

Financial Report and Statement of Accounts

2014-15



CONTENTS

	Page number
<u>1. INFORMATION ACCOMPANYING THE FINANCIAL STATEMENTS</u>	
1.1 General Information	3
1.2 Explanatory Foreword	4 -10
1.3 Service Summaries:-	
Corporate Resources	11
Regeneration	12
Environmental Services	13
Service Measures	14
1.4 The Annual Governance Statement	15 - 21
1.5 Statement of Responsibilities	22
1.6 Independent Auditors Report	23 - 25
<u>2. ACCOUNTS</u>	
- Movement in Reserves	26 - 27
- Comprehensive Income and Expenditure Statement	28
- Balance Sheet	29 - 30
- Cash Flow Statement	31 - 32
- The Notes to the Core Financial Statements (including accounting policies)	33
NOTE	NO.
Changes to accounting policies	1
Accounting Policies	2
Rounding	3
Assumptions Made About Future and Other Major Sources of Estimation and Uncertainty	4
Events After the Balance Sheet Date	5
Material Items of Income and Expenditure	6
Adjustments Between Accounting and Funding Basis	7
Earmarked Reserves	8
Other Operating Expenditure	9
Financing and Investment Income and Expenditure	10
Taxation and non-specific grant income and expenditure	11
Property, Plant and Equipment	12
Investment Properties	13
Intangible assets	14
Assets held for sale	15
Heritage assets	16
Debtors	17
Cash and Cash Equivalents	18
Creditors	19

CONTENTS

NOTE	NO.	Page number
Short Term Borrowing	20	61
Provisions	21	61
Unusable Reserves	22	62 - 63
Agency Services	23	64
External Audit Costs	24	64
Contingent liabilities	25	64
Contingent Asset	26	64
Grants and Contributions	27	65
Defined Benefit Pension Scheme	28	66 - 68
Capital Expenditure and Capital Financing	29	69
Construction Contracts	30	69
Members Allowances	31	69
Nature and Extent of Risk Arising from Financial Instruments	32	70 - 74
Financial Instruments	33	74 - 75
Related Party Transactions	34	76 - 77
Termination and Exit Packages	35	78
Cash Flow Reconciliation	36	79
Employee Remuneration	37	80 - 81
Amounts Reported for Resource Allocation Decisions	38	82 - 83
Leases	39	84 - 85
Exceptional items	40	86
Accounting Standards that have not been adopted	41	86
Events after the reporting period	42	86
- Collection Fund Statement and Notes		87 - 91
- Glossary		92 - 93

Published by :-
Financial Services
Hastings Borough Council
PO Box 39
Hastings
East Sussex
TN34 3WN

P Grace CPFA, Chief Finance Officer

Phone : 01424 451503 or email : accountancy@hastings.gov.uk
Website : www.hastings.gov.uk

GENERAL INFORMATION

PHYSICAL FEATURES

Hastings covers an area of **3,079 hectares**

The Council owns land amounting to approximately **996 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 age structure was as follows :-

Age Range	Males	Females	Total	%
0 - 14	8,011	7,648	15,659	17
15 - 29	8,406	8,743	17,149	19
30 - 44	8,965	8,712	17,677	20
45 - 59	8,850	9,426	18,276	20
60 - 74	6,909	7,132	14,041	16
75 and over	2,873	4,579	7,452	8
	44,014	46,240	90,254	100

The registered electorate in 2014-15 was : **59,737**

COUNCIL TAX & BUSINESS RATING INFORMATION

Rateable value of business premises at 31 March 2015	£57,649,272
Net Borough Council Revenue Expenditure (excluding capital charges)	£17,557,044
Council Tax Base	23,733
Council Tax at Band D - includes all preceptors	£1,641.31

EMPLOYEES

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

	NUMBER OF EMPLOYEES	
	2013-14	2014-15
Full time	268	264
Part time (full time equivalents)	49	45
Total	317	309

The direct cost of employment during the year was :-

	£'000	£'000
	2013-14	2014-15
Wages and Salaries	8,913	9,116
National Insurance	673	685
Pension Contributions	1,710	1,662
Total	11,296	11,463

EXPLANATORY FOREWORD

INTRODUCTION

The Council's accounts for the year of 2014-15 are set out on pages 26 to 91. This foreword 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) Service 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 to the Cost of Services in the Comprehensive Income and Expenditure Statement can be found on pages 82 and 83.

(ii) Annual Governance Statement

Governance issues relating to internal financial controls are particularly pertinent to the preparation and publication of the Statement of Accounts. Regulation 4 of the Accounts and Audit Regulations 2011 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) The 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) The Independent Auditor's report

(v) The 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.

EXPLANATORY FOREWORD

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 Balance for tax setting purposes (see Note 7 for details). The line entitled “Net Increase / Decrease before Transfers to Earmarked Reserves” shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

The 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.

The 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 Receipts Reserve being restricted to fund capital expenditure or to repay debt). 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”.

The 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, Business Rates, and any other amounts relating to the fund.

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 all other local authorities, is compiled in line with International Financial Reporting Standards (IFRS).

EXPLANATORY FOREWORD

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 £46m compared with £42m 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. The wide fluctuations in values from year to year do therefore correspond with the longer term view of contribution rates required to maintain the Council's need to provide for pension payments over the longer

5. Revenue

The following table compares the major elements of the budget and actual for general fund services in 2014-15:-

	2014-15 Budget £	2014-15 Revised Budget £	2014-15 Actual Outturn £	2014-15 Variance £
Directorates				
Corporate Resources	3,022,270	2,770,230	2,250,444	(519,786)
Environmental Services	7,935,160	8,213,200	7,850,043	(363,157)
Regeneration	5,431,300	5,021,388	5,038,516	17,128
Contingencies	400,000	97,350	0	(97,350)
Direct Service Expenditure	16,788,730	16,102,168	15,139,003	(963,165)
Net Interest Payments	180,530	213,000	167,397	(45,603)
Other operating costs	520,060	488,000	488,167	167
Net Contribution to / (from) Reserves*	(767,757)	(127,182)	1,741,777	1,868,959
Net Council Expenditure	16,721,563	16,675,986	17,536,344	860,358
Less Government Grant	(7,936,292)	(7,936,292)	(8,751,074)	(814,782)
Less retained business rates	(3,087,669)	(3,042,092)	(3,087,668)	(45,576)
Collection Fund Surplus	(100,169)	(100,169)	(100,169)	0
Amount to be met by Council Tax Payers	5,597,433	5,597,433	5,597,433	0

There is an improvement of £963,000 in the Direct Service Expenditure position compared to the revised budget. This figure includes £97,000 of contingency monies that were not required in the year

EXPLANATORY FOREWORD

2015-16 Budget

The table below summarises planned net expenditure on services for 2015-16, compared to 2014-15, 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.

	2014-15 Revised Budget £	2015-16 Estimate Budget £	Change 2014-15 to 2015-16 £
Directorates			
Corporate Resources	2,770,230	2,926,310	156,080
Environmental Services	8,213,200	7,816,410	(396,790)
Regeneration	5,021,388	4,690,720	(330,668)
Direct Service Expenditure	16,004,818	15,433,440	(571,378)
Contingencies	97,350	400,000	302,650
Interest payable	213,000	170,000	(43,000)
Other operating costs	488,000	514,000	26,000
Net Contribution to / (from) Reserves	(127,182)	(1,424,887)	(1,297,705)
Net Council Expenditure	16,675,986	15,092,553	(1,583,433)
Less Government Grant :-			
Revenue Support Grant	(3,885,836)	(3,657,674)	228,162
Efficiency Support Grant	(974,522)	(102,472)	872,050
Business Rates Retained	(3,572,181)	(3,580,095)	(7,914)
Other general Grants	(2,545,845)	(1,666,800)	879,045
Collection Fund Surplus	(100,169)	(250,026)	(149,857)
Amount to be met by Council Tax Payers	5,597,433	5,835,486	238,053

EXPLANATORY FOREWORD

6. Current Economic Climate

The Council's spending plans continue to be linked to residents' priorities and the Government's national priorities for all local authorities. The 2015-16 budget has been set against an uncertain economic background. The Council's medium term financial strategy sets out its spending plans for the period 2015-16 to 2017-18. In common with other local authorities a reduction in funding received from Central Government each year has been built into future spending plans.

Throughout the year Directors and Heads of Service in conjunction with lead members have been identifying and implementing efficiency savings to assist in addressing the financial position for 2015-16 and beyond. As in previous years, Priority, Income and Efficiency Reviews (PIER) have been held in order to achieve a balanced budget. These reviews also impacted on the outturn position for 2014-15. Work in 2015-16 will look at the savings achieved in 2014-15 and identify further savings to produce a balanced budget for 2016-17 and beyond.

7. Capital Expenditure

The Council spent £5.719 million on capital projects during 2014-15.

	2014-15 Budget £'000	2014-15 Outturn £'000
Housing Renewal (including Disabled Facilities Grants)	840	790
Coastal Space Regeneration project	2,697	2,697
Factory Refurbishments	175	162
Seafront Improvements	118	117
Conservation and Regeneration schemes	394	228
Coastal Communities	-	746
Land purchase and Compulsory Purchase properties	332	403
Hastings Pier	250	250
CCTV	360	28
Other Schemes	586	298
Total	5,752	5,719

This capital expenditure was financed as shown below:-

	£'000
Borrowing	2,697
Proceeds from the sale of assets	837
Grants	1,045
Reserves	1,140
Total financing	5,719

EXPLANATORY FOREWORD

The Council is planning to spend £5,205 million on capital projects during 2015-16. Significant schemes include :-

	2015-16 Budget £'000
Housing Renewal (including Disabled Facilities Grants)	861
Coastal Space Regeneration project	875
Hastings Pier	60
Conservation and Regeneration schemes	468
Castle Interpretation	100
Country Park Interpretive Centre	350
Factory Development	700
Aquila House Refurbishment	479
White Rock Baths	827
Other Schemes	485
Total	<u><u>5,205</u></u>

This capital expenditure will be financed as shown below:-

	£'000
Borrowing	1,925
Proceeds from the sale of assets	482
Grants	1,852
Reserves/revenue	946
Total financing	<u><u>5,205</u></u>

8. Borrowing Facilities

Total loans outstanding owed to external sources for capital spending amount to £14.2m. Under the prudential code for borrowing the Council's Capital Financing Requirement is £18.574m.

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. A new reserve has been established to separately identify carry forwards, the "Carry Forward Reserve".

The balance on these reserves at 31st March 2015 is £19.705 million compared with £18.982 million at 31st March 2014.

EXPLANATORY FOREWORD

10. Material write-offs

There are no materials write offs in this financial year

11. Events after the balance sheet date

From 1 April 2013 the regime around the income that Local Authorities collect from National Non Domestic or Business Rates (NNDR) changes from one where the Authority collects purely on behalf of Central Government to one where this income is shared between Central Government, Local Authorities and major precepting bodies . This change affects the retention of that income collected and also carries a risk to the Council for failure to collect rates in comparison with a predetermined "Start-Up" funding assessment.

Risks of non-collection include rates billed from 1 April, but also those not yet collected from prior years and also appeals that were not resolved before that date, some of which involve companies at a national level.

In relation to Hastings' NNDR there is a risk of non-collection and also the potential for losses on appeal. This is estimated at £1.0m for prior year appeals (as at 31 March 2015). Hastings' share of these potential losses is 40%, with the balance being Government 50%, ESCC 9% and the Fire and Rescue Authority 1%. This amounts to a potential loss to Hastings of around £0.4m. These are potential losses at the point of change and could be higher.

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

EXPLANATORY FORWARD EXPENDITURE SUMMARY

2013-14				2014-15 REVISED ESTIMATE	2014-15 ACTUAL		
EXPEND. £	INCOME £	NET £		£	EXPEND. £	INCOME £	NET £
<u>CORPORATE RESOURCES</u>							
190,309	0	190,309	Director Corporate resources	224,830	241,293	0	241,293
669,769	1	669,770	Corp. Policy, Partnerships & Perform.	719,950	709,139	0	709,139
349,241	0	349,241	Estates Service	355,540	352,075	0	352,075
452,844	(70,782)	382,062	Legal Services	368,300	413,706	(48,887)	364,819
342,165	(45,805)	296,360	Audit & Investigations Division	260,550	286,905	(33,488)	253,416
764,066	(120)	763,946	Accountancy & Exchequer Services	821,310	799,847	(562)	799,285
2,504,337	(11,625)	2,492,713	Revenues Division	3,018,010	2,889,074	(29,973)	2,859,101
			Personnel & Organisational				
714,672	(1,992)	712,680	Development	729,830	744,660	(2,163)	742,498
1,254,054	(291,826)	962,228	Contact Centre	1,057,550	1,242,100	(199,943)	1,042,157
170,964	(3,144)	167,820	Admin.Bldgs - Town Hall	248,430	223,117	(5,530)	217,587
576,944	(11,439)	565,505	Admin. Build. Aquila House	740,980	800,364	(31,843)	768,521
100,163	0	100,163	Admin. Buildings - General Expenses	94,550	99,345	0	99,345
			Admin. Bldgs - Corp. Archive,				
74,259	0	74,259	Castleham	97,550	99,904	0	99,904
1,069,281	0	1,069,281	Corporate Expenses	1,151,220	1,016,790	0	1,016,790
0	0	0	Digital by Design	155,260	121,697	(425)	121,272
99,538	(2,245)	97,293	Corporate Personnel Expenses	189,400	181,074	0	181,074
(8,946,247)	0	(8,946,247)	Less recharges to other accounts	(10,153,070)	(9,868,278)	0	(9,868,278)
386,360	(438,977)	(52,616)	Non-recharged costs	80,190	352,813	(352,813)	0
525,857	0	525,857	Corporate Management	615,120	672,367	0	672,367
182,690	0	182,690	Non Distributed Corporate Expenses	326,150	324,463	0	324,463
54,553,042	(53,413,543)	1,139,498	Benefits payments and Admin	1,760,780	53,943,851	(52,270,931)	1,672,920
937,140	(437,354)	499,786	Tax Collection Costs	750,470	1,057,623	(350,168)	707,455
52,728	(348,543)	(295,815)	Employment Areas	(329,290)	55,701	(385,929)	(330,228)
271,103	(1,430,244)	(1,159,141)	Factory Units	(1,181,810)	275,983	(1,476,431)	(1,200,449)
378,677	(1,391,822)	(1,013,145)	Farms and Other Properties	(1,170,970)	308,634	(1,575,006)	(1,266,372)
88,138	380	88,518	St Mary in the Castle	100,260	106,312	0	106,312
19,002	(109,173)	(90,171)	Other Income/ Exp.	145,420	25,521	(36,259)	(10,739)
114,881	(28,869)	86,012	Registration of Electors	115,040	160,258	(84,449)	75,810
1,235,989	42	1,236,031	Cost of Democracy	1,224,090	1,191,520	0	1,191,520
199,827	(112,235)	87,593	Election Expenses	176,630	241,206	(61,161)	180,045
38,291	0	38,291	Local Strategic Partnership	29,950	30,820	0	30,820
19,659	(436)	19,223	Sustainable Development	20,000	21,868	(2,630)	19,238
38,588	0	38,588	Public Consultation	14,920	15,341	0	15,341
49,407	(4,420)	44,987	Future Cities	1,480	7,410	(11,473)	(4,063)
352,411	(350,205)	2,207	Foreshore Trust	0	308,404	(308,404)	0
78,269	0	78,269	Hastings Pier - Closure	100,000	100,002	0	100,002
59,522,060	(58,065,400)	1,456,661		2,778,430	59,200,098	(56,915,654)	2,284,444

EXPLANATORY FORWARD EXPENDITURE SUMMARY

2013-14			2014-15 REVISED ESTIMATE			2014-15 ACTUAL		
EXPEND. £	INCOME £	NET £	EXPEND. £	INCOME £	NET £	EXPEND. £	INCOME £	NET £
REGENERATION								
150,961	(19,505)	131,456	142,790			159,829	(19,600)	140,229
920,118	(2,042)	918,076	599,270			599,127	0	599,127
1,017,052	(27,360)	989,692	591,160			586,597	(20,989)	565,609
864,577	(2,627)	861,950	968,620			966,552	(44)	966,508
771,576	(542)	771,034	733,290			729,996	(23)	729,973
112,323	0	112,323	167,800			184,045	0	184,045
245,134	0	245,134	303,800			170,642	0	170,642
(3,983,030)	0	(3,983,030)	(3,506,730)			(3,363,072)	0	(3,363,072)
98,711	(52,076)	46,635	0			33,716	(40,656)	(6,940)
471,354	16,547	487,901	419,730			570,631	(176,119)	394,513
334,466	(1,038)	333,428	444,420			513,945	(7,415)	506,530
68,674	(5,601)	63,073	0			0	0	0
178,064	(17,467)	160,597	195,370			209,820	(29,459)	180,362
17,714	(17,714)	(0)	8			1,735,730	(1,736,042)	(312)
131,499	(94,360)	37,139	1,860			71,678	(70,632)	1,046
103,189	0	103,189	147,800			148,516	0	148,516
16,258	0	16,258	(13,130)			39,789	(47,690)	(7,901)
70,651	(22,615)	48,036	0			19,980	(19,980)	0
14,881	0	14,881	0			0	0	0
28,560	0	28,560	0			0	0	0
88,449	(4,847)	83,602	60,000			61,396	(4,273)	57,123
19,396	(500)	18,896	0			0	0	0
98,153	(38,778)	59,375	(2,430)			70,731	(53,065)	17,666
19,364	0	19,364	0			0	0	0
141,423	7,967	149,390	0			339,511	0	339,511
87,664	(37,014)	50,650	78,530			68,170	(8,679)	59,491
372,981	(28,377)	344,604	359,360			416,217	(35,670)	380,547
108,761	0	108,761	4,700			42,559	(37,561)	4,999
21,292	(4,000)	17,292	45,400			44,224	0	44,224
42,946	0	42,946	38,710			60,547	(24,490)	36,057
880,087	(411,096)	468,991	631,660			896,838	(430,217)	466,621
387,816	(242,016)	145,800	(5,830)			242,311	(288,231)	(45,920)
56,592	0	56,592	56,960			60,635	0	60,635
657,178	(205,687)	451,491	396,190			593,009	(181,375)	411,634
120,336	0	120,336	211,900			226,623	0	226,623
(246)	0	(246)	0			0	0	0
428,213	(8,560)	419,653	252,240			257,647	0	257,647
160,032	(143,984)	16,048	114,920			139,107	(168,403)	(29,296)
53,894	(24,000)	29,894	23,340			62,477	(37,875)	24,602
91,413	(177,439)	(86,026)	102,600			82,207	(47,586)	34,621
63,490	(33,525)	29,965	0			0	0	0
20,949	0	20,949	22,000			16,913	0	16,913
469,396	(11,261)	458,135	578,980			596,561	(13,396)	583,166
120	0	120	0			0	0	0
234,361	(133,786)	100,575	47,890			246,529	(314,023)	(67,494)
78,557	(34,386)	44,171	112,120			148,025	(40,000)	108,025
7,348	0	7,348	20,000			31,547	0	31,547
238,088	(88,413)	149,675	145,480			227,158	(80,044)	147,114
234,005	(18,766)	215,239	238,780			261,240	(22,400)	238,839
86,288	(1,944)	84,344	50,240			52,218	(6,006)	46,212
21,340	0	21,340	15,450			15,369	0	15,369
190,526	(26,136)	164,390	123,980			179,459	(60,869)	118,590
7,608	0	7,608	4,000			4,605	0	4,605
56,764	0	56,764	41,350			37,464	0	37,464
239	(2,648)	(2,409)	1,100			1,784	(500)	1,283
63,063	(116)	62,947	58,790			72,380	(57)	72,323
6,391	(13,354)	(6,963)	(4,000)			15,020	(19,473)	(4,453)
0	0	0	19,300			18,692	0	18,692
0	0	0	(50,880)			187,808	(122,725)	65,083
0	0	0	(1,000)			0	(1,000)	(1,000)
0	0	0	33,500			34,201	0	34,201
0	0	0	0			20,218	(10,783)	9,435
7,148,316	(1,876,990)	5,271,326	5,021,388			9,175,208	(4,136,693)	5,038,516

EXPLANATORY FORWARD EXPENDITURE SUMMARY

2013-14				2014-15		2014-15 ACTUAL		
EXPEND.	INCOME	NET		REVISED ESTIMATE	EXPEND.	INCOME	NET	
£	£	£		£	£	£	£	£
			ENVIRONMENTAL SERVICES					
901,481	(75)	901,406	Environmental Services admin	906,720	851,398	(25)	851,373	
0	0	0	Emergency Call Out Service	0	0	0	0	
0	0	0	Waste Management Team	0	0	0	0	
1,469,854	(19,379)	1,450,475	Waste and Parking Team	871,060	868,924	(15,665)	853,259	
894,482	(23,808)	870,674	Amenities & Resorts admin	948,180	985,327	(52,888)	932,439	
0	0	0	Highways Services admin.	0	0	0	0	
224,514	0	224,514	Leisure Services admin.	287,030	293,830	0	293,830	
(3,460,106)	0	(3,460,106)	Less recharges to other accounts	(2,857,690)	(2,930,902)	0	(2,930,902)	
30,225	(43,262)	(13,037)	Non-recharged costs	155,300	68,578	(68,578)	0	
154,048	(915)	153,133	Food Safety/Infectious Diseases	211,090	220,293	(4,044)	216,249	
184,746	0	184,746	Health & Safety	136,980	145,677	(770)	144,907	
270,836	(3,368)	267,468	Environmental Protection	324,280	342,222	(3,082)	339,140	
96,697	(11,638)	85,060	Pest Control	69,890	81,401	(13,606)	67,795	
115,882	(180,351)	(64,469)	Local Licence Fees	(50,890)	117,071	(169,522)	(52,451)	
135,322	(84,582)	50,740	Liquor Licensing	(1,460)	84,502	(79,950)	4,552	
18,390	(29,377)	(10,987)	Gambling Licensing	39,540	75,342	(24,248)	51,094	
4,273	0	4,273	Tobacco Control	10,000	5,961	0	5,961	
36,535	(3,075)	33,460	Stray Dog Contract	34,840	37,137	(3,125)	34,012	
34,020	0	34,020	Emergency Planning	37,940	36,823	0	36,823	
302,188	(221,787)	80,401	Safer Hastings Partnership	236,160	304,797	(90,320)	214,478	
35,080	(84,962)	(49,882)	Bulverhythe Depot	0	0	0	0	
1,394,458	(1,968,784)	(574,327)	Car Parking - Off Street	(414,030)	1,654,064	(2,040,564)	(386,500)	
24,550	0	24,550	DVLA Powers	0	0	0	0	
20,120	0	20,120	Abandoned Vehicles	2,390	2,304	0	2,304	
0	0	0	Car Parking - On Street	0	0	0	0	
417,993	0	417,993	Closed Circuit Television	246,990	257,555	(14,514)	243,041	
14,317	(16,380)	(2,064)	ESCC Highways Management	0	14,880	(20,210)	(5,330)	
94,987	0	94,987	Public Realm	135,170	99,442	(20,000)	79,442	
0	0	0	Transport Policy	0	0	0	0	
1,615,448	(297,188)	1,318,260	Waste Collection	1,272,570	1,653,050	(283,554)	1,369,496	
1,364,075	(19,080)	1,344,995	Street Cleansing	1,260,660	1,278,703	(19,035)	1,259,668	
260,476	(211,485)	48,991	Greenwaste	57,400	279,325	(220,148)	59,177	
496,970	0	496,970	Environmental Enforcement Team	411,050	407,566	0	407,566	
38,504	0	38,504	Together Action	27,180	35,804	(1,000)	34,804	
34,278	0	34,278	Watercourses	30,170	29,754	0	29,754	
588,226	(1,043,985)	(455,759)	Cemetery & Crematorium	(413,450)	652,468	(1,115,453)	(462,985)	
29,285	0	29,285	Travellers Costs	31,880	31,609	0	31,609	
86,678	0	86,678	Decorative Lighting	93,950	86,112	(1,260)	84,852	
33,069	0	33,069	Town Centre	36,060	35,321	0	35,321	
86,606	(17,244)	69,362	Allotments	70,780	90,031	(21,000)	69,031	
77,440	(25,289)	52,150	Ecology	72,060	66,788	0	66,788	
178,601	(16,434)	162,166	Arboriculture	152,340	155,317	(50)	155,267	
1,713,376	(318,878)	1,394,498	Parks & Gardens	1,318,600	1,651,994	(399,476)	1,252,518	
0	0	0	Bathing Water Quality	162,500	181,082	(77,500)	103,582	
227,458	(44,541)	182,917	Hastings Country Park	227,660	255,311	(40,280)	215,031	
50,540	(20,766)	29,774	Combe Valley Country Park	18,350	36,611	(20,000)	16,611	
72,390	(53,919)	18,471	Countryside Stewardship	20,850	77,628	(76,504)	1,123	
24,886	0	24,886	Coastal Protection	30,110	23,793	0	23,793	
5,648	0	5,648	Navigational Aids	10,480	10,256	0	10,256	
3,366	0	3,366	Env. Schemes Net Huts	10,510	1,223	0	1,223	
283,735	(328,160)	(44,424)	Cliff Railways	(89,150)	292,414	(365,916)	(73,502)	
40,485	(99,762)	(59,277)	Castle & Caves	(37,890)	32,830	(60,714)	(27,884)	
43,472	(162,632)	(119,160)	Chalets	(106,930)	55,407	(173,233)	(117,826)	
587,250	0	587,250	White Rock Theatre	701,500	682,633	(2,143)	680,490	
158,041	(34,840)	123,201	Seafront	189,810	212,115	(46,549)	165,566	
460,468	(58,564)	401,904	Museums and Art Gallery	473,490	500,015	(25,479)	474,536	
0	0	0	First World War Project	8,500	8,321	(1,000)	7,321	
96,741	(48,994)	47,747	Sports Management	24,030	75,413	(48,170)	27,242	
37,954	0	37,954	Highways Shelters and Seats	23,370	20,850	0	20,850	
12,175	0	12,175	Naming & Numbering Streets	15,240	12,074	0	12,074	
22,769	(100)	22,669	Falaise Fitness Centre	46,850	50,839	(100)	50,739	
430,595	0	430,595	Public Conveniences	405,580	417,382	0	417,382	
70,206	(22,394)	47,811	Sports Centres	58,250	69,884	(19,423)	50,461	
5,000	0	5,000	William Parker Athletics Track	5,000	5,000	0	5,000	
72,139	(613)	71,527	Sports Development	70,800	74,868	0	74,868	
64,063	(55,850)	8,213	Street Games	7,150	83,897	(82,080)	1,818	
122,682	(88,875)	33,807	Active Hastings	155,620	203,927	(78,720)	125,207	
134,907	(11,456)	123,451	Play Development	115,090	128,907	(6,916)	121,991	
29,307	(17,103)	12,204	Us Girls	0	0	0	0	
0	0	0	Primary Care Trust Play Grant	4,000	0	0	0	
31,324	0	31,324	Play Pathfinder	67,560	68,198	0	68,198	
121,481	(112,528)	8,953	Active Women	18,020	9,401	(554)	8,847	
1,588	(3,025)	(1,437)	Boyne Road Playground	1,500	5,896	0	5,896	
0	0	0	Sports for All	(7,590)	12,129	(21,358)	(9,229)	
13,198,368	(5,762,186)	7,436,182		8,225,700	13,610,193	(5,760,150)	7,850,043	

EXPLANATORY FORWARD EXPENDITURE SUMMARY

2013-14 ACTUAL				2014-15 REVISED ESTIMATE		2014-15 ACTUAL		
EXPEND. £	INCOME £	NET £		£	£	£	£	NET £
<u>79,868,744</u>	<u>(65,704,575)</u>	<u>14,164,169</u>	DIRECT SERVICE EXPENDITURE	<u>16,025,518</u>	<u>81,985,500</u>	<u>(66,812,497)</u>		<u>15,173,003</u>
			<u>SERVICE MEASURES</u>					
2013-14							2014/15	
64,070			Museum visitors				63,386	
71,680			East Hill Cliff Railway users				84,806	
94,348			West Hill Cliff Railway users				104,260	
168			Burials				138	
80,958			Grave spaces				81,029	
1,427			Cremations				1,480	
269.6			Kilometres of Streets maintained within the Borough				269.6	
3.05 million			Dustbins Emptied (Bin Equivalents)				3.06 million	
7,084			Recycling tonnage				7,037	
0			Renovation Grants - Number Completed				0	
2			Conservation Area Projects				2	
2,135			Car Parking Spaces (Off-Street)				2,144	
0			Vehicles Parked (Off Street)				0	
4,098			Penalty Charge Notices issued				3,391	
2,069			Licences Issued				2,087	
498			Food Hygiene Inspections				528	
91			Health & Safety Inspections				63	
60,765			Local Electorate				59,312	
99			Number of Factory Units				99	
£1,400,017			Rental Income from Factory Units				£1,442,742	

Hastings Borough Council

Annual Governance Statement 2014/2015

Scope of responsibility

1. Hastings Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Hastings Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility, Hastings Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk. Hastings Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE framework "Delivering good governance in local government" (2012 Edition).
3. A copy of the code is on our website at www.hastings.gov.uk.
4. This statement explains how Hastings Borough Council has complied with the code and also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2011 in relation to the publication of a statement on internal control.

The purpose of the governance framework

5. The governance framework comprises the systems and processes, culture and values for the direction and control of the authority and its activities through which it accounts to, engages and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
6. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks to the achievement of policies, aims and objectives and therefore provides a reasonable rather than an absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Hastings Borough Council policies, aims and objectives, to evaluate the likelihood of those

risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

7. The governance framework has been in place for a number of years at Hastings Borough Council and, in particular, for the year ended 31 March 2015, up to the date of approval of the Statement of Accounts.

The governance framework

8. The key elements of the systems and processes that comprise the authority's governance arrangements include arrangements for the following:
 - Hastings Borough Council continues to have an established Corporate Plan setting out a strategic overview and the priorities that guide our investment and activities. 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 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. 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 protocols for working with External Audit. External Audit also reviews compliance with policies, procedures, laws and regulations within their remit.
 - Hastings Borough Council has continued to enhance and strengthen its internal control environment through the introduction of new policies and procedures.
 - The Council's Risk champion, who chaired the Corporate Risk Management Group that meet regularly and discharge further work, which is acknowledged as necessary, retired on 31 March 2015. This gap is being addressed by the Council through its restructuring exercise.

- 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 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.
- 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.

Changes to the Council's Structure and Governance arrangements

- There have been significant changes at Director level and tier 2 & 3 senior management. The number of directors has reduced from 3 to 2; a Director of Operational Services and a Director of Corporate Services and Governance. Seven Heads of Service have been reduced to four Assistant Director posts. These changes to the Head of Service positions will result in savings of around £100,000 during 2015/2016 and just over £200,000 per annum from 2016/2017 ongoing. The purpose of the new organisational structure is to encourage a greater commitment to one council working, whilst making necessary revenue savings.
- Documentation and systems are currently being aligned to the new organisational structure.
- In accordance with announcement made in the December 2013 Autumn Statement, the Housing Benefit Investigations team and responsibility for investigating housing benefit fraud, transferred to the Department for Work and Pensions Single Fraud Investigation Service. In order to sustain our counter-fraud capability, we applied for and were successful in 3 bids for working collaboratively with other organisations at combating fraud.

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)'

9. 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.

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)'

10. The role of the Chief Auditor at Hastings Borough Council complies with the CIPFA statement. This is fully met except that the Chief Auditor had some responsibility for oversight of Housing Benefit and Council Tax Investigations until its transfer from 1 November 2014 to the Department for Work and Pensions Single Fraud Investigation Service. The independence had been enhanced through the Chief Auditor's job description and also by overview from the Section 151 Officer.

Review of effectiveness

11. 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.
12. 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.
13. 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
14. 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 updated and approved by Cabinet on 6 October 2014.
15. The arrangements for the provision of internal audit are contained within the Council's Financial Rules, which are included within the Constitution.

The Assistant Director – Financial Services and Revenues is responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting and other systems of internal control as required by the Accounts and Audit Regulations 2011. The Internal Audit service is managed, independently, by the Assistant Director and operates in accordance with the Public Sector Internal Audit Standards. The Hastings audit plan is prioritised by a combination of the key internal controls, assessment and review on the basis of risk and the Council's corporate governance arrangements, including risk management. The work is further supplemented by reviews around the main financial systems, scheduled visits to Council establishments and fraud investigations. The resulting work plan is discussed and agreed with the Directors and the Audit Committee and shared with the Council's external auditor. Regular meetings between the internal and external auditor ensure that duplication of effort is avoided. All Hastings Internal Audit reports include an assessment of the adequacy of internal control and prioritised action plans to address any areas needing improvement.

16. The Council's review of the effectiveness of the system of internal control is informed by:

- Directorate assurance based on management and performance information
- Scrutiny reports covering a planned scrutiny review programme but also any item can be subject to a scrutiny review
- Work undertaken by Hastings BC Internal Audit during the year and summarised in the Annual Internal Audit Report
- Work undertaken by the external auditor reported in their Annual Audit Letter and particularly their audit opinion on the Financial Statements and on Value for Money
- Other work undertaken by independent inspection bodies.
- Corporate Management Group and Audit Committee review of the Strategic and Operational Risk Registers

17. From the work undertaken by Hastings Internal Audit in 2014/15 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

18. 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 the 2 risks reported last year.

19. Essential repairs needed to Aquila House which is the Council's main operational building commenced during March 2015. Staff have been set-up with portable personal computers and soft phones to enable homeworking therefore greatly reducing the impact on the risk of disruption that could affect service performance.
20. 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 2015/16 was achieved whilst retaining an appropriate level of reserves but indications are that funding will continue to be under extreme pressure as the Government seeks to reduce public spending into the future.
21. This year has again, been a period of change and development. There have been continuing financial pressures. Despite this challenging environment there have been significant achievements and continuing improvement in the Council's overall governance arrangements. 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 which, in terms of the CIPFA / LASAAC Code of Practice on Local Authority Accounting in United Kingdom (the CODE), is required to present fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2015.

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 91 give a true and fair view of the financial position of the Council as at 31 March 2015 and its income and expenditure for the year ended 31st March 2015.



Signed on behalf of Hastings Borough Council:
P Grace CPFA,
Assistant Director Financial Services and Revenues

Mathew Beaver
Chair of the Audit Committee

Purposefully left Blank for Audit Report

Purposefully left Blank for Audit Report

Purposefully left Blank for Audit Report

MOVEMENT IN RESERVES STATEMENT

2013-14	General Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts reserve £'000	Capital grants unapplied £'000	Total usable reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2013	(500)	(15,821)	0	(349)	(16,671)	(53,892)	(70,563)
<u>Movement in Reserves in 2013-14</u>							
Surplus (deficit) on the provision of services (accounting basis)	(1,292)	0	0	0	(1,292)	0	(1,292)
Other Comprehensive Income and Expenditure	0	0	0	0	0	7,151	7,151
Total Comprehensive Income and Expenditure	(1,292)	0	0	0	(1,292)	7,151	5,859
Adjustments between accounting and funding basis under regulation - note 7	(1,869)	0	0	(643)	(2,512)	2,512	0
Net increase/decrease before transfers to Earmarked reserves	(3,161)	0	0	(643)	(3,804)	9,663	5,859
Transfers to/from Earmarked reserves - note 8	3,161	(3,161)	0	0	0	0	0
(Increase)/Decrease in Year	0	(3,161)	0	(643)	(3,804)	9,663	5,859
Balance at 31 March 2014	(500)	(18,982)	0	(992)	(20,474)	(44,229)	(64,703)

MOVEMENT IN RESERVES STATEMENT

2014-15	General Fund Balance	Earmarked Reserves	Capital Receipts reserve	Capital grants unapplied	Total usable reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2014	(500)	(18,982)	0	(992)	(20,474)	(44,229)	(64,703)
<u>Movement in Reserves in 2014-15</u>							
Surplus (deficit) on the provision of services (accounting basis)	5,955	0	0	0	5,955	0	5,955
Other Comprehensive Income and Expenditure	0	0	0	0	0	(6,776)	(6,776)
Total Comprehensive Income and Expenditure	5,955	0	0	0	5,955	(6,776)	(821)
Adjustments between accounting and funding basis under regulation - note 7	(6,678)	0	(712)	733	(6,657)	6,657	0
Net increase/decrease before transfers to Earmarked reserves	(723)	0	(712)	733	(702)	(119)	(821)
Transfers to/from Earmarked reserves - note 8	723	(723)	0	0	0	0	0
(Increase)/Decrease in Year	0	(723)	(712)	733	(702)	(119)	(821)
Balance at 31 March 2015	(500)	(19,705)	(712)	(259)	(21,176)	(44,348)	(65,524)
<p>Details of Comprehensive Income and Expenditure are given in the Comprehensive Income and Expenditure Statement. A further analysis of adjustments between accounting and funding bases are given in Note 7, and further information on reserves is given in note 8 and unusable reserves is given in note 22.</p>							

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2013-14				2014-15		
GROSS EXPEND. £'000	INCOME £'000	NET EXPEND. £'000	SERVICES	GROSS EXPEND. £'000	INCOME £'000	NET EXPEND. £'000
7,605	(2,123)	5,482	Cultural and Related Services	7,904	(2,089)	5,815
7,501	(2,268)	5,233	Environmental and Regulatory Services	7,803	(2,592)	5,211
4,272	(3,726)	546	Planning Services	7,009	(5,716)	1,293
1,688	(2,024)	(336)	Highways and Transport Services	1,807	(2,182)	(375)
57,016	(54,172)	2,844	Housing Services	59,373	(52,917)	6,456
2,356	(1,254)	1,102	Central Services to the Public	2,275	(797)	1,478
2,064	(90)	1,974	Corporate & Democratic Core Expenses	2,070	(10)	2,060
79	(46)	33	Non Distributed Costs	69	0	69
82,581	(65,703)	16,878	Cost of Services	88,310	(66,303)	22,007
497	0	497	Other Operating Expenditure - Note 9	1,224	(1,546)	(322)
2119	(330)	1,789	Financing and Investment Income and Expenditure - Note 10	2,312	(379)	1,933
5126	(25,582)	(20,456)	Taxation and non-specific grant income and expenditure - Note 11	5,226	(22,889)	(17,663)
90,323	(91,615)	(1,292)	(Surplus) or Deficit on Provision of Services	97,072	(91,117)	5,955
		(1,138)	Surplus on revaluation of non-current assets.			(10,180)
		2	Impairment losses on non-current assets charged to the revaluation reserve			981
		8,287	Remeasurement of the net defined benefit pension liability			2,423
		7,151	Other Comprehensive Income and Expenditure			(6,776)
		5,859	Total Comprehensive Income and Expenditure			(821)

BALANCE SHEET

31 March 2014		31 March 2015
£'000		£'000
85,956	Property, Plant and Equipment - <i>Note 12</i>	93,316
939	Investment Properties - <i>Note 13</i>	956
56	Intangible Assets - <i>Note 14</i>	33
13,248	Heritage Assets - <i>Note 16</i>	13,380
2,067	Long Term Debtors - <i>Note 17</i>	2,076
102,266	LONG TERM ASSETS	109,761
127	Inventories	105
765	Assets Held for Sale - <i>Note 15</i>	55
3,952	Short Term Debtors - <i>Note 17</i>	6,188
10,054	Short Term Investments - <i>Note 32</i>	15,077
9,274	Cash and Cash Equivalents - <i>Note 18</i>	7,621
24,172	CURRENT ASSETS	29,046
(5,915)	Short Term Creditors - <i>Note 19</i>	(7,445)
(65)	Short Term Borrowing- <i>Note 20</i>	(3,074)
(893)	Provisions - <i>Note 21</i>	(1,228)
(6,873)	CURRENT LIABILITIES	(11,747)
(11,500)	Long Term Borrowing - <i>Note 32</i>	(14,197)
(1,235)	Long Term Creditors - <i>Note 19</i>	(1,190)
(42,127)	Other Long Term Liabilities - <i>Note 28</i>	(46,149)
(54,862)	LONG TERM LIABILITIES	(61,536)
64,703	NET ASSETS	65,524
64,703		65,524

BALANCE SHEET (Cont.)

31 March 2014 £'000		31 March 2015 £'000
(500)	General Fund Balance	(500)
0	Usable Capital Receipts Reserve-(<i>movement in reserves</i>)	(712)
(992)	Capital Grants Unapplied -(<i>movement in reserves</i>)	(259)
(18,982)	Earmarked Reserves - <i>Note 8</i>	(19,705)
(20,474)	Usable reserves	(21,176)
(37,216)	Revaluation Reserve - <i>Note 22</i>	(45,772)
(9)	Deferred Capital Receipts Reserve - <i>Note 22</i>	(5)
(49,382)	Capital Adjustment Account - <i>Note 22</i>	(45,394)
(172)	Financial Instruments Adjustment Account - <i>Note 22</i>	(121)
237	Collection Fund Adjustment Account Balance - <i>Note 22</i>	610
186	Accumulated Absences Account - <i>Note 22</i>	185
42,127	Pensions Reserve - <i>Note 22</i>	46,149
(44,229)	Unusable Reserves	(44,348)
(64,703)	Total Reserves	(65,524)

CASH FLOW STATEMENT

2013-14 £'000		2014-15 £'000
(14,111)	Taxation	(13,178)
(64,343)	Grants and Contributions	(63,784)
(11,486)	Sales of goods and rendering of services	(12,014)
(213)	Interest received	(265)
(374)	other receipts from operating activities	(150)
<u>(90,527)</u>	Cash inflows generated from operating activities	<u>(89,391)</u>
10,076	Cash paid to and on behalf of employees	10,570
52,806	Housing benefit payments	52,002
5,016	NNDR Tariff payments	5,226
15,778	Cash paid to suppliers of goods and services	21,639
418	Interest paid	473
3,003	Other operating cash payments	3,156
<u>87,097</u>	Cash outflows generated from operating activities	<u>93,066</u>
<u>(3,430)</u>	Net cashflows from operating activities - Note 36	<u>3,675</u>
(653)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,546)
2,459	Purchase of property, plant and equipment, investment property and intangible assets	790
5,000	Purchase of short-term and long-term investments	15,000
0	Other payments for investing activities	11
(5,000)	Proceeds from the sale of short-term and long-term investments	(10,000)
(1,217)	Other receipts from investing activities	(312)
<u>589</u>	Net cashflows from investing activities	<u>3,943</u>
(17,600)	Cash receipts from short term and long term borrowing.	(34,297)
19,600	Repayments of short term and long term borrowing	28,600
(386)	Changes in National Non-Domestic Rates balances held for Central Government	344
(403)	Changes in Council tax balances held for preceptors	(612)
<u>1,211</u>	Net cashflows from financing activities	<u>(5,965)</u>
(1,630)	Net (Increase) / decrease in cash and cash equivalents	1,653

CASH FLOW STATEMENT (Cont.)

Details of the cash balances are shown below:

	1st April 2014 £'000	2014-15 £'000	31st March 2015 £'000
Cash and bank balances	59	628	687
Money held in interest-bearing call accounts	9,215	(2,281)	6,934
Total Cash and Cash Equivalents	<u>9,274</u>	<u>(1,653)</u>	<u>7,621</u>

1 CHANGES TO ACCOUNTING POLICIES AND TO PREVIOUS YEARS FIGURES

Changes to 2014/15 Code of Practice

Although the 2014/15 Code incorporates a number of changes to accounting standards, none of them have required any changes to the accounting policies set out in Note 2, or any restatements of the balance sheet as at 31 March 2015 or of the prior year comparative figures.

2 ACCOUNTING POLICIES

2.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2014-15 financial year and its position at the end of 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, 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 2014-15, and the Service Reporting Code of Practice 2014-15, 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 stocks 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 overpayment 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 would be split between Short Term and Long Term Debtors.

2.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

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

The Surplus or Deficit on the Provision of Services is debited or credited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by the service, where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- Any subsequent reversal of such losses;
- The annual amortisation of intangible fixed assets attributable to the service.
- Any revenue costs which are met from capital resources as Revenue Expenditure Financed from Capital under Statute (REFCUS – see 2.24 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 Exceptional Items

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

2.6 Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed, either wholly or partially, and credited back to the relevant services.

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

Apart from this particular case, where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

2.7 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.

2.8 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.

2.9 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 absence occurs.

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 3.1% (based on the indicative rate of return on the iBoxx Sterling Corporate Index, AA over 20 years).
- The assets of the East Sussex County Council Pension Fund attributable to this Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.
- The change in the net pensions 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 reduce 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.s
 - experience adjustments (the differences between the previous actuarial assumptions and what has actually occurred).
 - the effects of changes in actuarial assumptions
 - benefits paid, which reduce plan assets, but correspondingly reduce its liabilities, and are therefore not reflected in the Comprehensive Income and Expenditure Statement
 - contributions paid to the East Sussex County Council Pension Fund – the employer’s contributions to the pension fund for the financial year, chargeable to the General Fund, but not accounted for as an expense.

Statutory provisions require the Council to charge the General Fund balance with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. This means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement

benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of contributions paid rather than as benefits are earned by the employee.

Discretionary Benefits

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

2.10 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.

2.11 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.

2.12 Changes in accounting estimates

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.

2.13 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.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. Gains or losses are spread over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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. As at 31 March 2015 the Council also had a single deposit for £5m, which could be traded before its due date and therefore came within the category of “financial assets available for sale”. The accounting Code determines that such assets are carried at fair value (their market value) on the balance sheet, with the gain or loss to date being shown in a corresponding unusable reserve. As this deposit is due to be held only until April 2015, with no intention of disposing of it before then, and as the impact on the balance sheet is immaterial, this asset has been accounted for as if it was a loan or receivable financial asset.

The Council’s balance sheet includes four 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 Long Term debtor for the bank deposit for the LAMS scheme.

- 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 are none in 2014/15.

Loans and Receivables

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

2.14 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.

2.15 Government Grants and Other Contributions

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as receipts received in advance (either current or long-

term). When conditions are satisfied the grant or contribution is credited to the Comprehensive Income and Expenditure Statement.

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

2.16 Heritage Assets

The Council's Heritage Assets are as follows:

- A collection of heritage assets at its museums
- The mayor's Civic Regalia held at the Town Hall
- 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.

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 2.21.

Acquisition Policy

Acquisitions are made by purchase or donation. Purchases are made when an item is deemed to have local significance and are at reasonable cost, these acquisitions are normally made in conjunction with a grant or the proceeds of a bequest.

Acquisitions are initially at cost and donations are recognised at valuation with valuations provided by an external valuer with reference when appropriate to commercial markets for the paintings using the most relevant and recent information from sales at auctions.

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 2.21.

Disposals

The Council will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts, see note 2.21.

2.17 Intangible Assets

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

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

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

2.18 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. 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.

2.19 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 owned by others).

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 2.22 below. 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 2.22.

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

Operating Leases

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

(b) The Council as Lessor

Operating Leases

Income from operating leases is recognised on a straight-line basis over the lease term, unless they can be otherwise apportioned in line with the benefits provided

2.20 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 2014-15 (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.

2.21 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 (2.17 above). Property, plant and equipment consists 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 – fair value, usually based on the market value for the existing use (EUV). Some specialised properties, where the valuer cannot identify a market for the asset, are instead valued on the basis of depreciated replacement cost (DRC).
- Vehicles, plant and equipment – fair 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 the market value for the existing use (EUV).
- 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. Prior to 2014-15 these revaluations took place at 1 April, but they are now recorded as at 31 March, meaning that the 2014/15 accounts record revaluations at both 1 April and 31 March. 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.

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 an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account. Where impairment is subsequently reversed, the reversal is credited to the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for the depreciation that would have been charged if the loss had not been recognised.

Disposals

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. An equivalent transfer is made to the General Fund to the Capital Adjustment Account to eliminate the impact on the General Fund, and any revaluation gains accumulated for the asset in the Revaluation Reserve are also transferred to the Capital Adjustment Account.

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

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

Depreciation

Depreciation is provided for on all assets with a determinable finite life by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use. Depreciation is based on the opening net book value and the remaining expected life. 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. Where assets are revalued at the start of the year, depreciation is not charged on the amount by which the value has been changed.

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.

Changes in accounting estimates

Each year a number of fixed assets are revalued as part of the Council's rolling programme of revaluation by the Chartered Surveyors Wilks Head and Eve (WH&E). These revaluations may result in a number of changes in the useful lives of the assets, the value of the assets and the values of the components of the asset. The valuation by WH&E provides weighted average remaining useful lives for the assets. The value and remaining useful lives of the components are also provided by WH&E.

2.22 Reserves

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

Usable reserves comprise the following:

- Capital Receipts Reserve: proceeds from the sales of non-current assets are initially credited to the Income and Expenditure Account, but legally can only be used to finance capital expenditure, and so are transferred to the Capital Receipts Reserve and afterwards used for this specific purpose.
- Capital Grants Unapplied: the Council receives grants and contributions towards capital expenditure, and, where repayment conditions are not present or no longer

apply, they are credited to the Income and Expenditure Account and immediately transferred into the Capital Grants Unapplied Reserve until required to finance capital investment.

- Earmarked Reserves: the Council may set aside earmarked reserves to cover specific projects or contingencies. These are transferred from the General Fund, and amounts are withdrawn as required to finance such expenditure. The expenditure itself is charged to the appropriate line in the Comprehensive Income and Expenditure Statement. There are no legal restrictions on the use of earmarked reserves, and unspent balances can be taken back to the General Fund in the same way.
- General Fund: this represents all other usable reserves, without legal restrictions on spending, which arise from annual surpluses or deficits.

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

- Deferred Capital Receipts: in some cases (particularly former housing stock disposed of, where the purchaser financed the transaction through a mortgage from the Council) an asset is disposed of, but the income cannot be collected immediately. The Council maintains records for a long term debtor, 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: 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 employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The

statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

- **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.

2.23 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.

2.24 Inventories

Where the values are significant to an operation, inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula.

2.25 Value Added Tax (VAT)

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

NOTE 3. CRITICAL JUDGEMENTS

As outlined in Note 34, 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. For this reason the Trust is not considered to be a subsidiary organisation to or an associate of the Council, and group accounts are not, therefore, appropriate or required.

Further details of the Foreshore Trust are given in Note 34 (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

For this Council the only balance with a degree of material uncertainty is the liability for future pension costs, which stood at about £46m at 31 March 2015. The estimate of this 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. For example:

- a 0.5% decrease in the discount rate would result in an increase in the pension liability of £13,940,000
- an increase of 1 year in life expectancies for pensioners would increase the liability by £4,436,000
- A 0.5% increase in the salary rate would increase the liability by £3,229,000
- A 0.5% increase in pensions would increase the liability by £10,506,000

All these assumptions are listed in Note 28, 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 and for the impact of rating appeals

The policies for assessing allowances for impairment of debt are outlined in Note 2.2 above. All of these allowances are based on judgements 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.

Similarly the Council maintains a provision for the impact of outstanding rating appeals (Note 2.6), which is calculated on the basis of the success rate of appeals already settled.

Valuations of Property

Valuations of property depend on various assumptions, as set out in detail in Note 2.21 above. In particular, valuers have to determine:

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

NOTE 5. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was approved by the Head of Finance on 30th June 2015 and will be considered for approval by the Audit Committee on 17th September 2015. 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 2015, 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 7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

2013-14	General Fund Balance £'000	Capital Receipts reserve £'000	Capital grants unapplied £'000	Movement in unusable reserves £'000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Amortisation of Intangible Assets	(23)			23
Depreciation and impairment of non-current assets	(1,836)			1,836
Movements in value of Investment Properties	(206)			206
Amount of non-current assets written off on disposal	(1,150)			1,150
Capital receipts to Usable Capital Receipts Reserve	653	(657)		4
Capital grants and contributions to Capital Grants and Contributions Reserve	2,151		(2,151)	
Difference between accounting and statutory finance costs	(51)			51
Difference between accounting and statutory employment benefit	30			(30)
Difference between accounting and statutory credit for Council Tax	3			(3)
Difference between accounting and statutory credit for Non-Domestic Rates	(488)			488
Revenue Expenditure Financed from Capital under Statute	(894)			894
Difference between accounting and statutory credit for pension costs	(1,447)			1,447
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment	580			(580)
Capital expenditure financed from revenue	809			(809)
Other adjustments				
Capital expenditure financed from Capital Receipts		657		(657)
Capital expenditure financed from Capital grants and contributions			1,508	(1,508)
	(1,869)	0	(643)	2,512

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

2014-15	General Fund Balance £'000	Capital Receipts reserve £'000	Capital grants unapplied £'000	Movement in unusable reserves £'000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Amortisation of Intangible Assets	(23)	0	0	23
Depreciation and impairment of non-current assets	(2,005)	0	0	2,005
Movements in value of Investment Properties	17	0	0	(17)
Amount of non-current assets written off on disposal	(1,223)	0	0	1,223
Capital receipts to Usable Capital Receipts Reserve	1,545	(1,549)	0	4
Capital grants and contributions to Capital Grants and Contributions Reserve	312	0	(312)	0
Difference between accounting and statutory finance costs	(51)	0	0	51
Difference between accounting and statutory employment benefit	1	0	0	(1)
Difference between accounting and statutory credit for Council Tax	165	0	0	(165)
Difference between accounting and statutory credit for Non-Domestic Rates	(538)	0	0	538
Revenue Expenditure Financed from Capital under Statute	(4,907)	0	0	4,907
Difference between accounting and statutory credit for pension costs	(1,599)	0	0	1,599
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)
Capital expenditure financed from revenue	1,140	0	0	(1,140)
Other adjustments				
Capital expenditure financed from Capital Receipts	0	837	0	(837)
Capital expenditure financed from Capital grants and contributions	0	0	1,045	(1,045)
	<u>(6,678)</u>	<u>(712)</u>	<u>733</u>	<u>6,657</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 8. EARMARKED RESERVES

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

	Balance at 31 March 2013 £'000	Movement £'000	Balance at 31 March 2014 £'000	Movement £'000	Balance at 31 March 2015 £'000
(i) Capital Reserve	(2,904)	1,276	(1,628)	161	(1,467)
(ii) General Reserve	(4,775)	(2,330)	(7,105)	(54)	(7,159)
(iii) Renewal and Repairs Reserve	(1,701)	(152)	(1,853)	96	(1,757)
(iv) Risk Management Reserve	(373)	(1)	(374)	14	(360)
(v) Information Technology Reserve	(138)	(93)	(231)	(50)	(281)
(vi) On-Street Car Parking Surplus Reserve	(288)	99	(189)	106	(83)
(vii) Section 106 Reserve	(475)	14	(461)	(161)	(622)
(viii) VAT reserve	(615)	91	(524)	255	(269)
(ix) Government Grants Reserve	(769)	117	(652)	(102)	(754)
(x) Area Based Grant Unapplied Reserve	(873)	851	(22)	21	(1)
(xi) Monuments in perpetuity	(52)	1	(51)	0	(51)
(xii) Ore Valley Reserve	(305)	3	(302)	0	(302)
(xiii) Mortgage Reserve	(28)	(32)	(60)	(32)	(92)
(xiv) Resilience and Stability Reserve	0	(600)	(600)	0	(600)
(xv) Transition Reserve	(722)	(1,500)	(2,222)	0	(2,222)
(xvi) Redundancy Reserve	(769)	0	(769)	121	(648)
(xvii) Community Safety Reserve	(350)	0	(350)	0	(350)
(xviii) Economic Development Reserve	(545)	18	(527)	23	(504)
(xix) Land Charges Claim	(140)	0	(140)	0	(140)
(xx) Safer Hastings Partnership Reserve	0	(66)	(66)	18	(48)
(xxi) Parks and Gardens Reserve	0	(10)	(10)	0	(10)
(xxii) Bathing Water Reserve	0	(63)	(63)	3	(60)
(xxiii) First World War Reserve	0	(17)	(17)	7	(10)
(xxiv) Coastal Communities Reserve	0	(340)	(340)	330	(10)
(xxv) Invest to save and efficiency Reserve	0	(426)	(426)	(322)	(748)
(xxvi) Clinical Commissioning Group	0	0	0	(602)	(602)
(xxvii) Young Peoples Council	0	0	0	(20)	(20)
(xxviii) Carry-forwards	0	0	0	(535)	(535)
Total	(15,822)	(3,160)	(18,982)	(723)	(19,705)

The reasons for maintaining these earmarked reserves are shown below:

- (i) The Capital Reserve is earmarked to support capital spending.
- (ii) The General Reserve is used to support revenue spending.
- (iii) The Renewal and Repairs Reserve is maintained for the purchase of vehicles, plant, equipment and the repair and redecoration of property
- (iv) 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.
- (v) The Information Technology Reserve is for the purpose of financing the purchase of computing equipment and computer systems required by the Council.
Surpluses from on-street car parking are shared with East Sussex County Council. Shares will be spent on traffic management and
- (vi) transportation issues within the borough.
- (vii) Section 106 Reserve – these are the developers contributions to be used to finance various projects: normally they would have to be repaid if they cannot be used for the specified purpose.
- (viii) VAT reserve holds receipts of windfall VAT reclaim and the monies have been earmarked for use in various revenue and capital schemes
- (ix) Government Grants and Contribution Reserve contains the equivalent amount of grants provided by the Government or contributions from other bodies during the financial year that cannot be spent until after 31 March.
- (x) The Area Based Grant reserve is that proportion of the grant received but not applied during the year of receipt.
- (xi) The Monuments in Perpetuity reserve has been set up to maintain burial plots at the Cemetery.
- (xii) Ore Valley reserve has been set up to fund activity in the area.
- (xiii) Mortgage Reserve - interest earned on the deposit of the money invested in the Local Authority Mortgage Scheme is set aside in a ring fenced reserve to be used to fund potential liabilities in the event of any default and the guarantee being called upon.
- (xiv) Resilience and Stability Reserve- To cushion the impact of fluctuations in business rates income and costs of Council tax reduction scheme
- (xv) Transition Reserve - sum put aside to cushion the impact of significant grant reduction in future years.
- (xvi) Redundancy Reserve - sum put aside to help meet expected redundancy costs arising in future years.
- (xvii) Community Safety Reserve - is specifically earmarked over the medium term to maintain Community Safety activities as further central
- (xviii) Economic Development Reserve - is specifically earmarked for significant job creation activity over the medium term.
- (xix) Land Charges Claims - sums put aside for potential claims from individuals and property search companies.
- (xx) Safer Hastings Partnership - is specifically earmarked to reduce crime, disorder and anti-social behaviour in neighbourhoods and on the streets.
Parks and Gardens Special Maint Project - is for specific Grounds Maintenance Improvement Projects and developing landscape
- (xxi) improvements.
- (xxii) Bathing Water Project was funded by the Environment Agency to improve the quality of the bathing water in the local area.
- (xxiii) First World War Project - A five year project to research locally and commemorate the first world war through outreach to the community and exhibitions.
Coastal Communities Reserve - The Coastal Communities Fund (CCF) aims to encourage the economic development of UK coastal
- (xxiv) communities by awarding funding to create sustainable economic growth and jobs.
- (xxv) Invest to save Reserve - To provide future funding for projects which will delivery savings but require upfront funding
- (xxvi) Clinical Commissioning Group - To fund Health projects aimed at enabling Lifestyle and behavioural change in Hastings
- (xxvii) Young Peoples Council - To fund Young Peoples Council activities
- (xxviii) Carry-forwards - To fund specific Revenue expenditure originally budgeted for in the current year

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 9. OTHER OPERATING EXPENDITURE

2013-14 £'000	2014-15 £'000
Amounts of non-current assets written off on assets held 1,150 for sale	1,224
(653) Proceeds from sale of non-current assets	(1,546)
<u>497</u> (Gains) & Losses on Disposal of non-current assets	<u>(322)</u>

During the year a number of assets were sold/disposed of, amongst these were:-

- Land at Redgeland Rise
- Little Warren Cottage
- Old toilet block at Rock-a-Nore
- Bridge Café

NOTE 10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2013-14			2014-15		
EXPEND £'000	INCOME £'000	NET £'000	EXPEND £'000	INCOME £'000	NET £'000
		Expenditure:			
428	0	428	494	0	494
1,456	0	1,456	1,723	0	1,723
	(268)	(268)		(287)	(287)
		Income and expenditure in relation to investment properties and changes in their fair value			
235	(62)	173	95	(92)	3
<u>2,119</u>	<u>(330)</u>	<u>1,789</u>	<u>2,312</u>	<u>(379)</u>	<u>1,933</u>

NOTE 11. TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

2013-14			2014-15		
EXPEND. £'000	INCOME £'000	NET	EXPEND. £'000	INCOME £'000	NET
		Income			
0	(5,650)	(5,650)	0	(5,862)	(5,862)
5,126	(8,031)	(2,905)	5,226	(7,776)	(2,550)
0	(5,044)	(5,044)	0	(3,886)	(3,886)
0	(4,706)	(4,706)	0	(5,053)	(5,053)
0	(2,151)	(2,151)	0	(312)	(312)
<u>5,126</u>	<u>(25,582)</u>	<u>(20,456)</u>	<u>5,226</u>	<u>(22,889)</u>	<u>(17,663)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 12 PROPERTY, PLANT AND EQUIPMENT

Assets are revalued on a rolling programme basis, service by service. On this basis all major assets are revalued within a five year period.

Valuations have been carried out by the Wilks Head and Eve Chartered Surveyors of Newlands House, 40 Berners, Street London, W1T 3NA. The valuations were carried out as at 31 March 2015. An impairment review was carried out to review any impairments to the 31st March 2015.

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 12. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Depreciation

Depreciation on all tangible assets is calculated on a straight-line basis over the expected remaining life of those assets. It is assessed on the difference between the book value and any estimated residual value.

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

-Land and Buildings	Up to 60 years
- Vehicles plant and equipment	Up to 20 years
- Infrastructure	Up to 40 years

For assets acquired and valued after the 1st of April 2010, significant components have been identified and where these components are material and have lives significantly different from the life of the main asset, these components will be depreciated over the useful life of the component.

Capital Commitments

At 31 March 2015 the Council was contractually committed to the payment of £137,000 under its capital programme, compared to £84k at 31 March 2014.

	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure £'000	Community £'000	Surplus £'000	Assets Under Construction £'000	Total £'000
Balance at 1 April 2013:							
Gross carrying amount	66,014	4,658	13,822	12,700	547	0	97,741
Cumulative depreciation & impairment	(2,103)	(2,928)	(6,231)	(288)	(13)	0	(11,563)
Total	63,911	1,730	7,591	12,412	534	0	86,178
Balance at 1 April 2014:							
Gross carrying amount	66,560	4,876	13,910	12,862	949	0	99,157
Cumulative depreciation & impairment	(2,960)	(3,219)	(6,714)	(289)	(19)	0	(13,201)
Total	63,600	1,657	7,196	12,573	930	0	85,956
Balance at 31 March 2015:							
Gross carrying amount	72,499	3,505	14,068	12,867	459	85	103,483
Cumulative depreciation & impairment	(542)	(2,136)	(7,193)	(289)	(7)	0	(10,167)
Total	71,957	1,369	6,875	12,578	452	85	93,316

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 12. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Movements in operational assets during the years 2013-14 and 2014-15 :-

	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure £'000	Community £'000	Surplus Assets £'000	Under Construction £'000	Total £'000
Balance at 1 April 2013	63,911	1,730	7,591	12,412	534	0	86,178
Additions	694	235	88	162	0	0	1,179
Revaluations							
- taken revaluation reserve	450	0	0	0	0	0	450
- taken to CI&E	(107)	(17)	0	0	0	0	(124)
Depreciation	(936)	(291)	(483)	0	(1)	0	(1,711)
Disposals	(32)	0	0	0	0	0	(32)
Reclassifications	(380)	0	0	0	396	0	16
Balance at 31 March 2014	63,600	1,657	7,196	12,574	929	0	85,956
Balance at 1 April 2014	63,600	1,657	7,196	12,574	929	0	85,956
Additions	162	0	158	4	0	85	409
Revaluations							
- taken revaluation reserve	9,528	0	0	0	(461)	0	9,067
- taken to CI&E	(291)	0	0	0	0	0	(291)
Depreciation	(940)	(288)	(479)	0	(7)	0	(1,714)
Disposals	(102)	0	0	0	(9)	0	(111)
Balance at 31 March 2015	71,957	1,369	6,875	12,578	452	85	93,316
Carried at historical cost	794	916	6,875	12,578	120	85	21,368
valued at fair value as at:							
31 March 2015	55,514	0	0	0	72	0	55,586
31 March 2014	3,485	391	0	0	259	0	4,135
31 March 2013	5,398	0	0	0	0	0	5,398
31 March 2012	6,673	62	0	0	0	0	6,735
31 March 2011	93	0	0	0	1	0	94
Total Cost or Valuation	71,957	1,369	6,875	12,578	452	85	93,316

NOTE 13. INVESTMENT PROPERTIES

2013-14	2014-15
£'000	£'000
62 Rental income from investment property	75
(29) Direct operating expenses arising from investment property	(95)
(206) Net gains/(losses) from fair value adjustments	17
<u>(173) Total</u>	<u>(3)</u>
2013-14	2014-15
£'000	£'000
1,145 Balance at start of the year	939
(206) Net gains/ (losses) from fair value adjustments	17
<u>939 Balance at end of the year</u>	<u>956</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 14. INTANGIBLE ASSETS

As set out in the accounting policies (Note 2), the Council accounts for its software as intangible assets. The annual movements in the balance sheet figures for intangible assets are shown below:

Amortisation of intangible assets is generally calculated over a five year life. Software costs, of certain legacy systems have been fully amortised but are still in use, with the current software licenses being below capitalisation limits.

2013-14				2014-15			
Gross £'000	Amortised £'000	Impaired £'000	Net Total £'000	Gross £'000	Amortised £'000	Impaired £'000	Net Total £'000
				Balance			
112	(33)	0	79	112	(56)	0	56
				Amortised for the year:			
0	(23)	0	(23)	0	(23)	0	(23)
0	(23)	0	(23)	0	(23)	0	(23)
				Balance at 31 March			
112	(56)	0	56	112	(79)	0	33

The intangible assets above are not internally generated

The amortisation was reported in the following service lines 2014/15 Central Service £23,000 (2013/14 Central Services £23,000)

NOTE 15. ASSETS HELD FOR SALE

2013-14 £'000		2014-15 £'000
943	Balance outstanding at start of year	765
900	Additions	403
<i>Transfers from other non-current assets:</i>		
380	Property, Plant and Equipment	0
55	Heritage Intangible Assets	0
<i>Assets declassified as held for sale:</i>		
(396)	Property, Plant and Equipment	0
(1,117)	Heritage Intangible Assets sold	(1,113)
<u>765</u>	Balance at end of the year	<u>55</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 16. 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.

2010-11	2011-12	2012-13	2013-14	2014-15
£'000	£'000	£'000	£'000	£'000
0	5,818	5,400	12,617	Previously disclosed 13,248
5,827	0	0	(55)	Reclassifications 0
(9)	0	0	0	Accumulated depreciation 0
0	0	7,217	686	Revaluations 132
0	(418)	0	0	Impairment losses 0
5,818	5,400	12,617	13,248	Balance at end of the year 13,380

For periods earlier than detailed above information is not available.

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

31 March 2014		31 March 2015
£000's		£000's
315	<i>Museum and Art Collection</i>	318
1,650	Turner Painting of Old Town	1,667
6,613	Art Collection - General	6,679
	Art Collection - other	
809	<i>Ceramics and Glass, Porcelain Work and Figurines</i>	817
	Ceramics Glass & Porcelain	
3,523	<i>Miscellaneous including Silver, Pewter, Books and manuscripts</i>	3,558
	Misc. - Silver, books, manuscripts etc.	
146	<i>Machinery, Equipment and other Artefacts</i>	147
	Machinery, Equipment & other	
192	<i>Civic Regalia - Includes the Mayoral chains and other regalia of office</i>	194
13,248	Civic Regalia	13,380

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 17. DEBTORS

The table below analyses the balance sheet figures between different types of debt.

The Council has made a provision for impairment of £137,000, for doubtful debts for trade accounts receivable, compared to £244,000 as at 31st March 2014

31 March 2014 £'000		31 March 2015 £'000
	AMOUNTS FALLING DUE WITHIN ONE YEAR:	
287	Central government bodies	473
5	Other Local Authorities & Public Bodies	57
0	Public corporations	0
3,660	All other bodies	5,658
0	NHS	0
<u>3,952</u>	TOTAL	<u>6,188</u>
	AMOUNTS FALLING DUE GREATER THAN ONE YEAR:	
<u>2,067</u>	All other bodies	<u>2,076</u>

NOTE 18. CASH AND CASH EQUIVALENTS

31 March 2014 £'000		31 March 2015 £'000
4	Cash held by the Council	5
97	Bank current accounts	682
9,173	Short term deposits with building societies/banks	6,934
<u>9,274</u>		<u>7,621</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 19. CREDITORS

31 March 2014 £'000		31 March 2015 £'000
	AMOUNTS FALLING DUE WITHIN ONE YEAR:	
715	Central government bodies	1,349
276	Other Local Authorities	695
4,924	All other bodies	5,401
<u>5,915</u>	Total	<u>7,445</u>
	LONG TERM CREDITORS:	
293	Other entities and individuals	294
942	Other Local Authorities	896
<u>1,235</u>	Total	<u>1,190</u>

NOTE 20. SHORT TERM BORROWING

31 March 2014 £'000		31 March 2015 £'000
	AMOUNTS FALLING DUE WITHIN ONE YEAR:	
0	Short term loans	3,148
65	Interest payable within 1 year	74
<u>65</u>	Total	<u>3,222</u>

NOTE 21. PROVISIONS

The Council made further provisions in 2014-15 for the legal fees relating to the Compulsory purchased property claims and appeals relating to non domestic rates.

	Balance at 1 April 2014 £'000	Additional Provisions made Year £'000	Amounts used in Year £'000	Balance at 31 March 2015 £'000
Pier Closure Legal Costs Provision	50	0	(16)	34
Compulsory purchase order provision	0	269	0	269
Land Charges APPS Claim Provision	110	0	(42)	68
MMI provision	2	0	0	2
Support for William Parker athletics track repair & refurbishment	12	0	0	12
NNDR provision for appeals - HBC element	719	844	(720)	843
	<u>893</u>	<u>1,113</u>	<u>(778)</u>	<u>1,228</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 22 UNUSABLE RESERVES

	Deferred Capital Receipts £'000	Revaluation Reserve £'000	Pension Reserve £'000	Capital Adjustment Account £'000	Financial Instruments Adjustment £'000	Accumulated Absences Account £'000	Collection Fund Adjustment £'000	Total Unusable Reserves £'000
Balance at 31 March 2013	(13)	(36,502)	32,393	(49,513)	(223)	216	(248)	(53,890)
(Gain) or Loss on revaluation of assets		(1,138)						(1,138)
Remeasurement of the net defined benefit pension liability			8,287					8,287
Total Other Comprehensive	0	(1,138)	8,287	0	0	0	0	7,149
Reversal of items debited or credited to Comprehensive Income and Expenditure Statement								
Amortisation Intangible Assets				23				23
Depreciation and impairment of non-current assets				1,836				1,836
Movements in the market value of Investment Properties				206				206
Capital receipts to usable capital receipts reserve	4							4
Amount of non-current assets written off on disposal and accumulated depreciation		81		1,069				1,150
Difference between accounting and statutory finance costs					51			51
Difference between accounting and statutory employee benefit						(30)		(30)
Difference between accounting and statutory credit for Council Tax							(3)	(3)
Difference between accounting and statutory credit for Non-Domestic Rates							488	488
Revenue Expenditure financed from Capital under Statute				894				894
Difference between accounting and statutory pension costs			1,447					1,447
Insertion of items not debited or credited to Comprehensive Income and Expenditure Statement:								
Statutory provision for the financing of capital investment				(580)				(580)
Capital expenditure financed from revenue				(809)				(809)
Capital expenditure financed from grants and contributions				(1,508)				(1,508)
Capital expenditure financed from capital receipts				(657)				(657)
Other adjustments								
Depreciation charged to Revaluation		343		(343)				0
Adjustments between accounting and funding basis under regulation	4	424	1,447	131	51	(30)	485	2,512
Increase / Decrease in Year	4	(714)	9,734	131	51	(30)	485	9,661
Balance at 31 March 2014	(9)	(37,216)	42,127	(49,382)	(172)	186	237	(44,229)

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 22 UNUSABLE RESERVES (Cont.)

	Deferred Capital Receipts £'000	Revaluation Reserve £'000	Pension Reserve £'000	Capital Adjustment Account £'000	Financial Instruments Adjustment £'000	Accumulated Absences Account £'000	Collection Fund Adjustment £'000	Total Unusable Reserves £'000
Balance at 31 March 2014	(9)	(37,216)	42,127	(49,382)	(172)	186	237	(44,229)
(Gain) or Loss on revaluation of assets	0	(9,199)	0	0	0	0	0	(9,199)
Remeasurement of the net defined benefit liability	0	0	2,423	0	0	0	0	2,423
Total Other Comprehensive Expenditure and Income	0	(9,199)	2,423	0	0	0	0	(6,776)
Reversal of items debited or credited to Comprehensive Income and Expenditure Statement								
Amortisation Intangible Assets				23				23
Depreciation and impairment of non-current assets								
Movements in the market value of Investment Properties				2,005				2,005
Capital receipts to usable capital receipts reserve				(17)				(17)
Amount of non-current assets written off on disposal and accumulated depreciation	4							4
		277		946				1,223
Difference between accounting and statutory finance costs					51			51
Difference between accounting and statutory employee benefit						(1)		(1)
Difference between accounting and statutory credit for Council Tax							(165)	(165)
Difference between accounting and statutory credit for Non-Domestic Rates							538	538
Revenue Expenditure financed from Capital under Statute				4,907				4,907
Difference between accounting and statutory pension costs			1,599					1,599
Insertion of items not debited or credited to Comprehensive Income and Expenditure Statement:								
Statutory provision for the financing of capital investment				(488)				(488)
Capital expenditure financed from revenue				(1,140)				(1,140)
Capital expenditure financed from capital receipts				(1,045)				(1,045)
				(837)				(837)
Other adjustments								0
Depreciation charged to Revaluation Reserve *		366		(366)				0
Adjustments between accounting and funding basis under regulation	4	643	1,599	3,988	51	(1)	373	6,657
Increase / Decrease in Year	4	(8,556)	4,022	3,988	51	(1)	373	(119)
Balance at 31 March 2015	(5)	(45,772)	46,149	(45,394)	(121)	185	610	(44,348)

* The additional depreciation £366,000 (2014-15) and £343,000 (2013-14) which is transferred from the Revaluation Reserve to the Capital Adjustment Account represents the depreciation of the revaluation gain on assets to reduce the gain over the remaining useful life of the asset.

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 23. AGENCY SERVICES

The Council is responsible for the collection of National Non Domestic Rates, which it collects and distributes as appropriate. It also collects Council Tax on behalf of East Sussex County Council, East Sussex Fire Authority and East Sussex Police and Crime Commissioner, as well as itself. While the element of Council Tax collected for this Council is accounted for in the Income and Expenditure Account, the remainder of the tax collection activity is excluded from this account and is accounted for as an agency service.

All amounts collected and paid over under these agency activities are excluded from the main accounting statements and the notes, other than the Cash Flow Statement, where the changes during the year are included in the "financing activities" heading.

The totals collected on this basis are shown below:

2013-14 £'000	2013-14 £'000		2014-15 £'000	2014-15 £'000
		Council Tax collection		
27,760		East Sussex County Council	30,057	
3,316		East Sussex Fire Authority	3,592	
1,962		East Sussex Police and Crime Commissioner	2,124	
	33,038	Total agency Council Tax collection		35,773
		Non-Domestic Rates collection		
1,786	-	East Sussex County Council	1,750	
207		East Sussex Fire Authority	194	
10,138	12,131	Government	9,721	11,665
	45,169	Total Agency Income		47,438

NOTE 24. 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 statutory inspections and to non-audit services provided by the Council's external auditors BDO.

2013-14 £'000		2014-15 £'000
64	Fees payable to BDO LLP with regard to external audit services carried out	62
22	Fees payable to BDO LLP for the certification of grant claims and returns	12
7	Fees payable in respect of other services provided	0
93		74

NOTE 25. CONTINGENT LIABILITIES

The Council participates in the Local Authority Mortgage Scheme (LAMS). The mortgage lenders require a 5 year deposit from the Council to match the 5 year life of the indemnity. The Council is putting aside a sum each year into a mortgage reserve to cover the costs of any mortgage defaults.

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, the remaining potential liability has been estimated at £374,000.

NOTE 26. CONTINGENT ASSET

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, cultural and trade waste claims. A claim for compound interest has been made relating to these claims and is dependent on success in the High Courts.

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 27 GRANTS AND CONTRIBUTIONS

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

2013-14				2014-15		
Grants £'000	Contribs. £'000	Total £'000		Grants £'000	Contribs. £'000	Total £'000
(53,059)	0	(53,059)	DWP benefits grants	(51,410)	0	(51,410)
			DCLG Regional Growth Fund	(1,736)	0	(1,736)
0	(655)	(655)	Contributions from other local authorities	(226)	0	(226)
0	0	0	Grants for revenue financed from capital under statute	0	0	0
(1,022)	0	(1,022)	Other Grants and Contributions	(129)	(615)	(744)
<hr/>				<hr/>		
(54,081)	(655)	(54,736)	Total within Cost of Services	(53,501)	(615)	(54,116)
<hr/>				<hr/>		
(5,044)		(5,044)	Revenue Support Grant	(3,886)	0	(3,886)
(155)		(155)	New Burden Grant	(360)	0	(360)
(1,055)		(1,055)	Benefits Administration Grant	(803)	0	(803)
(504)		(504)	New Homes Bonus	(898)	0	(898)
(70)		(70)	Council Tax Freeze Grant	(70)	0	(70)
(652)		(652)	Disabled Facilities Grant	(666)	0	(666)
(1,218)		(1,218)	Efficiency Support Grant	(987)	0	(987)
(442)		(442)	Section 31 Grant Income	(649)	0	(649)
(480)		(480)	Communities	0	0	0
	(2,151)	(2,151)	Grants and contributions towards capital expenditure	0	(312)	(312)
(130)	0	(130)	Other non-specific grant	0	(620)	(620)
<hr/>				<hr/>		
(9,750)	(2,151)	(11,901)	Total within Taxation and non-specific grant income	(8,319)	(932)	(9,251)

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 28. 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 £2,768,000 at 31 March 2015, (£2,691,000 at 31 March 2014) and the Council made payments totalling £181,000 in 2014/15 (£178,000 in 2013/14), 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.

2013-14		2014-15
£'000		£'000
	Comprehensive Income and Expenditure Statement	
	<i>Cost of Services</i>	
1,872	Current Service Cost	1,801
0	Past Service Cost	0
30	Curtailments	66
<u>1,902</u>		<u>1,867</u>
	<i>Financing and Investment Income and Expenditure</i>	
1,456	Net interest expense	1,723
<u>1,456</u>		<u>1,723</u>
	Total Post Employment Benefit Charged to the Actual amount charged to the General Fund in the year	<u>3,590</u>
4,574	Return on plan assets, less included in interest exp.	(9,416)
	<i>Actuarial gains & losses:</i>	
1,397	Changes in demographic assumptions	0
3,136	Changes in financial assumptions	12,962
(820)	Other	(1,123)
<u>8,287</u>	Remeasurement of the net defined benefit liability	<u>2,423</u>
<u>11,645</u>	Total Comprehensive Income and Expenditure	<u>6,013</u>
	Movement in Reserves Statement	
3,358	Reversal of items relating to retirement benefit debited or credited to the Comprehensive Income and	3,590
(1,911)	Employer's pension contributions and direct payments to pensioners payable in the year	(1,991)
<u>1,447</u>	(Surplus) or Deficit on Provision of	<u>1,599</u>

The table below shows separately the movements in the obligations and assets relating to the accounting group.

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 28. DEFINED BENEFIT PENSION SCHEMES (cont'd)

2013-14 £'000	Reconciliation of Fair Value of Employer Assets (scheme Assets):	2014-15 £'000
94,485	Value of Assets at 1 April	91,311
4,187	Interest income on plan assets	3,687
529	Contributions by Members	551
1,911	Contributions by the Employer	1,991
(4,574)	Return on assets excluding amounts recognised in Other Comprehensive Income	9,416
(5,227)	Benefits Paid	(5,235)
<u>91,311</u>		<u>101,721</u>
2013-14 £'000	Reconciliation of Defined Benefit Obligation (scheme Liabilities):	2014-15 £'000
(126,878)	Value of Liabilities at 1 April	(133,438)
(1,872)	Current Service Cost	(1,801)
(5,643)	Interest Cost	(5,410)
(529)	Contribution by Members	(551)
	Actuarial Gains and (Losses):	0
(1,397)	Change in demographic assumptions	0
(3,136)	Change in financial assumptions	(12,962)
820	Other experience gains and (losses)	1,123
0	Settlements	0
0	Past Service Gains and (Losses)	0
(30)	(Losses) and Gains on Curtailments	(66)
5,227	Benefits Paid	5,235
<u>(133,438)</u>		<u>(147,870)</u>
<u>(42,127)</u>	Asset/Liability at 31st March	<u>(46,149)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 28. DEFINED BENEFIT PENSION SCHEMES (cont'd)

Annual Contribution to fund

The estimated contribution for 2015-16 is £1,783,000 compared with the actual contribution of £1,991,000 for 2014-15.

Plan Assets

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

Asset Category	31 03 2015				31 03 2014			
	Quoted Prices in Active Markets £(000s)	Prices not quoted in Active markets £(000s)	Total £(000s)	%	Quoted Prices in Active Markets £(000s)	Prices not quoted in Active markets £(000s)	Total £(000s)	%
Equity								
Consumer	3,995	19	4,014	4%	4,448	0	4,448	5%
Manufacturing	2,523	158	2,681	3%	2,261	0	2,261	2%
Energy and	2,684	0	2,684	3%	2,380	0	2,380	3%
Financial	5,843	0	5,843	6%	5,010	0	5,010	5%
Health and Care	4,094	0	4,094	4%	2,701	0	2,701	3%
Information	4,361	0	4,361	4%	2,463	0	2,463	3%
Other	13	0	13	0%	1,300	149	1,449	2%
Debt Securities:								
Corporate Bonds	0	0	0	0%	0	0	0	0%
Corporate	0	0	0	0%	0	0	0	0%
UK Government	0	1,616	1,616	2%	0	1,284	1,284	1%
Other	0	1,040	1,040	1%	0	1,212	1,212	1%
Private Equity:								
All	0	5,622	5,622	6%	0	7,183	7,183	8%
Real Estate:								
UK Property	0	10,496	10,496	10%	505	7,723	8,228	9%
Overseas	0	0	0	0%	0	0	0	0%
Investment								
Equities	514	45,705	46,219	44%	108	43,390	43,498	49%
Bonds	4,090	2,535	6,625	7%	3,470	2,457	5,927	6%
Hedge Funds	75	39	114	0%	180	0	180	0%
Commodities	248	0	248	0%	269	0	269	0%
Infrastructure	0	2,023	2,023	2%	0	0	0	0%
Other	0	398	398	0%	0	0	0	0%
Derivatives:								
Inflation	0	0	0	0%	0	0	0	0%
Interest rate	0	0	0	0%	0	0	0	0%
Foreign	0	20	20	0%	0	52	52	0%
Other	0	0	0	0%	0	0	0	0%
Cash and cash								
All	0	3,650	3,650	4%	0	2,766	2,766	3%
Totals	28,440	73,281	101,721	100%	25,095	66,216	91,311	100%

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

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:

2013-14		2014-15
	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
2.8%	Rate of inflation	2.1%
4.4%	Rate of increase in salaries	4.0%
2.8%	Rate of increase in pensions	2.1%
4.5%	Rate for discounting scheme liabilities	3.1%
50%	Take-up of option to convert annual pension into retirement lump sum pre April 2008	50.0%
75%	Take-up of option to convert annual pension into retirement lump sum post April 2008	75.0%

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 29. 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.

2013-14 £'000		2014-15 £'000
16,945	Opening Capital Financing Requirement 1 April	16,365
	<i>Capital Investment</i>	
1,180	Property, Plant and Equipment	409
900	Assets Held for Sale	403
894	Revenue Expenditure Funded from Capital under Statute	4,907
	<i>Sources of finance</i>	
(657)	Capital receipts	(837)
(1,507)	Government grants and other contributions	(1,045)
(810)	Sums set aside from revenue and reserves	(1,140)
(580)	MRP	(488)
<u>16,365</u>	Closing Capital Financing Requirement 31 March	<u>18,574</u>
	 Explanations of movements in year:	
(580)	Increase/(decrease) in underlying need to borrow	2,209
<u>(580)</u>	Increase/(decrease) in Capital Financing Requirement	<u>2,209</u>

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

31 March 2014 £'000		31 March 2015 £'000
85,956	Property, Plant and Equipment	93,316
939	Investment Properties	956
56	Intangible Assets	33
765	Assets Held for Sale	55
13,248	Heritage assets	13,380
2,000	Long Term Debtors	2,000
(37,216)	Revaluation Reserve	(45,772)
(49,382)	Capital Adjustment Account	(45,394)
<u>16,366</u>		<u>18,574</u>

NOTE 30. CONSTRUCTION CONTRACTS

At 31 March 2015 the Council had no construction contracts in progress.

NOTE 31. MEMBERS ALLOWANCES

Allowances and expenses paid to Councillors during the year were :-

2013-14 £'000		2014-15 £'000
262	Members Allowances	266
<u>3</u>	Conferences, Training and Travelling Expenses	<u>6</u>
<u>265</u>		<u>272</u>
32	Number of Councillors	32
£ 8,275	Average sum per Councillor	£ 8,487

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 32 NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS

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

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

Overall procedures for managing risk

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

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

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

The annual treasury management strategy which incorporates the prudential indicators was last approved by Council on 25/02/2015 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2014-15 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 & Poors 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 32 NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

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, Moodys and Standard and Poors, 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 2014-15 was approved by Full Council on 26/02/14 and is available on the Council's website.

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2015 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

	Amount	Bad Debt Provision	Estimated maximum exposure to default	Amount	Bad Debt Provision	Estimated maximum exposure to default
	£000s 31-Mar-14	£000s 31-Mar-14	£000s 31-Mar-14	£000s 31-Mar-15	£000s 31-Mar-15	£000s 31-Mar-15
Bonds rated:						
Trade receivables	642	(208)	434	1,559	(180)	1,379
Other trade debtors	1,816	0	1,816	1,943	-	1,943
Total	2,458	(208)	2,250	3,502	- 180	3,322

* - Excluding statutory debtors – Council Tax/NNDR

The Council reviews Trade Debtors on a regular basis. In 2014-15 the Council made 100% provision against specific debts and 50% provision on the balance of debts over 90 days. It additionally made a 10% provision against Trade Debtors from 1 to 90 days.

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 32 NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

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 Council does not generally allow credit for its trade accounts receivable, such that £0.5m of the £0.7m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

31-Mar-14 £000s		31-Mar-15 £000s
370	More than one but less than three months	555
272	More than three months	181
642	Total	736

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.

All of the financial assets of the Council were of less than one year's maturity, both at 31 March 2014 and 31 March 2015 except £2 million deposited with Lloyds in respect of the Local Authority Mortgage Scheme.

The maturity analysis of financial assets is as follows:

31-Mar-14 £000s		31-Mar-15 £000s
19,850	Less than 1 year	21,934
2,000	Less than 5 years greater than 1 year	2,000
21,850	Total	23,934

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 32 NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont.)

- The maturity analysis of financial liabilities is as follows:

	31 March 2014	31 March 2015
	£000s	£000s
Less than 1 year	65	3,074
Between 1 and 2 years	0	
Between 3 and 5 years	4,000	4,000
Between 6 and 10 years	0	0
More than 10 years	7,500	10,197
Total	11,565	17,271

Market Risk

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 32 NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont.)

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

	£000s
Increase in interest payable on variable rate borrowings	69
Increase in interest receivable on variable rate investments	334
Impact on Surplus or Deficit on the Provision of Services	403

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.

NOTE 33 FINANCIAL INSTRUMENTS

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

31 March 2014			31 March 2015	
Book Value	Fair Value		Book Value	Fair Value
£000s	£000s		£000s	£000s
5,054	5,054	Loans and Receivables	10,062	5,051
5,000	5,000	Assets available for sale	5,015	0
10,054	10,054	Short term Investments	15,077	5,051
642	642	Trade accounts receivable	1,379	1,379
(208)	(208)	Provision for impairment	(137)	(137)
1,816	1,816	Other trade debtors	2,079	2,079
2,250	2,250	Short Term Debtors	3,321	3,321
9,274	9,324	Cash and Cash Equivalents	7,621	7,622
21,578	21,628	Total Financial Assets	26,019	15,994

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

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 33 FINANCIAL INSTRUMENTS (cont.)

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 £000s	Fair Value £000s		Book Value £000s	Fair Value £000s
(11,500)	(13,214)	Public Works Loan board	(14,197)	(18,414)
(254)	(254)	Long Term Creditors	(254)	(254)
<u>(11,754)</u>	<u>(13,468)</u>	Long Term Liabilities	<u>(14,451)</u>	<u>(18,668)</u>
(65)	0	Short Term Loans	(3,074)	(3,074)
65	0	Adjust for interest on long term loan	74	0
(1,787)	(1,787)	Short Term Creditors	(3,212)	(3,212)
<u>(1,787)</u>	<u>(1,787)</u>	Short Term Liabilities	<u>(6,212)</u>	<u>(6,286)</u>
<u>(13,541)</u>	<u>(15,255)</u>	Total Financial Liabilities	<u>(20,663)</u>	<u>(24,954)</u>

Interest Receivable

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:

2013-14 £'000		2014-15 £'000
	Interest receivable	
(268)	Interest from loans and receivables	(230)
0	Other interest receivable	(57)
<u>(268)</u>	Total Interest receivable	<u>(287)</u>
	Interest payable	
408	Interest on long term borrowing	467
20	Other interest payable and similar charges	27
<u>428</u>	Total Interest payable	<u>494</u>

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.

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 Sector from the market on 31st March, using bid prices where applicable.

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 34. RELATED PARTY TRANSACTIONS

Definition

The term "related party" covers relationships 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 27 (grants and contributions), 17 (debtors) and 19 (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 28. Although the scheme is administered by East Sussex County Council, the pension fund is a separate entity.

Members and Senior Officers

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

Members of the Council have direct control over the Council's financial and operating policies. The council also nominates members to sit on outside bodies. Seven members are also members of East Sussex County Council. £408,000 was paid to Hastings and St Leonards Foreshore Charitable Trust of which some members are Trustees. Grants totalling £10,000 (see below) were paid to voluntary organisations in which three members had an interest. 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.

Organisation	Relationship to Organisation	2013 / 14			2014 / 15		
		Paid to (Supplier) £000's	Received From (Customer) £000's	Balance @ 31/03/14 £000's	Paid to (Supplier) £000's	Received From £000's	Balance at 31/03/15 £000's
Stade Developments (Hastings) Ltd	member in a position of general control or	0	86	29		95	29
Ten Sixty Six Enterprise	member in a position of general control or management	40	0	0	40	0	0
Let's Do Business Group	member in a position of general control or management	49	0	0	48	0	0

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 34. RELATED PARTY TRANSACTIONS (Cont.)

The Financial statements of the Trust at the 1st April 2014 showed

	2013 -14		2014 -15	
	£,000	£,000	£,000	£,000
Fixed assets		483		529
Current assets				
Creditors	2,170		1,838	
	(666)		(521)	
Net current assets		1,504		1,317
Total Funds		1,987		1,846

During the year 2014-15 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 £1,150,000 and expenditure of £742,000, giving a net figure of £408,000 within the Council's own Accounts (net figure in 2013-14 was £408,000).

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

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 35. 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 a number of employees in 2014-15, incurring liabilities of £295,968 (£83,248 in 2013-14).

These costs are charged to the Council's Comprehensive Income and Expenditure Statement in the current year.

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

- 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 :

	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages	
	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	£	£
£0 - 20,000	0	5	7	0	7	3	56,836	28,188
£20,001 - 40,000	0	4	1	2	1	6	26,412	161,007
£40,001 - 60,000	0	0	0	0	0	0	0	0
£60,001 - 80,000	0	0	0	0	0	0	0	0
£80,001 - 100,000	0	1	0	0	0	1	0	96,770
£100,001 - 150,000	0	0	0	0	0	0	0	0
	0	10	8	2	8	10	83,248	285,965

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 36 RECONCILIATION BETWEEN THE SURPLUS/DEFICIT ON THE PROVISION OF SERVICES AND THE CASH FLOWS FROM OPERATING ACTIVITIES

2013-14 £'000		2014-15 £'000
(1,292)	(Surplus) or deficit on the provision of services	5,955
(1,711)	Depreciation of Non Current Assets	(1,714)
(125)	Impairment of Non Current Assets	(291)
(23)	Amortisation of Intangible Fixed Assets	(23)
(1,447)	Pension Fund adjustments	(1,599)
(206)	Movements in the market value of Investment Properties	17
	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	
(1,150)		(1,224)
8	Increase/(Decrease) in Long Term Debtors	(2)
54	Increase/(Decrease) in Short Term Investments	23
(1)	Increase/(Decrease) in Long Term Creditors	(2)
32	Increase/(Decrease) in Stocks	(21)
115	Increase/(Decrease) in Short Term Debtors	2,436
308	(Increase)/Decrease in Short Term Creditors	(1,394)
	(Increase)/Decrease in Short Term Borrowing	(9)
(796)	(Increase)/Decrease in Provisions	(335)
653	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,546
2,151	Capital Grant & Contributions	312
<u>(3,430)</u>	Net cash flows from Operating Activities	<u>3,675</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 37. EMPLOYEE REMUNERATION

Post holder information (Post title)	Salary (Inc. fees & Allowances) £	Expense Allowances £	Compensation for loss of office £	Benefits in Kind (e.g.leased cars)* £	Pension Contributions** £	Total Remuneration £
Financial Year: 2013-14						
Head of Paid Service and Director of Corporate Resources	86,163	192	0	4,858	20,968	112,181
Head of Corporate Services and Monitoring Officer	64,304	0	0	4,858	14,661	83,823
Head of Finance and Section 151 Officer	75,369	0	0	0	16,385	91,754
Director of Regeneration	77,499	0	0	4,858	17,670	100,027
Director of Environmental Services	82,350	192	0	4,858	18,602	106,003
Financial Year: 2014-15						
Head of Paid Service and Director of Corporate Resources	86,163	692	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	99,723
Director of Environmental Services	82,350	192	96,770	4,858	22,788	206,958

The figures above included 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 37. EMPLOYEE REMUNERATION (excluding employers pension contributions - cont.)

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.

The table below 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 was held by more than one employee during the course of the year, and conversely an employee held more than one post.

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

2013-14		2014-15
2	£50,000 - 54,999	7
4	£55,000 - 59,999	2
7	£60,000 - 64,999	7
2	£65,000 - 69,999	1
0	£70,000 - 74,999	0
1	£75,000 - 79,999	1
1	£80,000 - 84,999	1
1	£85,000 - 89,999	1
1	£90,000 - £94,999	1
0	£95,000 - £99,999	0
0	£100,000 - £104,999	0
0	£105,000- £109,999	0
19		21

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 38 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

	Corporate Services	Regeneration	Environmental Services	Management Cost of Services	Corporate Items	Total
Directorate Income and Expenditure 2013-14	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Service Income	(4,885)	(1,410)	(5,327)	(11,622)	(62)	(11,684)
Proceeds from sale of non-current assets	0	0	0	0	(653)	(653)
Interest and Investment Income	0	0	0	0	(268)	(268)
Taxation:						
Council Tax	0	0	0	0	(5,650)	(5,650)
Non-domestic rates	0	0	0	0	(8,060)	(8,060)
Government Grants and contributions	(53,181)	(465)	(436)	(54,082)	(11,761)	(65,843)
Total Income	(58,066)	(1,875)	(5,763)	(65,704)	(26,454)	(92,158)
Employee expenses	4,917	3,877	3,781	12,575	1,417	13,992
Interest payments	0	0	0	0	428	428
Disposal of non-current assets written out	0	0	0	0	1,150	1,150
Revenue expenditure funded from capital under statute	0	0	0	0	894	894
Change in value, Investment Properties					206	206
Depreciation, impairment, amortisation	0	0	0	0	1,859	1,859
Support Services	(1,736)	521	1,215	0	0	0
Other service expenses	56,338	2,751	8,280	67,369	4,968	72,337
Total operating expenses	59,519	7,149	13,276	79,944	10,922	90,866
Surplus or Deficit on provision of services	1,453	5,274	7,513	14,240	(15,532)	(1,292)
Reconciliation of Expenditure Summaries to Comprehensive Income and Expenditure Cost of Services						£'000
Management Cost of Services						14,240
Depreciation and impairments						1,859
Add Revenue expenditure funded from capital under statute						894
Adjustment for pensions & accumulated absences						(39)
Finance lease payments						(76)
Cost of services per Comprehensive Income and Expenditure						16,878

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 38 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (cont.)

	Corporate Services £'000	Regeneration £'000	Environmental Services £'000	Management Cost of Services £'000	Corporate Items £'000	Total £'000
Directorate Income and Expenditure						
2014-15						
Fees, Charges & Other Service Income	(5,170)	(1,720)	(5,502)	(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:						
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)	(2,146)	(258)	(54,116)	(9,251)	(63,367)
Total Income	(56,882)	(3,866)	(5,760)	(66,508)	(24,814)	(91,322)
Employee expenses	4,762	4,002	3,899	12,663	1,598	14,261
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	0	0	4,907	4,907
Change in values, Investment Properties	0	0	0	0	0	0
Depreciation, impairment, amortisation	0	0	0	0	2,027	2,027
Taxation (NNDR tariff)	0	0	0	0	5,226	5,226
Support Services	(1,518)	14	1,503	(1)	0	(1)
Other service expenses	55,956	4,889	8,208	69,053	86	69,139
Total operating expenses	59,200	8,905	13,610	81,715	15,562	97,277
Surplus or Deficit on provision of services	2,318	5,039	7,850	15,207	(9,252)	5,955
Reconciliation of Expenditure Summaries to Comprehensive Income and Expenditure Cost of Services						£'000
Management Cost of Services						15,207
Add Depreciation and impairments						2,027
Add Revenue expenditure funded from capital under statute						4,907
Deduct: adjustment for pensions and accumulated absences						(125)
Deduct: MRP relating to finance leases						(9)
Cost of services per Comprehensive Income and Expenditure						22,007

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 39 LEASES

39.1 Finance leases – Council acting as lessee

The Council has acquired an administrative building (Renaissance House) under a finance lease.

The asset acquired under these leases are carried as Property, Plant and Equipment in the Balance sheet under the following net amounts:

31 March 2014		31 March 2015
£'000		£'000
247	Other Land and Buildings	244

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

2013-14		2014-15
£'000		£'000
254	Finance lease liabilities (net present value of minimum lease payments):	254
9		9
245		245
767	Finance costs payable in future years	759
1,021		1,013

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

2013-14		2014-15
£'000		£'000
9	Not later than one year	9
35	Later than one year and not later than five years	35
977	Later than five years	969
1,021		1,013

The Finance lease liability will be payable over the following periods:

2013-14		2014-15
£'000		£'000
0	Not later than one year	0
1	Later than one year and not later than five years	1
254	Later than five years	253
255		254

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, there are no such current rent reviews. £0 contingent rents were payable by the Council

The Council has subleased the property included as Other land and Buildings held under the finance lease. The sublease is for the remaining term of the lease. The inclusion of break clauses in this sublease means the sublease is considered to be an operating lease rather than a finance lease.

NOTES TO THE CORE FINANCIAL STATEMENTS

39.2 Operating Leases

The Authority has Vehicles, plant and equipment acquired by entering into operating leases.

2013-14 £'000		2014-15 £'000
89	Not later than one year	73
58	Later than one year and not later than five years	64
0	Later than five years	0
147		137

The expenditure charged to the Services lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2013-14 £'000		2014-15 £'000
119	Minimum lease payments	127

Authority as Lessor

Finance leases

There are no arrangements under which the council leases out its property and equipment to other parties under a finance leases.

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:

2013-14 £'000		2014-15 £'000
1,976	Not later than one year	2,034
4,584	Later than one year and not later than five years	4,461
45,516	Later than five years	44,854
52,076		51,349

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 2014/15 contingent rents £57,508 were receivable by the Council (2013/14 £56,875).

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 40. EXCEPTIONAL ITEMS

There were no exceptional items in this financial year.

NOTE 41. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code of Practice requires that the Council discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2016 for 2015/16). This applies to the adoption of the following new or amended standards within the 2015/16 code.

IFRS 13 Fair Value Measurement (May 2011)

NOTE 42. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 17th September 2015. 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 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

COLLECTION FUND INCOME & EXPENDITURE ACCOUNT

2013-14 £'000		2014-15 £'000
	<u>Council Tax</u>	
	INCOME	
(39,437)	Income from Council Taxpayers	(40,674)
	EXPENDITURE	
	Precepts and demands on Collection Fund	
27,010	East Sussex County Council	28,026
3,228	Sussex Police and Crime Commissioner	3,349
1,909	East Sussex Fire Authority	1,981
5,500	Hastings Borough Council	5,597
	Apportionments of previous year surplus	
723	East Sussex County Council	492
86	Sussex Police and Crime Commissioner	59
51	East Sussex Fire Authority	34
147	Hastings Borough Council	100
	Bad & Doubtful Debts	
26	Write offs of uncollectable income	1,051
722	Allowance for impairment - addition / (reduction)	(1,162)
39,402		39,527
(35)	Surplus on Fund for the year	(1,147)
	FUND BALANCE - Note 4	
(1,693)	Surplus brought forward	(1,728)
(35)	Surplus for year	(1,147)
(1,728)	Surplus carried forward	(2,875)
2013-14 £'000		2014-15 £'000
	<u>Non-Domestic Rates</u>	
	INCOME	
(21,741)	Income from Ratepayers	(22,362)
4	Transitional Protection payments	161
	Contributions towards previous year deficit	
0	Government	(78)
0	East Sussex County Council	(14)
0	East Sussex Fire Authority	(1)
0	Hastings Borough Council	(63)
(21,737)	Total	(22,357)

COLLECTION FUND INCOME & EXPENDITURE ACCOUNT (Cont)

EXPENDITURE		
	Precepts and demands on Collection Fund	
10,510	Government	10,471
1,892	East Sussex County Council	1,885
210	East Sussex Fire Authority	209
8,408	Hastings Borough Council	8,377
	Bad & Doubtful Debts	
20	Write offs of uncollectable income	97
(7)	Provision for uncollectable income-addition / (reduction)	26
	Impairments resulting from appeals	
0	Write offs of uncollectable income	2,192
1,800	Allowance for impairment of uncollectable income	311
123	Transfer to General Fund - Cost of Collection Allowance	133
<hr/> 22,956		<hr/> 23,701
<hr/> 1,219	Deficit on Fund for the yar	<hr/> 1,344
<hr/> 1,219		<hr/> 1,344
	FUND BALANCE - Note 4	
0	Balance brought forward	1,219
1,219	Deficit for year	1,344
<hr/> 1,219	Deficit carried forward	<hr/> 2,563
<hr/> 1,219		<hr/> 2,563
	COLLECTION FUND BALANCE - Note 4	
(1,693)	Surplus brought forward	(509)
1,184	Deficit for year	197
<hr/> (509)	Surplus carried forward	<hr/> (312)
<hr/> (509)		<hr/> (312)

COLLECTION FUND INCOME & EXPENDITURE ACCOUNT (Cont)

NOTE 1. GENERAL

These accounts represent the transactions of the Collection Fund (accounting separately for income relating to council tax and NDR) which is a statutory fund separate from the main accounts of the Council, although it is included in the Council's 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.

NOTE 2. INCOME FROM BUSINESS RATES (NDR)

The Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate.

50% of the amount collected 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 NDR multiplier for 2014/15 was 48.2p, compared to 47.1p for 2013/14, and the rateable value of business premises at 31 March 2015 was £57,649,272, compared to £57,779,768 at 31 March 2014.

NOTE 3. COUNCIL TAX BASE

Band & Value	Number of Properties	Relationship to Band D	Annual Amount
Band A - up to £40,000	14,302	6/9	£1,094.20
Band B - over £40,000 up to £52,000	11,890	7/9	£1,276.58
Band C - over £52,000 up to £68,000	7,343	8/9	£1,458.94
Band D - over £68,000 up to £88,000	5,791	-	£1,641.31
Band E - over £88,000 up to £120,000	1,868	11/9	£2,006.04
Band F - over £120,000 up to £160,000	776	13/9	£2,370.78
Band G - over £160,000 up to £320,000	191	15/9	£2,735.51
Band H - over £320,000	24	18/9	£3,282.62
	42,185		

Council Tax Base and amount originally expected for 2014-15 = **23,733**

East Sussex County Council share	£28,026,062
Sussex Police and Crime Commissioner	£3,349,201
East Sussex Fire Authority share	£1,980,519
Hastings Borough Council share	£5,597,433
	£38,953,215

COLLECTION FUND INCOME & EXPENDITURE ACCOUNT (Cont)

NOTE 4. COUNCIL TAX SURPLUSES & DEFICITS

In accordance with the accounting code of practice surpluses and deficits arising from the collection of Council Tax are to be apportioned between respective authorities on the basis of their precepts or demands on the Collection Fund.

The table below shows the respective balances on the collection fund and how they relate to each authority.

	31 march 2014	31 March 2015
	£'000	£'000
Balance brought forward :-		
East Sussex County Council	(1,215)	(1,242)
Sussex Police and Crime Commissioner	(145)	(148)
East Sussex Fire Authority	(86)	(88)
Hastings Borough Council	(247)	(250)
Surplus	<u>(1,693)</u>	<u>(1,728)</u>
Movement on Fund Balance :-		
East Sussex County Council	(27)	(825)
Sussex Police and Crime Commissioner	(3)	(99)
East Sussex Fire Authority	(2)	(58)
Hastings Borough Council	(3)	(165)
Surplus	<u>(35)</u>	<u>(1,147)</u>
Balance carried forward :-		
East Sussex County Council	(1,242)	(2,067)
Sussex Police and Crime Commissioner	(148)	(247)
East Sussex Fire Authority	(88)	(146)
Hastings Borough Council	(250)	(415)
Surplus	<u>(1,728)</u>	<u>(2,875)</u>

COLLECTION FUND INCOME & EXPENDITURE ACCOUNT (Cont)

	Hastings Borough Council	East Sussex County Council	Sussex Police and Crime Commissioner	East Sussex Fire Authority
Apportionment of balances:				
1: Council Tax				
Arrears	789,393	3,955,762	472,756	279,256
Impairment Allowance for doubtful debts	(612,792)	(3,070,789)	(366,993)	(216,782)
Overpayments	(137,878)	(690,927)	(82,573)	(48,776)
Prepayments	(83,389)	(417,875)	(49,941)	(29,500)
Surplus	(414,619)	(2,067,058)	(247,014)	(145,963)
Collection Fund Adjustment Account	414,619			
Owed to Preceptors		(2,290,887)	(273,765)	(161,765)
	Hastings Borough Council	East Sussex County Council	Government.	East Sussex Fire Authority
2: Non-Domestic Rates				
Arrears	517,785	116,502	647,232	12,945
Prepayments	(62,553)	(14,074)	(78,191)	(1,564)
Overpayments	(104,350)	(23,479)	(130,437)	(2,609)
Impairment allowance for doubtful debtors	(303,323)	(68,248)	(379,154)	(7,583)
Provision for losses on appeals	(844,400)	(189,990)	(1,055,500)	(21,110)
Deficit	1,024,886	230,599	1,281,107	25,622
Collection Fund Adjustment Account	(1,024,886)			
Owed from other bodies		51,310	285,057	5,701

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.

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.

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 or other retirement benefit scheme other than a defined contribution scheme. Usually the scheme rules define the benefits independently of contributions payable, and 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 or obsolescence through technological or other changes.

EARMARKED RESERVES

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

EXCEPTIONAL ITEMS

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

FINANCIAL INSTRUMENTS

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.

GLOSSARY

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

If an asset's carrying value exceeds the amount that could be received through use or selling the asset, then the asset is impaired.

INFRASTRUCTURE ASSETS

Property, Plant and Equipment that are inalienable, 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, including, if applicable, internally developed software.

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, Sussex Police 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.

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, eg. 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.

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.