,148)	59,177	Greenwaste	7,190	258,263	(270,545)	(12,282)
407,566	0	407,566	Waste and Environmental Enforcement Team	465,510	467,770	0	467,770
35,804	(1,000)	34,804	Together Action	27,890	20,331	0	20,331

## EXPENDITURE SUMMARIES

2014-15 Re-stated				2015-16			
Expend	Income	Net	Service	Revised Estimate	Expend	Income	Net
£	£	£		£	£	£	£
196,419	0	196,419	Safer Hastings Partnership (HBC)	125,990	132,081	(10,000)	122,081
108,379	(90,320)	18,059	Safer Hastings Partnership (External)	25,500	69,665	(62,439)	7,226
29,754	0	29,754	Watercourses	24,890	22,616	0	22,616
652,468	(1,115,453)	(462,985)	Cemetery and Crematorium	(361,700)	664,405	(1,088,999)	(424,594)
31,609	0	31,609	Travellers Costs	30,130	26,946	0	26,946
35,321	0	35,321	Town Centre	30,610	29,680	(50)	29,630
90,031	(21,000)	69,031	Allotments	74,750	86,954	(22,011)	64,943
66,788	0	66,788	Ecology	100,600	70,183	0	70,183
155,317	(50)	155,267	Arboriculture	158,130	152,157	0	152,157
1,651,994	(399,476)	1,252,518	Parks & Gardens	1,557,400	1,564,149	(61,054)	1,503,095
181,082	(77,500)	103,582	Bathing Water Quality	158,960	256,742	(70,000)	186,742
255,311	(40,280)	215,031	Hastings Country Park	229,270	229,762	(45,122)	184,640
36,611	(20,000)	16,611	Combe Valley Country Park	0	18,445	(19,000)	(555)
77,627	(76,504)	1,123	Countryside Stewardship	34,450	96,272	(63,873)	32,399
22,557,436	(9,824,115)	12,733,321	<b>Operational Services</b>	13,169,409	20,809,373	(8,456,817)	12,352,556

### Service Measures

2014-15	Number of:	2015-16
63,386	Museum visitors	42,437
84,806	East Hill Cliff Railway users	92,778
104,260	West Hill Cliff Railway users	98,760
23	Public Conveniences	22
138	Burials	203
81,029	Grave spaces	81,127
1,480	Cremations	1,399
3,060,000	Dustbins Emptied (Bin Equivalents)	3,065,000
7,037	Recycling tonnage	9,423
986	Planning Applications	948
2	Conservation Area Projects	2
278	Building Regulation Applications	259
1,429	Local Land Charges (full searches only)	1,738
2,144	Car Parking Spaces (Off-Street)	2,144
3,391	Penalty Charge Notices issued	3,216
2,087	Licences Issued	2,184
528	Food Hygiene Inspections	468
63	Health & Safety Inspections	129
59,312	Local Electorate	58,315
99	Number of Factory Units	99
270	Kilometres of Streets maintained within the Borough	270
1,442,742	Rental Income from Factory Units (£)	1,483,850

# **Annual Governance Statement**

## **APPENDIX A**

### **Hastings Borough Council**

### **Annual Governance Statement 2015/2016**

#### **Scope of responsibility**

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.

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).

A copy of the code is on our website at [www.hastings.gov.uk](http://www.hastings.gov.uk).

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**

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.

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.

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 2016, up to the date of approval of the Statement of Accounts.

#### **The governance framework**

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.
- Hastings Borough Council facilitates policy and decision-making via a Cabinet Structure with Cabinet Member portfolios. There are two Overview and Scrutiny Committees which cover 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

## **Annual Governance Statement**

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.
- Hastings Borough Council has continued to enhance and strengthen its internal control environment through the introduction of new policies and procedures.
- Following the retirement of the previous Risk Champion on 31 March 2015, the new 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 compliments 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 least once a quarter by Corporate Management Group (CMG) and the Operational Risk Registers are regularly 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. In response to the de-regulation of Performance Management the Council has focussed its quarterly reporting of data on 30 Key Indicators that can be used to assess the 'health' of the organisation. This, together with the reporting on each of the Service's Part II commitments, 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.
- A Senior Information Officer is responsible for information security.
- The Director of Corporate Services and Governance has assumed the role of Senior Information Risk Owner (SIRO).

## **Annual Governance Statement**

- 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 rings together key representatives from the private/business, community/voluntary and public sector. The Board is currently chaired by the Leader of Hastings Borough Council. 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.
- We have acquired Aquila House which is now the Council's administrative centre and all committee meetings are now held there.

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

- Following the untimely death of the Chair of the Charity Committee, the incumbent Chair was appointed by Cabinet with effect from 7 March 2016.

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

The Assistant Director Financial Services and Revenues, is the Section 151 Officer who leads and directs the Finance function that continues to be sufficiently resourced and fit for purpose and is also professionally qualified and suitably experienced.

## Annual Governance Statement

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

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

#### **Review of effectiveness**

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.

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 Overview and Scrutiny Committees.

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 - Assistant Director Financial Services and Revenues

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.

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 2015. The Internal Audit service is managed, independently, by the Assistant Director and operates in accordance with the Public Sector Internal Audit Standards. The Hastings audit plan is prioritised by a combination of the key internal controls, assessment and review on the basis of risk and the Council's corporate governance arrangements, including risk management. The work is further supplemented by reviews around the main financial systems, scheduled visits to Council establishments and fraud investigations. The resulting work plan is discussed and agreed with the Directors and the Audit Committee and shared with the Council's external auditor. Regular meetings between the internal and external auditor ensure that duplication of effort is avoided. All Hastings Internal Audit reports include an assessment of the adequacy of internal control and prioritised action plans to address any areas needing improvement.

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.

## **Annual Governance Statement**

- Corporate Management Group and Audit Committee review of the Strategic and Operational Risk Registers

From the work undertaken by Hastings Audit in 2015/16 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**

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 is an update to an ongoing risk on which progress was reported last year.

In the last Annual Governance Statement, it was reported that there was a significant emerging risk relating to the reduction in Government grant funding. A balanced budget for 2016/17 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.

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.

One emerging issue is the implications arising from the national referendum and the vote to exit the EU. This will potentially have 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.

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 26 to 80 give a true and fair view of the financial position of the Council as at 31 March 2016 and its income and expenditure for the year ended 31st March 2016.

Signed on behalf of Hastings Borough Council:

P Grace CPFA,

Chief Finance Officer

Mathew Beaver

Chair of the Audit Committee

# Independent Auditor's Report

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# Independent Auditor's Report

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# Independent Auditor's Report

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## MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Earmarked Reserves	Capital Receipts reserve	Capital grants unapplied	Total usable reserves	Unusable Reserves	Total Authority Reserves
<b>2014-15 Restated</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2014	(500)	(18,982)	0	(992)	(20,474)	(44,229)	(64,703)
Movement in Reserves in 2014-15:							
(Surplus)/deficit on the provision of services (accounting basis)	4,210	0	0	0	4,210	0	4,210
Other Comprehensive Income and Expenditure	0	0	0	0	0	(6,776)	(6,776)
Total Comprehensive Income and Expenditure	4,210	0	0	0	4,210	(6,776)	(2,566)
Adjustments between accounting and funding basis under regulation - note 6	(4,890)	0	(712)	733	(4,869)	4,869	0
Net (increase)/decrease before transfers to Earmarked reserves	(680)	0	(712)	733	(659)	(1,907)	(2,566)
Transfers to/from Earmarked reserves - note 7	680	(680)	0	0	0	0	0
(Increase)/Decrease in Year	0	(680)	(712)	733	(659)	(1,907)	(2,566)
<b>Balance at 31 March 2015</b>	<b>(500)</b>	<b>(19,662)</b>	<b>(712)</b>	<b>(259)</b>	<b>(21,133)</b>	<b>(46,136)</b>	<b>(67,269)</b>

## MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Ear-marked Reserves	Capital Receipts reserve	Capital grants unapplied	Total usable reserves	Unusable Reserves	Total Authority Reserves
<b>2015-16</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2015	(500)	(19,662)	(712)	(259)	(21,133)	(46,136)	(67,269)
Movement in Reserves in 2015-16:							
(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)
<b>Total Comprehensive Income and Expenditure</b>	<b>2,413</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,413</b>	<b>(15,454)</b>	<b>(13,041)</b>
Adjustments between accounting and funding basis under regulation - note 6	(2,938)	0	710	(49)	(2,277)	2,277	0
<b>Net (increase)/decrease before transfers to Earmarked reserves</b>	<b>(525)</b>	<b>0</b>	<b>710</b>	<b>(49)</b>	<b>136</b>	<b>(13,177)</b>	<b>(13,041)</b>
Transfers to/from Earmarked reserves - note 7	525	(525)	0	0	0	0	0
<b>(Increase)/Decrease in Year</b>	<b>0</b>	<b>(525)</b>	<b>710</b>	<b>(49)</b>	<b>136</b>	<b>(13,177)</b>	<b>(13,041)</b>
<b>Balance at 31 March 2016</b>	<b>(500)</b>	<b>(20,187)</b>	<b>(2)</b>	<b>(308)</b>	<b>(20,997)</b>	<b>(59,313)</b>	<b>(80,310)</b>

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2014-15 Re-stated				2015-16		
Gross	Income	Net		Gross	Income	Net
£'000	£'000	£'000		£'000	£'000	£'000
7,904	(2,089)	5,815	Cultural and Related Services	9,264	(3,309)	5,955
7,803	(2,592)	5,211	Environmental and Regulatory Services	7,603	(2,506)	5,097
7,009	(5,716)	1,293	Planning Services	5,133	(4,474)	659
1,807	(2,182)	(375)	Highways and Transport Services	1,910	(2,154)	(244)
57,585	(52,917)	4,668	Housing Services	57,032	(54,056)	2,976
2,318	(797)	1,521	Central Services to the Public	2,475	(855)	1,620
2,070	(10)	2,060	Corporate & Democratic Core Expenses	1,919	(9)	1,910
69	0	69	Non Distributed Costs	88	(1)	87
<hr/>	<hr/>	<hr/>		<hr/>	<hr/>	<hr/>
86,565	(66,303)	20,262	Cost of Services	85,424	(67,364)	18,060
			Other Operating Expenditure - (gain) or loss on sale of assets	0	(244)	(244)
0	(322)	(322)	Financing and Investment Income and Expenditure - Note 9	1,959	(554)	1,405
2,312	(379)	1,933	Taxation and non-specific grant income and expenditure - Note 10	5,326	(22,134)	(16,808)
5,226	(22,889)	(17,663)		<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>	(Surplus) or Deficit on Provision of Services	92,709	(90,296)	2,413
94,103	(89,893)	4,210				
		(10,180)	Surplus on revaluation of non-current assets			(12,142)
		981	Impairment losses on non-current assets charged to the revaluation reserve			4,394
		2,423	Remeasurement of the net defined benefit pension liability			(7,706)
		<hr/>	Other Comprehensive Income and Expenditure			<hr/>
		(6,776)				(15,454)
		<hr/>	Total Comprehensive Income and Expenditure			<hr/>
		(2,566)				(13,041)

# BALANCE SHEET

31 March 2015 Re-stated £'000		31 March 2016 £'000
93,316	Property, Plant and Equipment	98,416
956	Investment Properties	1,132
33	Intangible Assets	24
13,380	Heritage Assets	14,556
4,177	Long Term Debtors	3,408
<b>111,862</b>	<b>LONG TERM ASSETS</b>	<b>117,536</b>
105	Inventories	114
55	Assets Held for Sale	0
5,704	Short Term Debtors	8,450
20,077	Short Term Investments	21,063
2,621	Cash and Cash Equivalents	2,230
<b>28,562</b>	<b>CURRENT ASSETS</b>	<b>31,857</b>
(7,232)	Short Term Creditors	(6,247)
(3,074)	Short Term Borrowing	(6,092)
(1,228)	Provisions	(1,799)
0	Capital grants received in advance	(147)
<b>(11,534)</b>	<b>CURRENT LIABILITIES</b>	<b>(14,285)</b>
(14,197)	Long Term Borrowing	(13,497)
(1,275)	Long Term Creditors	(1,151)
(46,149)	Net Pension Liability	(40,150)
<b>(61,621)</b>	<b>LONG TERM LIABILITIES</b>	<b>(54,798)</b>
<b>67,269</b>	<b>NET ASSETS</b>	<b>80,310</b>
(500)	General Fund	(500)
(19,662)	Earmarked reserves	(20,187)
(712)	Capital Receipts Reserve	(2)
(259)	Capital grants and contributions	(308)
<b>(21,133)</b>	<b>USABLE RESERVES</b>	<b>(20,997)</b>
(5)	Deferred capital receipts	(3)
(45,772)	Revaluation Reserve	(49,843)
(47,182)	Capital Adjustment Account	(50,010)
46,149	Pensions Reserve	40,150
(121)	Financial instruments Adjustment Account	(172)
185	Accumulated Absences Account	220
610	Collection Fund Adjustment Account	345
<b>(46,136)</b>	<b>UNUSABLE RESERVES</b>	<b>(59,313)</b>
<b>(67,269)</b>	<b>TOTAL RESERVES</b>	<b>(80,310)</b>

# CASHFLOW STATEMENT

<b>2014-15</b>		<b>2015-16</b>
Re-stated		
£'000		£'000
(13,178)	Taxation	(14,525)
(63,784)	Grants and Contributions	(59,416)
(12,014)	Sales of goods and rendering of services	(10,645)
(290)	Interest received	(286)
(150)	other receipts from operating activities	(424)
<b>(89,416)</b>	<b>Cash inflows generated from operating activities</b>	<b>(85,296)</b>
10,570	Cash paid to and on behalf of employees	10,228
52,002	Housing benefit payments	50,238
5,226	NNDR Tariff payments	5,326
19,894	Cash paid to suppliers of goods and services	13,528
473	Interest paid	523
3,113	Other operating cash payments	7,893
<b>91,278</b>	<b>Cash outflows generated from operating activities</b>	<b>87,736</b>
<b>1,862</b>	<b>Net cashflows from operating activities</b>	<b>2,440</b>
(1,546)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(776)
790	Purchase of property, plant and equipment, investment property and intangible assets	1,242
15,000	Purchase of short-term and long-term investments	8,000
1,799	Other payments for investing activities	0
(10,000)	Proceeds from the sale of short-term and long-term investments	(7,000)
(312)	Other receipts from investing activities	(367)
<b>5,731</b>	<b>Net cashflows from investing activities</b>	<b>1,099</b>
(34,297)	Cash receipts from short term and long term borrowing	(34,368)
28,600	Repayments of short term and long term borrowing	32,050
344	Changes in National Non-Domestic Rates balances held for Central Government	(1,153)
(612)	Changes in Council tax balances held for preceptors	323
<b>(5,965)</b>	<b>Net cashflows from financing activities</b>	<b>(3,148)</b>
<b>1,628</b>	<b>Net (increase) / decrease in cash and cash equivalents</b>	<b>391</b>
4,249	Cash and bank balances 1 April	2,621
(1,628)	Change during the year	(391)
<b>2,621</b>	Cash and bank balances 31 March	<b>2,230</b>
<b>31 March 2015</b>		<b>31 March 2016</b>
<b>5</b>	Cash in hand	<b>3</b>
<b>682</b>	Bank balances	<b>666</b>
<b>1,934</b>	Cash equivalents	<b>1,561</b>
<b>2,621</b>	Totals	<b>2,230</b>

# NOTES TO THE 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 will not necessitate 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 to be analysed according to the operational structure, rather than by the current standard service headings. The new format will also be supplemented by a new Expenditure and Funding Analysis, providing more detail for the figures in the CIES, which is prepared according to accounting practice, and reconciling them to totals aligned with statutory funding arrangements. This change will require the 2015/16 figures to be re-stated in line with the 2016/17 Code of Practice.

### Restatement of 2014/15 balance sheet and comparative figures

#### Reorganisation of Council structure

The Council's services are now provided by two directorates (Corporate Services and Operational Services) instead of the three in place in 2014/15. The comparative figures for 2014/15 for Note 11 (Amounts Reported for Resource Allocation Decisions) have been re-stated so that they are comparable with the 2015/16 figures. This change does not in itself affect the totals for this note.

#### Correction of material error

An error has been identified after the approval and publication of the 2014/15 Statement of Accounts. As part of the capital programme (Coastal Space) a total payment of £2,697,000 was made to the Amicus Horizon Building Society, and charged as Revenue Expenditure Financed from Capital under Statute (REFCUS) to the Comprehensive Income and Expenditure Statement. The impact on the General Fund balance was reversed by a charge to the Capital Adjustment Account. £1,788,000 of this payment was in fact a loan, rather than a grant, and should therefore have been shown as a long term debtor. Prior year adjustments have therefore been made to the main accounting statements, as follows, and to various associated notes to the accounts:

Movement in Reserves Statement	In the column for the General Fund, the deficit on the provision of services is reduced by £1,788m from £5.988m to £4.244m, while the adjustments between accounting and funding basis change from (£6.678m) to (£4,890m). There are corresponding changes to the columns for total usable reserves and for unusable reserves, leaving total reserves increased by £1.788m.
Comprehensive Income and Expenditure Statement	The gross and net expenditure on Housing Services is increased by £1,788m, with a corresponding reduction in the Cost of Services and on the deficit on the provision of services (from £5.988m to £4.222m as above).
Balance Sheet	Long term debtors are increased by £1,788m, with a corresponding increase in long term assets and in total assets. The Capital Adjustment Account is also increased by £1.788m, with a consequent increase in the level of unusable reserves and of total reserves.
Cash Flow Statement	"Cash paid for goods and services" is reduced by £1.788m, leading to reductions in cash outflows from operating activities and net cashflows from operating activities. "Other payments from investing activities" increases by £1,788m, as does "net cashflows from investing activities". The total cash movement is unchanged.

Where figures for 2014/15 have been changed the column is headed "Re-stated".

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 2 ACCOUNTING POLICIES

### 2.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2015-16 financial year and its position at the end of 31 March 2016. 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 2015-16, and the Service Reporting Code of Practice 2015-16, 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.
- 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.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 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. The deposit is due to be returned in full at maturity, with interest paid either annually or on maturity. Once the deposit matures and funds are returned to the local authority, the returned funds are classed as a capital receipt, and the Capital Financing Requirement will reduce accordingly. 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 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.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 2.6 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.

## 2.7 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.

## 2.8 Employee Benefits

### Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the 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 3.4% (based on the indicative rate of return on the iBoxx Sterling Corporate Index, AA over 20 years).

# NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

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

## Discretionary Benefits

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 2.9 Events after the Balance Sheet date

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

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

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

## 2.10 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.

## 2.11 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.

### 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 (£5m at 31 March 2016). 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.

# NOTES TO THE CORE FINANCIAL STATEMENTS

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 £427,000 (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 2016.

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.

## **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.

# NOTES TO THE CORE FINANCIAL STATEMENTS

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 2.18.

### Impairments

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the policies on impairment of property plant and equipment- see note 2.18.

## **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,

# NOTES TO THE CORE FINANCIAL STATEMENTS

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.

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 2.18.

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

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

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 2015-16 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation,
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early, and any depreciation and impairment charges chargeable on non-operational assets.

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

## 2.18 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.
- 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).

## NOTES TO THE CORE FINANCIAL STATEMENTS

- 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:

- 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.

# NOTES TO THE CORE FINANCIAL STATEMENTS

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.

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.

## **2.19 Reserves**

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

Usable reserves comprise the following:

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

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, 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.

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

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

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

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

## **2.22 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.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 2.23 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   |

## 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).

## 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 17. 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 £13,355,000.
- An increase of one year in life expectancies for pensioners would increase the liability by £4,202,000.
- A 0.5% increase in the salary rate would increase the liability by £2,896,000.
- A 0.5% increase in pensions would increase the liability by £10,306,000.

# NOTES TO THE CORE FINANCIAL STATEMENTS

All these assumptions are listed in Note 17, 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**

For some years the Council has leased Aquila House as its main administrative headquarters. During April 2016 the Council purchased Aquila House for £4.4m, including stamp duty and legal expenses. The cost of servicing this loan will be £50,000 p.a. less than the recurring cost of the lease, providing a saving on the revenue budget.

The property will be revalued at the end of 2016-17 on the basis of current value in its existing use, and it is expected that this value will be about £1m less than the purchase price. This loss will appear as a charge in the Comprehensive Income and Expenditure Statement, but is not a legal charge to the General Fund, so is reversed in the Movement in Reserves Statement to the Capital Adjustment Account. Despite the book loss, the transaction is considered good value for the Council in securing its main office accommodation.

## Hastings Pier claim

The appeal case was heard by the Supreme Court in June 2016 and a decision was returned in July 2016. The claim is planned to proceed to arbitration in Autumn 2016.

## Local Government Pension Scheme:

Scheme Liability: There has been a significant decrease in the yields for high quality corporate bonds that are used to calculate the discount rate for the future obligation to pay pensions for the Council's defined benefits pension scheme. The valuation of these pension liabilities at 31 March 2016 had applied a discount rate of 3.4% and calculated the present value of the funded obligation at £140,057,000 (see note 17). Average yields on high quality corporate bonds are now at around 2.0% although it should be noted that the market is still showing volatility. The Council's actuary estimates that every 0.1% fall in the discount rate would increase the pension liability by approximately 1.9%. The change in the discount rate since 31 March 2016 would therefore increase the net pension liability in the balance sheet by £37,000,000.

The Statement of Accounts was approved by the Head of Finance on 30<sup>th</sup> June 2016 and will be considered for approval by the Audit Committee on 22<sup>nd</sup> September 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### NOTE 6. 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.

	General Fund Balance £'000	Capital Receipts reserve £'000	Capital grants unapplied £'000	Unusable Reserves £'000	Total £'000
<b>2014/15 Re-stated:</b>					
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	(2,005)	0	0	2,005	0
Movements in value of Investment Properties	17	0	0	(17)	0
Gain or (loss) on disposal of non-current assets	(1,223)	0	0	1,223	0
Capital receipts to Usable Capital Receipts Reserve	1,545	(1,549)	0	4	0
Capital grants and contributions to Capital Grants Unapplied Reserve	312	0	(312)	0	0
Difference between accounting and statutory finance costs	(51)	0	0	51	0
Difference between accounting and statutory employment benefit	1	0	0	(1)	0
Difference between accounting and statutory credit for Council Tax	165	0	0	(165)	0
Difference between accounting and statutory credit for Non-Domestic Rates	(538)	0	0	538	0
Revenue Expenditure Financed from Capital under Statute	(3,119)	0	0	3,119	0
Difference between accounting and statutory credit for pension costs	(1,599)	0	0	1,599	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory provision for the financing of capital investment	488	0	0	(488)	0
Capital expenditure financed from revenue	1,140	0	0	(1,140)	0
Other adjustments					
Capital expenditure financed from Capital Receipts	0	837	0	(837)	0
Capital expenditure financed from Capital grants and contributions	0	0	1,045	(1,045)	0
<b>Total for 2014/15</b>	<b>(4,890)</b>	<b>(712)</b>	<b>733</b>	<b>4,869</b>	<b>0</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

	<b>General Fund Balance</b>	<b>Capital Receipts reserve</b>	<b>Capital grants unapplied</b>	<b>Unusable Reserves</b>	<b>Total</b>
	£'000	£'000	£'000	£'000	£'000
<b>2015/16:</b>					
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
<b>Total for 2015/16</b>	<b>(2,938)</b>	<b>710</b>	<b>(49)</b>	<b>2,277</b>	<b>0</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 7. 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 2014	Movement 2014/15	Balance at 1 April 2015	Movement 2015-16	Balance at 31 March 2016
	£'000	£'000	£'000	£'000	£'000
(1) Capital Reserve	(1,628)	161	(1,467)	743	(724)
(2) General Reserve	(7,105)	(11)	(7,116)	(421)	(7,537)
(3) Renewal and Repairs Reserve	(1,853)	96	(1,757)	(97)	(1,854)
(4) Risk Management Reserve	(374)	14	(360)	20	(340)
(5) Information Technology Reserve	(231)	(50)	(281)	63	(218)
(6) On-Street Car Parking Surplus Reserve	(189)	106	(83)	18	(65)
(7) Section 106 Reserve	(461)	(161)	(622)	76	(546)
(8) VAT reserve	(524)	255	(269)	12	(257)
(9) Government Grants Reserve	(652)	(102)	(754)	157	(597)
(10) Area Based Grant Unapplied Reserve	(22)	21	(1)	1	0
(11) Monuments in perpetuity	(51)	0	(51)	0	(51)
(12) Ore Valley Reserve	(302)	0	(302)	52	(250)
(13) Mortgage Reserve	(60)	(32)	(92)	(33)	(125)
(14) Invest to save and efficiency Reserve	(426)	(322)	(748)	(204)	(952)
(15) Resilience and Stability Reserve	(600)	0	(600)	0	(600)
(16) Transition Reserve	(2,222)	0	(2,222)	0	(2,222)
(17) Redundancy Reserve	(769)	121	(648)	0	(648)
(18) Community Safety Reserve	(350)	0	(350)	0	(350)
(19) Economic Development Reserve	(527)	23	(504)	0	(504)
(20) Land Charges Claim	(140)	0	(140)	140	0
(21) Safer Hastings Partnership Reserve	(66)	18	(48)	7	(41)
(22) Parks and Gardens Reserve	(10)	0	(10)	10	0
(23) Bathing Water Reserve	(63)	3	(60)	28	(32)
(24) First World War Reserve	(17)	7	(10)	5	(5)
(25) Coastal Communities Reserve	(340)	330	(10)	0	(10)
(26) Carry-forwards	0	(535)	(535)	78	(457)
(27) Clinical Commissioning Group	0	(602)	(602)	(1,104)	(1,706)
(28) Young Peoples Council	0	(20)	(20)	10	(10)
(29) Sports for All	0	0	0	(6)	(6)
(30) Revenue Hardship Fund	0	0	0	(80)	(80)
<b>Total</b>	<b>(18,982)</b>	<b>(680)</b>	<b>(19,662)</b>	<b>(525)</b>	<b>(20,187)</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

The reasons for maintaining these earmarked reserves are shown below:

- (1) The Capital Reserve is earmarked to support capital spending.
- (2) The General Reserve is used to support revenue spending, unforeseen events and emergencies
- (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) Surpluses from on-street car parking were shared with East Sussex County Council. Shares continue to be spent on traffic management and transportation issues within the borough.
- (7) Section 106 Reserve is 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 Contributions 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 Area Based Grant reserve is that proportion of the grant received but not applied during the year of receipt.
- (11) The Monuments in Perpetuity reserve has been set up to maintain burial plots at the Cemetery.
- (12) Ore Valley reserve has been set up to fund activity in the area.
- (13) Mortgage Reserve is 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.
- (14) Invest to save Reserve is to provide future funding for projects which will deliver savings but require upfront funding
- (15) Resilience and Stability Reserve to cushion the impact of fluctuations in business rates income and costs of Council tax reduction scheme.
- (16) Transition Reserve is the sum put aside to cushion the impact of significant grant reduction in future years.
- (17) Redundancy Reserve is the sum put aside to help meet expected redundancy costs arising in future years.
- (18) Community Safety Reserve is specifically earmarked over the medium term to maintain Community Safety activities as further central Government grant reductions occur.
- (19) Economic Development Reserve is specifically earmarked for significant job creation activity over the medium term.
- (20) Land Charges Claims is the sum put aside for potential claims from individuals and property search companies.
- (21) Safer Hastings Partnership - is specifically earmarked to reduce crime, disorder and anti-social behaviour in neighbourhoods and on the streets.
- (22) Parks and Gardens Special Maintenance Project - is for specific Grounds Maintenance Improvement Projects and developing landscape improvements.
- (23) Bathing Water Project was funded by the Environment Agency to improve the quality of the bathing water in the local area.
- (24) First World War Project - A five year project to research locally and commemorate the first world war through outreach to the community and exhibitions.
- (25) 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.
- (26) Carry-forwards - To fund specific Revenue expenditure originally budgeted for in the current year.
- (27) Clinical Commissioning Group - to fund Health projects aimed at enabling Lifestyle and behavioural change in Hastings.
- (28) Young Peoples Council - to fund Young Peoples Council activities.
- (29) Sports for All - Getting more people involved in sporting activity
- (30) Revenue Hardship Fund - To support cases of hardship relating to Council Tax

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 8. UNUSABLE RESERVES

Unusable reserves are held for various purposes as set out in the Accounting Policies (see Note 2.22 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.

2014/15 Restated	Balance 1 April 2014	Comp- rehensive I&E	Accounting - Financing Adjust.	Balance 31 March 2015
	£'000	£'000	£'000	£'000
Deferred capital receipts	(9)	0	4	(5)
Revaluation Reserve	(37,216)	(9,199)	643	(45,772)
Capital Adjustment Account	(49,382)	0	2,200	(47,182)
Pensions Reserve	42,127	2,423	1,599	46,149
Financial instruments Adjustment A/c	(172)	0	51	(121)
Accumulated Absences Account	186	0	(1)	185
Collection Fund Adjustment Account	237	0	373	610
<b>Total</b>	<b>(44,229)</b>	<b>(6,776)</b>	<b>4,869</b>	<b>(46,136)</b>

2015/16	Balance 1 April 2015	Comp- rehensive I&E	Accounting - Financing Adjust.	Balance 31 March 2016
	£'000	£'000	£'000	£'000
Deferred capital receipts	(5)	0	2	(3)
Revaluation Reserve	(45,772)	(7,748)	3,677	(49,843)
Capital Adjustment Account	(47,182)	0	(2,828)	(50,010)
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
<b>Total</b>	<b>(46,136)</b>	<b>(15,454)</b>	<b>2,277</b>	<b>(59,313)</b>

### Deferred Capital Receipts

2014-15 £000	2015-16 £000
(9) Balance 1 April	(5)
Accounting / Financing Adjustments:	
4 Deferred receipts received to Capital Receipts Reserve	2
<b>(5) Balance 31 March</b>	<b>(3)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Revaluation Reserve

<b>2014-15</b>		<b>2015-16</b>
£000		£000
(37,216)	Balance 1 April	(45,772)
	Comprehensive Income & Expenditure:	
(9,199)	(Gain) or Loss on revaluation of assets	(7,748)
	Accounting / Financing Adjustments:	
277	Gain or (loss) on sale of non-current assets	3,262
366	Depreciation charged to Revaluation Reserve	415
<b>(45,772)</b>	<b>Balance 31 March</b>	<b>(49,843)</b>

### Capital Adjustment Account

<b>2014-15</b>		<b>2015-16</b>
Re-stated £000		£000
(49,382)	Balance 1 April	(47,182)
	Accounting / Financing Adjustments:	
23	Write down Intangible Assets	23
2,005	Depreciation and impairment of non-current assets	2,421
(17)	Movements in value of Investment Properties	(176)
946	Gain or (loss) on sale of non-current assets	(2,730)
3,119	Revenue Expenditure Financed from Capital under Statute	2,993
(488)	Statutory provision for the financing of capital investment	(510)
(1,140)	Capital expenditure financed from revenue	(757)
(837)	Capital expenditure financed from Capital Receipts	(1,489)
(1,045)	Capital expenditure financed from Capital grants and contributions	(2,188)
(366)	Depreciation charged to Revaluation Reserve	(415)
<b>(47,182)</b>	<b>Balance 31 March</b>	<b>(50,010)</b>

### Pensions Reserve

<b>2014-15</b>		<b>2015-16</b>
£000		£000
42,127	Balance 1 April	46,149
	Comprehensive Income & Expenditure:	
2,423	Re-measurement of the net defined benefit liability	(7,706)
	Accounting / Financing Adjustments:	
1,599	Difference between accounting and statutory credit for pension costs	1,707
<b>46,149</b>	<b>Balance 31 March</b>	<b>40,150</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Financial Instruments Adjustment Account

2014-15		2015-16
£000		£000
(172)	Balance 1 April	(121)
	Accounting / Financing Adjustments:	
51	Difference between accounting and statutory finance costs	(51)
<b>(121)</b>	<b>Balance 31 March</b>	<b>(172)</b>

## Accumulated Absences Account

2014-15		2015-16
£000		£000
186	Balance 1 April	185
	Accounting / Financing Adjustments:	
	Difference between accounting and statutory employment	
(1)	benefit	35
<b>185</b>	<b>Balance 31 March</b>	<b>220</b>

## Collection Fund Adjustment Account

2014-15		2015-16
£000		£000
237	Balance 1 April	610
	Accounting / Financing Adjustments:	
	Difference between accounting and statutory credit for Council	
(165)	Tax	18
	Difference between accounting and statutory credit for Non-	
538	Domestic Rates	(283)
<b>610</b>	<b>Balance 31 March</b>	<b>345</b>

## NOTE 9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2014-15				2015-16		
Expend	Income	Net		Expend	Income	Net
£'000	£'000	£'000		£'000	£'000	£'000
494	0	494	Interest payable and similar charges	519	0	519
1,723	0	1,723	Net interest on defined pension liabilities	1,435	0	1,435
0	(287)	(287)	Interest receivable and similar income	0	(302)	(302)
			Income and expenditure in relation to			
95	(92)	3	investment properties and changes in their	5	(252)	(247)
			fair value			
<b>2,312</b>	<b>(379)</b>	<b>1,933</b>		<b>1,959</b>	<b>(554)</b>	<b>1,405</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 10. TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

2014-15				2015-16		
Expend	Income	Net		Expend	Income	Net
£'000	£'000	£'000		£'000	£'000	£'000
0	(5,862)	(5,862)	Council Tax Income	0	(6,068)	(6,068)
5,226	(7,776)	(2,550)	Non domestic rates	5,326	(7,980)	(2,654)
0	(3,886)	(3,886)	Revenue Support Grant	0	(3,727)	(3,727)
0	(4,433)	(4,433)	Other non-ring-fenced government grants	0	(2,939)	(2,939)
0	(312)	(312)	Capital grants and contributions	0	(220)	(220)
0	(620)	(620)	Clinical Commissioning Group	0	(1,200)	(1,200)
<b>5,226</b>	<b>(22,889)</b>	<b>(17,663)</b>		<b>5,326</b>	<b>(22,134)</b>	<b>(16,808)</b>

## NOTE 11. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

While the Comprehensive Income and Expenditure Statement (CIES) analyses the Council's expenditure according to standard SerCOP headings, in practice expenditure and income is budgeted and monitored in line with its management structure. The tables below analyse the income and expenditure for the year for the two directorates (for 2015-16 as shown in the Narrative Report), and reconciles the totals for these directorates with the Cost of Services and the Surplus / Deficit on the provision of services, as shown in the CIES).

Directorate Income and Expenditure	Corporate Services	Operational Services	Accounting-Financing Adjust.	Cost of Services	Corporate Items	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>2014-15 Restated</b>						
Fees, Charges & Other Service Income	(4,972)	(7,420)	0	(12,392)	(75)	(12,467)
Proceeds from sale of non-current assets	0	0	0	0	(1,546)	(1,546)
Interest and Investment Income	0	0	0	0	(287)	(287)
Change in values, Investment Properties	0	0	0	0	(17)	(17)
Taxation:				0		
Council Tax	0	0	0	0	(5,862)	(5,862)
Non-domestic rates	0	0	0	0	(7,776)	(7,776)
Government Grants and contributions	(51,712)	(2,404)	0	(54,116)	(9,251)	(63,367)
<b>Total Income</b>	<b>(56,684)</b>	<b>(9,824)</b>	<b>0</b>	<b>(66,508)</b>	<b>(24,814)</b>	<b>(91,322)</b>
Employee expenses	5,225	7,327	(1)	12,551	1,599	14,150
Interest payments	0	0	0	0	494	494
Disposal of non-current assets written out	0	0	0	0	1,224	1,224
Revenue expenditure funded from capital under statute	0	0	3,119	3,119	0	3,119
Depreciation, impairment, amortisation	0	0	2,027	2,027	0	2,027
Taxation (NNDR tariff)	0	0		0	5,226	5,226
Support Services	(2,246)	2,246	0	0	0	0
Other service expenses	56,222	12,984	(133)	69,073	219	69,292
<b>Total operating expenses</b>	<b>59,201</b>	<b>22,557</b>	<b>5,012</b>	<b>86,770</b>	<b>8,762</b>	<b>95,532</b>
<b>Surplus or Deficit on provision of services</b>	<b>2,517</b>	<b>12,733</b>	<b>5,012</b>	<b>20,262</b>	<b>(16,052)</b>	<b>4,210</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Directorate Income and Expenditure	Corporate Services	Operational Services	Accounting-Financing Adjust.	Cost of Services	Corporate Items	Total
<b>2015-16</b>	£'000	£'000		£'000	£'000	£'000
Fees, Charges & Other Service Income	(6,433)	(7,066)	0	(13,499)	(76)	(13,575)
Proceeds from sale of non-current assets	0	0	0	0	(776)	(776)
Interest and Investment Income	0	0	0	0	(302)	(302)
Change in values, Investment Properties	0	0	0	0	(176)	(176)
Taxation:				0		
Council Tax	0	0	0	0	(6,068)	(6,068)
Non-domestic rates	0	0	0	0	(7,980)	(7,980)
Government Grants and contributions	(50,457)	(1,391)	(2,017)	(53,865)	(8,086)	(61,951)
<b>Total Income</b>	<b>(56,890)</b>	<b>(8457)</b>	<b>(2,017)</b>	<b>(67,364)</b>	<b>(23,464)</b>	<b>(90,296)</b>
Employee expenses	5,627	6,909	306	12,842	1,435	14,277
Interest payments	0	0	0	0	519	519
Disposal of non-current assets written out	0	0	0	0	532	532
Revenue expenditure funded from capital under statute	0	0	2,994	2,994	0	2,994
Depreciation, impairment, amortisation	0	0	2,444	2,444	0	2,444
Taxation (NNDR tariff)	0	0	0	0	5,326	5,326
Support Services	(2,589)	2,589	0	0	0	0
Other service expenses	55,841	11,312	(9)	67,144	5	67,149
<b>Total operating expenses</b>	<b>58,879</b>	<b>20,810</b>	<b>5,735</b>	<b>85,424</b>	<b>7,817</b>	<b>93,241</b>
<b>Surplus or Deficit on provision of services</b>	<b>1,989</b>	<b>12,353</b>	<b>3,718</b>	<b>18,060</b>	<b>(15,647)</b>	<b>2,413</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### NOTE 12 RECONCILIATION BETWEEN THE SURPLUS/DEFICIT ON THE PROVISION OF SERVICES AND THE CASH FLOWS FROM OPERATING ACTIVITIES

2014-15 Re-stated £'000		2015-16 £'000
4,210	(Surplus) or deficit on the provision of services	2,413
(1,714)	Depreciation of Property Plant and Equipment	(1,600)
(291)	Impairment of Property Plant and Equipment	(821)
(23)	Amortisation of Intangible Assets	(23)
(1,599)	Pension Fund adjustments	(1,707)
17	Movements in the market value of Investment Properties	176
(1,224)	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	(532)
	Changes in level of revenue accruals:	
(2)	Long Term Debtors	375
(2)	Short Term Investments	(15)
(2)	Long Term Creditors	0
(21)	Inventories	9
2,265	Short Term Debtors	1,777
(1,266)	Short Term Creditors	1,963
(9)	Short Term Borrowing	0
(335)	Provisions	(571)
1,546	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	776
312	Capital Grant & Contributions	220
<b>1,862</b>	<b>Net cash flows from Operating Activities</b>	<b>2,440</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 13. 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.

2014-15			2015-16			
Fin. Lease £'000	Other £'000	Total £'000		Fin. Lease £'000	Other £'000	Total £'000
254	16,111	16,365	Opening Capital Financing Requirement 1 April	254	18,320	18,574
			<i>Capital Investment</i>			
0	409	409	Property, Plant and Equipment	0	1,041	1,041
0	0	0	Investment Properties	0	0	0
0	0	0	Intangible Assets	0	14	14
0	403	403	Assets Held for Sale	0	354	354
0	0	0	Heritage assets	0	31	31
0	1,788	1,788	Long Term Debtors	0	0	0
0	3,119	3,119	Revenue Expenditure Funded from Capital under Statute	0	2,994	2,994
			<i>Sources of finance</i>			
0	(837)	(837)	Capital receipts	0	(1,489)	(1,489)
			Government grants and other contributions:	0		
0	(1,045)	(1,045)	towards assets	0	(171)	(,171)
0	0	0	towards REFCUS		(2,017)	(2,017)
0	(1,140)	(1,140)	Sums set aside from revenue and reserves	0	(757)	(757)
0	2,697	2,697	Financed from loan	0	0	0
0	(488)	(488)	Minimum Revenue Provision	0	(510)	(510)
254	18,320	18,574	Closing Capital Financing Requirement 31 March	254	17,810	18,064

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

2014-15				2015-16		
Fin. Lease	Other (Restated)	Total		Fin. Lease	Other	Total
£'000	£'000	£'000		£'000	£'000	£'000
244	93,072	93,316	Property, Plant and Equipment	242	98,174	98,416
0	956	956	Investment Properties	0	1,132	1,132
0	33	33	Intangible Assets	0	24	24
0	55	55	Assets Held for Sale	0	0	0
0	13,380	13,380	Heritage assets	0	14,556	14,556
0	3,788	3,788	Long Term Debtors	0	2,789	2,789
0	0	0	Short Term Debtors	0	1,000	1,000
0	(45,772)	(45,772)	Revaluation Reserve	0	(49,843)	(49,843)
10	(47,192)	(47,182)	Capital Adjustment Account	12	(50,022)	(50,010)
<b>254</b>	<b>18,320</b>	<b>18,574</b>		<b>254</b>	<b>17,810</b>	<b>18,064</b>

Before 1 April 2007 commutation rules meant that this Council was not obliged to set aside an annual MRP. Since then the Council has set aside a sum equivalent to 4% of the 1 April balance of the CFR, plus the impact of capital expenditure financed from loan in subsequent years. The annual and cumulative figures set aside are as follows:

2014-15				2015-16		
Fin. Lease	Other	Total		Fin. Lease	Other	Total
£'000	£'000	£'000		£'000	£'000	£'000
799	2602	3,401	Balance 1 April	799	3,090	3,889
0	488	488	MRP for the year	0	510	510
<b>799</b>	<b>3,090</b>	<b>3,889</b>	Balance 31 March	<b>799</b>	<b>3,600</b>	<b>4,399</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 14. 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 2014	66,560	4,876	13,910	12,862	949	0	99,157
Additions	162	0	158	4	0	85	409
Disposals	(110)	(1,936)	(200)	0	(29)	0	(2,275)
Impairment losses	(1,379)	0	0	0	0	0	(1,379)
Impairment loss reversals	1,088	0	0	0	0	0	1,088
Revaluations	6,169	0	0	0	(461)	0	5,708
<b>Balance 31 March 2015</b>	<b>72,490</b>	<b>2,940</b>	<b>13,868</b>	<b>12,866</b>	<b>459</b>	<b>85</b>	<b>102,708</b>
Cumulative Depreciation:							
Opening value 1 April 2014	(2,960)	(3,219)	(6,714)	(289)	(19)	0	(13,201)
Charge for the year	(940)	(287)	(479)	0	(8)	0	(1,714)
Disposals	8	1,936	200	0	20	0	2,164
Revaluations	3,359	0	0	0	0	0	3,359
<b>Balance 31 March 2015</b>	<b>(533)</b>	<b>(1,570)</b>	<b>(6,993)</b>	<b>(289)</b>	<b>(7)</b>	<b>0</b>	<b>(9,392)</b>
<b>Net book value 31 March 2015</b>	<b>71,957</b>	<b>1,370</b>	<b>6,875</b>	<b>12,577</b>	<b>452</b>	<b>85</b>	<b>93,316</b>

## NOTES TO THE 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 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
Revaluations	2,275	0	0	0	3,741	0	6,016
<b>Balance 31 March 2016</b>	<b>72,130</b>	<b>3,249</b>	<b>13,956</b>	<b>12,931</b>	<b>5644</b>	<b>610</b>	<b>108,520</b>
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
<b>Balance 31 March 2016</b>	<b>(484)</b>	<b>(1,846)</b>	<b>(7,485)</b>	<b>(289)</b>	<b>0</b>	<b>0</b>	<b>(10,104)</b>
<b>Net book value 31 March 2016</b>	<b>71,646</b>	<b>1,403</b>	<b>6,471</b>	<b>12,642</b>	<b>5,644</b>	<b>610</b>	<b>98,416</b>

The assets were valued 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:							
2013/14	5,343	0	0	0	0	0	5,343
2014/15	3,194	0	0	0	0	0	3,194
2015/16	63,020	0	0	0	5,644	0	68,664
Historic Cost	89	1,403	6,471	12,642	0	610	21,215
<b>Net book value 31 March 2016</b>	<b>71,646</b>	<b>1,403</b>	<b>6,471</b>	<b>12,642</b>	<b>5,644</b>	<b>610</b>	<b>98,416</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## INVESTMENT PROPERTIES

Income and expenditure relating to investment properties was as follows:

2014-15		2015-16
£'000		£'000
75	Rental income from investment property	(76)
(95)	Direct operating expenses arising from investment property	5
17	Net gains/(losses) from fair value adjustments	(176)
(3) Total		(247)

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

2014-15		2015-16
£'000		£'000
939	Balance at start of the year	956
17	Net gains/ (losses) from fair value adjustments	176
956 Balance at end of the year		1,132

## 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 of Valuations of Heritage assets was advised by Gorrings Fine Arts Auctioneers and Valuers of 15 North Street Lewes East Sussex, BN7 2PD.

2014-15		2015-16
£'000		£'000
13,248	Balance at start of the year	13,380
0	Additions	31
132	Revaluations	1,145
13,380 Balance at end of the year		14,556

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

31 March 2015		31 March 2016
£000's		£000's
318	Turner Painting of Old Town	400
1,667	Art Collection - General	1,640
6,679	Art Collection - other	7,416
817	Ceramics Glass & Porcelain	616
3,558	Misc. - Silver, books, manuscripts etc.	3,527
147	Machinery, Equipment & other	625
194	Civic Regalia	201
0	Hastings Castle	31
0	Coins	100
13,380		14,556

# NOTES TO THE CORE FINANCIAL STATEMENTS

## ASSETS HELD FOR SALE

2014-15 £'000		2015-16 £'000
765	Balance outstanding at start of year	55
403	Additions	354
(1,113)	Assets sold	(409)
55	Balance at end of the year	0

## NOTE 15. 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 £154,000, for doubtful debts for trade accounts receivable, compared to £180,000 as at 31st March 2015.

31 March 2015 Re-stated £'000		31 March 2016 £'000
	Amounts falling due within one year:	
1,137	Central government bodies	2,486
5	Other Local Authorities & Public Bodies	224
0	Public corporations	0
4,562	All other bodies	4,540
0	NHS	1,200
5,704	Total short term debtors	8,450
4,177	Amounts falling due after one year (all other bodies)	3,408
9,881	Total Debtors	11,858

### 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.

## NOTE 16. LIABILITIES

### CREDITORS

31 March 2015 £'000		31 March 2016 £'000
	Amounts falling due within one year:	
(1,221)	Central government bodies	(1,056)
(610)	Other Local Authorities	(1,903)
(5,401)	All other bodies	(3,288)
(7,232)	Total short term creditors	(6,247)

## NOTES TO THE CORE FINANCIAL STATEMENTS

31 March 2015		31 March 2016
£'000		£'000
	Amounts falling due after one year:	
(294)	Other entities and individuals	1,151
(981)	Other Local Authorities	0
(1,275)	Total Long Term Creditors	(1,151)
(8,507)	Total Creditors	(7,398)

### PROVISIONS

The Council made further provisions in 2015-16 for the legal fees relating to the Compulsory purchased property claims and appeals relating to non-domestic rates. The provision for the refund of land charges was fully utilised, while the balance for the athletics track is no longer required.

	Balance at 1 April 2015	Additional Provisions made	Amounts used	Reversals	Balance at 31 March 2016
	£'000	£'000	£'000	£'000	£'000
Pier Closure Legal Costs Provision	(34)	0	0	0	(34)
Compulsory purchase order provision	(269)	(196)	0	0	(465)
Land Charges APPS Claim Provision	(68)	0	68	0	0
MMI provision	(2)	0	2	0	0
Support for William Parker athletics track repair & refurbishment	(12)	0	0	12	0
NNDR provision for appeals - HBC element	(843)	(603)	146	0	(1,300)
	(1,228)	(799)	216	12	(1,799)

### 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.

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 THE CORE FINANCIAL STATEMENTS

## NOTE 17. 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 £2,559,000 at 31 March 2016, (£2,768,000 at 31 March 2015) and the Council made payments totalling £180,000 in 2015/16 (£181,000 in 2014/15), 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.

2014-15 £'000		2015-16 £'000
	<b>Comprehensive Income and Expenditure Statement</b>	
1,801	Current Service Cost	2,186
66	Curtailements	83
1,867	Cost of Services	2,269
1,723	Net interest expense	1,435
1,723	Financing and Investment Income and Expenditure	1,435
3,590	Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services	3,704
(9,416)	Return on plan assets, less included in interest expense	1,523
	Actuarial gains & losses:	
12,962	Changes in financial assumptions	(7,266)
(1,123)	Other	(1,963)
2,423	Re-measurement of the net defined benefit liability	(7,706)
6,013	Total Comprehensive Income and Expenditure Statement	(4,002)
	<b>Movement in Reserves Statement</b>	
3,590	Reversal of items relating to retirement benefit debited or credited to the Comprehensive Income and Expenditure Statement	3,704
(1,991)	Employer's pension contributions and direct payments to pensioners payable in the year	(1,997)
1,599	<b>Total taken to Note 6</b>	1,707

# NOTES TO THE CORE FINANCIAL STATEMENTS

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

2014-15 £'000	<b>Reconciliation of Fair Value of Employer Assets (scheme Assets):</b>	2015-16 £'000
91,311	Value of Assets at 1 April	101,721
3,687	Interest income on plan assets	3,101
551	Contributions by Members	509
1,991	Contributions by the Employer	1,997
9,416	Return on assets excluding amounts recognised in Other Comprehensive Income	(1,523)
(5,235)	Benefits Paid	(5,898)
<u>101,721</u>	Value of Assets at 31 March	<u>99,907</u>

2014-15 £'000	<b>Reconciliation of Defined Benefit Obligation (scheme Liabilities):</b>	2015-16 £'000
(133,438)	Value of Liabilities at 1 April	(147,870)
(1,801)	Current Service Cost	(2,186)
(5,410)	Interest Cost	(4,536)
(551)	Contribution by Members	(509)
	Actuarial Gains and (Losses):	
(12,962)	Change in financial assumptions	7,266
1,123	Other experience gains and (losses)	1,963
(66)	(Losses) and Gains on Curtailments	(83)
5,235	Benefits Paid	5,898
<u>(147,870)</u>	Value of Liabilities at 31 March	<u>(140,057)</u>
<u>(46,149)</u>	Net Liability at 31st March	<u>(40,150)</u>

## Annual Contribution to fund

The estimated contribution for 2016-17 is £2,016,000, compared with the actual contribution of £1,997,000 for 2015-16.

## Plan Assets

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

31 March 2015				31 March 2016				
Quoted Prices in Active Markets	Prices not quoted in Active markets	Total	%	Asset Category	Quoted Prices in Active Markets	Prices not quoted in Active markets	Total	%
£,000	£,000	£,000			£,000	£,000	£,000	
				<b>Equity Securities:</b>				
3,995.0	19.0	4,014.0	4%	Consumer	1,833.3	0.5	1,833.8	2%
2,523.0	158.0	2,681.0	3%	Manufacturing	1,193.3	1.0	1,194.3	1%
2,684.0	0.0	2,684.0	3%	Energy and Utilities	257.8	3.2	261.0	0%
5,843.0	0.0	5,843.0	6%	Financial Institutions	2,952.0	0.2	2,952.2	3%
4,094.0	0.0	4,094.0	4%	Health and Care	1,264.7	1.1	1,265.8	1%
4,361.0	0.0	4,361.0	4%	Information Technology	1,520.0	0.2	1,520.2	2%
13.0	0.0	13.0	0%	Other	0.0	503.3	503.3	1%
				<b>Debt Securities:</b>				
0.0	1,616.0	1,616.0	2%	UK Government	0.0	1,817.6	1,817.6	2%

# NOTES TO THE CORE FINANCIAL STATEMENTS

31 March 2015				31 March 2016				
Quoted Prices in Active Markets	Prices not quoted in Active markets	Total	%	Asset Category	Quoted Prices in Active Markets	Prices not quoted in Active markets	Total	%
£,000	£,000	£,000			£,000	£,000	£,000	
				<b>Equity Securities:</b>				
0.0	1,040.0	1,040.0	1%	Other	0.0	1,859.5	1,859.5	2%
				<b>Private Equity:</b>				
0.0	5,622.0	5,622.0	6%	All	0.0	5,965.7	5,965.7	6%
				<b>Real Estate:</b>				
0.0	10,496.0	10,496.0	10%	UK Property	633.3	11,200.2	11,833.5	12%
				<b>Investment funds and unit trusts:</b>				
514.0	45,705.0	46,219.0	44%	Equities	64.4	51,724.1	51,788.5	51%
4,090.0	2,535.0	6,625.0	7%	Bonds	3,977.4	7,622.8	11,600.2	12%
75.0	39.0	114.0	0%	Hedge Funds	0.0	108.3	108.3	0%
248.0	0.0	248.0	0%	Commodities	49.0	0.0	49.0	0%
0.0	2,023.0	2,023.0	2%	Infrastructure	0.0	1,687.1	1,687.1	2%
0.0	398.0	398.0	0%	Other	0.0	341.9	341.9	0%
				<b>Derivatives:</b>				
0.0	-20.0	-20.0	0%	Foreign exchange	0.0	0.0	0.0	0%
				<b>Cash and cash equivalents</b>				
0.0	3,650.0	3,650.0	4%	All	3,325.1	0.0	3,325.1	3%
28,440.0	73,281.0	101,721.0	100%	<b>Totals</b>	<b>17,070.3</b>	<b>82,836.7</b>	<b>99,907.0</b>	<b>100%</b>

## Actuarial Assumptions

Liabilities have been assessed on an actuarial basis using the projected unit method. An estimate of the pensions that will be payable has been prepared by Hymans Robertson LLP, an independent firm of actuaries, being based on the latest full valuation of the scheme as at 31 March 2013. The main assumptions used in their calculations are:

2014-15		2015-16
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.2	Men	22.2
24.4	Women	24.4
	Longevity at 65 for future pensioners:	
24.2	Men	24.2
26.7	Women	26.7
2.1%	Rate of inflation	2.1%
4.0%	Rate of increase in salaries	4.1%
2.1%	Rate of increase in pensions	2.1%
3.1%	Rate for discounting scheme liabilities	3.4%
	Take-up of option to convert annual pension into retirement lump sum:	
50%	Pre 2008	50%
75%	Post 2008	75%

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 18. GRANTS AND CONTRIBUTIONS

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

2014-15				2015-16		
Grants	Contribs.	Total		Grants	Contribs.	Total
£'000	£'000	£'000		£'000	£'000	£'000
(51,410)	0	(51,410)	DWP benefits and other grants	(50,125)	0	(50,125)
(1,736)	0	(1,736)	DCLG grants	(204)	0	(204)
(226)	0	(226)	Contributions from other local authorities	0	(266)	(266)
0	0	0	Grants for revenue financed from capital under statute	(2,017)	0	(2,017)
(129)	(615)	(744)	Other Grants and Contributions	(1,096)	(157)	(1,253)
<b>(53,501)</b>	<b>(615)</b>	<b>(54,116)</b>	<b>Total within Cost of Services</b>	<b>(53,442)</b>	<b>(423)</b>	<b>(53,865)</b>
(3,886)	0	(3,886)	Revenue Support Grant	(3,727)	0	(3,727)
(360)	0	(360)	New Burden Grant	(233)	0	(233)
(803)	0	(803)	Benefits Administration Grant	(800)	0	(800)
(898)	0	(898)	New Homes Bonus	(1,017)	0	(1,017)
(70)	0	(70)	Council Tax Freeze Grant	0	0	0
(666)	0	(666)	Disabled Facilities Grant	0	0	0
(987)	0	(987)	Efficiency Support Grant	(102)	0	(102)
(649)	0	(649)	Section 31 Grant Income	(787)	0	(787)
0	(312)	(312)	Grants and contributions towards capital expenditure	(220)	0	(220)
0	(620)	(620)	Hastings and Rother Clinical Commissioning Group	(1,200)	0	(1,200)
<b>(8,319)</b>	<b>(932)</b>	<b>(9,251)</b>	<b>Total within Taxation and non-specific grant income</b>	<b>(8,086)</b>	<b>0</b>	<b>(8,086)</b>
<b>(61,820)</b>	<b>(1,547)</b>	<b>(63,367)</b>	<b>Total grants and contributions</b>	<b>(61,528)</b>	<b>(423)</b>	<b>(61,951)</b>

## NOTE 19. 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

# NOTES TO THE CORE FINANCIAL STATEMENTS

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 25 February 2015 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2015-16 was set at £30m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £30m. 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 periodically.

## **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 full Investment Strategy for 2015-16 was approved by Full Council on 25 February 2015 and is available on the Council's website.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2016 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.

31 March 2015			Category	31 March 2016		
Amount	Bad Debt Provision	Estimated maximum exposure to default		Amount	Bad Debt Provision	Estimated maximum exposure to default
£,000	£,000	£,000		£,000	£,000	£,000
1,379	(180)	1,199	Trade receivables	2,224	(154)	2,070
1,848	0	1,848	Other trade debtors	1,146	0	1,146
3,227	(180)	3,047	Total	3,370	(154)	3,216

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.

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

31 March 2015			31 March 2016
£,000			£,000
555	Less than three months		547
181	More than three months		304
736	Total		851

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.

# NOTES TO THE CORE FINANCIAL STATEMENTS

The maturity analysis of financial assets is as follows:

31 March 2015		31 March 2016
£,000		£,000
25,669	Less than 1 year	<b>27,825</b>
2,016	Less than 5 years greater than 1 year	<b>2,853</b>
<hr/>		
27,685	Total	<b>30,678</b>
<hr/>		

## Refinancing and Maturity risk

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

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

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

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

31 March 2015		31 March 2016
£,000		£,000
(3,074)	Less than 1 year	<b>(7,750)</b>
(1,000)	Between 1 and 2 years	<b>(1,000)</b>
(3,000)	Between 3 and 5 years	<b>(1)</b>
0	Between 6 and 10 years	<b>(12,497)</b>
(10,197)	More than 10 years	<b>(253)</b>
<hr/>		
(17,271)	Total	<b>(21,501)</b>
<hr/>		

## 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).

## NOTES TO THE CORE FINANCIAL STATEMENTS

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:

	<b>£,000</b>
Increase in interest payable on variable rate borrowings	<b>20</b>
Increase in interest receivable on variable rate investments	<b>(66)</b>
Impact on Surplus or Deficit on the Provision of Services	<b>(46)</b>

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

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

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

### FINANCIAL INSTRUMENT BALANCES

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

31 March 2015		31 March 2016	
Book Value £,000	Fair Value £,000	Book Value £,000	Fair Value £,000
Re-stated	Re-stated		
20,077	20,077		
(77)	(77)	21,063	21,066
		(63)	(63)
20,000	20,000	<b>21,000</b>	<b>21,003</b>
1,379	1,379	2,224	2,224
(180)	(180)	(154)	(154)
0	0	1,031	1,031
1,848	1,848	1,146	1,146
3,047	3,047	<b>4,247</b>	<b>4,247</b>
5	5	3	3
2,011	2,011	1,000	1,000
1,788	1,788	1,788	1,788
0	0	410	410

## NOTES TO THE CORE FINANCIAL STATEMENTS

31 March 2015			31 March 2016	
Book Value £,000	Fair Value £,000		Book Value £,000	Fair Value £,000
Re-stated	Re-stated			
60	60	Staff car loans	38	38
<hr/> 3,864	<hr/> 3,864	<b>Long Term Debtors</b>	<hr/> 3,239	<hr/> 3,239
<hr/> 2,621	<hr/> 2,622	<b>Cash and Cash Equivalents</b>	<hr/> 2,230	<hr/> 2,230
<hr/> 29,532	<hr/> 29,533	<b>Total Financial Assets</b>	<hr/> 30,716	<hr/> 30,719

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

31 March 2014			31 March 2015	
Book Value £,000	Fair Value £,000		Book Value £,000	Fair Value £,000
(14,197)	(18,414)	Public Works Loan board	(13,497)	(17,310)
(254)	(254)	Long Term Creditors	(254)	(254)
<hr/> (14,451)	<hr/> (18,668)	<b>Long Term Liabilities</b>	<hr/> (13,751)	<hr/> (17,564)
(3,074)	(3,074)	Short Term Loans	(6,092)	(6,092)
74	0	Adjust for interest on long term loans	92	0
(2,093)	(2,093)	Short Term Creditors	(1,750)	(1,750)
<hr/> (5,093)	<hr/> (5,167)	<b>Short Term Liabilities</b>	<hr/> (7,750)	<hr/> (7,842)
<hr/> (19,544)	<hr/> (23,835)	<b>Total Financial Liabilities</b>	<hr/> (21,501)	<hr/> (25,406)

### 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:

2014-15 £'000		2015-16 £'000
	<b>Interest receivable</b>	
(230)	Interest from loans and receivables	(299)
(57)	Other interest receivable	(3)
<hr/> (287)	<b>Total Interest receivable</b>	<hr/> (302)
	<b>Interest payable</b>	
467	Interest on long term borrowing	448
27	Other interest payable and similar charges	71
<hr/> 494	<b>Total Interest payable</b>	<hr/> 519

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 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 1 of the hierarchy outlines in accounting policy 2.23 above (Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the year end)

For loans from the PWLB 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 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 Con-tributions**	Total Remun-eration
	£	£	£	£	£	£
<b>Financial Year: 2014-15</b>						
Head of Paid Service and Director of Corporate Resources	86,663	192	0	4,858	20,503	112,216
Head of Corporate Services and Monitoring Officer	64,304	0	0	4,858	13,966	83,128
Head of Finance and Section 151 Officer	75,369	0	0	0	15,610	90,979
Director of Regeneration	77,499	0	0	4,858	17,367	99,724
Director of Environmental Services	82,350	192	96,770	4,858	18,058	202,228

## NOTES TO THE CORE FINANCIAL STATEMENTS

Post holder information (Post title)	Salary (Inc. fees & Allow- ances) £	Expense Allowance £	Com- pensation for loss of office £	Benefits in Kind (e.g. Lease cars)* £	Pension Con- tributions** £	Total Remun- eration £
<b>Financial Year: 2015-16</b>						
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	107,008
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

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 :-

2014-15		2015-16
7	£50,000 - 54,999	5
2	£55,000 - 59,999	0
7	£60,000 - 64,999	4
1	£65,000 - 69,999	3
0	£70,000 - 74,999	0
1	£75,000 - 79,999	0
1	£80,000 - 84,999	2
1	£85,000 - 89,999	1
1	£90,000 - £94,999	0
<hr/> 21		<hr/> 15

### 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 5 employees in 2015-16, incurring costs of £145,867 (£325,740 relating to 12 employees in 2014-15). These costs are charged to the Council's Comprehensive Income and Expenditure Statement in the current year.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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:

- 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 2013 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:

2014-15			Banding		2015-16				
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	£
5	0	5	42,271	£0 - 20,000	0	1	1	13,232	
4	2	6	178,357	£20,001 - 40,000	1	2	3	69,072	
0	0	0	0	£40,001 - 60,000	0	0	0	0	
0	0	0	0	£60,001 - 80,000	0	1	1	63,153	
1	0	1	105,112	£80,001 - 100,000	0	0	0	0	
10	2	12	325,740		1	4	5	145,457	

### 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:

2014-15		2015-16
£'000		£'000
2,034	Not later than one year	1,926
4,461	Later than one year and not later than five years	4,893
44,854	Later than five years	44,560
51,349		51,379

# NOTES TO THE CORE FINANCIAL STATEMENTS

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2015-16 contingent rents of £56,738 were receivable by the Council (£57,508 in 2014-15).

## 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.

2014-15 £'000		2015-16 £'000
62	External audit services	56
12	Other services	0
<hr/>		<hr/>
74		56

## NOTE 24. MEMBERS ALLOWANCES

2014-15 £'000		2015-16 £'000
279	Members Allowances	279
5	Conferences, Training and Travelling Expenses	5
<hr/>		<hr/>
284		284

32	Number of Councillors	32
£ 8,875	Average sum per Councillor	£ 8,884

## 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 18 (grants and contributions), 15 (debtors) and 16 (creditors).

### 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 17. 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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. £472,000 (£408,000 2014-15) was paid to Hastings and St Leonards Foreshore Charitable Trust of which some members are Trustees. The Council also advanced a loan of £427,000 during 2015/16, all of which was outstanding at 31 March 2016. The relevant members did not take part in any discussion or decision relating to the grants. 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.

Paid to (Supplier)	Received From (Customer)	Balance at 31/03/15	Organisation	Relationship to Organisation	Paid to (Supplier)	Received From (Customer)	Balance at 31/03/16
£,000	£,000	£,000			£,000	£,000	£,000
0	95	29	Stade Developments (Hastings) Ltd	member in a position of general control or management	0	0	0
40	0	0	Ten Sixty Six Enterprise	member in a position of general control or management	0	0	0
48	0	0	Let's Do Business Group	member in a position of general control or management	0	0	0
3	0	0	Sierra Leone Friendship Link	member/officer in a position of general control or management	0	0	0
3	0	0	St Michaels Hospice	member in a position of general control or management	0	0	0
1	8	0	Education Futures Trust	member in a position of general control or management	10	8	0
4	0	0	St Marys in the Castle	member in a position of general control or management	18	0	0
0	0	0	East Sussex Energy Infrastructure & Development Ltd	member in a position of general control or management	0	1	0
7	0	0	Hastings and St Leonards Credit Union	member in a position of general control or management	9	39	0
0	0	0	Broomgrove Community Centre	member in a position of general control or management	1	0	0
0	0	0	Hastings International Chess Congress	member in a position of general control or management	10	0	0

## NOTES TO THE CORE FINANCIAL STATEMENTS

Paid to (Supplier)	Received From (Customer)	Balance at 31/03/15	Organisation	Relationship to Organisation	Paid to (Supplier)	Received From (Customer)	Balance at 31/03/16
0	0	0	Hastings Centre Trading Limited	member in a position of general control or management	1	0	0

### Grant to Voluntary Organisations

	2014-15 £'000	2015-16 £'000
Hastings Week Committee	2	0
In2Play	1	0
	3	0

### 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 2015 £'000	31 March 2016 £'000
Fixed assets	529	654
Current Assets	1,838	1,846
Creditors	(521)	(468)
Net current Assets	1,317	1,378
Total Funds	1,846	2,032

During the year 2015-16 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 £1,224,000 and expenditure of £ 752,000, giving a net figure of £472,000 within the Council's own Accounts (net figure in 2014-15 was £408,000).

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.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 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.

2014-15 £'000		2015-16 £'000
	<b><u>Council Tax</u></b>	
	<b>INCOME</b>	
<b>(40,674)</b>	Income from Council Taxpayers	<b>(42,565)</b>
	<b>EXPENDITURE</b>	
	Precepts and demands on Collection Fund	
<b>28,026</b>	East Sussex County Council	<b>29,195</b>
<b>3,349</b>	Sussex Police and Crime Commissioner	<b>3,552</b>
<b>1,981</b>	East Sussex Fire Authority	<b>2,000</b>
<b>5,597</b>	Hastings Borough Council	<b>5,835</b>
	Apportionments of previous year surplus	
<b>492</b>	East Sussex County Council	<b>1,280</b>
<b>59</b>	Sussex Police and Crime Commissioner	<b>153</b>
<b>34</b>	East Sussex Fire Authority	<b>91</b>
<b>100</b>	Hastings Borough Council	<b>250</b>
	Bad & Doubtful Debts	
<b>1,051</b>	Write offs of uncollectable income	<b>678</b>
<b>(1,162)</b>	Provision for uncollectable income-addition / (reduction)	<b>(371)</b>
<b>39,527</b>		<b>42,663</b>
<b>(1,147)</b>	Movement on Fund Balance - (surplus) / deficit	<b>98</b>

## FUND BALANCE FOR COUNCIL TAX

<b>(1,728)</b>	Balance brought forward	<b>(2,875)</b>
<b>(1,147)</b>	(Surplus) / deficit for year	<b>98</b>
<b>(2,875)</b>	Balance carried forward	<b>(2,777)</b>

2014-15 £'000		2015-16 £'000
	<b><u>Non-Domestic Rates</u></b>	
	<b>INCOME</b>	
<b>(22,362)</b>	Income from Ratepayers	<b>(21,767)</b>
<b>161</b>	Transitional Protection payments	<b>30</b>
	Apportionments of previous year deficit	
<b>(78)</b>	Government	<b>(1,021)</b>
<b>(14)</b>	East Sussex County Council	<b>(184)</b>
<b>(1)</b>	East Sussex Fire Authority	<b>(20)</b>
<b>(63)</b>	Hastings Borough Council	<b>(816)</b>
<b>(22,357)</b>	Total	<b>(23,778)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

2014-15 £'000		2015-16 £'000
	<b>Non-Domestic Rates</b>	
	<b>EXPENDITURE</b>	
	Precepts and demands on Collection Fund	
10,471	Government	10,643
1,885	East Sussex County Council	1,916
209	East Sussex Fire Authority	213
8,377	Hastings Borough Council	8,514
	Bad & Doubtful Debts	
97	Write offs of uncollectable income	238
26	Provision for uncollectable income-addition / (reduction)	73
	Impairments resulting from appeals	
2,192	Write offs	203
311	Provision for uncollectable income-addition / (reduction)	1,139
133	Transfer to General Fund - Cost of Collection Allowance	132
<b>23,701</b>		<b>23,071</b>
<b>1,344</b>	Movement on Fund Balance - (surplus) / deficit	<b>(707)</b>
	<b>FUND BALANCE FOR DON-DOMESTIC RATES</b>	
1,219	Balance brought forward	2,563
1,344	(Surplus) / deficit for year	(707)
<b>2,563</b>	Balance carried forward	<b>1,856</b>

<b>COLLECTION FUND BALANCE</b>		
2014-15 £'000		2015-16 £'000
(509)	Balances brought forward	(312)
197	(Surplus) / deficit for year	(609)
<b>(312)</b>	Balance - (surplus) / deficit carried forward	<b>(921)</b>

### 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 2015/16 was 49.3p, compared to 48.2p for 2014-15, and the small business multiplier was 48.0p compared with 47.1p in 2014-15. The rateable value of business premises at 31 March 2016 was £57,853,178, compared to £57,649,272 at 31 March 2015.



# NOTES TO THE CORE FINANCIAL STATEMENTS

2014-15				2015-16	
Council Tax	NDR			Council Tax	NDR
£'000	£'000			£'000	£'000
		Balance carried forward :-			
0	1,282			0	928
(2,067)	230			(2,001)	167
		Government			
		East Sussex County Council			
		Sussex Police and Crime			
(247)	0			(239)	0
(146)	26			(140)	19
		East Sussex Fire Authority			
(415)	1,025			(397)	742
		Hastings Borough Council			
(2,875)	2,563	(Surplus) / Deficit		(2,777)	1,856

## NOTE 4. BALANCES HELD FOR EACH COUNCIL

	Government	ESCC	Police	Fire	Hastings BC	Total
	£	£	£	£	£	£
<b>Balances as at 31 March 2015</b>						
<b>1: Council Tax</b>						
Arrears	0	3,955,762	472,756	279,256	789,393	5,497,167
Impairment Allowance for doubtful debts	0	(3,070,789)	(366,993)	(216,782)	(612,792)	(4,267,356)
Overpayments	0	(690,927)	(82,573)	(48,776)	(137,878)	(960,154)
Prepayments	0	(417,875)	(49,941)	(29,500)	(83,389)	(580,705)
Surplus)	0	(2,067,058)	(247,014)	(145,963)	(414,619)	(2,874,654)
Totals	0	(2,290,887)	(273,765)	(161,765)	(459,285)	(3,185,702)
<b>2: Non-Domestic Rates</b>						
Arrears	647,232	116,502	0	12,945	517,785	1,294,464
Impairment allowance for doubtful debts	(379,154)	(68,248)	0	(7,583)	(303,323)	(758,308)
Overpayments	(130,437)	(23,479)	0	(2,609)	(104,350)	(260,875)
Prepayments	(78,191)	(14,074)	0	(1,564)	(62,553)	(156,382)
Provision for losses on appeals	(1,055,500)	(189,990)	0	(21,110)	(844,400)	(2,111,000)
Deficit	1,281,107	230,599	0	25,622	1,024,886	2,562,214
Totals	285,057	51,310	0	5,701	228,045	570,113

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Government	ESCC	Police	Fire	Hastings BC	Total
	£	£	£	£	£	£
<b>Balances as at 31 March 2016</b>						
<b>1: Council Tax</b>						
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)	0	(2,000,920)	(238,758)	(140,353)	(396,798)	(2,776,829)
<b>Totals</b>	<b>0</b>	<b>(2,020,664)</b>	<b>(241,107)</b>	<b>(141,720)</b>	<b>(400,667)</b>	<b>(2,804,158)</b>
<b>2: Non-Domestic Rates</b>						
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)
Deficit	927,893	167,021	0	18,558	742,315	1,855,787
<b>Totals</b>	<b>(675,854)</b>	<b>(121,655)</b>	<b>0</b>	<b>(13,516)</b>	<b>(540,683)</b>	<b>(1,351,708)</b>

# GLOSSARY

## ACCRUALS

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

## ACTUARIAL GAINS & LOSSES

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

## AMORTISATION

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

## BALANCE SHEET

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

## BUDGET

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

## CAPITAL EXPENDITURE

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

## CAPITAL RECEIPTS

The proceeds from the sale of non-current assets.

## CASH EQUIVALENTS

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

## COMMUNITY ASSETS

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

## CREDITORS

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

## CONTINGENT

An asset or liability can be contingent. This means that a condition which exists at the balance sheet date and where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

## CORPORATE AND DEMOCRATIC CORE

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

# GLOSSARY

## CURRENT SERVICE COSTS (PENSIONS)

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

## CURTAILMENT

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

## DEBTORS

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

## DEFINED BENEFIT SCHEME

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

## DEPRECIATION

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

## EARMARKED RESERVES

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

## EXCEPTIONAL ITEMS

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

## 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.

# Agenda Item 5



**Report to:** Audit Committee

**Date of Meeting:** 22 September 2016

**Report Title:** **BDO Final Report to the Audit Committee - Audit for the year ended 31 March 2016**

**Report By:** Peter Grace  
Assistant Director - Financial Services and Revenues

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## **Purpose of Report**

To consider the matters raised by the Council's external auditors (BDO) in respect of their Governance Report . This includes the audit opinion of the Council's 2015/16 accounts, and their value for money assessment of the Council.

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## **Recommendation(s)**

- 1. That the report and action plan be accepted**

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## **Reasons for Recommendations**

The Council's external auditors are required to submit a report to the Council's Audit Committee on any matters that are identified during their audit.

---

## Introduction

1. The report summarises the principal matters arising from the audit carried out by BDO along with other areas that they are required to give an opinion on. The issues raised have been discussed with the Chief Finance Officer and other appropriate Officers. Auditing standards require the external auditors to report to those charged with governance, certain matters before giving an opinion on the accounts.
2. Subject to the successful resolution of matters set out in the outstanding matters section of the report, BDO anticipate issuing an unqualified opinion on the financial statements for the year ended 31 March 2016.
3. In addition the auditors give their opinion on the Use of Resources (Value for Money) that the Council provides in the provision of its services.
4. BDO will be issuing an unqualified opinion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.
5. A Senior BDO representative is expected to attend the Committee and present the report.

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## Wards Affected

None

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## Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	Yes
Environmental Issues	No
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	No
Local People's Views	No
Anti-Poverty	No

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## Additional Information

Appendix A: Final report to the Audit Committee - Audit for the year ended 31 March 2016

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## Officer to Contact

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# HASTINGS BOROUGH COUNCIL

REPORT TO THE AUDIT COMMITTEE

Audit for the year ended 31 March 2016 - Issued to the Audit Committee - 14 September 2016



## PURPOSE AND USE OF THIS REPORT

We present our report to the Audit Committee which details the key findings arising from the audit for the attention of those charged with governance. It forms a key part of our communication strategy with you, a strategy which is designed to promote effective two way communication throughout the audit process.

As auditors we are responsible for performing our audit in accordance with International Standards on Auditing (UK & Ireland) which provide us with a framework which enables us to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and providing our value for money conclusion. As the purpose of the audit is for us to express an opinion on the financial statements and provide a value for money conclusion, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

This report has been prepared solely for the use of the Audit Committee. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person.

We would like to thank staff for their co-operation and assistance during the audit and throughout the period.



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# SUMMARY

## AUDIT SCOPE AND OBJECTIVES

- We have substantially completed our audit procedures in accordance with the planned scope and our objectives have been achieved, subject to the resolution of matters set out in the outstanding matters section of this report.
- There were no significant changes to our planned audit approach nor were any restrictions placed on our work.
- No additional significant audit risks were identified during the course of our audit procedures subsequent to our audit planning report to you dated 9 March 2016.
- Our materiality levels have been reassessed since our audit planning referred to above. Final materiality was set at £1.74 million. Our final triviality level (above which errors are reported within this report) was £52,000.

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## AUDIT OPINION

- Subject to the successful resolution of matters set out in the outstanding matters section of this report we anticipate issuing an unqualified opinion on the financial statements for the year ended 31 March 2016.
- We have no matters to report in relation to the annual governance statement.
- We will be issuing an unqualified opinion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

## KEY AUDIT AND ACCOUNTING MATTERS

- The key matters that have arisen in the course of our audit are summarised below:
  - i. A number of amendments to classifications have been made, as detailed in the 'Key Audit and Accounting Matters' section of this report. There were no differences that affect the reported deficit for the year.
  - ii. We identified a number of control weaknesses and our findings and recommendations are set out in the 'Control Environment' section of this report.
  - iii. Our use of resources work identified no significant issues. We have raised one recommendation that a formal process is put into place for identifying, assessing and reporting actual savings delivered through the Council's Priority Income and Efficiency Review (PIER) process.

## OTHER MATTERS FOR THE ATTENTION OF THE AUDIT COMMITTEE

- The Council is below the audit threshold for a full assurance review of the Whole of Government Accounts (WGA) return.

# KEY AUDIT AND ACCOUNTING MATTERS

## SIGNIFICANT AUDIT RISKS

We reported our risk assessment, which brought to your attention areas that require additional or special audit consideration and are considered significant audit risks, in the 2015/16 audit planning report dated 9 March 2016. These significant risks have been highlighted in red and findings have been reported in the following table.

We have since undertaken a more detailed assessment of risk following the completion of our review of the Council’s internal control environment and draft financial statements, and we have not identified any additional significant risks.

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NATURE OF RISK	RISK DESCRIPTION AND RELATED CONTROLS	HOW THE RISK WAS ADDRESSED BY OUR AUDIT	CONCLUSION
MANAGEMENT OVERRIDE OF CONTROLS	<p>Auditing standards presume that a risk of management override of controls is present in all entities.</p> <p>By its nature, there are no controls in place to mitigate the risk of management override.</p>	<p>We reviewed the appropriateness of journal entries and other adjustments to the financial statements.</p> <p>We also reviewed accounting estimates for evidence of possible bias.</p>	<p>Our review of the appropriateness of journal entries and other adjustments made to the financial statements is still ongoing.</p> <p>Our review of controls around journal entries identified one instance in which a journal had been raised and posted to the accounting system without authorisation in line with the Council’s delegated authority framework. The journal itself was for the reallocation of invoiced expenses totalling £24,000 from a holding account to the relevant service lines, and is therefore a valid journal to have been posted. However, the lack of authorisation highlights a potential control weakness. Management has confirmed that there is a compensating control in place, involving the periodic check of all journal entries by a member of the finance team, therefore we do not consider the control weakness to be significant.</p> <p>Our work on accounting estimates has not identified any evidence of bias, and further information on the key accounting estimates reviewed is provided on pages 10 to 12 of this report.</p>

# KEY AUDIT AND ACCOUNTING MATTERS

## Continued

NATURE OF RISK	RISK DESCRIPTION AND RELATED CONTROLS	HOW THE RISK WAS ADDRESSED BY OUR AUDIT	CONCLUSION
<p><b>REVENUE RECOGNITION</b></p>	<p>Auditing standards presume that there are risks of fraud in revenue recognition. These risks may arise from the use of inappropriate accounting policies, failure to apply the Council’s stated accounting policies or from an inappropriate use of estimates in calculating revenue.</p> <p>In particular, we consider there to be a significant risk in relation to the completeness, existence and accuracy of fees and charges income and non-specific grants and contributions income recorded in the Comprehensive Income and Expenditure Statement.</p>	<p>We carried out audit procedures to gain an understanding of the Council’s internal control environment for the significant income streams, including how this operates to prevent loss of income and ensure that income is recognised in the correct accounting period.</p> <p>We also tested an increased sample of fees and charges income to check whether income has been recorded in the correct period and that all income that should have been recorded has been recorded.</p> <p>Finally, we tested an increased sample of grant income to ensure that the point of recognition was in line with Code requirements.</p>	<p>No significant issues have been identified by our testing.</p>

# KEY AUDIT AND ACCOUNTING MATTERS

## Continued

### OTHER AUDIT RISKS AND ACCOUNTING ISSUES

We report below our findings of the work designed to address all other risks identified in our 2015/16 audit planning report and any other relevant audit and accounting issues identified as a result of our audit: ■ Normal risk ■ Other issue

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NATURE OF RISK	WORK PERFORMED AND FINDINGS	CONCLUSION
CONSIDERATION OF RELATED PARTY TRANSACTIONS	We reviewed the Council’s procedures for identifying related party transactions for disclosure in the related parties note, including signed declaration forms from members and senior officers. We carried out Companies House checks for a sample of members and senior officers and checked the completeness of interests included in the declaration forms. We also considered the completeness of related party disclosures based on knowledge gained from our other audit work.	<p>Following issues identified during the prior year’s audit, management has significantly improved the internal control environment around the identification and disclosure of related party transactions, including carrying out its own Companies House and Charity Commission searches. As a result, there are significantly more related party transactions disclosed within the draft accounts than there were in the prior year.</p> <p>We identified one minor disclosure issue in respect of related party transactions, which was the omission of one transaction reported in the prior year’s financial statements from the comparatives in the current year accounts. Management has agreed to correct this error in the final financial statements.</p>
CLASSIFICATION OF PAYABLES AND RECEIVABLES	Following issues identified in the prior year around the classification of debtors and creditors, we reviewed the Council’s working papers apportioning balances between the different types of counter-party body.	<p>Most of the errors encountered last year have not been repeated, although we did identified two non-material classification errors as follows:-</p> <ul style="list-style-type: none"> <li>• Long-term creditors of £857,000 with other local authorities which were incorrectly classified as all other bodies.</li> <li>• Long-term debtors of £168,000 which were incorrectly included as negative long-term creditors.</li> </ul>

# KEY AUDIT AND ACCOUNTING MATTERS

Continued

NATURE OF RISK	WORK PERFORMED AND FINDINGS	CONCLUSION
CAPITAL ADJUSTMENT ACCOUNT	During the audit, we were informed by management that it had identified a misclassification of £3.120 million between the Capital Adjustment Account and the Revaluation Reserve.	Management will correct this error in the final Statement of Accounts.
FRAUD AND ERROR	We enquired of management regarding any instances of fraud in the period, and considered throughout the audit the possibility of material misstatements due to fraud or error.  We are not aware of any instances of fraud other than housing benefit fraud committed against the Council.	We have not identified any material fraud. All non-trivial errors identified during the audit are included within this report.

# KEY AUDIT AND ACCOUNTING MATTERS

## Continued

### ACCOUNTING ESTIMATES

Our views on significant estimates, including any valuations of material assets and liabilities, arrived at during the preparation of your financial statements are set out below.

We have assessed how prudent or aggressive the estimate is based on the level of caution applied by management in making the estimate under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenditure are not understated.

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### ESTIMATES

#### PENSION LIABILITY ASSUMPTIONS

The pension liability comprises the Council's share of the market value of assets held in the East Sussex Pension Fund and the estimated future liability to pay pensions.

An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation. Management has agreed the assumptions made by the actuary to support the estimate and these are disclosed in the financial statements.

We have reviewed the reasonableness of the assumptions applied by comparing these to the expected ranges provided by an independent consulting actuary report.

### AUDIT FINDINGS AND CONCLUSIONS

As at 31 March 2016 net pension liabilities disclosed in the Balance Sheet decreased by £6.0 million compared to the balance at 31 March 2015.

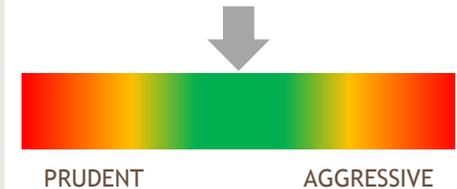
It should be noted that these retirement benefits (liabilities) will not actually be payable until employees retire but because the Council has a commitment to make the payments (for those benefits) there is a requirement to disclose the information in the accounts at the time employees earn their future entitlement.

The last formal valuation of the Fund was carried out as at 31 March 2013. In order to assess the value of the Council's liabilities as at 31 March 2016 the actuary has rolled forward the value of the liabilities calculated at the latest formal valuation, allowing for up to date financial assumptions.

The changes to the financial assumptions in year relate to:

- an increase in the salary increase rate from 4.0% to 4.1%
- an increase in the discount rate from 3.1% to 3.4% (to place a current value on the future liabilities through the use of a market yield of corporate bonds).

These changes have resulted in the significant decrease in the present value of the scheme liabilities at 31 March 2016. We have compared the assumptions used by the actuary to calculate the present value of future pension liabilities with the expected ranges provided by the independent consulting actuary. We are satisfied that the assumptions used are not unreasonable or outside of the expected ranges.



# KEY AUDIT AND ACCOUNTING MATTERS

## Continued

Page 13

### ESTIMATES

#### PROPERTY, PLANT & EQUIPMENT (PPE) AND INVESTMENT PROPERTY VALUATIONS

Local authorities are required to ensure that the carrying value of property, plant and equipment (PPE) and investment properties is not materially different to the current value or fair value at the Balance Sheet date.

The valuation for land and buildings included in PPE is a management estimate based on market values or depreciated replacement cost (DRC). Management uses external valuation data to assess whether there has been a material change in the value of classes of assets and also employs an external expert (valuer) to undertake a full valuation of all PPE assets on a rolling 5-yearly basis. The indices available to management to assess valuation changes are produced independently and are based on observable data (asset sales and building contract prices).

The Code of Practice on Local Authority Accounting 2015/16 (the Code) introduced a change in the basis of valuation of surplus assets and investment properties under International Financial Reporting Standard (IFRS) 13, from existing use value (in the case of surplus assets) or market value (in the case of investment properties) to a 'highest and best use' valuation. This means that valuations may be significantly different in certain circumstances.

### AUDIT FINDINGS AND CONCLUSIONS

In line with the Council's 5 yearly rolling valuation programme, the external valuers have valued property assets with a closing net book value of £42.2 million as at 31 March 2016, including all surplus assets and investment properties in line with the new IFRS13 requirements, along with 51% (by value) of the Council's other land and buildings. This resulted in a net upwards revaluation movement of £5.8 million in the year for PPE and £176,000 for investment properties.

We assessed the valuer's competence, independence and objectivity and determined we could rely on the management expert.

We reviewed the valuations provided and the valuation methodology applied, and confirmed that the basis of valuation for assets valued in year is appropriate based on Code requirements.

Our work to compare the valuations to expected movements using available market information, and to review and challenge the valuer's assumptions, is still ongoing.

TBC



PRUDENT

AGGRESSIVE



# KEY AUDIT AND ACCOUNTING MATTERS

## Continued

### FINANCIAL STATEMENT DISCLOSURES

Our views on the sufficiency and content of your financial statements' disclosures are set out below:

DISCLOSURE AREA	AUDIT FINDINGS AND CONCLUSIONS
<b>ACCOUNTING POLICIES</b>	<p>The accounting policies presented in the draft financial statements were broadly satisfactory. We have made the following observations and recommendations to management:</p> <ul style="list-style-type: none"> <li>• The Council's capitalisation threshold of £50,000 is relatively high in the context of its size. We would recommend that management consider reviewing this for future years.</li> <li>• The policy on property, plant and equipment requires updating as a result of the adoption of IFRS 13 this year, and the Council's new timetable for the valuation of these assets.</li> <li>• We have recommended the removal of a small number of policies or parts of policies on materiality grounds, including the policy on investment properties, and parts of the policies on financial instruments and leases.</li> <li>• The Code requires the Council to name the accounting standards issued but not yet adopted - this has not been done within the draft Statement of Accounts.</li> <li>• We have recommended that management considers adding some disclosure around the valuation of property assets to the 'Assumptions made about the future and other major sources of estimation and uncertainty' note.</li> </ul> <p>Management has provided a revised draft of the financial statements, and we are in the process of reviewing this.</p>
<b>EVENTS AFTER THE REPORTING PERIOD</b>	<p>It is possible that the result of the EU referendum may have a material effect on the value of the Council's pension liability in the future, as this will be impacted by a number of economic factors including the discount rate used.</p> <p>We would encourage management to consider whether this requires disclosure as a non-adjusting event after the reporting period.</p>

# KEY AUDIT AND ACCOUNTING MATTERS

## Continued

DISCLOSURE AREA	AUDIT FINDINGS AND CONCLUSIONS
OTHER DISCLOSURE ISSUES	<p>We have identified the following disclosure issues within the first draft financial statements:</p> <ul style="list-style-type: none"> <li>• Within the Termination Benefits and Exit Packages note, two exit packages were disclosed within the incorrect cost band. The total value of packages disclosed was correct.</li> <li>• Within the Employee Remuneration table showing employees whose emoluments were greater than £50,000, one employee was disclosed within an incorrect band. The total number of employees disclosed was correct.</li> <li>• The draft Members Allowances note excluded some certain allowances which should have been included. As a result, total members allowances were understated by £10,000, and expenses understated by £1,000. The average sum per Councillor was also understated by £352.</li> <li>• There were a number of non-material errors within the council tax section of the draft Collection Fund Statement in respect of the precepts and demands on the collection fund, the previous year surplus, and the apportionment of these amounts between the precepting bodies. There was no impact on the overall Collection Fund expenditure total or the closing Collection Fund balance.</li> <li>• A small number of errors have been identified within the Financial Instruments note, and we are currently working with management to resolve these.</li> </ul>

# KEY AUDIT AND ACCOUNTING MATTERS

## Continued

### OTHER MATTERS

We are required to communicate certain other matters to you. We deal with these below, either directly or by reference to other communications.

MATTER	COMMENT
1 Our responsibility for forming and expressing an opinion on the financial statements	See our audit planning report to you dated 9 March 2016.
2 An overview of the planned scope and timing of the audit	See our audit planning report to you dated 9 March 2016.
3 Significant difficulties encountered during the audit	We have no matters to report.
4 Significant matters arising from the audit that were discussed with management or were the subject of correspondence with them, and any other matters arising from the audit that in our judgment are significant to the oversight of the financial reporting process	We have no matters to report.
5 Written representations which we seek	These are reproduced at Appendix VII.
6 Any fraud or suspected fraud issues	We have no matters to report.
7 Any suspected non-compliance with laws or regulations	We have no matters to report.
8 Uncorrected misstatements, including those relating to disclosure	We have no uncorrected misstatements to report.
9 Significant matters in connection with related parties	We have no matters to report.

# OUTSTANDING MATTERS

We have substantially completed our audit work in respect of the financial statements for the year ended 31 March 2016, and anticipate issuing an unqualified opinion on the financial statements.

The following matters are outstanding at the date of this report. We will update you on their current status at the **Audit committee** at which this report is considered:

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- 1 Completion of review of outstanding audit work in a small number of areas, including journals testing, and property valuations
- 2 Completion of Manager and Partner review of the audit file and clearance of any issues arising
- 3 Receipt of outstanding bank and lender confirmations
- 4 Receipt and checking of final Statement of Accounts incorporating all agreed audit adjustments
- 5 Subsequent events review
- 6 Management representation letter, as attached in Appendix VII to be approved and signed



## OTHER REPORTING MATTERS

We comment below on other reporting required to be considered in arriving at the final content of our audit report:

	MATTER	COMMENT
1	<p>The draft financial statements, within the Statement of Accounts, was prepared and provided to us for audit on 30 June 2016.</p> <p>As part of our planning for the audit, we prepared a detailed document request which outlined the information we would require to complete the audit.</p>	<p>Draft accounts, working papers and other supporting audit evidence has been provided to us in accordance with the agreed timetable.</p> <p>We would like to thank the finance team for their assistance throughout the audit process.</p>
2	<p>We are required to review the draft Annual Governance Statement and be satisfied that it meets the disclosure requirements in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007. We are also required to be satisfied that it is not inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the Council's review of effectiveness and our knowledge of the Council.</p>	<p>We have no significant matters to report. However, we have identified some scope for improvement within the 'Significant governance issues' section, in terms of providing a more detailed outline of the actions taken, or proposed, to deal with the significant governance issues in relation to the authority achieving its vision as identified by management.</p> <p>A small number of other minor updates and corrections have also been suggested to management.</p>
3	<p>We are required to read all the financial and non-financial information in the Narrative Report to the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.</p>	<p>We have reviewed the Narrative Report, and raised a number of minor queries and suggestions for improvement with management, such as removing the very detailed budget outturn list, and including commentary on the financial outturn, especially the larger budget variances. Overall, we have identified no material inconsistencies with the audited financial statements or knowledge acquired by us in the course of performing the audit.</p> <p>Management has provided a revised version of the Statement of Accounts, which we are in the process of reviewing.</p>

# CONTROL ENVIRONMENT

## Deficiencies and observations

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to you.

As the purpose of the audit is for us to express an opinion on the Council's financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal controls.

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### SIGNIFICANT DEFICIENCIES

We have identified no significant deficiencies in internal control during the course of the audit.

### OTHER DEFICIENCIES AND OBSERVATIONS

AREA	OBSERVATION	IMPLICATION	RECOMMENDATION
MANUAL JOURNAL AUTHORISATION	Our review of controls around manual journals identified one journal which had been posted to Agresso without having been authorised by a second individual in line with the Council's delegated authority framework. Management have confirmed that this is a recurring issue, although compensating controls are in place.	Whilst the existence of compensating review controls provides some assurance, the ability to post journals to Agresso without appropriate authorisation does highlight a potential risk that inappropriate or fraudulent journals may be posted.	We recommend that management reviews existing controls over journal entries. Ideally, a system enforced control should be put into place so that journals are not posted to the ledger until the appropriate authorisation has been given within Agresso.
SUPPLIER BANK DETAILS CHANGES	There are no formal controls in place around changes to supplier bank details.	This increases the risk that the Council could fall victim to internal or external fraud.	We recommend that management put into place a formal control mechanism as soon as possible, for example system enforced authorisation of changes to bank details, or a periodic review of changes made by an appropriate officer.

# CONTROL ENVIRONMENT

## Other deficiencies and observations

AREA	OBSERVATION	IMPLICATION	RECOMMENDATION
HOUSING BENEFIT CHECKING	The Council carries out a risk-based checking process on a percentage of new housing benefit claims and changes of circumstances. However, we found that, where errors are identified, there is no evidence retained that these have been followed up or corrected.	The effectiveness of the random checking control will be significantly reduced if actions arising are not carried out.	We recommend that management put into place a formal process for checking that errors identified are subsequently corrected, and that other action is taken if required (e.g. retraining of assessors). We note that the checking spreadsheets already have a 'date corrected' column, but this is not routinely used.
RETROSPECTIVE PURCHASE ORDERS	Our walkthrough testing of purchasing controls identified one instance where a purchase order was raised in Agresso subsequent to a service being provided to the Council and an invoice being received. Similar cases have been identified by internal audit in the previous year.	Failure to obtain authorisation prior to orders being placed with the supplier introduces a risk that the Council may be exposed to inappropriate or inefficient expenditure, and reduces the effectiveness of the procurement and three-way matching controls in place.	We recommend that management takes action to ensure that all officers are aware of the requirement to obtain authorisation for purchase requisitions prior to orders being placed, and implements a monitoring control to identify cases where this is not adhered to, and take further action where necessary.

# WHOLE OF GOVERNMENT ACCOUNTS

We comment below on other reporting required:

MATTER	COMMENT
<p>Auditors are required to review Whole of Government Accounts (WGA) information prepared by component bodies that are over the prescribed threshold of £350 million in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure.</p> <p>The Council falls below the threshold for review and there is no requirement for further work other than to submit the section on the WGA Assurance Statement to the WGA audit team with the total values for assets, liabilities, income and expenditure.</p>	<p>The relevant section of the assurance statement will be submitted to the National Audit Office (NAO) upon completion of our audit.</p>

## USE OF RESOURCES

### Key informed decisions, deployed resources and sustainable outcomes

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money). This is based on the following reporting criterion:

- In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

There are three sub criteria that we consider as part of our overall risk assessment:

- Informed decision making
- Sustainable resource deployment

Working with partners and other third parties

We reported our risk assessment, which included use of resources significant risks, in the 2015/16 Audit Plan issued on 9 March 2016. We have since undertaken a more detailed assessment of risk following our completion of the interim review of financial controls and review of the draft financial statements, and we have not included any additional significant risks.

We report overleaf the findings of our work designed to address these significant risks and any other relevant use of resources work undertaken.

# USE OF RESOURCES

## Continued

RISK	RISK DETAIL AND WORK PERFORMED	AUDIT ISSUES AND IMPACT ON CONCLUSION
<b>SUSTAINABLE FINANCES</b>	<p>The Council's Medium Term Financial Strategy was last refreshed in November 2015, and covers the period up to 2018/19. The Strategy assumes reductions in Government core grant funding of 12% per year over this period, alongside other funding pressures such as annual inflation and pay awards.</p> <p>The forward budget was updated again in February 2016 following receipt of the government funding settlement for 2016/17, and now shows a balanced budget (after the use of reserves) in 2016/17, followed by a £0.5 million funding shortfall in 2017/18, and a £1.5 million shortfall in 2017/18. The budget also assumes net use of earmarked and other reserves for revenue purposes of £2.2 million in 2016/17, followed by a further £1.0 million in each of 2017/18 and 2018/19.</p> <p>The Council has implemented a process known as the Priority Income and Efficiency Reviews (PIER) model in order to identify savings and look for opportunities to maximise revenue. This has identified total savings of £1.8 million over the three year life of the MTFs, which are already taken into account within the funding shortfalls described above. It is clear that the Council faces a significant challenge to close the funding gap and is likely to require difficult decisions to be made around service provision and alternative delivery models.</p> <p>The current rate at which earmarked reserves are being drawn down is not sustainable in the long term, although we acknowledge that certain of these reserves, such as the transition reserve, have been put aside specifically to assist the Council in its transition to a lower spending Council. The pace of change required to deliver a sustainable financial position will present a challenge to the Council.</p>	<p>As a starting point for reviewing the reasonableness of the assumptions in the MTFs, we have assessed the financial performance of the Council and delivery of budgeted savings in 2015/16.</p> <p>The original 2015/16 budget set in February 2015 set net Council expenditure of £17.2 million (excluding the planned utilisation of reserves). Actual net Council expenditure was lower than budget at £15.6 million. Grant and taxation income was also £0.5 million above budget. The total favourable variance of £2.1 million meant that the planned drawdown of earmarked and other reserves of £2.1 million in year was in fact not required.</p> <p>Significant variances from plan included a £503,000 underspend on housing benefit payments which are largely demand driven, a £136,000 underspend on financial services related to severance payments, and a £106,000 underspend on rogue landlords following the receipt of additional funding.</p> <p>The above budget assumed savings of £1.0 million from the PIER process in 2015/16, and further savings of £0.5 million in 2016/17, and £0.7 million in each of 2017/18 and 2018/19 have been built into the latest budget round. The source of the savings has been identified and is set out in full within the Council's budget document. We note that the proposed savings for 2016/17 and 2017/18 have been reduced significantly from those set out within the February 2015 budget, when figures of £1.7 million and £1.8 million respectively were quoted.</p> <p>The net underspend in year, which followed a net underspend against original budget of £2.6 million in 2014/15, provides evidence that the Council is successfully managing to reduce net expenditure, which will be partly through driving efficiencies identified through the PIER process.</p>

# USE OF RESOURCES

## Continued

RISK	RISK DETAIL AND WORK PERFORMED	AUDIT ISSUES AND IMPACT ON CONCLUSION
<p><b>SUSTAINABLE FINANCES</b> (continued)</p>		<p>However, we note that there is no formal reporting on the outcomes of the proposed efficiency measures and actual savings generated, and this may be something the Council wishes to consider in the future to further enhance the process and ensure that the actions being taken are effective.</p> <p>We have reviewed the major assumptions underpinning the MTFs, and we are satisfied that these are broadly reasonable. Some detailed work is still ongoing, and we will update the Audit Committee with any additional findings at their meeting on 22 September 2016.</p> <p>It is clear that the Council still has some work to do to close the funding gap in future years, and the planned use of earmarked and other reserves of £4.2 million over the three-year period from 2016/17 to 2018/19 is clearly not sustainable in the long term. However, this should be seen in the context of the fact that the Council has a high level of earmarked reserves (£20.3 million at 31 March 2016), which places it in the highest 5% of all district councils. Therefore, some planned usage of these reserves in the medium term will not pose a threat to the long term sustainability of the Council, provided that efforts to transition to a lower cost Council are successful.</p>

# USE OF RESOURCES

## Continued

RISK	RISK DETAIL AND WORK PERFORMED	AUDIT ISSUES AND IMPACT ON CONCLUSION
<p><b>VALUE FOR MONEY PROFILE TOOL</b></p>	<p>We reviewed PSAA Ltd’s value for money profile tool, which benchmarks the Council against other district Councils in a number of key areas. Note that, due to delays in uploading the relevant data (for example financial data cannot be uploaded until after accounts have been audited, some of the data reviewed relates to previous financial years). Nevertheless, this provides a useful indication of the Council’s financial and non-financial performance in key areas, as well as providing contextual information such as indicators of deprivation.</p> <p>We used the data to identify outliers which may indicate additional VFM risks.</p>	<p>Our review of the VFM profile tool identified no additional significant VFM risks.</p> <p>During 2014/15, the Council’s net spend per head remained the highest in the country at £760.88, compared to a national average for district councils of £398.40. This represented a slight reduction of 0.2% from the previous year. Underpinning this, the Council was in the highest 10% for spending per head on council tax and housing benefits administration, culture and sport, housing services, and sustainable economy.</p> <p>The high costs within the Council are driven primarily by deprivation, with the Council falling within the highest 5% of all districts in terms of the percentage of the area’s population living in the most deprived areas. This, in turn, means that the Council is positioned within the worst 5% of authorities in a number of other contextual indicators which tend to follow high levels of deprivation, such as the overall working age employment rate, proportion of children in poverty, and percentage of working age population claiming jobseekers’ allowance.</p> <p>The Council is continuing to seek ways to reduce its high cost base, for example through the ongoing PIER process.</p> <p>The VFM profile tool also highlights strong performance in the delivery of affordable housing, with the Council in the top 5% of districts for the number of additional affordable homes provided as a percentage of net additional homes (and the top 20% for the gross number of additional affordable homes provided).</p>

# APPENDICES

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# APPENDIX I: DEFINITIONS

TERM	MEANING
The Council	Hastings Borough Council
'Those charged with governance'	The persons with responsibility for overseeing the strategic direction of the Council and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. Those charged with governance for financial reporting for the Council are the members of the Audit Committee.
Management	The persons responsible for achieving the objectives of the Council and who have the authority to establish policies and make decisions by which those objectives are to be pursued. Management is responsible for: <ul style="list-style-type: none"> <li>The financial statements (including designing, implementing, and maintaining effective internal control over financial reporting)</li> <li>Putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources and to ensure proper stewardship and governance, and regularly to review the adequacy and effectiveness of them.</li> </ul>
ISAs (UK & Ireland)	International Standards on Auditing (UK & Ireland)
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards as adopted by the European Union
Materiality	The size or nature of a misstatement that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable user of the financial statements would have been changed or influenced as a result of the misstatement.
The 'Code'	Code of Practice on Local Authority Accounting in the United Kingdom issued by CIPFA / LASAAC (Chartered Institute of Public Finance and Accountancy / Local Authority Scotland Accounts Advisory Committee)
SeRCOP	Service Reporting Code of Practice for Local Authorities issued by CIPFA / LASAAC
CIES	Comprehensive Income and Expenditure Statement

# APPENDIX II: AUDIT DIFFERENCES

We are required to bring to your attention audit differences identified during the audit, except for those that are clearly trivial, that the Audit Committee is required to consider. This includes: audit differences that have been corrected by management; and those that remain uncorrected along with the effect that they have individually, or in aggregate, on the opinion in the auditor's report.

## CORRECTED AUDIT DIFFERENCES

There were no differences that have been corrected in the revised draft financial statements that affect the reported deficit for the year. However, a number of amendments to classifications have been made, as detailed in the 'Key Audit and Accounting Matters' section of this report.

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## UNADJUSTED AUDIT DIFFERENCES

There are no unadjusted audit differences.

## APPENDIX III: RECOMMENDATIONS AND ACTION PLAN

AREA	CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT REPSONSE	RESPONSIBILITY	TIMING
<b>FINANCIAL STATEMENTS</b>					
<b>PROVISIONS FOR IMPAIRMENT OF RECEIVABLES</b>	Whilst we are satisfied that the provisions are not materially misstated, we note that for some elements of the debtor balance (such as collection fund debtors) no detailed assessment of actual historic collection rates has been carried out.	We recommend that, for each of the material elements of the provision, management carries out a more detailed exercise looking at historic collection rates and collection profile in order to better inform its provision estimates.			
<b>CAPITALISATION THRESHOLD</b>	We note that, at £50,000, the Council's capitalisation threshold is high in relation to its size.	We recommend that management reviews the capitalisation threshold going forwards, to ensure that it is satisfied that the aggregate effect of applying this threshold will not lead to material misstatement.			

# APPENDIX III: RECOMMENDATIONS AND ACTION PLAN

Continued

AREA	CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT REPSONSE	RESPONSIBILITY	TIMIMG
<b>CONTROL ENVIRONMENT</b>					
<b>MANUAL JOURNAL AUTHORISATION</b>	Our review of controls around manual journals identified one journal which had been posted to Agresso without having been authorised by a second individual in line with the Council's delegated authority framework. Management have confirmed that this is a recurring issue, although compensating controls are in place.	We recommend that management reviews existing controls over journal entries. Ideally, a system enforced control should be put into place so that journals are not posted to the ledger until the appropriate authorisation has been given within Agresso.			
<b>SUPPLIER BANK DETAILS CHANGES</b>	There are no formal controls in place around changes to supplier bank details.	We recommend that management put into place a formal control mechanism as soon as possible, for example system enforced authorisation of changes to bank details, or a periodic review of changes made by an appropriate officer.			

## APPENDIX III: RECOMMENDATIONS AND ACTION PLAN

### Continued

AREA	CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
<b>CONTROL ENVIRONMENT (CONTINUED)</b>					
<b>HOUSING BENEFIT CHECKING</b>	The Council carries out a risk-based checking process on a percentage of new housing benefit claims and changes of circumstances. However, we found that, where errors are identified, there is no evidence retained that these have been followed up or corrected.	We recommend that management put into place a formal process for checking that errors identified are subsequently corrected, and that other action is taken if required (e.g. retraining of assessors). We note that the checking spreadsheets already have a 'date corrected' column, but this is not routinely used.			
<b>RETROSPECTIVE PURCHASE ORDERS</b>	Our walkthrough testing of purchasing controls identified one instance where a purchase order was raised in Agresso subsequent to a service being provided to the Council and an invoice being received. Similar cases have been identified by internal audit in the previous year.	We recommend that management takes action to ensure that all officers are aware of the requirement to obtain authorisation for purchase requisitions prior to orders being placed, and implements a monitoring control to identify cases where this is not adhered to, and take further action where necessary.			

# APPENDIX III: RECOMMENDATIONS AND ACTION PLAN

Continued

AREA	CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT REPSONSE	RESPONSIBILITY	TIMIMG
USE OF RESOURCES					
<b>PRIORITY INCOME AND EFFICIENCY REVIEW (PIER) PROCESS</b>	Although PIER savings are planned in detail within the Council’s annual budget reports, there is no formal reporting back to management or Cabinet on the actual savings achieved from the implementation of the planned schemes. This could potentially limit the effectiveness of the process.	We recommend that management considers putting into place a formal process for identifying and reporting actual savings achieved against PIER schemes following their implementation.			

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## APPENDIX IV: MATERIALITY

### MATERIALITY - FINAL AND PLANNING

	FINAL	PLANNING
Materiality	£1,740,000	£1,910,000
Clearly trivial threshold	£52,000	£57,000

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Planning materiality of £1,910,000 was based on 2% of gross expenditure, using average expenditure for the previous 2 financial years.  
We revised our materiality because the draft financial statements included a lower level of expenditure.

## APPENDIX V: INDEPENDENCE

### INDEPENDENCE - ENGAGEMENT TEAM ROTATION

SENIOR TEAM MEMBERS	NUMBER OF YEARS INVOLVED	ROTATION TO TAKE PLACE IN YEAR ENDED
LEIGH LLOYD-THOMAS - Engagement lead	2	31 March 2019
JODY ETHERINGTON - Audit manager	2	31 March 2024

### INDEPENDENCE - THREATS TO INDEPENDENCE AND APPROPRIATE SAFEGUARDS

We have not provided any non-audit services to the Council. Our fees are set out in Appendix VI.

We have not identified any potential threats to our independence as auditors. We are not aware of any financial, business, employment or personal relationships between the audit team, BDO and the Council.

We confirm that the firm complies with the Financial Reporting Council's Ethical Standards and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement lead and audit staff is not impaired.

Should you have any comments or queries regarding this confirmation we would welcome their discussion in more detail.

## APPENDIX VI: FEES SCHEDULE

	2015/16	2014/15	THREATS TO INDEPENDENCE ARISING	SAFEGUARDS APPLIED AND WHY THEY ARE EFFECTIVE
	£	£		
Audit fee	46,418	61,890	N/A	N/A
Certification fee (Housing benefits subsidy claim)	8,844	11,792	N/A	N/A
<b>TOTAL AUDIT FEE</b>	<b>55,262</b>	<b>73,682</b>		
<b>TOTAL ASSURANCE SERVICES</b>	<b>55,262</b>	<b>73,682</b>		

## APPENDIX VII: DRAFT REPRESENTATION LETTER

TO BE TYPED ON CLIENT HEADED NOTEPAPER

BDO LLP  
55 Baker Street  
London  
W1U 7EU

XX September 2016

Dear Sirs

**Financial statements of Hastings Borough Council for the year ended 31 March 2016**

We confirm that the following representations given to you in connection with your audit of the Council's financial statements (the 'financial statements') for the year ended 31 March 2016 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council.

The Chief Finance Officer has fulfilled his responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and Statement of responsibilities of auditors and of audited bodies: local government issued by Public Sector Audit Appointments (PSAA), and in particular that the financial statements give a true and fair view of the financial position of the Council as of 31 March 2016 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and for making accurate representations to you.

We have fulfilled our responsibilities on behalf of the Council, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Council's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and other meetings have been made available to you.

In relation to those laws and regulations which provide the legal framework within which the Council's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

Other than disclosed in the financial statements, there have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with the Code and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving Councillors, management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

We have disclosed to you all allegations of fraud or suspected fraud affecting the financial statements that have been communicated by Councillors, employees, former employees, analysts, regulators or any other party.

# APPENDIX VII: DRAFT REPRESENTATION LETTER

## Continued

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

We have no plans or intentions that may materially affect the carrying value and where relevant, the fair value measurement, or classification of assets or liabilities reflected in the financial statements.

We are satisfied that the carrying value of property, plant and equipment assets at 31 March 2016 is not materially different from their current value as determined in accordance with the requirements of the Code.

The key assumptions used in the calculation of the Council's net pension liability as at 31 March 2016 are as follows:-

- Rate of increase in salaries: 4.1%
- Rate of increase in pensions: 2.1%
- Rate for discounting scheme liabilities: 3.4%
- Longevity at 65 for current pensioners: 22.2 years (men) and 24.4 years (women)
- Longevity at 65 for future pensioners: 24.2 years (men) and 26.7 years (women)

We are satisfied that each of the above assumptions is appropriate to the Council and will result in the calculation of a net liability figure which is not materially misstated.

We consider that the Council is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

We have disclosed all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been disclosed in accordance with the requirements of accounting standards.

We confirm that the above representations are made on the basis of enquiries of Councillors, management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Peter Grace  
Chief Finance Officer  
XX September 2016

Cllr Matthew Beaver  
Chairman  
Signed on behalf of the Audit Committee  
XX September 2016

## APPENDIX VIII: AUDIT QUALITY

BDO is totally committed to audit quality. It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections. BDO welcome feedback from external bodies and is committed to implementing necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US firms), the firm undertake a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years. We have also implemented additional quality control review processes for all listed and public interest audits.

We seek to make improvements and address weaknesses identified from both external and internal quality reviews. Where issues have been identified an action plan is put in place. These plans may relate to individual assignments, individual offices, or be firm-wide, and in each instance the outcome of these actions is subject to monitoring and have been the subject of our analysis of root causes. The actions may include, but are not necessarily limited to, one or more of the following:

- The implementation, where appropriate, of relevant training for the engagement team where the issue is team specific;
- The revision and production of additional guidance in connection with the firm's audit approach where we identify that an issue is more widespread;
- The development and delivery of firm-wide training;
- Amendments and/or enhancements to stream policies and procedures.



FOR MORE INFORMATION:

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Engagement lead

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the Council and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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# Agenda Item 6



**Agenda Item No:**

**Report to:** Audit

**Date of Meeting:** 22 September 2016

**Report Title:** Annual Treasury Management Report 2015-16

**Report By:** Peter Grace  
Assistant Director Financial Services and Revenues

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## **Purpose of Report**

This report provides the opportunity for the Cabinet to scrutinise the Treasury Management activities and performance of the last financial year. This report will be considered by the Audit Committee at its meeting on 22 September 2016.

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## **Recommendation(s)**

- 1. To consider the report – no recommendations are being made to amend the current Treasury Management Strategy as a result of this particular review.**
- 2. Full Council to consider the report and any recommendations made by Cabinet.**

---

## **Reasons for Recommendations**

To ensure that members are fully aware of the activities undertaken in the last financial year, that Codes of Practice have been complied with and that the Council's strategy has been effective in 2015-16.

Under the Code adopted the full Council is required to consider the report and any recommendations made.

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## Introduction

1. The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2009 was adopted by this Council on 15th February 2010 and this Council fully complies with its requirements.
2. The primary requirements of the Code are as follows:
  - a) Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
  - b) Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
  - c) Receipt by the Full Council of an annual treasury management strategy report (including the annual investment strategy report for the year ahead, a mid-year review report (as a minimum) and an annual review report of the previous year.
  - d) Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
  - e) Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body which in this Council is the Audit Committee.
3. Treasury management in this context is defined as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
4. The purpose of this report is to meet one of the above requirements of the CIPFA Code, namely the annual review report of treasury management activities, for the financial year 2015-16.
5. This annual Treasury report covers
  - a) capital expenditure and financing 2015-16
  - b) overall borrowing need (the Capital Financing Requirement)
  - c) treasury position as at 31 March 2016;
  - d) performance for 2015-16;
  - e) the strategy for 2015-16;
  - f) the economy and interest rates in 2015-16;
  - g) borrowing rates in 2015-16;
  - h) the borrowing outturn for 2015-16;
  - i) debt rescheduling;
  - j) compliance with treasury limits and Prudential Indicators;
  - k) investment rates in 2015-16;

l) investment outturn for 2015-16;

## The Council's Capital Expenditure and Financing 2015/16

6. The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

<b>Capital Programme Financing 2015-16</b>		Outturn 2015-16 £000's
Expenditure :		4,434
Financed by :		
Borrowing		0
Grants - Disabled Facilities grant	737	
Lottery Grants		
Costal Communities	75	
Coastal Revival Fund	50	
Interreg	2	
Regional Housing Board	11	
Hastings and St Leonards Foreshore charitable Trust	627	
East Sussex County Council	300	
Environment Agency	78	
Renovation Grant Repayments	145	
Historic England	97	
S106 Contributions	41	
Other Grants and Contributions	25	
		2,188
Reserves	757	
Capital Receipts	1,489	
		4,434

\* table above excludes £300,000 loan made to the Foreshore Trust in respect of white rock baths expenditure

## The Council's Overall Borrowing Need

7. The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's debt position. The CFR results from the capital activity of the Council and what resources have been used to pay for the capital spend.
8. Part of the Council's treasury activities is to address the funding requirements for the Council's borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWLB] or the money markets), or utilising temporary cash resources within the Council.
9. The Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.
10. The total CFR can also be reduced by:
  - the application of additional capital financing resources (such as unapplied capital receipts); or
  - charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).
11. The Council's 2015/16 MRP Policy was approved as part of the Treasury Management Strategy Report for 2015/16 by Council in February 2015.
12. The Council's CFR for the year is shown below, and represents a key prudential indicator. It includes leasing schemes on the balance sheet, which increase the Council's borrowing need. No borrowing is actually required against this scheme.

Table 2 CFR: General Fund	2014/15 Actual £000's	2015/16 Estimate £000's	2015/16 Actual £000's
Opening balance	16,372	18,572	18,572
Add unfinanced capital expenditure	2,697	660	300
Less MRP	(488)	(511)	(511)
Less finance lease arrangements	(9)	(9)	(9)
Closing balance	<b>18,572</b>	<b>18,712</b>	<b>18,352</b>

13. Borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.
14. The Council's long term borrowing must only be for a capital purpose. This essentially means that the Council is not borrowing to support revenue expenditure. Net borrowing should not therefore, except in the short term, have exceeded the CFR for 2015/16 plus the expected changes to the CFR over 2015/16 and 2016/17 from financing the capital programme. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2015/16. The table below highlights the Council's gross borrowing position against the CFR, which provides an indication of affordability for the Council. The Council has complied with this prudential indicator.

<b>Table 3 Internal Borrowing Level</b>	2014/15 Actual	2015/16 Estimate	2015/16 Actual
	£000's	£000's	£000's
Capital Financing Requirement	18,572	18,712	18,352
External Borrowing	14,197	14,197	14,497
Net Internal Borrowing	4,375	4,515	3,855

### Treasury Position as at 31 March 2015

15. The Council's debt and investment position at the beginning and the end of the year was as follows:

Table 4 <b>Debt</b>	31st March 2015 Principal	Annual Rate	Maturity	31st March 2016 Principal	Annual Rate
PWLB Loan 1	£7.5m	4.80%	2033	£7.5m	4.80%
PWLB Loan 2	£1.0m	2.02%	2016	£1.0m	2.02%
PWLB Loan 3	£1.0m	1.63%	2018	£1.0m	1.63%
PWLB Loan 4	£0.9m	3.78%	2044	£0.9m	3.78%
PWLB Loan 5	£1.8m	3.78%	2044	£1.8m	3.78%
				£0.3m	1.66%
Fixed Rate Debt	£9.5m			12.5m	
PWLB Loan 6	£2.0m	0.55% (Variable Rate)	2019	£2.0m	0.56% (Variable Rate)
Total Debt	£11.5m	3.55%		£14.5m	3.55%

Table 5	31st March 2015 Principal	31st March 2016 Principal
<b>Investments</b>		
-In-House *	£21.9m	£22.5m
Total Investments*	£21.9m	£22.5m

\* excludes deposits held in respect of the Local Authority Mortgage Scheme

## Performance Measurement (2015-16)

16. Table 6 below compares the Estimated Interest Payable and Received and associated fees for the year 2015-16.

Table 6	2014 -15 Actual Outturn £000's	2015 -16 Revised Budget £000's	2015 -16 Actual Outturn £000's
Gross Interest Payable	472	514	574
Gross Interest Received	(229)	(286)	(386)
Fees	13	13	13
Other (e.g. PWLB Discount)	(53)	(51)	(51)
Net Cost	203	190	150

17. There is a variance from the revised budget due to variations between budgeted and actual rates achieved and a £13,000 exchange rate gain.

18. The net interest on the LAM scheme (as below) is being transferred into the mortgage reserve.

Table 7	2014 -15 Actual Outturn £000's	2015 -16 Revised Budget £000's	2015 -16 Actual Outturn £000's
Gross Interest Payable	36	36	36
Gross Interest Received	(64)	(64)	(68)
Net Surplus	(28)	(28)	(32)

19. The Council's longer term cash balances comprise, primarily, revenue and capital resources, although these will be influenced by cash flow considerations. The Council's core cash resources are detailed below, and were in line with budget expectations.

<b>Table 8 Balance Sheet</b>	<b>31 March 2015</b>	<b>31 March 2016</b>
	£000's	£000's
General Fund Balance	500	500
Earmarked Reserves	11,078	11,926
General Reserves	8,583	8,400
<b>Total</b>	<b>£19,661</b>	<b>£20,326</b>

## The Strategy for 2015-16

20. The expectation for interest rates within the strategy for 2015/16 anticipated low but rising Bank Rate (starting in quarter one of 2015), and gradual rises in medium and longer term fixed borrowing rates during 2015/16. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis has promoted a cautious approach, whereby investments decisions are dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.
21. In this scenario, the treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and reduce counterparty risk except where contractual arrangements with Amicus Horizon were involved.

## The Economy and Interest Rates

22. In UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country. However, the 2015 growth rate finally came in at a disappointing 1.8%, though it still remained one of the leading rates among the G7 countries. Growth was +0.4% in quarter 1 and +0.6% in quarter 2, (first estimate), but forward looking indicators point to a sharp slowdown in the second half of 2016 as a result of the Brexit vote. During most of 2015, the economy had

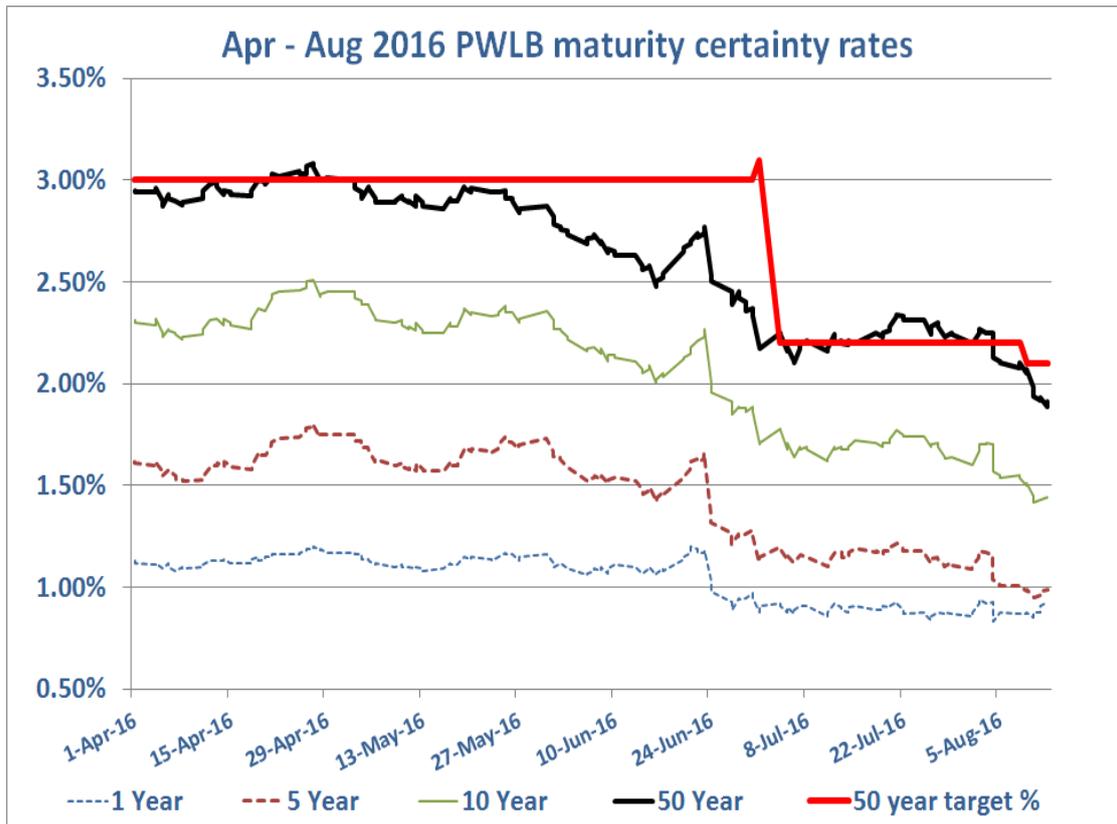
faced headwinds for exporters from the appreciation during the year of sterling against the Euro, and weak growth in the EU, China and emerging markets, plus the dampening effect of the Government's continuing austerity programme and uncertainty created by the Brexit referendum. However, since the peak in November 2015, sterling has fallen in value, especially after the referendum result, which will help to make British goods and services much more competitive and will increase the value of overseas earnings by multinational companies based in the UK. In addition, the Chancellor has announced that the target of achieving a budget surplus in 2020 will have to be eased in order to help the economy recover from the expected slowing of growth during the second half of 2016. He has also said he will do 'whatever is needed' to stimulate growth which could mean fiscal policy action e.g. cutting taxes, increasing investment allowances for businesses etc and / or increasing government expenditure on infrastructure, housing etc.

23. In the Eurozone, the ECB commenced in March 2015 its massive €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ countries at a rate of €60bn per month; this was intended to run initially to September 2016. In response to a continuation of weak growth, at the ECB's December meeting, this programme was extended to March 2017 but was not increased in terms of the amount of monthly purchases. At its December and March meetings it progressively cut its deposit facility rate to reach -0.4% and its main refinancing rate from 0.05% to zero. At its March meeting, it also increased its monthly asset purchases to €80bn. This programme of monetary easing has had a limited positive effect in helping a recovery in consumer and business confidence and an initial start to some improvement in economic growth. GDP growth rose by 0.6% in quarter 1 2016 (1.7% y/y) but disappointed in quarter 2 with a reversal to only 0.3% (1.6% y/y). The ECB is also struggling to get inflation up from near zero towards its target of 2%.

## **Borrowing Rates in 2015-16**

24. PWLB borrowing rates - the graphs and table for PWLB maturity rates below show, for a selection of maturity periods, the high and low points in rates, the average rates, spreads and individual rates at the start and the end of the financial year.

Table 9: PWLB maturity certainty rates



**Table 10: PWLB certainty rates quarter ended 31.3.2016**

	1 Year	5 Year	10 Year	25 Year	50 Year
1/4/16	1.13%	1.62%	2.31%	3.14%	2.95%
15/8/16	0.92%	0.98%	1.19%	1.34%	1.57%
Low	0.83%	0.95%	1.42%	2.08%	1.89%
Date	04/08/2016	10/08/2016	10/08/2016	12/08/2016	12/08/2016
High	1.20%	1.80%	2.51%	3.28%	3.08%
Date	27/04/2016	27/04/2016	27/04/2016	27/04/2016	27/04/2016
Average	1.04%	1.43%	2.05%	2.84%	2.61%

25. The table above highlights the fluctuation in borrowing rates throughout the year for different borrowing periods (in years). Members would be able to scrutinise the timing of any borrowing decisions with this information.

### Borrowing Outturn for 2015/16

26. The additional long term borrowing £0.3m was undertaken in 2015/16 was in respect of the Foreshore Trust and the White Rock Baths.

### Debt Rescheduling

27. The Council examined the potential for making premature debt repayments in order to reduce borrowing costs as well as reducing counterparty risk by reducing investment balances. No rescheduling was undertaken during the year as the

differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

## Compliance with Treasury Limits

28. During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the Council's annual Treasury Strategy Statement. The outturn for the Prudential Indicators is shown in Appendix 1.

## Investment Rates in 2015-16

29. Investment rates available in the market have continued at historically low levels and have fallen further during the last year. The funds invested during the year were often available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme. The Council holds approximately £22m core cash balances for investment purposes.

30. The table below shows the bank base rate and the PWLB rates forecasts.

**Table 11 PWLB certainty rates**

	Mar 16	Jun 16	Sep 16	Dec 16	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18	Mar 19
Bank Rate View	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%
5yr PWLB Rate	2.00%	2.10%	2.20%	2.30%	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%
10yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%	3.60%	3.70%
25yr PWLB Rate	3.40%	3.40%	3.50%	3.60%	3.70%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.10%	4.10%
50yr PWLB Rate	3.20%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	3.90%	4.00%	4.00%	4.00%

## Investment Strategy

31. The strategy has not changed during the year, other than Investment returns being lower and for a longer period than previously anticipated, although a further base rate fall looks more likely in late 2016 or early 2017.

## Investment Outturn for 2015-16

32. Investments held by the Council - the Council maintained an average balance in the year of £23m. The average rate of return for the year was 0.66% (0.85% including LAMS scheme deposits). The comparable performance indicator is the average 7-day LIBID rate (un-compounded), which was 0.35%.

33. The table below provides a snapshot of the investments held at 31 March 2016.

Table 12: Counter Party	Rate / Return	Start Date	End Date	Principal	Term
Barclays	0.65%			£1.5m	Call account
Heleba Landesbank	0.74%	15/01/2016	15/07/2016	£3.0m	Fixed Term Deposit
National Australia Bank	0.60%	01/10/2015	01/04/2016	£3.0m	Fixed Term Deposit
Nordea Bank	0.60%	01/10/2014	01/04/2015	£5m	Certificate of Deposit
RBS - NatWest	0.60%	21/08/2013		£5m	Call account
Lloyds	1.00%	10/04/2015	08/04/16	£5m	Fixed Term Deposit
				£22.5m	

The above table excludes two £1million deposits that are held with Lloyds bank as part of the Local Authority Mortgage scheme; the deposits are held for periods of 5 years.

34. No institutions in which investments were made during 2015/16 had any difficulty in repaying investments and interest in full during the year.

## Financial Implications

35. The security of the Council's monies remains the top priority within the strategy. The past year has seen the continuing historically low level of interest rates available to investors. There has been some new borrowing, of which £300,000 represents a loan made to the Foreshore Trust.

36. The net position once borrowing costs and investment interest are considered is a net decrease in costs from £203,000 in 2014/15 to £150,000 in 2015/16. This is partly the result of the reprofiling of the lending to and grant payment to Amicus Horizon and Foreshore Trust but also recognition of investment income from the return of a longer term investment which matured in year

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## Wards Affected

Ashdown, Baird, Braybrooke, Castle, Central St. Leonards, Conquest, Gensing, Hollington, Maze Hill, Old Hastings, Ore, Silverhill, St. Helens, Tressell, West St. Leonards, Wishing Tree

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## Area(s) Affected

Central Hastings, East Hastings, North St. Leonards, South St. Leonards

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## Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	No

Environmental Issues	No
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	No
Local People's Views	No

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### **Background Information**

Treasury Management and Annual Investment Strategy 2015/16  
CIPFA - Treasury Management Code of Practice (revised 2009)  
CIPFA - The Prudential Code (revised 2009)

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### **Officer to Contact**

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## Appendix 1: Prudential Indicators

PRUDENTIAL INDICATOR	2014/15	2015/16	2016/17	2017/18	2018/15
<b>(2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS</b>	£'000	£'000	£'000	£'000	£'000
Authorised Limit for external debt -					
borrowing	£20,000	£20,000	£20,000	£20,000	£20,000
other long term liabilities	£10,000	£10,000	£10,000	£10,000	£10,000
<b>TOTAL</b>	<b>£30,000</b>	<b>£30,000</b>	<b>£30,000</b>	<b>£30,000</b>	<b>£30,000</b>
Operational Boundary for external debt -					
borrowing	£20,000	£20,000	£20,000	£20,000	£20,000
other long term liabilities	£10,000	£10,000	£10,000	£10,000	£10,000
<b>TOTAL</b>	<b>£30,000</b>	<b>£30,000</b>	<b>£30,000</b>	<b>£30,000</b>	<b>£30,000</b>
Upper limit for fixed interest rate exposure					
Net principal re fixed rate borrowing / investments OR:-	100 %	100 %	100 %	100 %	100 %
Upper limit for variable rate exposure					
Net principal re variable rate borrowing / investments OR:-	100 %	100 %	100 %	100 %	100 %
Upper limit for total principal sums invested for over 364 days – LAMS Scheme and Coastal Space	£5,620	£6,000	£6,000	£6,000	£6,000
Maturity structure of fixed rate borrowing during 2013/14				upper limit	lower limit
under 12 months				100%	0%
12 months and within 24 months				100%	0%
24 months and within 5 years				100%	0%
5 years and within 10 years				100%	0%
10 years and above				100%	0%

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# Agenda Item 7



**Report to:** Audit Committee

**Date of Meeting:** 22 September 2016

**Report Title:** Strategic Risk Register

**Report By:** Tom Davies  
Chief Auditor

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## **Purpose of Report**

To inform Members of the current strategic risks identified for Hastings Borough Council and the measures put in place to avoid or mitigate those risks.

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## **Recommendation(s)**

- 1. To acknowledge the risks identified in the report and comment as appropriate.**

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## **Reasons for Recommendations**

As part of the Corporate Risk Management Strategy agreed by Cabinet, the Strategic Risk Register is to be reviewed by the Audit Committee each year.

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## Introduction

## Background

1. Details of the methodology and terms commonly used were included in the first report presented at the 27 September 2010 meeting and the process for reviewing the Corporate Risk Register is now embedded.
2. The Strategic Risks tend to be more significant than Operational ones and so in order to maintain focus, this report is dedicated to the Strategic Risks only. The Operational Risk Register, however, is being separately presented but at the same Audit Committee meeting to enable a holistic view of all risks facing the council.
3. The Strategic Risk Register is intended to give the Audit Committee and Corporate Management Group a helicopter view of the potential threats to the Council and the danger each one represents. The processes involve: -

### Assessment and monitoring of a risk to the Council

The probability of the risk occurring

The impact to the Council should it occur

The Council's ability to avoid or reduce the impact

Whether the costs of preventative action are justified

4. The reason for reviewing these risks in this way is to manage risks that could potentially: -
  - Inhibit the Council's ability to operate effectively or efficiently,
  - Damage the reputation of the Council and/or affect funding opportunities/grants,
  - Put the Council at risk from legal proceedings
5. The main purpose of this report is that the status of all strategic risks is reviewed and changes in the level of perceived risks are monitored.

## Main changes to risks in the past year

### New risks

6. There were three new risks to report in the last 15 months. These are shown on Appendix A at risk number 17 'Brexit' implications, risk 18, Significantly reduced Higher Education provision, risk 19 and Devolution.

## Removed risks

7. Three risks have been removed from the Strategic Risk Register. The first one of these was "Delayed service provision at first point of contact (Community Contact Centre)" as it is now operationally efficient. The second one to have been deleted was "Bathing water quality fails to meet new EU Standard by 2015 deadline". This has been achieved but is kept ongoing in the operational risk register. The third risk "Disruption to service during Aquila House refurbishment" has been removed following successful implementation.

## Other changes to risks or their risk ratings

8. Risk number 5 shown at Appendix A, "Insufficient capacity and Organisational change whilst maintaining service delivery" has been increased from a medium likelihood to high making it an overall higher risk. Likewise, for risk number 8, "Deterioration of the Council's assets" in the light of remedial works identified for playgrounds and open spaces etc.
9. Risk number 15 shown at Appendix A, Extreme Weather, has now been expanded to include Flood risk management and Coastal Protection. The overall risk rating is unaffected.
10. Minor word amendments have also been made to a small number of other risks to reflect changes that are happening.

## Highest risks to the Council

11. These very highest risks to the Council are those that are of high likelihood and would have a high impact. These are denoted as High2 at appendix A and are:
  - High2 Reductions in Government funding.
  - High2 Changes in Central Government policy and decision making and changes In European Legislation which impact on the Council.
  - High2 Partnership regeneration programme remain uncompleted or stalled due to a lack of funding and focus.
  - High2 Increased demand for council services because of economic/social deprivation as a consequence of economic constraints on public spending.
  - High2 Insufficient capacity and Organisational change whilst maintaining service delivery.
  - High2 Deterioration of the Council's assets and other infrastructures e.g. playgrounds and open spaces.
  - High2 Use of emergency and other powers may be subject to compensation payment.

High2 'Brexit' implications

High2 Significantly reduced Higher Education provision

12. Potential risks that would have a high impact and medium probability of occurring are denoted by High1 and those that would have a medium impact but high chance of occurring are denoted as High3 at appendix A. Since these are still high potential risks for the Council but not as high as those at High2 above, they are listed below:

High1 Loss of key staff / skills / knowledge

High1 Contractual partnerships: Breakdown in contractor performance

High1 IT Systems/data loss. (IT Systems exposed to some vulnerability.  
Data loss is better protected through regular frequent back-ups)

High1 Severe Business Disruption

High1 Use of emergency and other powers may be subject to compensation payment

High3 Extreme weather: Drought/Rain/Snow/high winds and landslip/Coastal Protection

13. The mitigating actions to the above risks are monitored monthly and are formally reviewed every quarter.

14. The detailed Strategic Risk Register can be found at appendix A.

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**Wards Affected**

None

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**Policy Implications**

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	Yes
Environmental Issues	No
Economic/Financial Implications	No
Human Rights Act	No
Organisational Consequences	No
Local People's Views	No
Anti-Poverty	No

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**Additional Information**

Appendix A - Strategic Risk Register

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**Officer to Contact**

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## STRATEGIC RISK REGISTER

Target	Potential Risk	Likelihood	Impact	Overall Score	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
1	Reductions in Government Funding.  Impact of economic climate and government spending reduction.	High  High	High  High	High2  High2	Council unable to deliver Corporate Plan objectives. And maintain services.  Loss of income. Increased service demand. Corporate regeneration priorities not delivered. Land disposal programme capital receipts reduced.	Political Leadership / Chief Officers  Political Leadership / Chief Officers	PIER Review, budget process, medium term financial plan, adequate level of resources.  Reprioritisation of service provision. Review the Corporate regeneration priorities. Adjust the capital spending programme.  Income generation programme established.
2	Changes in Central Government policy and decision making and changes in European Legislation which impact on the Council (In the short term, what EU Legislation is the UK Government going to retain and what will it reject).	High	High	High2	Changes over which the Council has no control could happen. Changes in responsibilities and role of District/Borough Councils. Loss of income. New demands.  Very little Council can do to influence European legislation.  Impact on contracts and tendering.	Political Leadership / Chief Officers	Identify and compliance with changes. Reprioritisation and reallocation of resources.
3	Partnership regeneration programme remain uncompleted or stalled due to a lack of funding and focus.	High	High	High2	Loss of private sector investment. Regeneration programme stalls.	Political Leadership / Chief Officers Partner Organisations	Active participation in LEP. Seek alternative funding to maintain programme. Actively seek inward investment. Active involvement in Task Force and ESEID.

Target	Potential Risk	Likelihood	Impact	Overall Score	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
4	Increased demand for council services (e.g. Housing, Homelessness and associated risks around rough sleeping and Community Safety) because of economic/social deprivation as a consequence of the economic situation, constraints on Public Spending and changes in welfare benefit systems.	High	High	High2	<p>Increased pressure on HBC services including benefits and homelessness; increased poverty and deprivation; negative impact on community cohesion. Adverse impact on Council Tax collection rate. Less Housing Benefit paid More pressure on DHP fund Migration from London Boroughs.</p> <p>Potential impact on homelessness presentations and acceptances, including temporary accommodation usage.</p>	Political Leadership / Chief Officers	<p>Maintain partnership working. Widen partnership working. Seek all external economic development financial opportunities. Anti-poverty Strategy.</p> <p>Community Safety Partnership.</p> <p>Summit of Key Stakeholders and Partners.</p> <p>Performance targets for homelessness reviewed and agreed. Additional financial support for prevention measures supported through Discretionary HB payments etc. Review and monitoring of staff capacity to be carried out mid year.</p>
5	Insufficient capacity Organisational change whilst maintaining service delivery.	High	High	High2	<p>Financial and reputational. Failure to deliver corporate objectives. Service standards slip. Efficiencies not met.</p>	Political Leadership / Chief Officers	<p>Review strategic priorities. Effective prioritisation. Acceptance of limitations on capacity. Political prioritisation. Link to the budget for staff capacity.</p>
6	Loss of key staff / skills / knowledge.	Medium	High	High1	<p>Loss of resilience. Loss of capacity to deliver services.</p>	Chief Officers / People, Customer & Business Support	<p>Succession planning. BCP resilience. Recruitment/Retention Policy. Training Support mechanisms. Staff retention strategy developed by People, Customer &amp; Bus Suppt.</p>

Target	Potential Risk	Likelihood	Impact	Overall Score	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
7	Risk of a successful legal challenge with additional emphasis around the Planning Process which has emerged as more open to challenge.	Medium	Medium	Medium2	Financial penalty. Reputational damage.	Chief officers / Political Leadership	Access to and provision of timely legal advice at all stages and levels. Legal overview of council activity maintained. Specialist Legal Planning Advice appropriately triggered for a response. Maintain high quality Development Control Service.
8	Deterioration of the Council's assets and other infrastructures e.g. playgrounds and open spaces.	High	High	High2	Financial Loss. Reputational Loss. 3 <sup>rd</sup> Party Public Liability Failure to attract new tenants	Chief Officers	Adequate level of reserves. Appropriate maintenance schedules and programmes. Ensuring tenancy obligations are met. Adequate security. Insurance. Acquisition of Aquila House Rationalisation strategy.
9	Contractual Partnerships: Breakdown in contractor performance.	Medium	High	High1	Failure to achieve corporate objectives. Financial and reputational loss. Failure to deliver corporate objectives. Additional drain on officer's time on dispute resolution.	Chief Officers	Regular review and monitoring of Contracts and Service Level Agreements combined with firm contract management. Appropriate Governance arrangements. Development and implementation of Audit Plan.
	Non-Contractual Partnerships: Ineffective partnership working. Council fails to gain benefits from partnership working.	Low	Medium	Medium1	Failure to achieve corporate objectives. Financial and reputational loss. Failure to deliver corporate objectives.	Chief Officers	Regular review and monitoring Service Level Agreements. Appropriate Governance arrangements. Development and implementation of Audit Plan.

Target	Potential Risk	Likelihood	Impact	Overall Score	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
10	Deterioration of the Town's image and culture.	Low	High	Medium3	Town assets include history, culture etc. If a town asset fails then it is a reputational risk for HBC but not strictly within the Council's remit. Additional demands on financial reserves. Adverse impact on tourism. Adverse impact on the local economy.	Political Leadership / Chief Officers / External Partners / Private Sector	Planning and Conservation. Enforcement. Attract inward investment through regeneration programme.
11	Ineffective Project Control.	Low	High	Medium3	Projects overrun in time/budget. Reputational.	Chief Officers / Project Sponsors	Use Kirklees project management methodology. Effective project monitoring by CMG. Regular Risk Reviews by Audit team. Ensure appropriate project management expertise.
12	IT Systems loss (IT Systems exposed to some vulnerability).  Data loss (protected through regular frequent back-ups).	Medium  Low	High  High	High1  Medium3	Loss of power supply. Hardware failure.  Viral attack.	Chief Officers  Chief Officers	Regular maintenance and inspection of building services. Business Continuity and disaster Recovery plans in place and tested.  Back up data systems in place to protect data.
13	Serious Breaches of Health and Safety legislation.	Low	High	Medium3	Serious Injury/death. Reputational damage. Prosecution. Civil litigation. Financial penalties.	Chief Officers / All Staff	Maintenance and implementation of effective health and safety management systems including regular inspections and reviews. Implementation of effective health and safety training and awareness programme.

Target	Potential Risk	Likelihood	Impact	Overall Score	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
14	Severe Business Disruption.	Medium	High	High1	Service failure. Reputational damage.	Chief Officers	Business Continuity Plans (BCP's) in place. Regular testing of BCP's. Security.
15	<p>Extreme weather</p> <ul style="list-style-type: none"> <li>• Drought</li> <li>• Rainfall</li> <li>• Snow and high winds</li> <li>• Landslip and other natural hazards on coastal cliffs</li> <li>• Flood risk management and coastal protection</li> </ul>	High	Medium	High3	<p>Impact on local economy and on council's business operations</p> <p>Flood damage to property and land</p> <p>Disruption to services</p> <p>Loss of life / serious injury Damage to property Loss of access / amenity Financial impact Reputation undermined</p>	Chief Officers	<p>Strengthened water conservation measures in place and further measures under investigation</p> <p>Surface water management action plan in place</p> <p>Severe weather management action plan in place</p> <p>Bi-annual programme of inspection and remedial action. Maintain existing controls in place (catch fences, signage, barriers) Reporting system in place with other relevant stakeholders.</p> <p>Tested flood risk management plan. Environment Agency funded coastal protection works.</p>
16	<p>Use of emergency and other powers may be subject to compensation payment.</p> <p>Pier compensation.</p>	Medium	High	High1	Financial loss including payment of compensation and possibly legal costs	Chief Officers / Chief Legal Officer	<p>Alternative legal power Check with Chief Legal Officer</p> <p>Instructing professionals expert in this field. In-house team constructing arguments and providing evidence in support.</p>

Target	Potential Risk	Likelihood	Impact	Overall Score	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
17	'Brexit' implications.	High	High	High2	<p>Note: At this time, the implications aren't fully known.</p> <p>Loss of most/all European Grant Funding</p> <p>Language schools business affected</p> <p>Decline in European visitors</p> <p>Lost benefits of those European grant funded projects terminated</p> <p>Medium to long term economic uncertainty</p> <p>Loss of key industries whose trade is with Europe</p>	Chief Officers	<p>Monitor how negotiations proceed</p> <p>Government short term guarantee for approved grants</p> <p>Provide appropriate assistance and that is permissible</p> <p>Targeted marketing</p>
18	Significantly reduced Higher Education provision.	High	High	High2	<p>Reduced learning and educational opportunities for people</p> <p>Skills gap widens causing commerce uncertainty whether to locate / stay here</p> <p>Loss of student economy</p> <p>Higher unemployment leading to higher state dependency</p>	Chief Officers	<p>Cross-educational and council working group established.</p> <p>Professional study commissioned leading to an action plan for agreement and inception.</p>

Target	Potential Risk	Likelihood	Impact	Overall Score	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
19	Failure for Councils within the County and beyond to prepare for the impact on Hastings of Devolution and a combined authority	Medium	Medium	Medium2	Inequality in power with other regions Loss of budgets Loss of influence within East Sussex and beyond Loss of control of current services	Political Leadership/Chief Officers	Ensuring that the Council is represented at the relevant groups and consultations.

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# Agenda Item 8



**Report to:** Audit Committee

**Date of Meeting:** 22 September 2016

**Report Title:** **Operational Risk Register**

**Report By:** Tom Davies  
Chief Auditor

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## **Purpose of Report**

To inform Members of the current operational risks identified for Hastings Borough Council and the measures put in place to avoid or mitigate those risks

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## **Recommendation(s)**

- 1. To acknowledge the risks identified in the report and comment as appropriate.**

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## **Reasons for Recommendations**

As part of the Corporate Risk Management Strategy agreed by Cabinet, the Operational Risk Register is to be reviewed by the Audit Committee each year.

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## Introduction

## Background

1. The Service Operational Risk Registers are subject to a routine monthly review and rigorous quarterly assessment at the relevant Departmental Management Team meetings. Any significant revisions to the Risk Assessment are fed into the periodic meetings of the Corporate Risk Management Group. In accordance with the Risk Management Strategy, the combined Operational Risk Register is reviewed by the Audit Committee each year. It was last reviewed by the committee on the 22 June 2015 meeting alongside the Strategic Risk Register to enable a holistic view of all risks facing the council.
2. The Operational Risk Register is intended to give the Audit Committee and Corporate Management Group a detailed view of the potential threats to the Council at operational level, the danger each one represents, and the mitigation measures that have been put in place to minimise any impact. The processes involve: -
  - Identifying a risk to the Council;
  - Assessment of the probability of the risk occurring;
  - Monitoring of that risk;
  - Assessing the impact to the Council should it occur;
  - Identifying measures to mitigate that risk or avoid it;
  - Whether the costs of mitigation are justified.
3. The reason for reviewing these risks in this way is to manage risks that could potentially: -
  - Inhibit the Council's ability to operate effectively or efficiently,
  - Damage the reputation of the Council and/or affect funding opportunities/grants,
  - Put the Council at risk from legal proceedings
4. There are frequent changes to the Operational Risks and particularly to the sensitivity of some of them during the monthly and quarterly reviews. The Risk Management process fully recognises this and so there are procedures in place for highlighting these to the Audit Committee much sooner if necessary including although not restricted to, reporting through audit and other inspection reporting.
5. The detailed Operational Risk Register can be found at Appendix A.

## Feedback on main changes to risks in the previous year

6. Whilst there has been a lot of activity in the council since the Operational Risk Register was reviewed by the Audit Committee 15 months ago, the register has remained essentially the same.
7. A relatively small number of risks have emerged and some have evolved into something different but the core risk has remained the same.

## Other changes to risk ratings

8. Further work has been undertaken during the last 15 months refining the operational risk register. There are 5 High/High risks.

## Highest risks to the Council

9. The highest risks to the Council are those that have an overall rating of high/high in the current Operational risk Register. They are as follows in no particular order:
  - Reduction/Loss of Government Grant (budget deficit) in 2016/17 and beyond.
  - Loss of key staff: Turnover / Redundancy / Retirement
  - Reputational risk of a bad PR story
  - Loss of EU funding programmes HBC is currently developing or pre signature due to 'BREXIT' and loss of EU transnational programmes due to 'Brexit' and EU programmes no longer requiring a UK partner
  - Over-commitment of Council resources on external funding opportunities
10. A number of other potential risks that would have a high impact and medium probability of occurring or a medium impact but high chance of occurring are also categorised as high risks but are not as significant as the list above.
11. The majority of the high risks are resource related and revolve around the severe financial restraints, 'Brexit and general poor state of the economy. Also, a significant number high risks are related to demand for council services and the risk of over-commitment of the organisation with shrinking resources to obtain key objectives, for example, over-commitment of Council resources on external funding opportunities and new initiatives such as efforts to earn income. We will continue to monitor those risks carefully.
12. Details of all the operational risks can be found at appendix A.

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**Wards Affected**

None

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**Policy Implications**

Please identify if this report contains any implications for the following:

|                                       |     |
|---------------------------------------|-----|
| Equalities and Community Cohesiveness | No  |
| Crime and Fear of Crime (Section 17)  | No  |
| Risk Management                       | Yes |
| Environmental Issues                  | No  |
| Economic/Financial Implications       | No  |
| Human Rights Act                      | No  |
| Organisational Consequences           | No  |
| Local People's Views                  | No  |
| Anti-Poverty                          | No  |

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**Additional Information**

Operational Risk Register - Appendix A

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**Officer to Contact**

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**COMBINED OPERATIONAL RISK REGISTER**  
September 2016

**Appendix A**

**Corporate Services and Governance Directorate**

Service: **FINANCE**

|   | <b>Service</b> | <b>Potential Risk</b>                                                                                | <b>Risk Rating<br/>(Likelihood /<br/>Impact)</b> | <b>Potential Impact</b>                                          | <b>Responsibility<br/>for controls</b>                        | <b>Steps to mitigate risk, time frame for<br/>implementation and latest position</b>                                                                                                                                                                |
|---|----------------|------------------------------------------------------------------------------------------------------|--------------------------------------------------|------------------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Finance        | Treasury Management<br>- Loss of money<br>- Reduction of investment interest<br>- Cost of borrowing  | Low / High<br>Low / Medium<br><br>Medium / Low   | - Now £15-28 million invested at any one time                    | - Assistant Director – Financial Services & Revenues          | - Use of External Advisers – Capita Asset Services<br>- Ensure staff are well trained<br>- Ensure adequate cover<br>- Treasury Management Strategy and Treasury Management Practices that are Reviewed at least annually<br>- Spread of investments |
| 2 | Finance        | Cash collection contract<br>- Firm collapses<br>- Theft by company                                   | Low / High                                       | - Reputation undermined<br>- Loss of circa £200k                 | - Assistant Director – Financial Services & Revenues          | - Continue daily monitoring of cash banked<br>- Regular communication with supplier if the contract is not complied with<br>- Insurance<br>- Contractor changed in autumn 2013                                                                      |
| 3 | Finance        | Reduction/Loss of Government Grant (budget deficit) in 2016/17 after the mid-year review and beyond. | High / High                                      | - Budget deficits                                                | - CMG<br>- Assistant Director – Financial Services & Revenues | - ongoing PIER process<br>- CMG - Efficiencies<br>- Medium Term Financial Strategy<br>- Adequate Reserves/Resources                                                                                                                                 |
| 4 | Finance        | Uninsured properties / risks                                                                         | Medium / Medium                                  | - Properties not insured<br>- Loss of money in the event of loss | - Assistant Director – Financial Services & Revenues          | - Ensure thorough renewals process each year<br>- Make sure we liaise with Estates to ensure all properties are adequately insured<br>- Training and carry out inspections                                                                          |

**COMBINED OPERATIONAL RISK REGISTER**  
September 2016

**Appendix A**

|   | <b>Service</b> | <b>Potential Risk</b>  | <b>Risk Rating (Likelihood / Impact)</b> | <b>Potential Impact</b>                                                         | <b>Responsibility for controls</b>                                                                                          | <b>Steps to mitigate risk, time frame for implementation and latest position</b>                                                                                                                                                                                          |
|---|----------------|------------------------|------------------------------------------|---------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 5 | Finance        | Income stream          | Medium / High                            | - Budget deficit                                                                | - Assistant Director – Financial Services & Revenues<br>- Chief Accountant                                                  | - Ensure regular budget monitoring reports distributed followed up by meetings<br>- Report variances to Heads of Service so they can address any budget deficits within their service<br>- Report variances quarterly through performance review<br>- Adequate provisions |
| 6 | Finance        | Business Continuity    | Medium / High                            | - Payments, benefits, creditors & Treasury Management                           | - Assistant Director – Financial Services & Revenues<br>- Chief Accountant                                                  | - Look to ensure finance system meets changing needs of business<br>- Ensure full staff complement<br>- Business Continuity Plan in place                                                                                                                                 |
| 7 | Finance        | Loss of key staff      | Medium / High                            | - Stress<br>- Errors / omissions<br>- Financial loss<br>- Poor advice           | - Chief Accountant<br>- Assistant Director – Financial Services & Revenues<br>- Personnel, Policies and Strategies<br>- CMG | - Keep staff motivated<br>- Ensure knowledge is shared<br>- Terms and Conditions                                                                                                                                                                                          |
| 8 | Finance        | Changes in legislation | Medium / Medium                          | - Failure to produce accounts<br>- Qualified by auditor<br>- Staff time & costs | - Assistant Director – Financial Services & Revenues                                                                        | - Regular liaison with our external auditors BDO<br>- Train staff                                                                                                                                                                                                         |

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**Appendix A**

|    | <b>Service</b> | <b>Potential Risk</b>                                                   | <b>Risk Rating<br/>(Likelihood /<br/>Impact)</b> | <b>Potential Impact</b>                                     | <b>Responsibility<br/>for controls</b>                                                    | <b>Steps to mitigate risk, time frame for<br/>implementation and latest position</b>                                                                                                                                                                                           |
|----|----------------|-------------------------------------------------------------------------|--------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    |                |                                                                         |                                                  | -Reputation<br>Undermined                                   | - Chief<br>Accountant                                                                     |                                                                                                                                                                                                                                                                                |
| 9  | Finance        | Budget settings<br>- No decisions<br>- Late decisions<br>- No processes | Low / Low                                        | - Staff<br>disenfranchised<br>- Low morale<br>- In fighting | - Assistant<br>Director –<br>Financial<br>Services &<br>Revenues<br>- Chief<br>Accountant | - Ensure regular budget monitoring reports<br>distributed followed up by meetings<br>- Report variance through performance<br>review<br>- PIER process<br>- Provide appropriate financial advice as<br>directors/senior management request<br>- Medium Term Financial Strategy |
| 10 | Finance        | External suppliers<br>- Bankruptcy, administration                      | Medium /<br>High                                 | - Depends which<br>contract                                 | - Chief<br>Accountant                                                                     | - Financial health checks                                                                                                                                                                                                                                                      |

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Service: **ESTATES**

|   | <b>Service</b> | <b>Potential Risk</b>                                                       | <b>Risk Rating (Likelihood / Impact)</b> | <b>Potential Impact</b>                                                                                                                                           | <b>Responsibility for controls</b>                                                                                       | <b>Steps to mitigate risk, time frame for implementation and latest position</b>                                                                                                     |
|---|----------------|-----------------------------------------------------------------------------|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Estates        | Loss of key staff and inability to recruit                                  | Medium/High                              | <ul style="list-style-type: none"> <li>- Loss of knowledge and relationship with tenants</li> <li>- Tenants dissatisfied and leave</li> </ul>                     | - Assistant Director – Finance and Revenues                                                                              | <ul style="list-style-type: none"> <li>- Keep staff motivated</li> <li>- Retain IIP status</li> <li>- Ensure knowledge shared within Team</li> <li>- Terms and Conditions</li> </ul> |
| 2 | Estates        | Increase in empty units / major tenant leaves                               | Medium / Medium                          | <ul style="list-style-type: none"> <li>- Loss of rental income</li> <li>- Units handed back and difficult to re-let</li> <li>- Increased costs (rates)</li> </ul> | - Estates Manager                                                                                                        | <ul style="list-style-type: none"> <li>- Effective advertising</li> <li>- Maintain tenant relationships and get early warning</li> </ul>                                             |
| 3 | Estates        | Failure to maintain assets                                                  | Low/High                                 | - Properties fall into disrepair                                                                                                                                  | - Estates Manager                                                                                                        | <ul style="list-style-type: none"> <li>- Regular inspections</li> <li>- Adequate budget (R&amp;R)</li> </ul>                                                                         |
| 4 | Estates        | Properties not adequately insured                                           | Low/Medium                               | - Council has to reinstate from own money                                                                                                                         | <ul style="list-style-type: none"> <li>- Estates Manager</li> <li>- Assistant Director – Finance and Revenues</li> </ul> | - Complete revaluation of Council property and ensure regular checks on tenanted property                                                                                            |
| 5 | Estates        | Environmental legislation introduced which we do not currently comply with. | Medium/Low                               | <ul style="list-style-type: none"> <li>- Units with an energy rating of E or worse can't be let after 2018</li> <li>- Cost as business rates could be</li> </ul>  | - Estates Manager                                                                                                        | - Assess energy performance of our buildings and improve where necessary                                                                                                             |

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|  | <b>Service</b> | <b>Potential Risk</b> | <b>Risk Rating<br/>(Likelihood /<br/>Impact)</b> | <b>Potential Impact</b>                         | <b>Responsibility<br/>for controls</b> | <b>Steps to mitigate risk, time frame for<br/>implementation and latest position</b> |
|--|----------------|-----------------------|--------------------------------------------------|-------------------------------------------------|----------------------------------------|--------------------------------------------------------------------------------------|
|  |                |                       |                                                  | linked to energy<br>performance of<br>buildings |                                        |                                                                                      |

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Service: **REVENUES AND BENEFITS**

|   | <b>Service</b>      | <b>Potential Risk</b>                                                               | <b>Risk Rating (Likelihood / Impact)</b> | <b>Potential Impact</b>                                                                                                                                                             | <b>Responsibility for controls</b>                                                                                                   | <b>Steps to mitigate risk, time frame for implementation and latest position</b>                                                                                                                                                                                           |
|---|---------------------|-------------------------------------------------------------------------------------|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Revenues & Benefits | Not implementing changes to benefit rules & regulations in a timely manner          | Low/Medium                               | <ul style="list-style-type: none"> <li>- Wrong HB/CTB paid to customers</li> <li>- Subsidy claim qualified</li> <li>- Reputational</li> </ul>                                       | <ul style="list-style-type: none"> <li>- Revs and Bens Service Manager</li> <li>- Performance and Quality Manager</li> </ul>         | <ul style="list-style-type: none"> <li>- Ensure software supplier delivers upgrade on time</li> <li>- Fully test software prior to installing in 'live' system</li> <li>- Train staff in new procedure</li> </ul>                                                          |
| 2 | Revenues & Benefits | Increased caseload                                                                  | Low/Medium                               | <ul style="list-style-type: none"> <li>- More staff required</li> <li>- Additional costs re equipment etc.</li> <li>- Added pressure</li> <li>- Performance deteriorates</li> </ul> | <ul style="list-style-type: none"> <li>- Revs and Bens Service Manager</li> <li>- Performance and Quality Manager</li> </ul>         | <ul style="list-style-type: none"> <li>- Monitor incoming work</li> <li>- Maintain a good relationship with Agency provider</li> <li>- More flexible working arrangements including home-working</li> <li>- Keep staff motivated</li> <li>- Monitor performance</li> </ul> |
| 3 | Revenues & Benefits | Failure to meet collection targets in respect of council tax & business rates       | Medium/High                              | <ul style="list-style-type: none"> <li>- Collection fund budget setting</li> </ul>                                                                                                  | <ul style="list-style-type: none"> <li>- Revs and Bens Service Manager</li> <li>- Collection and Customer Service Manager</li> </ul> | <ul style="list-style-type: none"> <li>- Ensure a robust recovery strategy</li> </ul>                                                                                                                                                                                      |
| 4 | Revenues & Benefits | Failure to meet sundry debts collection target as a result of the economic downturn | Medium/Medium                            | <ul style="list-style-type: none"> <li>- Loss of income to Council</li> </ul>                                                                                                       | <ul style="list-style-type: none"> <li>- Revs and Bens Service Manager</li> <li>- Income Officer</li> </ul>                          | <ul style="list-style-type: none"> <li>- Ensure a robust recovery strategy</li> <li>- Liaise with customers as soon as there appears to be a problem</li> </ul>                                                                                                            |
| 5 | Revenues & Benefits | Effectiveness of Business Continuity Plan                                           | Medium/High                              | <ul style="list-style-type: none"> <li>- Loss of staff</li> <li>- Loss of IT systems</li> <li>- Loss of accommodation</li> </ul>                                                    | <ul style="list-style-type: none"> <li>- Revs and Bens Service Manager</li> <li>- IT Manager</li> </ul>                              | <ul style="list-style-type: none"> <li>- Key staff able to operate from home</li> <li>- IT system backed up daily</li> <li>- Undertake IT Disaster Recovery mock-ups annually</li> </ul>                                                                                   |

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|   | <b>Service</b>      | <b>Potential Risk</b>                                                                                                   | <b>Risk Rating (Likelihood / Impact)</b> | <b>Potential Impact</b>                                                                                                                                                                                                              | <b>Responsibility for controls</b>                                                                                                   | <b>Steps to mitigate risk, time frame for implementation and latest position</b>                                                                                                                                                                                                                                                                                    |
|---|---------------------|-------------------------------------------------------------------------------------------------------------------------|------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6 | Revenues & Benefits | Failure to recruit & retain staff                                                                                       | Medium/Medium                            | <ul style="list-style-type: none"> <li>- Unable to meet demands/targets</li> <li>- Service delivery deteriorates</li> <li>- Low morale</li> <li>- Added pressure</li> <li>- Increased sickness</li> <li>- Increased costs</li> </ul> | - Revs and Bens Manager                                                                                                              | <ul style="list-style-type: none"> <li>- Managers to work closely with HR People Strategy</li> <li>- Workforce planning</li> </ul>                                                                                                                                                                                                                                  |
| 7 | Revenues & Benefits | Impact on council tax collection rates as a result of proposed changes to the Council Tax Reduction Scheme for 2016/17. | Medium/Medium                            | <p><b>Financial:</b></p> <ul style="list-style-type: none"> <li>- More council tax to collect</li> <li>- Increased arrears</li> <li>- Collection fund pressures</li> <li>- Budget setting.</li> </ul>                                | - Revs and Bens Manager                                                                                                              | <ul style="list-style-type: none"> <li>- Work with colleagues in other Local Authorities &amp; ESCC</li> <li>- Consult with residents</li> <li>- Make contact with affected persons</li> <li>- Participate in Anti Poverty &amp; Welfare Reform Working Group</li> <li>- Ensure residents are kept informed</li> <li>- Ensure a robust recovery schedule</li> </ul> |
| 8 | Revenues & Benefits | Failure to meet collection targets in respect of business rates due to a high number of appeals that are outstanding    | Medium/Medium                            | - Collection fund budget setting                                                                                                                                                                                                     | <ul style="list-style-type: none"> <li>- Revs and Bens Service Manager</li> <li>- Collection and Customer Service Manager</li> </ul> | <ul style="list-style-type: none"> <li>- Ensure sufficient reserves are retained within the Resilience and Stability Reserve.</li> <li>- Government are seeking to resolve high level of outstanding NNDR appeals.</li> </ul>                                                                                                                                       |

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Service: **AUDIT, INVESTIGATIONS AND PROCUREMENT**

|   | Service        | Potential Risk                                                                                                                       | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                                                                                                 | Responsibility for controls | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                    |
|---|----------------|--------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Audit          | Risk of missing something in a systems audit                                                                                         | Low / Medium                      | - Loss of credibility of audit and false assurance                                                                                                                                                               | - Chief Auditor             | - Professional staff<br>- Experienced staff<br>- Chief Auditor review of work performed<br>- External peer review 2017/2018                                                                                                                  |
| 2 | Investigations | Housing Benefit Fraud or Council Tax Benefit Fraud is not rigorously investigated                                                    | Medium/Medium                     | Reputation undermined<br><br>Claimants payments suspended for too long without just cause<br><br>Council Tax overpayment does not get recovered and consequent financial impact<br><br>Fraud is not investigated | - Chief Auditor             | - Monitoring of spreadsheet analysis from the DWP on referred cases<br>- Meetings with DWP if SLA is not being delivered.<br>-- Successful counter fraud bid projects Compensate<br>- New initiatives mitigating potential for Benefit fraud |
| 3 | Procurement    | Risk of Legal/Finance/IT and other Corporate Services not being included at the outset of procurement especially for joint contracts | Low / Medium                      | - Organisational difficulties in decision taking and protecting the council                                                                                                                                      | - Chief Auditor             | - Introduction of new business case and project planning tools to ensure Legal/Finance/IT (and other Corporate Services as appropriate) are consulted.                                                                                       |
| 4 | Procurement    | Difficulty in the employment market recruiting Procurement Adviser                                                                   | Low/Low                           | - Hub advantages, for example, selection of the most efficient procurement process, not realised                                                                                                                 | - Chief Auditor             | - Effective communications with other Hub personnel.                                                                                                                                                                                         |

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Service: **PEOPLE, CUSTOMER AND BUSINESS SUPPORT**

|   | <b>Service</b> | <b>Potential Risk</b>                                   | <b>Risk Rating (Likelihood / Impact)</b> | <b>Potential Impact</b>                                                                                                                                                                                                                                                                                                                                                                                                | <b>Responsibility for controls</b>                              | <b>Steps to mitigate risk, time frame for implementation and latest position</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|---|----------------|---------------------------------------------------------|------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | People Support | Loss of Trent Payroll system                            | Low / High                               | <ul style="list-style-type: none"> <li>- Over payments</li> <li>- Staff not paid</li> <li>- NI / Tax not paid – surcharged</li> <li>- Services may have to close</li> <li>- Employment tribunal claims</li> <li>- Industrial action</li> </ul>                                                                                                                                                                         | Executive Manager (EM)<br>People, Customer and Business Support | <ul style="list-style-type: none"> <li>- Business Continuity Plan in place with software supplier</li> <li>- Managers and team trained on payroll process. Manual option as contingency.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                     |
| 2 | People Support | Lack of effective organisational development and change | Low / Medium                             | <ul style="list-style-type: none"> <li>- Staff unable to deliver services due to lack of skills and knowledge</li> <li>- Organisation stagnates</li> <li>- No new initiatives / developments undertaken</li> <li>- Unable to manage more with less</li> <li>- Unable to deliver government / local leadership agenda</li> <li>- Loss of key staff</li> <li>- Increased sickness</li> <li>- Disengaged staff</li> </ul> | EM People, Customer and Business Support                        | <ul style="list-style-type: none"> <li>- Transformation Programme in place – project milestones included in Corporate Plan. Risks and issues log maintained for all work streams and regularly monitored with Programme Director.</li> <li>- Work packages for 16/17 include Workforce Development Planning, Job evaluation review, cultural change, a specific emphasis on succession planning, and an all-staff skills audit</li> <li>- Project outcomes will help anticipate resources required for the future and will inform recruitment and retention.</li> </ul> |

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|    | <b>Service</b>   | <b>Potential Risk</b>                                                                                                                                                                                                      | <b>Risk Rating<br/>(Likelihood /<br/>Impact)</b> | <b>Potential Impact</b>                                                                                                                                                                                                                                       | <b>Responsibility<br/>for controls</b>     | <b>Steps to mitigate risk, time frame for<br/>implementation and latest position</b>                                                                                                                                                                                                                                                                                                                                   |
|----|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3  | People Support   | Loss of key staff within the people and business support service:<br>- Turnover<br>- Redundancy/retirement<br>- Re-structure<br><br>(failure to take a strategic approach to workforce planning puts key services at risk) | High / High                                      | - Support for managers / organisation reduced<br>- Processes not followed increase in claims via E.T.<br>- Loss of knowledge<br>- Reduced services<br>- Increased complaints<br>- Increased sickness<br>- Staff over loaded<br>- Reputation of HBC undermined | - EM People, Customer and Business Support | - Senior HR working alongside service managers and developing workforce plan to meet future organisational/service needs.<br>- Workforce plan prepared.<br>- HR briefings on HR policies / procedures, employment legislation<br>- Sickness absence – refresher training for managers – focus on handling short term absences.<br>- Managers Training e- learning/ coaching package (pilot to be rolled out September) |
| 4  | People Support   | Non-compliance with employment legislation Corporately                                                                                                                                                                     | Medium / Medium                                  | - Increased number of tribunal claims – costs against the Council                                                                                                                                                                                             | - EM People, Customer and Business Support | - HR briefings (see above)<br>- Ensure policies and procedures adhered to – including timelines<br>- Provide support to managers<br>- Inform finance as early as possible<br>- Use experienced HR advisors (qualified)<br>- Early contact with relevant managers                                                                                                                                                       |
| 5. | People Support   | Poor industrial employee relations                                                                                                                                                                                         | Low/High                                         | - Impact on service delivery.                                                                                                                                                                                                                                 | - EM People, Customer and Business Support | - Maintain current Employee relations framework which encourages partnership working between management and unions, enabling effective negotiation, consultation and communication.                                                                                                                                                                                                                                    |
| 6  | Business Support | Breach of Town Hall or Aquila House Security                                                                                                                                                                               | Low/Low                                          | - Legal action/Loss of reputation/                                                                                                                                                                                                                            | - EM People, Customer and                  | - Perform security reviews to test security arrangements                                                                                                                                                                                                                                                                                                                                                               |

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|   | Service                  | Potential Risk                                                                                                                                      | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                | Responsibility for controls                                                                | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                              |
|---|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|   |                          | including potential contentious public meetings – asset or data loss                                                                                |                                   | confidence                                                                                                      | Business Support                                                                           | <ul style="list-style-type: none"> <li>- Undertake risk assessments as and when required</li> <li>- Test alarms</li> <li>- Issue instructions on staff ID cards/ staff lanyards (grey)– mandatory</li> <li>- ensure visitors visibility improved through the use of named/coloured lanyards</li> <li>- staff encouraged to challenge individuals not displaying ID's and accompany them to Business Support to be issued with temporary ID (if appropriate)</li> </ul> |
| 7 | Business Support         | Equipment breakdown (printers, water coolers etc)                                                                                                   | Low/Low                           | - Unable to use equipment                                                                                       | - EM People, Customer and Business Support                                                 | <ul style="list-style-type: none"> <li>- Effective and efficient call-out arrangements</li> <li>- Business Support team continue to work with our suppliers to ensure when call outs requested they are responded to in a timely manner.</li> <li>- Regular building checks made</li> <li>- -facilities management group meeting held fortnightly to review issues.</li> </ul>                                                                                         |
| 8 | Business Support         | Breach of fire and building health and safety regulations at Town Hall or Aquila House and security, especially during Aquila House building works. | Low/High                          | - Potential injury to persons                                                                                   | - EM People, Customer and Business Support                                                 | <ul style="list-style-type: none"> <li>- Health &amp; Safety Audits</li> <li>- Identity cards/lanyards issued to staff with a requirement to be worn.</li> <li>- Building checks undertaken by Business Support in conjunction with Health and Safety adviser.</li> </ul>                                                                                                                                                                                              |
| 9 | Community Contact Centre | Poor quality service provision at the first point of call resulting in delays, poor advice and/or an increase in                                    | Low / Medium                      | <ul style="list-style-type: none"> <li>- Reputation undermined</li> <li>- Impact on service delivery</li> </ul> | <ul style="list-style-type: none"> <li>- CMG</li> <li>- EM People, Customer and</li> </ul> | <ul style="list-style-type: none"> <li>- Good communications with service departments to plan for peaks in service demand</li> <li>- Rolling training programme to refresh</li> </ul>                                                                                                                                                                                                                                                                                  |

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|    | Service                  | Potential Risk                                                         | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                                                                                                                              | Responsibility for controls                                                                                                                 | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----|--------------------------|------------------------------------------------------------------------|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    |                          | customer complaints                                                    |                                   | <ul style="list-style-type: none"> <li>- Financial Implications</li> <li>- Additional contacts to rectify advice/information given.</li> </ul>                                                                                                | <ul style="list-style-type: none"> <li>- Business Support</li> <li>- Corporate Customer Services Manager</li> </ul>                         | <ul style="list-style-type: none"> <li>- knowledge</li> <li>- Service reviews rolling programme to review processes and customer service issues</li> <li>- Customer satisfaction surveys undertaken</li> <li>- Greater use of technology to address issues of unavoidable contact and reduce face to face contact at first point.</li> <li>- 'Queue busting' processes initiated to limit waiting times of some customers</li> <li>- Performance management processes in place</li> </ul> |
| 10 | Community Contact Centre | Risk of serious abusive, aggressive or violent behaviour towards staff | Medium/High                       | <ul style="list-style-type: none"> <li>- Increase in stress levels experienced by staff and related illness absence</li> <li>- Potential legal claims</li> <li>- Physical harm/injury</li> <li>- Financial Implications</li> <li>-</li> </ul> | <ul style="list-style-type: none"> <li>- EM People, Customer and Business Support</li> <li>- Corporate Customer Services Manager</li> </ul> | <ul style="list-style-type: none"> <li>- Regular H&amp;S training and refresher</li> <li>- Security arrangements enhanced</li> <li>- Lone worker training</li> <li>- Conflict training for all staff</li> <li>- Options to interview in secure rooms</li> <li>- Panic buttons</li> <li>- Appropriate use of alert scheme</li> <li>- Manager supervision and support</li> <li>- Review of emergency procedures</li> </ul>                                                                  |
| 11 | Community Contact Centre | Cash handling and risk of theft by public or staff.                    | Low/High                          | <ul style="list-style-type: none"> <li>- Financial Implications</li> </ul>                                                                                                                                                                    | <ul style="list-style-type: none"> <li>- EM People, Customer and Business Support</li> <li>- Corporate Customer</li> </ul>                  | <ul style="list-style-type: none"> <li>- Cash theft prevention systems in place</li> <li>- Effective monitoring and auditing</li> <li>- Use of CCTV systems as evidence and protection for staff.</li> <li>- Insurance</li> </ul>                                                                                                                                                                                                                                                         |

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|    | <b>Service</b>                 | <b>Potential Risk</b> | <b>Risk Rating<br/>(Likelihood /<br/>Impact)</b> | <b>Potential Impact</b>                                                                                       | <b>Responsibility<br/>for controls</b>                                                                                                      | <b>Steps to mitigate risk, time frame for<br/>implementation and latest position</b>                                                                                                                                                                                                                                                                             |
|----|--------------------------------|-----------------------|--------------------------------------------------|---------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    |                                |                       |                                                  |                                                                                                               | Services<br>Manager                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                  |
| 12 | Community<br>Contact<br>Centre | Total systems failure | Low/High                                         | <ul style="list-style-type: none"> <li>- Reputation undermined</li> <li>- Customer dissatisfaction</li> </ul> | <ul style="list-style-type: none"> <li>- EM People, Customer and Business Support</li> <li>- Corporate Customer Services Manager</li> </ul> | <ul style="list-style-type: none"> <li>- Business Continuity Plan - Linked to IT recovery plan</li> <li>- Firmstep software is hosted on industry leading platform with stringent contractual SLA to recover service.</li> <li>- Manual processes implemented</li> <li>- Phone system alternative – use at Aquila House albeit with reduced capacity.</li> </ul> |

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Service: **LEGAL AND ELECTORAL SERVICES**

|   | <b>Service</b> | <b>Potential Risk</b>                                                                                                                                              | <b>Risk Rating (Likelihood / Impact)</b>          | <b>Potential Impact</b>                                                                                                                                                                         | <b>Responsibility for controls</b> | <b>Steps to mitigate risk, time frame for implementation and latest position</b>                                                                                                                                                                                                                                                                  |
|---|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Legal Service  | Regulatory enforcement – loss of staff in key area<br>Failure to follow correct legal procedures in enforcement processes.                                         | Low / * High<br><br>(* Depends on level of court) | - Reputational -failure to deliver on priorities<br>- Financial – Vulnerability to costs orders against the Council<br>- Not being in a position to defend actions brought against the Council. | - Chief Legal Officer              | - Legal compliance – professionally trained staff subject to CPD, training, library and on-line research tools<br>- Capacity built within the team for cover for short term absences<br>- East Sussex Solicitors and Secretaries (ESSAS) (when available) and shared learning groups<br>- Agency arrangements in place with other Las if required |
| 2 | Legal Service  | Corporate Governance non –compliance with Constitution, procedures, financial rules and standing orders, ultra vires, legal challenge standards issues for members | Medium / High                                     | - Failure to deliver on Priorities (reputational and financial)<br>- Financial – legal challenge and costs of that                                                                              | - Chief Legal Officer              | - Professional legal advice time/capacity built into project development and forward planning processes<br>- Training, advice and support for staff and members<br>- Legal advice available to Member decision-making meetings<br>- Regular monitoring and review if necessary of constitution.                                                   |

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|   | <b>Service</b>     | <b>Potential Risk</b>                                                                                                                                              | <b>Risk Rating (Likelihood / Impact)</b> | <b>Potential Impact</b>                                                                                                                                                     | <b>Responsibility for controls</b>                        | <b>Steps to mitigate risk, time frame for implementation and latest position</b>                                                                                                                                                                                                                                                                                 |
|---|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3 | Legal Service      | Property, Planning & Contracts: instructions<br>- lack of full, precise and timely instructions from client departments<br><br>Failure to follow procurement rules | Medium / High                            | - Reputational<br>- Time pressures on funding<br>- Financial – failure to achieve best value for authority<br>- Financial – legal challenge from unsuccessful tenderers     | - Chief Legal Officer                                     | - Professionally qualified staff providing advice on what is required<br>- Contribution to training of client officers<br><br>- Regular updating training on procurement rules.<br>- Attendance at ESSAS Contracts Group<br>- Work with East Sussex Procurement Hub                                                                                              |
| 4 | Legal Service      | Losing staff at a key time – impacting on resilience                                                                                                               | Medium / High                            | - Financial – cost of outsourcing or locum assistance<br>- Reputational – risk of failure to deliver<br>- Undue pressures on service                                        | - Chief Legal Officer                                     | - Back up through East Sussex Solicitors and Secretaries (ESSAS) standard fee agreement and Sussex Consortium Framework Agreement<br>- High profile matters – identified for outsourcing at an early stage of instruction.<br>- Resilience built within the team<br>- Use of locum staff where absence is prolonged.<br>- Administration resilience across teams |
| 5 | Electoral Services | Statutory timetable and requirements not met when compiling and maintaining the Electoral Register                                                                 | Low / High                               | - Legal – residents disenfranchised and not able to vote leading to a challenge to the election result.<br>- Financial – costs of legal challenge and re-running elections. | - Electoral Registration Officer<br>- Chief Legal Officer | - Professionally qualified and trained staff with regular skills and knowledge updates.<br>- High quality software package in place.<br>- Contracts in place with printers and software suppliers.<br>- Good networks for support and advice                                                                                                                     |

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|   | <b>Service</b>     | <b>Potential Risk</b>                                                              | <b>Risk Rating (Likelihood / Impact)</b> | <b>Potential Impact</b>                                                                                                                                                                                              | <b>Responsibility for controls</b>                                               | <b>Steps to mitigate risk, time frame for implementation and latest position</b>                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|---|--------------------|------------------------------------------------------------------------------------|------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|   |                    |                                                                                    |                                          | - Reputational: mistrust by residents of accuracy of the Electoral Register and future election results.                                                                                                             |                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 5 | Electoral Services | Organisation of Elections - Statutory timetable and requirements not met.<br><br>- | Low / High                               | - Legal – residents disenfranchised and not able to vote leading to a challenge to the election result.<br>- Financial – costs of legal challenge and re-running elections.<br>- Reputational: mistrust by residents | - Electoral Registration Officer<br>- Returning Officer<br>- Chief Legal Officer | - Professionally qualified and trained staff with regular skills and knowledge updates.<br>- Project Plan for each election in place with a Project Group, also an Elections Committee chaired by the Returning Officer.<br>- East Sussex wide Electoral Services Network available for support and advice and a good working relationship with the Electoral Commission has been established.<br>- Returning Officer and Deputies undertake training.<br>- Greater resilience achieved within wider Corporate Services team |
| 6 | Electoral Services | Losing specialist staff/staff capacity at peak time (e.g. elections, canvass etc.) | Low / High                               | - Statutory timetable and requirements not met                                                                                                                                                                       | - Electoral Registration Officer<br>- Chief Legal Officer                        | - Resilience is provided across Directorate teams to assist with election duties<br>- Project planning and procedure notes production in place<br>- Arrangement in place for Rother DC Elections Team to assist with elections during the years that Hastings has elections and they do not and vice versa.                                                                                                                                                                                                                  |

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Service: **CONTINUOUS IMPROVEMENT AND DEMOCRATIC SERVICES**

|   | <b>Service</b>                               | <b>Potential Risk</b>                                                                                                                                       | <b>Risk Rating<br/>(Likelihood /<br/>Impact)</b> | <b>Potential Impact</b>                                                                                                                                                                                                       | <b>Responsibility<br/>for controls</b>                 | <b>Steps to mitigate risk, time frame for<br/>implementation and latest position</b>                                                                                                                                                                                                                                                                                                                                                                                                 |
|---|----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Continuous Improvement & Democratic Services | Lack of effective corporate planning – lack of capacity, lack of skills, uncertain direction of travel, organisational resistance to change                 | Low / High                                       | <ul style="list-style-type: none"> <li>- Poorly planned resource allocation</li> <li>- HBC not responsive to emerging issues</li> </ul>                                                                                       | - Directors                                            | <ul style="list-style-type: none"> <li>- Transformation programme encouraging use of a range of tools to assist the organisation better plan, do and review.</li> <li>- PIER programme to identify resources at time priorities are agreed</li> <li>- Staff involvement and engagement processes</li> <li>- Service review programme examining services in detail and assessing customer focus and efficiency (Business process mapping completion and review)</li> <li>-</li> </ul> |
| 2 | Continuous Improvement & Democratic Services | Statutory publication dates for agendas and forward plan missed, resulting in meetings having to be cancelled and a delay to key decisions.                 | Low / High                                       | <ul style="list-style-type: none"> <li>- Legal – Decisions made are open to challenge.</li> <li>- Reputational – High risk of negative media and public profile.</li> <li>- Financial – costs of legal challenges.</li> </ul> | - Continuous Improvement & Democratic Services Manager | <ul style="list-style-type: none"> <li>- Revised arrangements for Forward Plan creation have been implemented which ensure that responsibility is shared with service departments and is implemented via Modern Gov.</li> <li>- Modern Gov system automated process for assisting with report publication rolled out.</li> </ul>                                                                                                                                                     |
| 3 | Continuous Improvement & Democratic Services | Freedom of Information Act <ul style="list-style-type: none"> <li>- response targets not met</li> <li>- impact on staff time/capacity to respond</li> </ul> | Low/Medium                                       | <ul style="list-style-type: none"> <li>- Complaint to Information Commissioner</li> <li>- Opportunity cost impact on service delivery</li> </ul>                                                                              | - Continuous Improvement & Democratic Services Manager | <ul style="list-style-type: none"> <li>- Firmstep software being implemented to co-ordinate FOI responses</li> <li>- Common requests available online to encourage avoidable contact.</li> <li>- Regular reviews of breadth of information made available to identify if there are further areas that can reduce FOI request</li> </ul>                                                                                                                                              |

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|   | <b>Service</b>                               | <b>Potential Risk</b>                   | <b>Risk Rating<br/>(Likelihood /<br/>Impact)</b> | <b>Potential Impact</b>                                                                                                                                                          | <b>Responsibility<br/>for controls</b>                                                                                                         | <b>Steps to mitigate risk, time frame for<br/>implementation and latest position</b>                                                                                                                                                                                                                                                                      |
|---|----------------------------------------------|-----------------------------------------|--------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4 | Continuous Improvement & Democratic Services | Corporate complaints timescales not met | Low/High                                         | <ul style="list-style-type: none"> <li>- Reputational impact/potential legal action/lack of confidence</li> <li>- Finding against HBC from Local Government Ombudsman</li> </ul> | <ul style="list-style-type: none"> <li>- Continuous Improvement &amp; Democratic Services Manager</li> <li><br/>Chief Legal Officer</li> </ul> | <ul style="list-style-type: none"> <li>- Revised corporate complaints monitoring system to be implemented via Firmstep enabling more efficient evidence collection, coordination and dissemination of associated tasks and capacity for analysis and online service provision..</li> <li><br/>- CMG to oversee learning from complaints/trends</li> </ul> |

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**Corporate Services and Governance**

Service: IT

|   | <b>Service</b> | <b>Potential Risk</b>   | <b>Risk Rating<br/>(Likelihood /<br/>Impact)</b> | <b>Potential Impact</b>                                    | <b>Responsibility<br/>for controls</b> | <b>Steps to mitigate risk, time frame for<br/>implementation and latest position</b>                                                                                                                                                                                            |
|---|----------------|-------------------------|--------------------------------------------------|------------------------------------------------------------|----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | IT             | Failure of IT equipment | Low / High                                       | - Very serious impact<br>in short term for all<br>services | IT Manager                             | - Alternative and backup services being<br>provided, regular backup off-site of data,<br>'loop' of resilient private. Servers now<br>'virtualised', second email server and<br>internet feed provided at Town Hall,<br>other risks mitigated through improved<br>recovery times |

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**Operational Services Directorate**

Service: **ENVIRONMENT & PLACE**

| Service Area                                                | Potential Risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Risk Rating<br>(Likelihood /<br>Impact)                               | Potential Impact                                                       | Responsibility for<br>controls                                                                          | Steps to mitigate risk, time frame<br>for implementation and latest<br>position                                                                                                                                                                                                                                                                                                     |
|-------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Environment &<br>Place Service -<br>General<br><br>Page 192 | <p>Loss of corporate IT hardware due to fire, flooding, power outage etc.</p> <p>This applies across the service e.g. M3 database is an important part of work allocation (when inspections are due, which licences need to be renewed etc). Handhelds are linked to the Parking database (PCNs could not be issued). Waste service is linked to Kierway</p> <p>Council does not have a set of duplicate hardware, alternative power source or contract for emergency power generators.</p> | <p>Short term:<br/>Low / Low</p> <p>Medium term:<br/>Low / Medium</p> | <p>Loss of access to data<br/>Interruption to service<br/>delivery</p> | <p>Assistant Director in relation to IT hardware used by his services &amp; their BCP arrangements.</p> | <p>Laptops are now standard issue throughout these services rather than pcs. This gives a greater degree of resilience &amp; flexibility. So in the event of an incident affecting Aquila House, once IT established new temporary servers etc. we could operate reasonably well from the back up on our various IT systems.</p> <p>Also, have basic BCP arrangements in place.</p> |

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| Service Area    | Potential Risk                                                                                                                                                                                   | Risk Rating<br>(Likelihood /<br>Impact) | Potential Impact                                                                                                                                                                                              | Responsibility for<br>controls          | Steps to mitigate risk, time frame<br>for implementation and latest<br>position                                                                                                                                                                                                                                                                                                                                                                              |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Waste - General | Unable to collect waste or conduct street cleaning due to weather, problem with disposal route, staffing issue.                                                                                  | Low / High                              | Piles of rubbish on street<br>Health risks<br>Financial impact<br>Reputation undermined                                                                                                                       | Assistant Director /<br>Service Manager | Weather: Kier's resources would be redeployed as necessary to clear collection vehicle access routes. Collections would then be made as soon as possible and within the same working week where practicable.<br>Disposal Route Problems: Kier would deliver waste to another approved disposal site.<br>Staffing issues: In the event of staffing problems, Kier would look to employ agency staff and/or staff from other contract areas.                   |
| Waste - general | Contractor costs increase to level threatening sustainability of contract.<br>&/or<br>Contractor performance deteriorates to level attracting defaults that threaten sustainability of contract. | Low / High                              | Potential need to engage alternative contractor or provide in-house service on an emergency short notice basis<br>Need to procure new waste & cleansing contract<br>Financial impact<br>Reputation undermined | Assistant Director /<br>Service Manager | The East Sussex Joint Waste Contract is managed through a combination of a central client team hosted by RDC & the 4 local client teams. They routinely monitor the contractor from several perspectives, & the East Sussex Joint Waste Committee regularly receives performance reports from them, including risk assessment statements.<br>The central & local client teams meet once a month to discuss performance & risks associated with the contract. |

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| Service Area                     | Potential Risk                                                              | Risk Rating<br>(Likelihood /<br>Impact) | Potential Impact                                                                                                                                                                                                                                  | Responsibility for<br>controls          | Steps to mitigate risk, time frame<br>for implementation and latest<br>position                                                                                                                                                                                                           |
|----------------------------------|-----------------------------------------------------------------------------|-----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Waste - Public<br>Conveniences   | Unable to clean public<br>conveniences due to weather<br>or staffing issues | Low / Low                               | Reputation undermined                                                                                                                                                                                                                             | Assistant Director /<br>Service Manager | Liability on contractor to ensure<br>continuity of service. Worst-case<br>scenario would result in toilets being<br>closed during the period.<br>Any closure due to adverse weather<br>would have a limited impact due as<br>there would also be a limited<br>demand during such periods. |
| Waste – Contract<br><br>Page 194 | GMB led strike of local Kier<br>waste & cleansing staff                     | Low / High                              | Strike action has impact<br>on routine service<br>provision. Potentially<br>refuse/recycling & street<br>cleansing would be<br>impacted, resulting in<br>uncollected refuse &<br>recycling, poor<br>accumulation of litter &<br>waste in streets. | Assistant Director /<br>Service Manager | Kier business continuity plan<br>includes use of agency staff<br>(however, routine use of agency<br>staff has reduced significantly<br>across the contract, which is also a<br>strength).                                                                                                 |

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| Service Area                            | Potential Risk                                                                                                                                                                    | Risk Rating<br>(Likelihood / Impact) | Potential Impact                                                                                                                                                        | Responsibility for controls          | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Off Street Parking Enforcement Services | The on-street parking service is delivered by ESCC through its contractor NSL. Therefore the dynamic has now altered with a reduced workforce on 'off street' parking enforcement | Medium / High                        | Staff loss<br>Income loss<br>Loss of additional service to town (CCTV, quality of service, accountability)<br>Risk to sustainability of our off street parking service. | Assistant Director / Service Manager | Off street parking enforcement has been incorporated within a new wider waste, parking and streetscene services team since 30th April 2013. This team includes a generic Warden service responsible for enforcing off street parking, enviro-crime and dog offences. Revised more economically sustainable operating arrangements for CCTV monitoring were introduced. These arrangements, which include fewer staff and reduced operating hours, have now been successfully implemented for several years. Also see item below. |
| CCTV Monitoring System                  | Aging analogue system suffers serious failure.<br><br>Risk of failure & downtime during upgrade/refit.                                                                            | Low/Medium                           | Loss of ability to monitor all of CCTV cameras across borough including those associated with off street car parks, on street, & HBC premises                           | Assistant Director / Service Manager | The CCTV system upgrade/refit is almost complete apart from minor final snagging. This has been achieved with very little serious impact on the service. Maintenance arrangements for the upgraded system are more resilient than for the old system.                                                                                                                                                                                                                                                                            |

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| Service Area         | Potential Risk                                                             | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                                                                | Responsibility for controls          | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                            |
|----------------------|----------------------------------------------------------------------------|-----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Parking              | Significant reduction in car parking income                                | Low / High                        | Financial loss for the Council<br>Unable to balance budget<br>Reputation undermined                                                                                             | Assistant Director / Service Manager | Budget regularly monitored, including income generation. If income dropped dramatically, could reduce costs by decreasing staff. Income currently increased, potentially due to introduction of more flexible payment options such as Ringo.                                                                         |
| Licensing            | Reduction of income generation from economic downturn                      | Low / Low                         | Financial loss for Council<br>Unable to balance budget<br>Increased legal cost<br>Reputation undermined                                                                         | Assistant Director / Service Manager | Budget regularly monitored including income generation. If income dropped dramatically could reduce costs by decreasing staffing. In fact, recession appears to be triggering more applications e.g. taxies. Have introduced a new income stream from Highway licensing, which we now operate on behalf of the ESCC. |
| Environmental Health | Failure of stray dog contract due to contractor going into administration. | Low / Medium                      | Failure to meet statutory duty<br>Nowhere to put stray dogs<br>Impact on Police<br>Reputation undermined<br>Cost of providing an alternative service which is not budgeted for. | Assistant Director / Service Manager | The stray dog contract services which have now been jointly procured by Wealden, Rother and Hastings on several occasions, have operated well since 2008.                                                                                                                                                            |

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| <b>Service Area</b>                                        | <b>Potential Risk</b>                                                                                                                                           | <b>Risk Rating<br/>(Likelihood /<br/>Impact)</b> | <b>Potential Impact</b>                                                                                                                | <b>Responsibility for<br/>controls</b>  | <b>Steps to mitigate risk, time frame<br/>for implementation and latest<br/>position</b>                                                                                                                                                                                                                                                                                                                                                                                                              |
|------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Environmental<br>Health & Waste<br>enforcement<br>services | Legal challenge<br>Appeals against enforcement<br>action i.e. judicial review,<br>ombudsmen review                                                              | Low / Medium                                     | Staff time used<br>Financial implications<br>Reputation undermined                                                                     | Assistant Director /<br>Service Manager | Work closely with Legal Team on<br>prosecutions and enforcement<br>cases to reduce risk of inappropriate<br>action being pursued.<br>Routinely monitor rate of successful<br>appeals against our enforcement<br>action. Currently practically zero.                                                                                                                                                                                                                                                   |
| Environmental<br>Health & Waste<br>enforcement<br>services | Partnership working e.g.<br>police, trading standards,<br>environment agency, HSE,<br>PCT – partners withdraw or<br>reduce commitment to projects<br>or issues. | Medium / High                                    | Unable to achieve<br>objectives<br>Unable to meet some<br>legal requirements i.e.<br>timescales<br>Reputation of Council<br>undermined | Assistant Director /<br>Service Manager | Although all organisations we work<br>with our experiencing some degree<br>of budget pressure & capacity<br>issues, our partnerships are<br>adapting & still generally working<br>well.                                                                                                                                                                                                                                                                                                               |
| Environmental<br>Health &<br>licensing<br>services         | Staff shortages due to<br>retirement, staff leaving and<br>not being replaced etc.                                                                              | Medium/Medium                                    | Unable to deliver full<br>service<br>Increase in complaints<br>Bad publicity locally                                                   | Assistant Director /<br>Service Manager | Could use agency staff as a short<br>term solution as there are many<br>companies offering this specialist<br>help albeit at relatively expensive<br>rates compared with in-house staff.<br>We have carefully managed the<br>deletion of posts & retirement of key<br>staff. This has included periods of<br>mentoring & handover of roles by<br>outgoing staff to new staff or existing<br>staff absorbing their work.<br>Eg waste manager & community<br>safety manager posts in last 12<br>months. |

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| <b>Service Area</b>                                                            | <b>Potential Risk</b>                                                                                                              | <b>Risk Rating<br/>(Likelihood /<br/>Impact)</b> | <b>Potential Impact</b>                                                              | <b>Responsibility for<br/>controls</b> | <b>Steps to mitigate risk, time frame<br/>for implementation and latest<br/>position</b>                                                                                                                                                                                                                                                                                                                                                        |
|--------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|--------------------------------------------------------------------------------------|----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Grounds Maintenance Joint Contract between HBC/RDC/ Amicus Horizon (Amenities) | Contract Specifications not being fulfilled.                                                                                       | Low / Med                                        | No grounds maintenance being undertaken.<br>Adverse impact on look and feel of town. | Service Manager                        | Successful joint partnership procurement between RDC/HBC/Amicus has resulted in one contractor with significant savings being realised. Partnership and monitoring structures are in place and being implemented and monitored.                                                                                                                                                                                                                 |
| Provision of new Visitor Centre at Hastings Country Park Nature Reserve<br>198 | No partnership funding. Costs too high from tenders.<br>External factors cause delay.<br>Groundwork South unable to manage centre. | Med /Med                                         | Reputational risk to Council.                                                        | Service Manager                        | Project Board with elected members established and meeting regularly for strategic decision-making.<br>Groundwork South acting as project managers, procurement through the Hub.<br>Applying for funding from bodies such as the EU & HLF.                                                                                                                                                                                                      |
| Cemetery and Crematorium                                                       | Failure to provide cremation service.<br>Reduction in capacity through equipment failure or staff shortage.                        | Low / High                                       | Loss of income.<br>Health issue.<br>Reputation undermined.                           | Assistant Director / Service Manager   | Arrangement in place with Eastbourne Crematorium to undertake cremations in the event of total loss of service. Cremators regularly maintained and maintenance contract in place.<br>Relief cremator operators trained to provide sickness / absence cover and enable shift working at peak times of demand.<br>In 2011 new plant was installed and operational and considered to be more reliable with excellent maintenance support services. |

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| Service Area        | Potential Risk                                                                                                 | Risk Rating<br>(Likelihood /<br>Impact) | Potential Impact                                                                                                                                                                    | Responsibility for<br>controls          | Steps to mitigate risk, time frame<br>for implementation and latest<br>position                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---------------------|----------------------------------------------------------------------------------------------------------------|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Community<br>Safety | Police restructuring and<br>reduction in front line Policing<br><br>Loss / reduction in partnership<br>funding | Med / High<br><br>Low / Med             | Increase in crime & fear<br>of crime.<br><br>Reputational damage<br><br>Increase in demand for<br>Council resources.<br><br>Increase in ASB &<br>Street drinking in public<br>areas | Assistant Director /<br>Service Manager | Engage with Police to ensure<br>resources are allocated to areas of<br>greatest need.<br>Employ a Community Safety<br>Manager (post sustained).<br>Take a lead role at multi agency<br>Community Safety Hubs.<br>Upgrade HBC CCTV scheme.<br>Sustain HBC funding for <ul style="list-style-type: none"> <li>• supporting victims of domestic<br/>violence/hate crime.</li> <li>• Barwatch/Taxi Marshalls to<br/>better manage the evening<br/>economy.</li> </ul> Public Space Protection Orders in<br>areas of highest impact.<br>Utilise other ASB powers like<br>Community Protection Notices.<br>Use CCG funding allocated to HBC<br>to commission projects to support<br>DV victims/street community/reduce<br>public place violence /sexual<br>offences. |

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| Service Area        | Potential Risk                                                   | Risk Rating<br>(Likelihood /<br>Impact) | Potential Impact                                                                                                                                               | Responsibility for<br>controls                                                                    | Steps to mitigate risk, time frame<br>for implementation and latest<br>position                                                                                                                                                                                                                                                                                                    |
|---------------------|------------------------------------------------------------------|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Community<br>Safety | Large scale public disorder or<br>loss of life at a public event | Low / Med                               | Reputational damage<br><br>Litigation against the<br>Council / staff members<br><br>Civil or criminal<br>prosecutions<br><br>Increase in Community<br>Tensions | Assistant Director /<br>Service Managers<br>(together with other<br>community safety<br>partners) | Active participation in local Safety<br>Advisory Group (SAG) and linked to<br>tabletop exercises / event planning<br>and debriefs.<br>Effective management of licensed<br>premises.<br>Facilitating event Red Cross triage<br>arrangements when funding allows.<br>Funding a locally monitored CCTV<br>scheme.<br>Match funding evening economy<br>community safety interventions. |

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| Service Area        | Potential Risk                                                                                                                                         | Risk Rating<br>(Likelihood /<br>Impact) | Potential Impact                                                                                                                        | Responsibility for<br>controls                                                       | Steps to mitigate risk, time frame<br>for implementation and latest<br>position                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Community<br>Safety | <p>A crime involving the serious harm or death of a visiting international language student</p> <p>Potential for increased hate crime post Brexit.</p> | Low / High                              | <p>Reputational damage at home and abroad</p> <p>Damage to the local economy and regeneration</p> <p>Increase in community tensions</p> | Assistant Director / Service Manager (together with other community safety partners) | <p>Supporting .Hastings Overseas Advisory Group (HOSAC) promoting regular meetings with student leaders at key times to identify dangers and 'hot spots'.</p> <p>Investment in town-wide CCTV and local monitoring.</p> <p>Funding a Hate Crime service to support victims.</p> <p>Match funding a Taxi Marshall Service</p> <p>Take a lead role on the Safer Hastings Partnership Board (SHP).</p> <p>Awareness of Sussex Police Operation Columbus.</p> <p>Encourage and support cohesive communities.</p> <p>Match funding evening economy community safety interventions.</p> <p>Reviewing crime trends, community tensions and incidents at JAG/WIM &amp; HUB meetings.</p> <p>Effective management of licensed premises.</p> <p>Support voluntary organisations like Street Pastors.</p> <p>Support Police led safe student scheme.</p> <p>Multi-agency approach to monitoring &amp; responding to hate crime.</p> |

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| Service Area             | Potential Risk                                        | Risk Rating<br>(Likelihood /<br>Impact) | Potential Impact                                                                                                                                              | Responsibility for<br>controls             | Steps to mitigate risk, time frame<br>for implementation and latest<br>position                                                                                                                                                                                                                                                                                                                                               |
|--------------------------|-------------------------------------------------------|-----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Community<br>Safety      | An act of terrorism                                   | Low / Med                               | Reputation damage<br><br>Significant loss of life<br><br>Damage to the local<br>economy and economic<br>regeneration<br><br>Increase in community<br>tensions | Assistant Director /<br>Service Manager    | Participation at Prevent Board<br>meetings.<br>Attendance at Prevent related<br>Security Review meetings.<br>Compliance with requirements of<br>Counter Terrorism & Securities Act<br>2015.<br>Local Prevent awareness training to<br>front line staff.<br>Promoting Prevent awareness<br>amongst local businesses.<br>Supporting Sussex Police in links<br>with local Mosque.<br>Funding a locally monitored CCTV<br>scheme. |
| Bathing Water<br>Quality | Bathing water fails to meet<br>new annual EU standard | Med / High                              | Beach closes<br>Loss of tourism income<br>Reputational damage<br>Extensive operational<br>precautions required.                                               | Assistant Directors<br>Environment & Place | Council instigated & led multiagency<br>task force approach to securing<br>improved bathing water in run up to<br>the start of the more stringent EU<br>standards.<br>The project was successful & the<br>measures introduced are being<br>maintained. The executive board<br>continues to keep an oversight of<br>this area.                                                                                                 |

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| Service Area                                                                       | Potential Risk                                                                                             | Risk Rating<br>(Likelihood /<br>Impact) | Potential Impact                                                                                                             | Responsibility for<br>controls                                                                         | Steps to mitigate risk, time frame<br>for implementation and latest<br>position                                                                                                                                                                                                                                                                                   |
|------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|-----------------------------------------|------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Flood Risk Management                                                              | Impact of severe weather.<br>Loss of Government Funding                                                    | Med / Med                               | Loss of life<br>Loss of amenity<br>Financial impact                                                                          | Assistant Director /<br>and Service<br>Manager,<br>Regeneration &<br>Culture (a cross<br>cutting risk) | Enhanced / cost effective revenue based maintenance programme to increase timeframe for replacement of flood defences. Alternate funding streams identified via DEFRA and Environment Agency. Medium Term Plan used effectively and in close liaison with EA Flood Risk Management Team.<br>The Hastings Flood Plan was reviewed, updated & exercised in 2015/16. |
| CIV (Building Surveyors and Assistant Director of Corporate Services & Governance) | Risk of landslide, landslip, rock falls and other natural hazards on both coastal cliffs and those inland. | Low / High                              | Loss of life / serious injury<br>Damage to property<br>Loss of access / amenity<br>Financial impact<br>Reputation undermined | Assistant Director /<br>Service Manager<br>(This is a cross cutting risk)                              | Bi annual programme of inspection and remedial action.<br>Maintain existing controls in place (catch fences, signage, barriers)<br>Reporting system in place with other relevant stakeholders                                                                                                                                                                     |

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| Service Area                                    | Potential Risk                                                                                                                                                                                                                              | Risk Rating<br>(Likelihood /<br>Impact) | Potential Impact                                                          | Responsibility for<br>controls | Steps to mitigate risk, time frame<br>for implementation and latest<br>position                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|---------------------------------------------------------------------------|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Duty of care to<br>the Public<br>(All Services) | Negligence in inspecting and<br>maintaining assets<br><br>Trees failing / falling<br><br>Out of date policies<br><br>Failure to ensure fully trained<br>and competent staff<br><br>Loss of databases (plus<br>documents stored within them) | Med / Med                               | Injury<br><br>Claims<br><br>Financial impact<br><br>Reputation undermined | Assistant Director             | Risk assessments and periodic<br>system of inspection in place for all<br>park sites and buildings. Legionella,<br>fire and asbestos risk assessments<br>and controls in place. Regular<br>electrical inspections in place.<br>Programme of asset maintenance<br>work in place to maintain all assets.<br>Policies reviewed regularly.<br>Staff training needs assessed at<br>performance reviews, including<br>Health & Safety updates. Contracts<br>monitored with specific<br>arrangements for H&S reporting via<br>monthly meetings. |

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**Operational Services Directorate**

Service: **HOUSING**

|   | <b>Service</b>    | <b>Potential Risk</b>                                                                                                                                   | <b>Risk Rating (Likelihood / Impact)</b> | <b>Potential Impact</b>                                                                                                                                                                                      | <b>Responsibility for controls</b>             | <b>Steps to mitigate risk, time frame for implementation and latest position</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|---|-------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | All Housing       | Failure to meet key performance targets                                                                                                                 | Medium /Medium                           | <ul style="list-style-type: none"> <li>- increased costs</li> <li>- reputation undermined</li> <li>- legal challenge</li> <li>- public impact</li> <li>- Inequality of public access</li> </ul>              | Assistant Director H&BE                        | <ul style="list-style-type: none"> <li>- service monitoring through weekly team meetings</li> <li>-quarterly review and reports of key indicators/targets through Performance Review meetings</li> <li>Service reviews (Housing Services Review, Housing Strategy review , homelessness strategy revision, allocations review, revised renewal financial assistance and enforcement policies)</li> <li>- Consideration of contingency plans/budgets through management team meetings &amp; budget review meets.</li> <li>- business continuity planning &amp; risk assessments</li> <li>- alternative delivery models (e.g. Coastal Space initiative, Social Lettings agency, Licencing proposals &amp; CPO programme)</li> </ul> |
| 2 | Housing (Options) | Failure to manage the impact of changes in the law and/or government policy initiatives (e.g. impact of welfare benefit changes on homelessness levels) | Medium / Medium                          | <ul style="list-style-type: none"> <li>- legal challenge</li> <li>- reputation undermined</li> <li>- Increased expenditure</li> <li>- quality of service</li> <li>- public health &amp; wellbeing</li> </ul> | Assistant Director H&BE<br><br>Options Manager | <ul style="list-style-type: none"> <li>- maintain/raise corporate awareness through Performance Review/ Scrutiny/Cabinet etc</li> <li>- Regular stakeholder engagement through strategic liaison meetings with main Social Landlords (AmicusHorizon/Orbit) HASS meetings, Private Landlord forums.</li> <li>- Engagement of London Councils, Academics and national policy makers</li> </ul>                                                                                                                                                                                                                                                                                                                                      |

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|   | Service           | Potential Risk                                                                                                                                                                       | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                                                                                                                                                                                                                                                                                 | Responsibility for controls                                                     | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|   |                   |                                                                                                                                                                                      |                                   |                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                 | <p>on considering the impact on seaside towns.<br/>County wide and Out of London Protocols in place.</p> <ul style="list-style-type: none"> <li>- regular internal/external communication ( eg @Bit)</li> <li>- policy reviews of Homelessness, Allocations</li> <li>- Impact &amp; risk assessments</li> <li>- improvements in cross team /service cooperation (e.g. Housing /HB team action Plan)</li> </ul> <p>Implementation of anti-poverty strategy &amp; action plan</p>                                    |
| 3 | Housing (Renewal) | <p>Failure to implement the proposed new selective licensing scheme in an effective and timely manner by Oct 2015.</p> <p>(Dependent upon online application and payment system)</p> | Medium/Medium                     | <ul style="list-style-type: none"> <li>• Targets not met</li> <li>• Standards and management in the PRS decline</li> <li>• Reputation undermined</li> <li>• Legal challenge</li> <li>• Poor housing stock</li> <li>• Impact on regeneration objectives and deprivation increases</li> <li>• Public health &amp; wellbeing compromised</li> <li>• unmet targets</li> <li>• Impact upon</li> </ul> | <p>Assistant Director H&amp;BE and Planning Services</p> <p>Renewal Manager</p> | <ul style="list-style-type: none"> <li>- effective project management</li> <li>- Project Team Meetings in place and minutes produced</li> <li>-communication planning (website update)</li> <li>-regular review &amp; progress monitoring (management team &amp; briefings)</li> <li>-effective budget planning</li> <li>- additional external resourcing in place</li> <li>- Effective IT solutions to minimise resourcing costs.</li> </ul> <p>Necessary staffing structure agreed and recruitment underway.</p> |

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|   | Service           | Potential Risk                                                                                | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                                                                                                                                           | Responsibility for controls                                                                   | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|---|-------------------|-----------------------------------------------------------------------------------------------|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|   |                   |                                                                                               |                                   | <ul style="list-style-type: none"> <li>staffing</li> <li>financial cost</li> </ul>                                                                                                                                                                         |                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 4 | Housing (Renewal) | Failure to meet licensing target for additional HMO Licensing Scheme (250 licenses per annum) | Medium/Medium                     | <ul style="list-style-type: none"> <li>- reputation undermined</li> <li>- unmet targets</li> <li>- Impact upon staffing</li> <li>- Impact upon public health/wellbeing</li> <li>- financial cost</li> </ul>                                                | Assistant Director H&BE and Planning Services<br><br>Renewal Manager                          | <ul style="list-style-type: none"> <li>- Delivery Team produced action plan in place to meet targets, encompassing existing and new targeted properties.</li> <li>- additional short term resourcing in place for support</li> </ul> Mid-term review and impact assessment and review scheduled.                                                                                                                                                                                                                    |
| 5 | All Housing       | Failure to manage customer expectations                                                       | Low / Medium                      | <ul style="list-style-type: none"> <li>- reputation undermined</li> <li>- disengagement &amp; demoralisation of staff</li> <li>- customers dissatisfaction</li> <li>- legal challenges</li> <li>- adverse impact on partnership</li> <li>- cost</li> </ul> | Assistant Director H&BE and Planning Services<br><br>Renewal Manager<br><br>Options manager   | <ul style="list-style-type: none"> <li>- communication strategy to include training for local organisations, information sharing, myth busting, promoting awareness of early intervention to prevent homelessness, promoting PRS accommodation</li> <li>- monitoring and review of statistics</li> <li>- Involve / empower customers</li> <li>- Regularly monitor customer satisfaction questionnaires, reporting at management meetings and take restorative steps where necessary if issue identified.</li> </ul> |
| 6 | All Housing       | Health and Safety                                                                             | Medium / High                     | <ul style="list-style-type: none"> <li>• Accidents to staff resulting in time lost</li> <li>• Enforcement action by HSE against the Council</li> <li>• Civil action by</li> </ul>                                                                          | <ul style="list-style-type: none"> <li>• All Managers</li> <li>• Buildings Manager</li> </ul> | <ul style="list-style-type: none"> <li>• Training and development programmes</li> <li>• Risk Assessment</li> <li>• Flexible working practices implemented and risk assessed</li> <li>• Review of accidents and dangerous occurrences at Monthly Managers</li> </ul>                                                                                                                                                                                                                                                 |

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|   | Service     | Potential Risk                                      | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                                                                                           | Responsibility for controls                                                                                                  | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                        |
|---|-------------|-----------------------------------------------------|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|   |             |                                                     |                                   | employees against the Council                                                                                                                                                                              |                                                                                                                              | Meetings <ul style="list-style-type: none"> <li>Regularly review at Team Meetings</li> </ul>                                                                                                                                                                                                                                                                                     |
| 7 | All Housing | Loss of key staff and members- Knowledge Management | Medium / Medium                   | <ul style="list-style-type: none"> <li>Statutory targets not met</li> <li>Key priorities and projects not met</li> <li>Loss of skills and knowledge</li> </ul>                                             | <ul style="list-style-type: none"> <li>All Managers</li> <li>Assistant Director H&amp;BE and Planning Services</li> </ul>    | <ul style="list-style-type: none"> <li>Housing Services Review undertaken &amp; new implementation plan in place</li> <li>Succession Planning</li> <li>Documentation of systems, plans, procedures and projects</li> <li>Training and development programmes</li> <li>Induction programme</li> <li>Career Grade Structure in place</li> <li>Retention Policy in place</li> </ul> |
| 8 | Housing     | Failure to maintain CPO Programme for Empty Homes   | Low/High                          | <ul style="list-style-type: none"> <li>Targets not met</li> <li>Staff at risk</li> <li>Number of empty homes increase</li> <li>Funding at risk (new homes bonus)</li> <li>Reputation undermined</li> </ul> | <ul style="list-style-type: none"> <li>Assistant Director H&amp;BE and Planning Services</li> <li>Renewal Manager</li> </ul> | <ul style="list-style-type: none"> <li>Training and development programmes</li> <li>Effective management of scheme</li> <li>Systems and procedures in place and reviewed</li> <li>Project team and communication plan in place</li> <li>Proactive targeting of long term empty homes</li> </ul>                                                                                  |

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|   | Service | Potential Risk                                                                                        | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                                                                                                                                                                                                          | Responsibility for controls                                                                           | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---|---------|-------------------------------------------------------------------------------------------------------|-----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|   |         |                                                                                                       |                                   | <ul style="list-style-type: none"> <li>• Legal challenge</li> <li>• Poor housing stock</li> <li>• Impact on regeneration objectives</li> <li>• Public health &amp; wellbeing</li> <li>• Key priorities and projects not met</li> </ul>                                                                                    |                                                                                                       | <ul style="list-style-type: none"> <li>• Revised Empty Homes Strategy</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 9 | Housing | Failure to maintain delivery in the Housing Renewal Area (based on the original Neighbourhood Renewal | Low /High                         | <ul style="list-style-type: none"> <li>• Targets not met</li> <li>• Posts at risk</li> <li>• Increased risk of homelessness</li> <li>• Standards and management in the PRS decline</li> <li>• Reputation undermined</li> <li>• Legal challenge</li> <li>• Poor housing stock</li> <li>• Impact on regeneration</li> </ul> | <ul style="list-style-type: none"> <li>• Assistant Director H&amp;BE and Planning Services</li> </ul> | <ul style="list-style-type: none"> <li>• HCA and HBC funding secured for second phase of Coastal Space Project 2015-2018. Total of 68 units to be delivered by March 2018 plus associated employment, training, community development support etc.</li> <li>• Funding and/or support for other partners such as YMCA, Town team in place.</li> <li>• Renewal Area status extended for 5 years.</li> <li>• Additional licensing scheme operational and selective being introduced from Oct 2015.</li> <li>• Project team and communication plan in place</li> </ul> |

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|    | Service           | Potential Risk                                                                                   | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                                                                                                                                         | Responsibility for controls                                                                                                        | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                                                       |
|----|-------------------|--------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    |                   |                                                                                                  |                                   | <ul style="list-style-type: none"> <li>objectives and deprivation increases</li> <li>Public health &amp; wellbeing</li> <li>Key priorities and projects not met</li> <li>Financial burden on the organisation</li> </ul>                                 |                                                                                                                                    | <ul style="list-style-type: none"> <li>Strategic group oversee project</li> <li>Proactive Enforcement Programmes operational in the 7 streets</li> <li>Business continuity planning &amp; risk assessments undertaken</li> <li>Marketing &amp; Publicity exercises carried out</li> <li>Provisional allocation of further funding from SELEP from 2016/17. Funding also being sought through European funding streams for complimentary fuel poverty and energy efficiency measures.</li> </ul> |
| 10 | Housing (Options) | Failure to secure affordable housing solutions to prevent rising numbers of homeless households. | Med/Med                           | <ul style="list-style-type: none"> <li>Rise in homeless applications</li> <li>Increased levels of spending on B&amp;B</li> <li>Increased levels of rough sleeping and associated ASB</li> <li>Legal challenges</li> <li>Reputation undermined</li> </ul> | <ul style="list-style-type: none"> <li>Assistant Director H&amp;BE and Planning Services</li> <li>Housing Needs Manager</li> </ul> | <ul style="list-style-type: none"> <li>Resources of the Housing Options team to undergo PIER review 2016/17</li> <li>Recommendations of the Shelter service review completed September 2016</li> <li>Regular stakeholder engagement through strategic liaison meetings with main Social Landlords (AmicusHorizon/Orbit) HASS meetings, Private Landlord forums.</li> <li>Allocations Policy review 2016/17</li> <li>New Housing and Homelessness</li> </ul>                                     |

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|    | Service           | Potential Risk                                                                                                                     | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                                                                                                                                          | Responsibility for controls                                                                                                        | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----|-------------------|------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    |                   |                                                                                                                                    |                                   |                                                                                                                                                                                                                                                           |                                                                                                                                    | <p>Strategies were introduced, summer 2016</p> <ul style="list-style-type: none"> <li>The Housing and Wellbeing Hub reviewed quarterly with CCG and associated partners.</li> </ul>                                                                                                                                                                                                                                                                                                                                          |
| 11 | Housing (Options) | The Social Lettings Agency becomes unviable as a result of changes to the way LAs are remunerated for providing TA                 | Med/Med                           | <ul style="list-style-type: none"> <li>Increased risk of homelessness</li> <li>Impact on regeneration objectives and deprivation increases</li> <li>Key Corporate priority not met</li> <li>Standards and management in the PRS do not improve</li> </ul> | <ul style="list-style-type: none"> <li>Assistant Director H&amp;BE and Planning Services</li> <li>Housing Needs Manager</li> </ul> | <ul style="list-style-type: none"> <li>Research &amp; Financial feasibility study carried out</li> <li>Options Appraisal reported to CAP June 2016</li> <li>Weekly operational meetings in place to monitor performance against Corporate target: 50 units leased by yearend 2016/17.</li> <li>Risk assessment carried out and reported to Cabinet; updated in CAP June 2016 and reported to CMG</li> <li>Mid-year review scheduled in December 2016</li> <li>End of year review scheduled for March 2016 Cabinet</li> </ul> |
| 12 | Housing (Options) | Failure to meet commitment to resettle 100 vulnerable Syrians as part of the Syrian Vulnerable Persons Relocations Scheme (SVPRS). | Med/Low                           | <ul style="list-style-type: none"> <li>Publicly stated commitment not met</li> <li>The needs of vulnerable people</li> </ul>                                                                                                                              | <ul style="list-style-type: none"> <li>Assistant Director H&amp;BE and Planning Services</li> </ul>                                | <ul style="list-style-type: none"> <li>East Sussex D&amp;Bs to continue funding dedicated SRP coordinator for East Sussex</li> <li>Consult and work in partnership with the South East Strategic Partnership</li> </ul>                                                                                                                                                                                                                                                                                                      |

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|  | Service | Potential Risk | Risk Rating<br>(Likelihood /<br>Impact) | Potential Impact | Responsibility<br>for controls                                          | Steps to mitigate risk, time frame for<br>implementation and latest position                                                                                                                     |
|--|---------|----------------|-----------------------------------------|------------------|-------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  |         |                |                                         | are not met      | <ul style="list-style-type: none"> <li>Housing Needs Manager</li> </ul> | for Migration <ul style="list-style-type: none"> <li>Project Plan and risk register to be produced</li> <li>Project Plan oversight from the East Sussex Housing Officer Group (ESHOG)</li> </ul> |

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**Operational Services Directorate**

Service: **PLANNING AND DEVELOPMENT**

|   | Service                | Potential Risk                      | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                                             | Responsibility for controls | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|---|------------------------|-------------------------------------|-----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Development Management | Error in making a Planning Decision | Medium/Medium                     | <ul style="list-style-type: none"> <li>- Financial implications – judicial review, legal cost &amp; compensation</li> <li>- Reputation undermined</li> </ul> | Section Manager             | <p>There are procedures in place to monitor progress on a number of levels as applications progress. There is close supervision of staff by Senior Planners, and the Development Manager. This is facilitated through casework meetings, one to one meetings and checking of delegated and committee reports.</p> <p>This is reliant on experienced and qualified staff and adequate capacity for the workload. A review of the service identifies a shortfall in planning staff. This may increase the likelihood of errors</p> |
| 2 | Development Management | Lose Planning Appeal decision       | Low/Medium                        | <ul style="list-style-type: none"> <li>- Reputation undermined</li> <li>- If costs awarded maybe financial implications</li> </ul>                           | Section Manager             | <p>This is reliant on experienced and qualified staff that remain up to date with current guidance and policy through continuing professional development and this is the case at present.</p> <p>It is important that Planning Committee Members are trained and understand the consequences of refusing planning consent. A programme of training each quarter is already in place.</p>                                                                                                                                        |

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|   | Service      | Potential Risk                                                                                                                                                                                                 | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                                                                               | Responsibility for controls | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|---|--------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|   |              |                                                                                                                                                                                                                |                                   |                                                                                                                                                                                                |                             | The quality of decisions to some extent rests on the capacity of each planning officer to spend the right amount of time on each application in order to strengthen arguments and write well justified reports. As noted in the above section additional planning officers are suggested in order to allow this.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 3 | Conservation | <p>Error in managing &amp; processing Conservation Grant schemes</p> <p>Merging of grant officer and conservation officer roles may affect the time available to spend in providing consultation responses</p> | Low/Medium                        | <ul style="list-style-type: none"> <li>- Financial implications</li> <li>- Reputation undermined</li> <li>Delay in providing decisions within timeframe. Refund of application fees</li> </ul> | Assistant Projects Manager  | <p>There are procedures in place to process grant applications to ensure that errors in managing and processing are minimised. Experienced and qualified staff vet applications in detail.</p> <p>Grant offers are dependant on competitive tender submissions being closely scrutinised by Council staff.</p> <p>Close monitoring of progress of the work is undertaken by Council staff to ensure acceptable quality and detail is achieved. Stage payments are made as the work progresses only on production of paid invoices. Final payments are held back until the work is satisfactorily completed.</p> <p>The Townscape Heritage Initiative for Central St Leonards funded mainly by Heritage Lottery and the Council will be externally audited by Heritage Lottery at the end of scheme.</p> |

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|   | <b>Service</b>                                | <b>Potential Risk</b>                        | <b>Risk Rating (Likelihood / Impact)</b> | <b>Potential Impact</b>                                                                                                                                                      | <b>Responsibility for controls</b> | <b>Steps to mitigate risk, time frame for implementation and latest position</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|---|-----------------------------------------------|----------------------------------------------|------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4 | Development Management and Local Land Charges | Financial management – mislay incoming money | Low / Medium                             | <ul style="list-style-type: none"> <li>- Financial implications</li> <li>- Pressure on resources trying to rectify situation</li> <li>- Reputation undermined</li> </ul>     | Section Manger                     | There is a corporate procedure to record incoming payments. This procedure has been regularly audited.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 5 | Development Management                        | Incorrect information comes from call centre | Low / Medium                             | <ul style="list-style-type: none"> <li>- Impact on service delivery</li> <li>- Resources wasted</li> <li>- Reputation undermined</li> <li>- Possible compensation</li> </ul> | Section Manager                    | <p>A detailed searchable 'frequently asked questions' database has been created. An FAQ pack has already been drafted and awaiting upload onto the web site. Both should provide access to accurate information. New Contact Centre staff have one to one training as part of their induction on planning matters. There is a backup of staff members from the Development Management team to provide support and guidance. The Development Management staff create a log of calls referred from the Contact Centre which is used by the Contact Centre Manager in weekly training sessions.</p> <p>Training for contact centre staff to take place in October 2016</p> |

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|   | <b>Service</b>                                                 | <b>Potential Risk</b>                   | <b>Risk Rating (Likelihood / Impact)</b> | <b>Potential Impact</b>                                                                                                                                                                                                                                                      | <b>Responsibility for controls</b>           | <b>Steps to mitigate risk, time frame for implementation and latest position</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|---|----------------------------------------------------------------|-----------------------------------------|------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6 | Development Management, Local Land Charges and Planning Policy | Lack of staffing / financial resilience | Medium/Medium                            | <ul style="list-style-type: none"> <li>- Inability to do the work</li> <li>- Unacceptable deficit</li> <li>Increased likelihood of errors leading to Judicial reviews/complaints/lost appeals and cost to authority</li> <li>Loss of Income to Local Land Charges</li> </ul> | Assistant Director H&BE and Section Managers | <p>Procedures have been reviewed to ensure maximum efficiency.</p> <p>Workloads to monitored and reviewed In the event of significant under capacity. Review of planning service (04/2016) identifies that the service is two staff short of what it should be. Recruitment is now underway to appoint two new staff.</p> <p>We are currently 1.0 FTE down in the LLC section with the remainder 0.4 post due to retire in May 2016. This leaved the council with no trained LLC staff. Interviews take place at end of April for 1.5 FTE however and additional DM admin staff are being cross trained but this is putting additional pressure on all admin staff. Search turn around times are increasing and currently stand at 10 working days. This means that we are no longer able to compete on time with the private sector search companies and may lose business to them as a result.</p> |
| 7 | Development management and Local Land Charges                  | Loss of data / information              | Low / High                               | <ul style="list-style-type: none"> <li>- Impact on service delivery</li> <li>- Financial implications</li> </ul>                                                                                                                                                             | IT service and Section Managers              | Electronic data is backed up. The older paper based records are stored at the Council's Archive and there is no separate comprehensive backup of these. However, all decision notices have been scanned and kept electronically. There are electronic copies of plans dating from 1948 to                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

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|   | Service                                                        | Potential Risk                                      | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                                 | Responsibility for controls | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|---|----------------------------------------------------------------|-----------------------------------------------------|-----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|   |                                                                |                                                     |                                   |                                                                                                                                                  |                             | <p>1971.</p> <p>In respect of the Local Land Charges Register, this is partially electronic, but mainly records are paper based and contained at the Aquila House. It is possible to recreate some of these records from the original sources if the current set were lost, although this would be extremely time consuming.</p> <p>All significant planning material received from 2003 is held electronically and as part of a programme to destroy redundant archived paper copies a check is being made against electronic records to ensure any missing documents are scanned.</p> <p>Because all objections are published online, if an objection is not received, or is incorrectly logged it is evident to the objector and they are able to draw the problem to our attention to correct it.</p> |
| 8 | Development Management, Local Land Charges and Planning Policy | Injury of staff on site and in the work environment | Low / High                        | <ul style="list-style-type: none"> <li>- Potential litigation</li> <li>- Financial implications</li> <li>- Impact on service delivery</li> </ul> | Section Managers and staff  | <p>Corporate health and safety procedures are in place and are followed. Relevant training of staff is undertaken regularly including lone working etc. Personal protection equipment is provided to staff.</p> <p>Staff on site have mobile phones and are</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

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|    | <b>Service</b>                                | <b>Potential Risk</b>                                    | <b>Risk Rating (Likelihood / Impact)</b> | <b>Potential Impact</b>                                                             | <b>Responsibility for controls</b> | <b>Steps to mitigate risk, time frame for implementation and latest position</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|----|-----------------------------------------------|----------------------------------------------------------|------------------------------------------|-------------------------------------------------------------------------------------|------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    |                                               |                                                          |                                          | - Reputation undermined                                                             |                                    | required to report their whereabouts.<br><br>Six monthly corporate health and safety reviews are undertaken, appropriate adjustments are made and these matters are documented.                                                                                                                                                                                                                                                                                                                                                                                          |
| 9  | Development Management and Local Land Charges | Loss of income due to changes in legislation and economy | Medium/High                              | - Financial implications<br><br>- Pressure on resources trying to rectify situation | Assistant Director H&BE            | Close monitoring of performance is undertaken by the section managers and finance staff and this is reported to the Head of Service on a regular basis. Measures are undertaken to respond to any significant variation of actual income to budget.                                                                                                                                                                                                                                                                                                                      |
| 10 | Local Land Charges                            | Restitution as a result of legislative change            | Low/Medium                               | - Financial implications                                                            | Section Manager                    | This is the subject of current Court action as part of a Group Action involving all Local Authorities in England and Wales.<br><br>The Government has acknowledged the issues and have made a contribution to each local authority towards these costs. Close liaison continues with senior staff in the finance, legal and planning teams and with the Local Government Association. There were two group orders, one of which has now been completed, the other is nearing completion.<br><br>Both legal claims have now completed with The Government recognising the |

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|    | <b>Service</b>                                                                 | <b>Potential Risk</b>                                                         | <b>Risk Rating (Likelihood / Impact)</b> | <b>Potential Impact</b>                                                                                                                                                 | <b>Responsibility for controls</b> | <b>Steps to mitigate risk, time frame for implementation and latest position</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|----|--------------------------------------------------------------------------------|-------------------------------------------------------------------------------|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    |                                                                                |                                                                               |                                          |                                                                                                                                                                         |                                    | new burdens and compensating HBC for this.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 11 | Building Control delivered by the Rother and Hastings Building Control Service | Failure to deliver service                                                    | Low/High                                 | <ul style="list-style-type: none"> <li>- Impact on service delivery</li> <li>- Financial implications</li> <li>- Health and safety impact – unsafe buildings</li> </ul> | Assistant Director H&BE            | Under the Partnership between Rother DC and HBC to deliver the Building Control Service there is a contract which defines the procedures to change arrangements if required. The service performance will be monitored through agreed Performance Indicators contained in the Contract                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 12 | Local Land Charges                                                             | Possibility of parts or all of the service being transferred to Land Registry | Med/High                                 | <ul style="list-style-type: none"> <li>- Financial Implications</li> <li>- Staffing Implications</li> </ul>                                                             | Section Manager                    | <p>Monitor developments</p> <p>The transfer of the Local Land Charges Register function to Land Registry was given Royal Assent on 12<sup>th</sup> February 2015. Secondary legislation consultation is expected in spring 2016 with implementation expected to commence in 2017. It is likely that nationally this may take until 2022 before the exercise is complete.</p> <p>It is still very unclear how this will work and what financial and resourcing impacts that this will have on the service however it appears that HBC will still be required to make the registrations into a national portal, but LLC1 payments would be made to Land Registry. The LGA along with Land Registry are currently looking at the New Burden</p> |

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|  | <b>Service</b> | <b>Potential Risk</b> | <b>Risk Rating<br/>(Likelihood /<br/>Impact)</b> | <b>Potential Impact</b> | <b>Responsibility<br/>for controls</b> | <b>Steps to mitigate risk, time frame for<br/>implementation and latest position</b> |
|--|----------------|-----------------------|--------------------------------------------------|-------------------------|----------------------------------------|--------------------------------------------------------------------------------------|
|  |                |                       |                                                  |                         |                                        | issue surrounding this.                                                              |

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**Regeneration and Culture**

| Service                                        | Potential Risk                                                            | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                             | Responsibility for controls         | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                  |
|------------------------------------------------|---------------------------------------------------------------------------|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Marketing & Major Projects                     | Major project fails                                                       | Low / High                        | Impact upon town's regeneration; potential financial risk                                                                                    | Marketing & Major Projects Manager  | Robust project management, including community/stakeholder/investor engagement, and controls in place to identify/mitigate foreseeable risks                                                                                                                                                               |
| Marketing & Major Projects                     | Seafood & Wine Festival and/or Fish Fairs unsuccessful                    | Medium/Medium                     | - Reputation undermined<br>- Financial implications                                                                                          | Marketing & Major Projects Manager  | - Regular officer and stakeholder meetings held<br>- Risk assessments undertaken in conjunction with professional colleagues and emergency services                                                                                                                                                        |
| Marketing & Major Projects                     | Reputational risk of a bad PR story                                       | High / High                       | - Reputation undermined locally and nationally<br>- Resources used to deal with situation<br>- Staff morale declines<br>- Political fall-out | Marketing & Major Projects Manager  | - Weekly PR meetings held at senior level<br>- Senior politicians and officers aware of impact of bad PR<br>- Immediate damage limitation for bad stories, PR officer on call 24/7<br>- Very difficult to prevent a journalist writing a 'bad' story if they want :- and the damage is done once published |
| Marketing & Major Projects                     | 950 <sup>th</sup> anniversary of the Battle of Hastings celebrations fail | Low/High                          | - Reputation undermined<br>- Financial implications                                                                                          | Marketing & Major Projects Manager  | - Regular officer and stakeholder meetings held<br>- Risk assessments undertaken in conjunction with professional colleagues and emergency services                                                                                                                                                        |
| Seafront Concrete Structures (Resort Services) | Extensive deterioration or collapse.                                      | Low / High                        | Financial impact.<br>Danger to public safety.<br>Loss of amenity.<br>Reputation undermined.                                                  | Resort Services Manager             | Annual concrete inspections in place with programme of minor repairs.<br>Explore options for longer term refurbishment and investment.                                                                                                                                                                     |
| Bathing Water Quality (Resort)                 | Bathing water fails to meet new EU standard by deadlines                  | Med / High                        | Loss of tourism income<br>Reputational damage                                                                                                | Asst Director E&P / Resort Services | Continue working with partners to address known problems.                                                                                                                                                                                                                                                  |

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| Service                                                                 | Potential Risk                                                                                                                | Risk Rating<br>(Likelihood /<br>Impact) | Potential Impact                                                                             | Responsibility<br>for controls                                                         | Steps to mitigate risk, time frame for<br>implementation and latest position                                                                                                                                                                                                                                                                  |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Services)                                                               | (2015).<br><br>Ownership and responsibility of<br>Outfall Pipe                                                                |                                         | Extensive operational<br>coordination required.                                              | Manager                                                                                | Project continuing with EA and Southern<br>Water focusing on:<br>Missed connections, sewer system faults, de-<br>silted ponds, natural stream filtration and<br>community engagement (HVA).<br>Feasibility study will assess longer term<br>protective options including long-sea outfall.<br>Legal Services researching ownership<br>issues. |
| White Rock<br>Theatre<br>(Resort services)                              | Infrastructure failure of<br>equipment (e.g. sound system,<br>boilers etc.).<br>Audience numbers not<br>maintained.           | Med / Med                               | Reputation undermined.<br>HBC investment<br>questioned.<br>Financial impact.                 | Assistant Director<br>Regen & Culture /<br>Resort Services<br>Manager / Lead<br>Member | Monthly review of activities, results and<br>plans. Close liaison with theatre manager.<br>Audience numbers rising.<br>Agreed annual maintenance plan. Sound<br>system has been replaced. Boilers currently<br>under investigation and may need<br>replacement.                                                                               |
| Cliff Railways<br>(Resort Services)                                     | Mechanical failure.                                                                                                           | Low / Med                               | Financial impact.<br>Danger to public safety.<br>Loss of amenity.<br>Reputation undermined.  | Resort Services<br>Manager                                                             | Programme of inspections, testing and<br>maintenance.<br>Staff training and awareness.<br>Local maintenance contract awarded                                                                                                                                                                                                                  |
| Hastings Museum<br>and Art Gallery<br>(Resort Services)                 | Loss of exhibits and damage to<br>buildings due to theft, damage<br>through fire, vandalism, alarm<br>failure, staff failure. | Low / High                              | Financial loss.<br>Loss of service<br>(closure).<br>Cultural loss.<br>Reputation undermined. | Resort Services<br>Manager /<br>Museum Curator                                         | Additional exterior security added following<br>insurance company security review. Alarm<br>contracts maintained. Staff trained.<br>Procedures manual updated. Disaster Plan<br>in place. Fire Risk Assessments completed.                                                                                                                    |
| Flood Risk<br>Management &<br>Coastal<br>Protection(Resort<br>Services) | Impact of severe weather.<br>Failure of defences.<br>Loss of Government Funding.                                              | Med / High                              | Loss of life<br>Loss of amenity<br>Financial impact                                          | Resort Services<br>Manager                                                             | Enhanced / cost effective revenue based<br>maintenance programme to increase time<br>frame for replacement of flood defences.<br>Alternate funding streams identified via<br>DEFRA and Environment Agency. Medium<br>Term Plan used effectively and in close                                                                                  |

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| Service                                                    | Potential Risk                                                                                             | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                               | Responsibility for controls                      | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                           |
|------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                            |                                                                                                            |                                   |                                                                                                                                                |                                                  | liaison with EA Flood Risk Management Team.<br>Funding for MTP secured<br>Hastings Multi Agency Flood Plan Implemented                                                                              |
| Cliffs (Building Surveyors and Resort Services)            | Risk of landslide, landslip, rock falls and other natural hazards on both coastal cliffs and those inland. | Low / High                        | Loss of life / serious injury<br>Damage to property<br>Loss of access / amenity<br>Financial impact<br>Reputation undermined                   | Assistant Director E&P / Resort Services Manager | Bi annual programme of inspection and remedial action.<br>Maintain existing controls in place (catch fences, signage, barriers)<br>Reporting system in place with other relevant stakeholders       |
| Leisure Services<br>Externally funded projects<br>Page 223 | Reduction of external funding.                                                                             | Med / Med                         | Reduction of services.<br>Reduction of externally funded posts.<br>Failure to meet Physical Activity Strategy targets and public expectations. | Leisure Development Manager / Leisure Team       | We continue to submit external funding applications in order to sustain a range of leisure projects.                                                                                                |
|                                                            | Our failure to deliver as per external funding contractual agreements.                                     | Low / High                        | Claw back of external funding.<br>Reputation undermined.<br>Legal action.<br>Overspend.                                                        | Leisure Development Manager / Leisure Team       | Regular monitoring and evaluation of projects to ensure performance. Regular reports to principle funding partners as per funding agreements. Regular liaison with funders. Regular budget reviews. |
|                                                            | Duty of Care to participants & staff.                                                                      | Low / High                        | Impact on safety of individuals.<br>Legal action.<br>Reputation undermined.                                                                    | Leisure Development Manager / Leisure Team       | Risk assessments and procedures are systematically reviewed.                                                                                                                                        |

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| Service                                          | Potential Risk                                                                                                                                      | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                          | Responsibility for controls                                                         | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|--------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Leisure Management Contract with Freedom Leisure | Contract specification not fulfilled.                                                                                                               | Low/Med                           | Reduction in quality of service.<br>Potential impact of safety of participants/staff.<br>Reputation undermined                            | Leisure Development Manager                                                         | Regular monitoring meetings, inspections and reports.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Building cleaning contract with Ocean            | Contract specification not fulfilled.                                                                                                               | Low/Med                           | Reduction in quality of service.                                                                                                          | Leisure Development Manager                                                         | Regular monitoring meetings, inspections and reports.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Adventure Playground - (Leisure Services)        | Failure to operate the Adventure Playground.                                                                                                        | Low / Med                         | Loss or reduction of service.<br>Failure to meet Play Strategy targets.<br>Failure to meet public expectations.<br>Reputation undermined. | Leisure Development Manager / Play Development Officer in partnership with In2Play. | Regular monitoring meetings with In2Play, includes a focus on the overall funding plan. Funding is in place for 2016-17.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Duty of care to the Public (All Services)        | Failures of child protection.<br>Negligence in maintaining assets.<br>Out of date policies.<br>Failure to ensure fully trained and competent staff. | Med / Med                         | Injury<br>Claims<br>Financial impact<br>Reputation undermined                                                                             | Assistant Director / Service Managers                                               | All staff who have unsupervised access to children and vulnerable adults have advanced CRB check in place.<br>Events/activities designed to minimise risk.<br>Risk assessments & periodic system of inspection in place for all park sites and buildings. Legionella, fire and asbestos risk assessments & controls in place. Regular electrical inspections in place. Programme of asset maintenance work in place to maintain all assets.<br>Policies reviewed regularly.<br>Staff training needs assessed at performance reviews, including Health & Safety updates.<br>Contracts monitored with specific arrangements for H&S reporting via monthly meetings. |

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| Service                     | Potential Risk                                                                                                                                                                                            | Risk Rating<br>(Likelihood /<br>Impact) | Potential Impact                                                                                                                                                                                                                                                                                                                                                                 | Responsibility<br>for controls                                                                                 | Steps to mitigate risk, time frame for<br>implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Regeneration and<br>Culture | <p>Loss of EU funding programmes HBC is currently developing or pre signature due to BREXIT</p> <p>Loss of EU transnational programmes due to BREXIT and EU programmes no longer requiring UK partner</p> | High/High                               | <p>Loss of the following stage 2 funding applications:<br/>ERDF/ESF CLLD – Programme Value £7.4M<br/>EMFF CLLD – Programme Value £800k<br/>Projects through 1<sup>st</sup> stage or approved awaiting signature<br/>CIN (Cross lep cultural programme)<br/>SHINE</p> <p>Other programmes in development/prior to signature with HBC as a partner<br/>UpSTRAW<br/>DESTI-SMART</p> | Assistant Director<br>Regen & Culture /<br>External Funding<br>Manager /<br>Economic<br>Development<br>Manager | <p>Ongoing market intelligence gathering on managing authority advice regarding programmes. Development of a national Funding pipeline, aligning key priority areas to funding which is secure.<br/>Newsletter to stakeholders to confirm we are open for business as normal re opportunities (we are still in at the moment) and potential lobbying (via SELP etc.) re ensuring the impact of hold in decisions is understood.</p> <p>13<sup>th</sup> AUGUST TREASURY STATEMENT<br/>All programmes which are signed prior to autumn statement will be guaranteed by UK government for programme life.</p> |
| Regeneration and<br>Culture | Match funding for EU funded projects GO-TRADE, SHINE and CAN                                                                                                                                              | Low / Medium                            | Risk of inability to deliver agreed EU projects if the match from HBC is no longer available (staff match and cash match)                                                                                                                                                                                                                                                        | Regeneration<br>Manager                                                                                        | Ongoing monitoring of cross council activity and regular updates to CMG / CAP and Cabinet as projects are submitted and then approved (as the gap in time can be considerable).                                                                                                                                                                                                                                                                                                                                                                                                                            |

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| Service                  | Potential Risk                                                                            | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                | Responsibility for controls                                                                          | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|--------------------------|-------------------------------------------------------------------------------------------|-----------------------------------|-------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Regeneration and Culture | Mainstreaming of Community Cohesion policies and activities (loss of dedicated resources) | Low / Medium                      | Mainstreaming may not be effective and lead to loss of partnership working to address the issue | Regeneration Manager                                                                                 | Impact on Community Cohesion to be assessed on all major policies and activities as part of the Equalities Impact Assessment process. A level community development work to be maintained by the Regeneration Team to support targeted communities.                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Regeneration and Culture | Failure to fund/ secure funding for full MSC re-assessment in 2016/17                     | Medium/High                       | Reputational loss                                                                               | Economic Development Manager                                                                         | <p>Our MSC certificate expires in 2017. The full reassessment starts in 2016 to run concurrently with the 4th year audit.</p> <p>We do not have funding allocated for year 4 audit (2016) and year 5 reassessment (commencing 2016). The fishers have strong expectation that this will happen and will be funded by HBC.</p> <p>1st stage EMFF CLLD (FLAG 2) secure. MSC likely to be a significant proportion of the programme. However BREXIT does have implications on whether the fleet need or want MSC. HBC officer in discussion with MSC regarding delaying audit until FLAG 2 monies are secured. Briefing paper being developed for members regarding the situation.</p> |
| Regeneration and Culture | More Business support needed in key economic sectors due to uncertainty post BREXIT       | Medium/High                       | Loss of visitor bookings<br>Loss of jobs<br>Closure of key businesses                           | Assistant Director Regen & Culture / Marketing and Major Projects Manager / Economic Development Mgr | <p>KB/VC developing risk - register to monitor situation. Hopeful markets will settle and Bank of England supports the economy for businesses.</p> <p>KB reviewing visitor economy and will explore need for communication regarding visitor market once article 50 is evoked.</p>                                                                                                                                                                                                                                                                                                                                                                                                  |

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| Service                  | Potential Risk                                                          | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                   | Responsibility for controls               | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|--------------------------|-------------------------------------------------------------------------|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Regeneration and Culture | Stretched/ insufficient staff capacity                                  | High / Medium                     | Failure to deliver corporate / contractual targets / unsound operational decision making / reputational and/or financial cost/loss | Assistant Director Regen & Culture        | Insufficient capacity within current staffing levels to effectively deliver all activities, including some externally funded programmes and associated increase in levels of stress. Mitigation measures: Secure external contractors as required to cover workload peaks, curtail/reduce activities of lesser priority. External consultants contracted to deliver work related to Development Management Plan, and economic development projects, including early CLLD development work. Use of external contractors will continue to be necessary. |
| Cultural Programme       | Failure to raise additional funds for 2016 events.                      | Medium/High                       | Reduced impact, reputational damage                                                                                                | Strategic Cultural Development Specialist | Cultural Development Specialist in post since August 2014. A bid to Arts Council England for £150K was successful. Further bids to trusts and foundations and in progress. Council's financial commitment to 2016 programme has been used as leverage in all bids. Key partners are also engaged in fundraising towards their projects for 2016 (Jerwood, DLWP, Glyndebourne, Battle Festival, Project Art Works).                                                                                                                                    |
| Cultural Programme       | Failure to build strong local support for the plans for 2016 and beyond | Low/Medium                        | Reputational damage<br>Reduced impact of cultural regen ambitions                                                                  | Strategic Cultural Development Specialist | Engagement and consultation with key local groups and individuals to be an ongoing part of the development process. In January '15 a series of consultation meetings with the cultural sector were held, attended by over 200 people. A meeting specifically for the 2016 events was also held                                                                                                                                                                                                                                                        |

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| Service                   | Potential Risk                                                                   | Risk Rating<br>(Likelihood /<br>Impact) | Potential Impact                                                                                                            | Responsibility<br>for controls            | Steps to mitigate risk, time frame for<br>implementation and latest position                                                                                                                                                                                                                                                                                                         |
|---------------------------|----------------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                           |                                                                                  |                                         |                                                                                                                             |                                           | <p>attended by approx. 150 people, with lots of ideas for possible creative activity</p> <p>Beyond 2016, we have had two meetings with Eurotowns partners and have agreed on a cross-sectoral theme for a Creative Europe bid. The next deadline is October '15.</p> <p>Cultural Leaders Steering Group now well established and supportive of 2016 cultural programme approach.</p> |
| Cultural Programme        | Failure to engage effectively with marketing/comms and the wider tourism sector. | Low/Medium                              | Reduction in the long term impact and sustainability of the investment and development of the creative and cultural sector. | Strategic Cultural Development Specialist | Regular communication between Cultural Regen and Marketing teams.<br>Joint participation in a workshop led by Culture24, as part of the CCF programme, to articulate what kind of marketing platform/s we need for the arts and cultural sector (including ROOT1066 festival) and how they sit alongside the wider tourism offer.                                                    |
| External Funding activity | Over-commitment of Council resources on external funding opportunities           | High/High                               | Reputational damage<br>Financial costs                                                                                      | Assistant Director Regen & Culture        | Ongoing monitoring of cross council activity and regular updates to CMG. CMG to collectively review externally funded activity and prioritise staff/budget resources. Other mitigation: regular monitoring by ADs of officer involvement in external funding opportunities/projects within service areas across the Council.                                                         |

~~~~~end~~~~~

# Agenda Item 9



**Report to:** Audit Committee

**Date of Meeting:** 22 September 2016

**Report Title:** Chief Auditor's Summary Audit and Risk Report

**Report By:** Tom Davies  
Chief Auditor

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## **Purpose of Report**

To inform the Audit Committee of the key findings from the Password Controls audit.

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## **Recommendation(s)**

**1. That the Audit Committee accepts the report.**

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## **Reasons for Recommendations**

To monitor levels of control within the organisation.

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**Summary Report**  
**Report to Audit Committee**  
**Password Controls**

**Background**

An audit was carried out to ascertain the integrity of password controls over the Agresso (Main Accounting), Paye.net (Income) and Northgate (Revenues and Benefits) systems.

All 3 systems are accessed via a two-tier stage of user authentication. The first stage is access to the council network. To access any of the 3 systems a user must first log onto a council network. In the case of Agresso this does not have to be the HBC network. To enable this they must have a valid network ID and a password that meets the set criteria of strength and age. The second stage is authentication to the system itself. This stage also requires a valid system user ID and suitably strong password. Once in the system a user will have set permissions allowing access and update rights as appropriate for their role and assigned by a system administrator.

The System Administrator for Agresso and Paye.net receives a list of joiners, leavers and staff who have changed role every week from People, Customer and Business Support which enables timely maintenance.

**Audit Conclusion**

**Overall Audit Assessment: B – Satisfactory**

Controls are in place and work effectively. There are no significant audit concerns.

**Key Findings**

All 3 systems have an audit trail feature.

Agresso has a complex system of assigning user permissions. There is a need for a review of these including an assessment of the number of 'super users' required to maintain both security but also operational efficiency.

**Management Response**

We agree the findings.

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**Wards Affected**

None

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**Policy Implications**

Please identify if this report contains any implications for the following:

|                                       |     |
|---------------------------------------|-----|
| Equalities and Community Cohesiveness | No  |
| Crime and Fear of Crime (Section 17)  | No  |
| Risk Management                       | Yes |
| Environmental Issues                  | No  |
| Economic/Financial Implications       | No  |
| Human Rights Act                      | No  |
| Organisational Consequences           | No  |
| Local People's Views                  | No  |
| Anti-Poverty                          | No  |

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**Additional Information**

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