

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

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# GENERAL INFORMATION

## GENERAL INFORMATION

### PHYSICAL FEATURES

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

### POPULATION

The Town's estimated population at the March 2011 Census as provided by the Office of National Statistics was 90,254.

The registered electorate in 2015-16 was 58,315

### COUNCIL TAX & BUSINESS RATING INFORMATION

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

### EMPLOYEES

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

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

The direct cost of employment during the year was :-

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

# NARRATIVE REPORT

## INTRODUCTION

The Council's accounts for the year of 2015-16 are set out on pages 27 to 83. This narrative report provides a brief explanation of the financial aspects of the Council's activities and draws attention to the main characteristics of the Council's position.

### 1. Annual Financial Report

The annual financial report is made up as follows:

#### (i) Expenditure summaries

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

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

The service summaries reflect the outturn position for each directorate as compared to the revised budget. A reconciliation between the Directorate Income and Expenditure and the Cost of Services in the Comprehensive Income and Expenditure Statement can be found on pages 54 and 55.

#### (ii) Annual Governance Statement

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

#### (iii) Statement of Responsibilities

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

#### (iv) Independent Auditor's report

#### (v) Statement of Accounts.

The Statement of Accounts consists of the following

#### (a) The Core Accounting Statements

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

##### *Movement in Reserves Statement*

This shows the movement in the year on the different reserves held by the Council, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and "other reserves". The Surplus (or Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund for tax setting purposes (see Note 6 for details). The line entitled "Net (Increase) / Decrease before Transfers to Earmarked Reserves" shows

# NARRATIVE REPORT

the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

## *Comprehensive Income and Expenditure Statement*

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

## *Balance Sheet*

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

## *Cash Flow Statement*

This shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of the services provided by the Council. Investing activities represent the amount to which cash outflows have been made for resources which are intended to contribute towards the Council's future service delivery.

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

(c) The Collection Fund Income and Expenditure Account - the Council is required to maintain a Collection Fund to receive sums by way of Council Tax and Business Rates.

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

## **2. Accounting Policies**

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

## **3. Material assets/liabilities**

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

## **4. Pension**

The net long term pension liability stood at about £40m, compared to £46m a year before. The prescribed method for measuring the liability in accounting terms relates to investment values as at 31 March each year, and discounts liabilities according to the low rates of interest currently prevailing. In 2015/16 the discount rate increased slightly, and this was the main factor in the reduction in the reported liability. The wide fluctuations in values from year to year do not therefore necessarily correspond with the longer term view of contribution rates required to maintain the Council's need to provide for pension payments over the longer term.

# NARRATIVE REPORT

## 5. Revenue

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

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

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

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

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

### Council Tax

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

### NDR

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

# NARRATIVE REPORT

## 2016-17 Budget

The table below summarises planned net expenditure on services for 2016-17, compared to 2015-16, and shows how this is funded from government grants, business rates and council tax. The Council's target of a balanced budget is being achieved by matching planned expenditure by income from fees, charges, government grants, council tax and non-domestic rates and use of reserves.

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

## 6. Performance review

The Council uses a range of indicators to measure the performance and these are broadly split into three categories of Corporate Priorities such as Financial targets, Operational Priorities such as Environmental, Housing and Regeneration targets and Cross Cutting Priorities such as Poverty, sustainability targets. The indicators that measure the performance assess each target through a series of 'milestones' that need to be achieved throughout the year. These milestones are measured on a quarterly basis, and at 31 March those that have achieved their target are given a Green status, narrowly missed target (which may be because the target has changed or been affected by external circumstances) as Amber status and did not hit target as Red status.

A range of indicators are used to measure performance, varying from financial indicators that are used to assess performance on key income streams such as off-street parking, to usage indicators, which measure levels of attendance at key discretionary services such as the Museum and White Rock Theatre. Targets for these indicators are discussed with Directors and Assistant Directors, and are set by members of the Council. The targets for both Corporate and Operations are reviewed each year and change according to the requirements of the Council and therefore may increase or decrease in number.

# NARRATIVE REPORT

## Corporate Priorities

Despite another challenging financial year, the Council delivered 18 out of 27 targets for the year 2015/16. This is comparable with previous years, with 30 out of 32 projects in 2014/15 and 16 out of 18 projects in 2013/14 meeting their targets.

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

Those Corporate Priorities that have experienced delays, in the main, are Priorities where the Council is working in partnership with other organisations, or where contractors for developments have been engaged. Managing external relationships, whether contractual or in partnerships, has been recognised within the strategic risk register for 2016/17.

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

## Operational Priorities

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

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

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

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

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

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

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

## Conclusion

Hastings Borough Council has continued to perform well despite the recent cuts to funding and the challenging economic climate.

The Council has embarked on an ambitious Transformation Programme to meet these expectations, and to help preserve the vibrant local economy

# NARRATIVE REPORT

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

## 7. Capital Expenditure

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

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

This capital expenditure was financed as shown below:-

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

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

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

# NARRATIVE REPORT

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

This capital expenditure will be financed as shown below:-

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

## 8. Borrowing Facilities

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

## 9. Reserves

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

The balance on these reserves at 31st March 2016 is £20.187m compared with £19.662m million at 31st March 2015.

## 10. Non Domestic Rates

From 1 April 2013 the regime around the income that Local Authorities collect from National Non Domestic or Business Rates (NNDR) changed from one where the Authority collected purely on behalf of Central Government to one where this income is shared between Central Government, Local Authorities and major precepting bodies

This change affected the retention of the income collected and introduced a risk to the Council for failure to collect rates in comparison with a predetermined "Start-Up" funding assessment.

The Council collects National Non Domestic Rates (NNDR) and retains 40% of it for its own use, the remainder being passed on to the Government (50%), East Sussex County Council (9%), and East Sussex Fire and Rescue Authority (1%). This activity involves the usual risk of non-payment, mitigated by managing the allowance for impairment of debt. There is also the risk of losses from appeals against the values determined by the Valuation Offices. Prior to 31 March 2015 appeals could be backdated to 1 April 2010, when the current rating list came into operation. Appeals since the start of 2015/16 can only be backdated to 1 April 2015. As very few appeals were settled during 2015/16 the provision for losses on appeal has increased, and stood at £1.3m at 31 March 2016. This is an estimate based on past settlement of appeals, but in practice could be a significantly different figure.

# NARRATIVE REPORT

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

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

## FURTHER INFORMATION

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

P. Grace CPFA

Chief Finance Officer

## EXPENDITURE SUMMARIES

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

## EXPENDITURE SUMMARIES

2014-15 Re-stated				2015-16			
Expend	Income	Net	Service	Revised Estimate	Expend	Income	Net
£	£	£		£	£	£	£
275,982	(1,476,431)	(1,200,449)	Factory Units	(1,197,860)	277,022	(1,513,425)	(1,236,403)
308,634	(1,575,006)	(1,266,372)	Farms and Other Properties	(1,078,050)	372,215	(1,464,050)	(1,091,835)
106,312	0	106,312	St Mary in the Castle	59,290	75,417	0	75,417
68,520	(2,259)	66,261	Other Expenditure	225,210	88,165	99	88,264
160,259	(84,449)	75,810	Registration of Electors	166,040	192,994	(45,775)	147,219
1,191,520	0	1,191,520	Cost of Democracy	1,039,720	957,966	(629)	957,337
241,206	(61,161)	180,045	Election Expenses	98,330	244,110	(151,904)	92,206
30,820	0	30,820	Local Strategic Partnership	29,800	23,074	5	23,079
21,868	(2,630)	19,238	Sustainable Development	22,090	19,002	(893)	18,109
15,341	0	15,341	Public Consultation	11,100	7,179	0	7,179
7,410	(11,473)	(4,063)	Climate Change Project	(760)	140	(717)	(577)
100,002	0	100,002	Pier Closure Costs	30,000	27,333	0	27,333
20,850	0	20,850	Shelters and Seats	21,750	19,881	0	19,881
12,074	0	12,074	Street Naming and Numbering	14,740	13,113	0	13,113
86,112	(1,260)	84,852	Decorative Lighting	111,610	85,111	(1,310)	83,801
308,404	(308,404)	0	Foreshore Trust	0	462,390	(463,080)	(690)
<b>Corporate Resources and Governance</b>							
59,200,677	(56,683,995)	2,516,682		2,776,000	58,878,649	(56,889,358)	1,989,291
499,673	(25)	499,648	Environmental Services Management & Administration	717,130	382,326	(1,786)	380,540
161,133	0	161,133	Leisure Administration	279,990	87,608	0	87,608
547,131	(52,888)	494,243	Amenities Administration	409,470	312,938	4,483	317,421
356,125	(15,665)	340,460	Waste and Parking Team	835,800	427,986	(14,255)	413,731
0	0	0	Resort Services	217,830	82,794	0	82,794
110,118	(19,600)	90,518	Planning Management & Admin	155,710	111,458	(10,454)	101,004
0	0	0	Director of Operational Services	308,000	156,266	0	156,266
280,796	0	280,796	Regeneration Administration Division	292,600	161,517	0	161,517
318,449	(20,989)	297,460	Communications & Marketing	525,030	332,348	(13,210)	319,138
428,146	(44)	428,102	Administration - Housing	950,120	407,582	(135)	407,447

## EXPENDITURE SUMMARIES

2014-15 Re-stated			Service	Revised Estimate	2015-16		
Expend	Income	Net			Expend	Income	Net
£	£	£		£	£	£	£
(2,592,360)	0	(2,592,360)	Less recharges to other services	<b>(4,691,680)</b>	<b>(2,427,466)</b>	<b>0</b>	<b>(2,427,466)</b>
109,211	(109,211)	0		<b>0</b>	<b>35,357</b>	<b>(35,357)</b>	<b>0</b>
36,057	0	36,057	Building Control	<b>84,650</b>	<b>91,464</b>	<b>0</b>	<b>91,464</b>
957,472	(430,217)	527,255	Development Control & Conservation	<b>791,320</b>	<b>1,136,809</b>	<b>(230,564)</b>	<b>906,245</b>
242,311	(288,231)	(45,920)	Local Land Charges Register	<b>(118,540)</b>	<b>179,692</b>	<b>(379,898)</b>	<b>(200,206)</b>
597,025	(181,375)	415,650	Homelessness & Preventing Repossessions	<b>434,360</b>	<b>633,347</b>	<b>(217,526)</b>	<b>415,821</b>
226,623	0	226,623	Homelessness Prevention	<b>236,830</b>	<b>241,537</b>	<b>0</b>	<b>241,537</b>
0	0	0	Social Lettings	<b>103,059</b>	<b>161,568</b>	<b>(89,262)</b>	<b>72,306</b>
179,089	0	179,089	Homelessness Strategy	<b>204,790</b>	<b>155,080</b>	<b>(3,484)</b>	<b>151,596</b>
74,542	0	74,542	Housing Register	<b>112,280</b>	<b>114,496</b>	<b>(664)</b>	<b>113,832</b>
0	0	0	Housing NHS Clinical Commissioning Group	<b>254,550</b>	<b>101,590</b>	<b>0</b>	<b>101,590</b>
139,107	(168,403)	(29,296)	Deposits funded by ESCC	<b>27,250</b>	<b>114,398</b>	<b>(120,285)</b>	<b>(5,887)</b>
62,477	(37,875)	24,602	Youth Homelessness	<b>23,620</b>	<b>71,224</b>	<b>(37,375)</b>	<b>33,849</b>
18,692	0	18,692	Anti Poverty	<b>5,200</b>	<b>2,662</b>	<b>0</b>	<b>2,662</b>
82,207	(47,586)	34,621	POAL Officer	<b>0</b>	<b>25</b>	<b>0</b>	<b>25</b>
16,913	0	16,913	Land Auction Pilot	<b>22,000</b>	<b>5,999</b>	<b>(14,275)</b>	<b>(8,276)</b>
596,562	(13,396)	583,166	Housing Renewal	<b>614,470</b>	<b>578,443</b>	<b>(3,260)</b>	<b>575,183</b>
187,808	(122,725)	65,083	Rogue landlords	<b>91,440</b>	<b>90,143</b>	<b>(103,734)</b>	<b>(13,591)</b>
0	0	0	Selective licensing	<b>102,100</b>	<b>235,327</b>	<b>(31,685)</b>	<b>203,642</b>
246,529	(314,023)	(67,494)	Housing Licensing	<b>(79,170)</b>	<b>203,613</b>	<b>(281,550)</b>	<b>(77,937)</b>
60,365	(15,000)	45,365	Housing Solution Services	<b>34,890</b>	<b>152,127</b>	<b>(67,500)</b>	<b>84,627</b>
87,660	(25,000)	62,660	Coastal Space Enforcement Activities	<b>55,040</b>	<b>89,424</b>	<b>(25,000)</b>	<b>64,424</b>
31,547	0	31,547	Dangerous Structures	<b>15,300</b>	<b>15,406</b>	<b>0</b>	<b>15,406</b>
0	(1,000)	(1,000)	Affordable Housing (Section 106)	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
617,474	(213,526)	403,948	Regeneration Activity	<b>519,060</b>	<b>650,136</b>	<b>(197,701)</b>	<b>452,435</b>
506,630	(100)	506,530	Planning Policy	<b>340,230</b>	<b>284,567</b>	<b>(22)</b>	<b>284,545</b>
152,617	(10,000)	142,617	Cultural Activities	<b>177,910</b>	<b>183,646</b>	<b>(29,201)</b>	<b>154,445</b>
38,158	(413)	37,745	Getting Hastings Ready (Cultural Development)	<b>130,800</b>	<b>167,928</b>	<b>(121,117)</b>	<b>46,811</b>
0	0	0	Regional Growth Fund Four - SUCCESS Programme	<b>2,200</b>	<b>584,318</b>	<b>(582,188)</b>	<b>2,130</b>

## EXPENDITURE SUMMARIES

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

## EXPENDITURE SUMMARIES

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

## EXPENDITURE SUMMARIES

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

### Service Measures

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

# **Annual Governance Statement**

## **APPENDIX A**

### **Hastings Borough Council**

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

#### **Scope of responsibility**

Hastings Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Hastings Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Hastings Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk. Hastings Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE framework "Delivering good governance in local government" (2012 Edition).

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

This statement explains how Hastings Borough Council has complied with the code and also meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

#### **The purpose of the governance framework**

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks to the achievement of policies, aims and objectives and therefore provides a reasonable rather than an absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Hastings Borough Council policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place for a number of years at Hastings Borough Council and, in particular, for the year ended 31 March 2016, up to the date of approval of the Statement of Accounts.

#### **The governance framework**

The key elements of the systems and processes that comprise the authority's governance arrangements include arrangements for the following:

- Hastings Borough Council continues to have an established Corporate Plan setting out a strategic overview and the priorities that guide our investment and activities. Part II of the Corporate Plan sets out the Council's work plan for the current financial year with targets and performance indicators which are monitored and reported on publicly every quarter.
- Hastings Borough Council facilitates policy and decision-making via a Cabinet Structure with Cabinet Member portfolios. There are two Overview and Scrutiny Committees which cover all portfolios. An Audit Committee provides independent assurance to the Council on risk management and control, and the effectiveness of the arrangements the Council has for these matters. It undertakes the core functions of an Audit Committee as identified in 'CIPFA's Audit Committees: Practical Guidance for Local

## **Annual Governance Statement**

Authorities'. The Constitution is reviewed at least annually by the Monitoring Officer and is codified into one document that is available on the external web pages.

- Hastings Borough Council ensures compliance with established policies, procedures, laws and regulations – including risk management. There is a corporate induction programme and service induction routines are in place for new staff. This now includes an e-learning module. Information regarding policies and procedures are held on the intranet which continues to be enhanced and developed.
- The Council has an Internal Audit function and informal protocols for working with External Audit.
- Hastings Borough Council has continued to enhance and strengthen its internal control environment through the introduction of new policies and procedures.
- Following the retirement of the previous Risk Champion on 31 March 2015, the new Risk Champion is the Director of Corporate Services and Governance.
- The Corporate Risk Management Group also incorporates the Health & Safety framework.
- The Council has a Whistle Blowing Policy based on the British Standards model that enables staff, contractors or members of the public to confidentially raise with the Council any suspicions they may have. There is also a customer compliments and complaints system that is monitored by management.
- Hastings Borough Council's Internal Audit function continues to support managers at all levels to give a better understanding of how to enhance risk management in their area of responsibility and to have some understanding of the process throughout the Council. The high-level risk management methodology was designed to provide more focus to member and senior officer management of risk. The Strategic Risk Register is formally reviewed at least once a quarter by Corporate Management Group (CMG) and the Operational Risk Registers are regularly reviewed at Directorate Management Team (DMT) meetings.
- The Audit Committee perform an annual rigorous review of the Strategic and Operational Risk Registers and also when new emerging risks arise.
- Hastings Borough Council ensures the economical, effective and efficient use of resources, and secures continuous improvement in the way in which its functions are exercised. The External Auditor passed an unqualified audit opinion on value for money providing assurance to the public over its financial resilience and that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources.
- Financial management in Hastings Borough Council and the reporting of financial standing is undertaken through a general ledger and management information system, Agresso, which integrates the general ledger function with those of budgetary control and payments. These are supported by the Finance Operating Procedures (FOPs) manual held on the Council's intranet which contains information on financial and business procedures and processes to be followed in all areas of the Council.
- A scheme of delegation which sets out the powers of Directors, the Financial rules and Contract Standing Orders form part of the Constitution. A rigorous system of monthly risk based financial monitoring ensures that any significant budget variances are identified in a timely way, and corrective action is initiated if necessary.
- Performance management in Hastings Borough Council and the reporting of performance management continues to show good results. In response to the de-regulation of Performance Management the Council has focussed its quarterly reporting of data on 30 Key Indicators that can be used to assess the 'health' of the organisation. This, together with the reporting on each of the Service's Part II commitments, enables a rounded view of how the Council is performing against key issues of concern to local people. Performance indicators are recorded and monitored using an in-house developed spreadsheet system.
- A Senior Information Officer is responsible for information security.
- The Director of Corporate Services and Governance has assumed the role of Senior Information Risk Owner (SIRO).

## **Annual Governance Statement**

- Hastings Borough Council is the Trustee for all purposes to the Foreshore Trust. Its business is conducted through the Charity Committee which meets every quarter. The charity has a Protector to protect the charity from conflicts of interest, financial and otherwise, arising from the Council's position as charitable trustee and local authority with its own priorities. At Annual Council, the Leader of the Council allocates responsibilities of the Cabinet to include Chair of the Charity Committee.
- Service Reviews – The Council's transformation programme has undertaken intensive business process mapping of a range of services to (where possible) move services online to realise efficiencies and improve processes for our customers and staff. Progress against the transformation programme is detailed in our quarterly performance reports. These coincide with existing plans for service reviews being planned through the Priorities, Income & Efficiency Reviews (PIER) process.
- Member Development – Before Members can undertake their roles all Members have to undertake the appropriate training. This includes full induction for all new Members, a range of compulsory training so that members can fulfil their roles on our committees, and leadership training where appropriate provided in conjunction with the LGA. Member training and development is monitored and evaluated quarterly by the Member Training and Development Group.
- Consultation – The Council undertakes a range of consultation throughout the year subject to activities identified in the corporate plan. The Council also consults annually on its corporate plan and budget with a variety of stakeholders.
- The Hastings and St. Leonards Local Strategic Partnership (LSP) Board is a body that rings together key representatives from the private/business, community/voluntary and public sector. The Board is currently chaired by the Leader of Hastings Borough Council. The LSP Board meet quarterly to address key issues affecting the town as a whole improve the quality of life for those who live and work in the town. They are supported by an Executive Delivery Group (EDG) which also meets quarterly, chaired by the Director of Operational Services.
- The key role of the Local Strategic Partnership (LSP) is to:
  - i Identify and report strategic issues, which key partners should be aware of.
  - ii Provide strategic leadership on any Borough wide issue, identified by partners and agreed by the LSP, where no other appropriate existing organisation or partnership can be identified.
  - iii Act to bring together intelligence, expertise and community and business support to identify priorities and develop solutions to maximise the town's economic opportunities and address barriers to regeneration.
- We have acquired Aquila House which is now the Council's administrative centre and all committee meetings are now held there.

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

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

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

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

## Annual Governance Statement

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

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

#### **Review of effectiveness**

Hastings Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control and effectiveness of Internal Audit. The review of effectiveness is informed by the work of the Directors within the authority who have responsibility for the development and maintenance of the governance environment, the Audit Committee's annual report to Council and also by comments made by the external auditors and other review agencies and inspectorates.

The Council contributes to the delivery of the town's Sustainable Community Strategy through its membership of the Local Strategic Partnership and via targets included in the Corporate Plan. The Council monitors and reports publicly on progress so residents can see how issues that matter to them are being tackled. The plan is monitored on a quarterly basis by Overview and Scrutiny Committees.

The Council's constitution sets out the responsibilities of both Members and their senior managers. In particular, the Council has identified the three statutory posts as follows:

Head of Paid Service - Director of Corporate Services & Governance

Monitoring Officer - Chief Legal Officer

Section 151 officer - Assistant Director Financial Services and Revenues

The Council continues to assess how its overall corporate governance responsibilities are discharged. In particular the Council has adopted the CIPFA/SOLACE guidance and has developed a local code of corporate governance. This was last updated and approved by Cabinet on 6 October 2014.

The arrangements for the provision of internal audit are contained within the Council's Financial Rules, which are included within the Constitution. The Assistant Director Financial Services and Revenues is responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting and other systems of internal control as required by the Accounts and Audit Regulations 2015. The Internal Audit service is managed, independently, by the Assistant Director and operates in accordance with the Public Sector Internal Audit Standards. The Hastings audit plan is prioritised by a combination of the key internal controls, assessment and review on the basis of risk and the Council's corporate governance arrangements, including risk management. The work is further supplemented by reviews around the main financial systems, scheduled visits to Council establishments and fraud investigations. The resulting work plan is discussed and agreed with the Directors and the Audit Committee and shared with the Council's external auditor. Regular meetings between the internal and external auditor ensure that duplication of effort is avoided. All Hastings Internal Audit reports include an assessment of the adequacy of internal control and prioritised action plans to address any areas needing improvement.

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

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

## Annual Governance Statement

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

From the work undertaken by Hastings Audit in 2015/16 the Chief Auditor was able to give the following assurance "I am able to provide a reasonable assurance on the key areas of risk management, corporate governance and financial control". In this context "reasonable assurance" means that the systems can be relied upon to prevent error, fraud or misappropriation occurring without detection, and that nothing was found that would materially affect the Council's standing or Annual Accounts.

### **Significant governance issues**

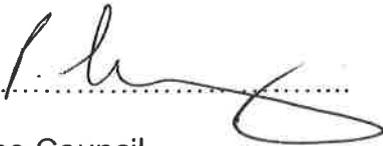
The Council follows the CIPFA/SOLACE guidance entitled 'Delivering Good Governance in Local Government (Guidance Note for English Authorities)'. In accordance with its categorisation of significant issues, other than the referendum result, detailed below, there are no new issues to report, however, provided is an update to an ongoing risk on which progress was reported last year.

In the last Annual Governance Statement, it was reported that there was a significant emerging risk relating to the reduction in Government grant funding. A balanced budget for 2016/17 was achieved whilst retaining an appropriate level of reserves but indications are that funding will continue to be under extreme pressure as the Government seeks to reduce public spending into the future.

This year has again, been a period of change and development. There have been continuing financial pressures. Despite this challenging environment there have been significant achievements and continuing improvement in the Council's overall governance arrangements.

One emerging issue is the implications arising from the national referendum and the vote to exit the EU. This will potentially have significant implications in the years ahead for the level of external funding that Hastings and the Council receives and the joint working that is undertaken with partner organisations both in this country and Europe. It may also have implications on the Council's central government funding, business rate income, procurement arrangements and Treasury management strategy. Councillors will be informed of the implications as and when sufficient detail becomes available.

Where we have identified areas for further improvement we will take the necessary action to implement changes that will further develop our governance framework.

Signed:.....

Leader of the Council

Signed:.....

Director of Corporate Services  
& Governance

# Statement of Responsibilities

## THE COUNCIL'S RESPONSIBILITIES

The Council is required :-

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

## RESPONSIBILITIES OF THE CHIEF FINANCIAL OFFICER

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

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

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

The Chief Financial Officer has also:

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

I certify that I have fulfilled my responsibilities noted above and that the accounts set out on pages 26 to 80 give a true and fair view of the financial position of the Council as at 31 March 2016 and its income and expenditure for the year ended 31st March 2016.

Signed on behalf of Hastings Borough Council:



P Grace CPFA,

Chief Finance Officer



Mathew Beaver

Chair of the Audit Committee

# Independent Auditor's Report

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

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

We have audited the financial statements of Hastings Borough Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and the related explanatory notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

### **Respective responsibilities of the Assistant Director Financial Services and Revenues and auditor**

As explained more fully in the Statement of Responsibilities, the Assistant Director Financial Services and Revenues is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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

### **Opinion on financial statements**

In our opinion the financial statements:

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

# Independent Auditor's Report

## **Opinion on other matters**

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

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

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

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

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

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

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

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

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

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

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

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

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

# Independent Auditor's Report

## Conclusion

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

## Certificate of completion of the audit

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

BDO LLP

## Leigh Lloyd-Thomas

For and on behalf of BDO LLP, Appointed Auditor

London, UK

30 September 2016

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

## MOVEMENT IN RESERVES STATEMENT

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

## MOVEMENT IN RESERVES STATEMENT

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

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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



# BALANCE SHEET

31 March 2015 Re-stated £'000		31 March 2016 £'000
93,316	Property, Plant and Equipment	98,416
956	Investment Properties	1,132
33	Intangible Assets	24
13,380	Heritage Assets	14,556
4,177	Long Term Debtors	3,408
<b>111,862</b>	<b>LONG TERM ASSETS</b>	<b>117,536</b>
105	Inventories	114
55	Assets Held for Sale	0
5,704	Short Term Debtors	8,450
20,077	Short Term Investments	21,063
2,621	Cash and Cash Equivalents	2,230
<b>28,562</b>	<b>CURRENT ASSETS</b>	<b>31,857</b>
(7,232)	Short Term Creditors	(6,247)
(3,074)	Short Term Borrowing	(6,092)
(1,228)	Provisions	(1,799)
0	Capital grants received in advance	(147)
<b>(11,534)</b>	<b>CURRENT LIABILITIES</b>	<b>(14,285)</b>
(14,197)	Long Term Borrowing	(13,497)
(1,275)	Long Term Creditors	(1,151)
(46,149)	Net Pension Liability	(40,150)
<b>(61,621)</b>	<b>LONG TERM LIABILITIES</b>	<b>(54,798)</b>
<b>67,269</b>	<b>NET ASSETS</b>	<b>80,310</b>
(500)	General Fund	(500)
(19,662)	Earmarked reserves	(20,187)
(712)	Capital Receipts Reserve	(2)
(259)	Capital grants and contributions	(308)
<b>(21,133)</b>	<b>USABLE RESERVES</b>	<b>(20,997)</b>
(5)	Deferred capital receipts	(3)
(45,772)	Revaluation Reserve	(52,963)
(47,182)	Capital Adjustment Account	(46,890)
46,149	Pensions Reserve	40,150
(121)	Financial instruments Adjustment Account	(172)
185	Accumulated Absences Account	220
610	Collection Fund Adjustment Account	345
<b>(46,136)</b>	<b>UNUSABLE RESERVES</b>	<b>(59,313)</b>
<b>(67,269)</b>	<b>TOTAL RESERVES</b>	<b>(80,310)</b>



# CASHFLOW STATEMENT

<b>2014-15</b>		<b>2015-16</b>
Re-stated		
£'000		£'000
(13,178)	Taxation	(14,525)
(63,784)	Grants and Contributions	(59,416)
(12,014)	Sales of goods and rendering of services	(10,645)
(290)	Interest received	(286)
(150)	other receipts from operating activities	(424)
<b>(89,416)</b>	<b>Cash inflows generated from operating activities</b>	<b>(85,296)</b>
10,570	Cash paid to and on behalf of employees	10,228
52,002	Housing benefit payments	50,238
5,226	NNDR Tariff payments	5,326
14,987	Cash paid to suppliers of goods and services	13,528
473	Interest paid	523
8,020	Other operating cash payments	7,893
<b>91,278</b>	<b>Cash outflows generated from operating activities</b>	<b>87,736</b>
<b>1,862</b>	<b>Net cashflows from operating activities</b>	<b>2,440</b>
(1,546)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(776)
790	Purchase of property, plant and equipment, investment property and intangible assets	1,242
15,000	Purchase of short-term and long-term investments	8,000
1,799	Other payments for investing activities	0
(10,000)	Proceeds from the sale of short-term and long-term investments	(7,000)
(312)	Other receipts from investing activities	(367)
<b>5,731</b>	<b>Net cashflows from investing activities</b>	<b>1,099</b>
(34,297)	Cash receipts from short term and long term borrowing	(34,368)
28,600	Repayments of short term and long term borrowing	32,050
344	Changes in National Non-Domestic Rates balances held for Central Government	(1,153)
(612)	Changes in Council tax balances held for preceptors	323
<b>(5,965)</b>	<b>Net cashflows from financing activities</b>	<b>(3,148)</b>
<b>1,628</b>	<b>Net (increase) / decrease in cash and cash equivalents</b>	<b>391</b>
4,249	Cash and bank balances 1 April	2,621
(1,628)	Change during the year	(391)
<b>2,621</b>	Cash and bank balances 31 March	<b>2,230</b>
<b>31 March</b>		<b>31 March</b>
<b>2015</b>		<b>2016</b>
<b>5</b>	Cash in hand	<b>3</b>
<b>682</b>	Bank balances	<b>666</b>
<b>1,934</b>	Cash equivalents	<b>1,561</b>
<b>2,621</b>	Totals	<b>2,230</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

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

### Changes to 2016/17 Code of Practice

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

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

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

#### Reorganisation of Council structure

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

#### Correction of material error

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

Movement in Reserves Statement	In the column for the General Fund, the deficit on the provision of services is reduced by £1.788m from £5.998m to £4.210m, while the adjustments between accounting and funding basis change from (£6.678m) to (£4.890m). There are corresponding changes to the columns for total usable reserves and for unusable reserves, leaving total reserves increased by £1.788m.
Comprehensive Income and Expenditure Statement	The gross and net expenditure on Housing Services is increased by £1.788m, with a corresponding reduction in the Cost of Services and on the deficit on the provision of services (from £5.998m to £4.210m as above).
Balance Sheet	Long term debtors are increased by £1.788m, with a corresponding increase in long term assets and in total assets. The Capital Adjustment Account is also increased by £1.788m, with a consequent increase in the level of unusable reserves and of total reserves.
Cash Flow Statement	"Cash paid for goods and services" is reduced by £1.788m, leading to reductions in cash outflows from operating activities and net cashflows from operating activities. "Other payments for investing activities" increases by £1.788m, as does "Net cashflows from investing activities". The total cash movement is unchanged.

The Cash Flow Statement has also been re-stated to correct an error of £4,907,000 between "Cash paid to suppliers for goods and services" (reduced) and Other operating cash payments" (increased).

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

## **2 ACCOUNTING POLICIES**

### **2.1 General Principles**

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

### **2.2 Accruals of Expenditure and Income**

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, and where the amounts are significant, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received, rather than when the payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.
- Accruals for income are offset by allowances for the impairment of debt where it is determined that recovery is unlikely, although the Council continues to attempt to recover sums legally due. This policy applies to contractual debt as well as to statutory debt for Council Tax, Non-Domestic Rates and overpayments of Housing Benefit.

The Council collects income from payers of Council Tax and Non-Domestic Ratepayers, but only part of the income relates to this Council, the balance being collected on behalf of other major precepting authorities, including the Government. The amounts of debtors, adjustments for doubtful debts, and income in advance that relate to the precepting authorities are shown as a single net debtor or creditor in the balance sheet. The element of the Collection Fund due to preceptors is split between payments due to be made in the following financial year, which are held as Short Term Creditors, and any other amounts, due in succeeding financial years, which are shown as Long Term Creditors. In the event of a deficit, the amounts are split between Short Term and Long Term Debtors.

### **2.3 Cash and Cash Equivalents**

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

- The Surplus or Deficit on the Provision of Services is debited or credited with the following amounts to record the cost of holding non-current assets during the year:
- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by the service, where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- Any subsequent reversal of such losses;
- The annual amortisation of intangible fixed assets attributable to the service.
- Any revenue costs which are met from capital resources as Revenue Expenditure Financed from Capital under Statute (REFCUS – see 2.20 below)

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

The Council participates in the Local Authority Mortgage Scheme (LAMS) using the cash backed option. The mortgage lenders require a 5 year deposit from the Council to match the 5 year life of the indemnity. The deposit placed with the mortgage lender provides an integral part of the mortgage lending, and is treated as capital expenditure and a loan to a third party. The Capital Financing Requirement (CFR) rose by the amount of the total indemnity. The deposit is due to be returned in full at maturity, with interest paid either annually or on maturity. Once the deposit matures and funds are returned to the local authority, the returned funds are classed as a capital receipt, and the Capital Financing Requirement will reduce accordingly. As this is a temporary (5 year) arrangement and the funds should be returned in full, the Council has considered whether MRP should be made and has determined any amount is trivial and therefore there is no need to set aside a provision to repay the debt liability in the interim period.

## 2.5 Provisions

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

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

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

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

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 2.6 Contingent Assets

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

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

## 2.7 Contingent Liabilities

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

Contingent liabilities may also arise in circumstances where a provision would otherwise be made, but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be reliably measured.

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

## 2.8 Employee Benefits

### Benefits Payable during Employment

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

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accruals basis to the relevant service in the Comprehensive Income and Expenditure Statement at the earlier of the dates on which the council can no longer withdraw the offer of benefits, or when it recognises the costs of a restructuring that involves the payment of termination benefits.

### Post-Employment Benefits

The majority of employees of the Council are members of the Local Government Pension Scheme, administered by East Sussex County Council for local authorities within East Sussex. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council. We therefore account for this scheme as a defined benefit plan.

The liabilities of the East Sussex County Council pension scheme attributable to this Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 3.4% (based on the indicative rate of return on the iBoxx Sterling Corporate Index, AA over 20 years).

# NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

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

## Discretionary Benefits

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 2.9 Events after the Balance Sheet date

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

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

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

## 2.10 Prior period adjustments

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes to accounting policies are only made when required by proper accounting practices or if the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. When a change is made, it is applied retrospectively (unless stated otherwise); by adjusting opening balances and comparative amounts for the prior period as if the new policy had always applied.

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

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change, and do not give rise to a prior period adjustment.

## 2.11 Financial instruments

### Financial Liabilities

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

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

### Financial Assets

The term "financial asset" covers cash and beneficial contractual rights to receive or exchange cash or liabilities. Most of the Council's financial assets come within the category of "loans and receivables". These are financial assets that have fixed or determinable payments, and are not quoted in an active market. The Council also sometimes invests in short term Certificates of Deposit (£5m at 31 March 2016). These are classified as Available for Sale, but, as they are only held for a short period, the Council accounts for them as if they were Loans and Receivables.

# NOTES TO THE CORE FINANCIAL STATEMENTS

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

- Trade debtors are recorded as invoices issued to individuals or other entities, for which immediate payment is required. The balance awaiting collection ("Trade accounts receivable") is included in the balance sheet under "short term debtors".
- Cash held in current or call accounts, together with investments for periods of less than three months, is included in the balance sheet under "cash and cash equivalents".
- The debtor for the bank deposit for the LAMS scheme; this is allocated to long term or short term debtors, depending on the time outstanding before maturity.
- A long term loan to Amicus Horizon for £1,788,000 included in the balance sheet under long term debtors.
- Loans to the Foreshore Trust totalling £427,000 (partly long term and partly short term). These loans are either at, or at the equivalent to the PWLB rate of interest, which is equal to the same rate as the Council borrows money, but less than the market rate that the Foreshore Trust would otherwise need to borrow at. Although this constitutes a "soft loan", the accounting adjustments would be immaterial, and the Council does not apply them as permitted by the accounting Code.
- Investments taken out for periods of between three months and one year are included in the balance sheet as "short term investments".

Investments taken out for periods of longer than one year would be included in the balance sheet as "long term investments" but there were none as at 31 March 2016.

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

## **2.12 Foreign Currency Translation**

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

## **2.13 Government Grants and Other Contributions**

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

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

## **2.14 Heritage Assets**

The Council's Heritage Assets are as follows:

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

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

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

### Valuation

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

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

Valuation gains and losses are accounted for in accordance with the general policies on revaluation of property, plant and equipment- see note 2.18.

### Impairments

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

## **2.15 Investment Properties**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

# NOTES TO THE CORE FINANCIAL STATEMENTS

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance.

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

## **2.16 Leases**

### Definition of a lease

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

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

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

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

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

### (a) The Council as Lessee

#### Finance Leases

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

As these assets are included as part of the Council's property plant and equipment balance, they are subsequently accounted for, in relation to disposal, depreciation, impairment, etc., as set out below in 2.18.

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

#### Operating Leases

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

## (b) The Council as Lessor

### Operating Leases

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

### **2.17 Overheads and Support Services**

The costs of overheads and support services are charged to those services that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015-16 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

### **2.18 Property, Plant and Equipment**

#### Definition and Categories

Property, plant and equipment consists of assets that have physical substance and are held for use in the provision of services, for rental to others, or for administrative purposes, and that are expected to be used during more than one financial year. They exclude assets which are held purely for investment purposes (Investment properties), assets which the Council is actively seeking to sell (Assets available for sale), and assets coming within the definition of Heritage Assets (2.14 above). Property, plant and equipment is made up of the following categories:

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

#### Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that secures but does not add to an asset's potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged to the Comprehensive Income and Expenditure Account as an expense when it is incurred. Assets valued at less than £50,000 are not included on the balance sheet, provided that the total excluded has no material impact.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Measurement

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

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

## Revaluation

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

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

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

## Impairment

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

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

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

## Disposals

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

## Depreciation

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

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

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

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

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

## **2.19 Reserves**

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

Usable reserves comprise the following:

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

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: This receives credits when capital is financed from the General Fund or from the Capital Receipts and Capital Grants Unapplied reserves, and receives debits to offset depreciation and other charges relating to capital which are not chargeable against the General Fund. The account contains revaluation gains accumulated on non-current assets before 1 April 2007, the date on which the Revaluation Reserve was created to hold such gains.
- Pensions Reserve: The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes the employer's contributions to the pension fund (including payments relating to unfunded benefits). The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.
- Accumulated Absences Reserve: this contains the difference between the statutory and accounting liability for the cost of accumulated absences: the cost is properly chargeable to the Comprehensive Income and Expenditure Statement, but not to the General Fund.
- Financial Instruments Adjustment Account: this represents the difference between the accounting and legislative charges for finance costs.
- Collection Fund Adjustment Account: this represents the differences arising from the recognition of Council tax income and Non-Domestic Rates in the Comprehensive Income and Expenditure Statement as they fall due from payers, compared with the statutory arrangements for paying across amounts from the Collection Fund to the General Fund.

## 2.20 Revenue Expenditure Financed from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset, is charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by

# NOTES TO THE CORE FINANCIAL STATEMENTS

borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged, so there is no impact on the level of Council Tax.

## 2.21 Value Added Tax (VAT)

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

## 2.22 Exceptional Items

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

## 2.23 Fair Value

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

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

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

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

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

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

## NOTE 3. CRITICAL JUDGEMENTS

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Pensions Accounting

The estimate of the pension liability depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes to retirement ages and mortality rates. A firm of consulting actuaries, Hymans Robertson, is engaged to provide the Council with expert advice about the assumptions to be applied. Details of these assumptions are included in Note 17. The effect on the liability for changes to assumptions are:

- A 0.5% decrease in the discount rate would result in an increase in the pension liability of £13,355,000.
- An increase of one year in life expectancies for pensioners would increase the liability by £4,202,000.
- A 0.5% increase in the salary rate would increase the liability by £2,896,000.
- A 0.5% increase in pensions would increase the liability by £10,316,000.

All these assumptions are listed in Note 17, and are re-assessed every year. Changes in any one assumption would be affected by changes in others, so that the effect of a number of changes would be a complex calculation.

## Allowances for impairment of debt

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

## Allowance for the impact of rating appeals

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

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

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

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

## Hastings Pier claim

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

## Local Government Pension Scheme:

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

liability by approximately 1.9%. The change in the discount rate since 31 March 2016 would therefore increase the net pension liability in the balance sheet by £37,000,000.

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

### NOTE 6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

<b>2014/15 Re-stated</b>	<b>General Fund Balance</b>	<b>Capital Receipts reserve</b>	<b>Capital grants unapplied</b>	<b>Unusable Reserves</b>	<b>Total</b>
	£'000	£'000	£'000	£'000	£'000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Amortisation Intangible Assets	(23)	0	0	23	0
Depreciation and impairment of non-current assets	(2,005)	0	0	2,005	0
Movements in value of Investment Properties	17	0	0	(17)	0
Disposal of non-current assets	(1,223)	0	0	1,223	0
Capital receipts to Usable Capital Receipts Reserve	1,545	(1,549)	0	4	0
Capital grants and contributions to Capital Grants Unapplied Reserve	312	0	(312)	0	0
Difference between accounting and statutory finance costs	(51)	0	0	51	0
Difference between accounting and statutory employment benefit	1	0	0	(1)	0
Difference between accounting and statutory credit for Council Tax	165	0	0	(165)	0
Difference between accounting and statutory credit for Non-Domestic Rates	(538)	0	0	538	0
Revenue Expenditure Financed from Capital under Statute	(3,119)	0	0	3,119	0
Difference between accounting and statutory credit for pension costs	(1,599)	0	0	1,599	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					0
Statutory provision for the financing of capital investment	488	0	0	(488)	0
Capital expenditure financed from revenue	1,140	0	0	(1,140)	0
Other adjustments					0
Capital expenditure financed from Capital Receipts	0	837	0	(837)	0
Capital expenditure financed from Capital grants and contributions	0	0	1,045	(1,045)	0
<b>Total for 2014/15</b>	<b>(4,890)</b>	<b>(712)</b>	<b>733</b>	<b>4,869</b>	<b>0</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 7. EARMARKED RESERVES

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

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

The reasons for maintaining these earmarked reserves are shown below:

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 8. UNUSABLE RESERVES

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

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

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

### Deferred Capital Receipts

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Revaluation Reserve

<b>2014-15</b>		<b>2015-16</b>
£000		£000
(37,216)	Balance 1 April	(45,772)
	Comprehensive Income & Expenditure:	
(9,199)	(Gain) or Loss on revaluation of assets	(7,748)
	Accounting / Financing Adjustments:	
277	Gain or (loss) on sale of non-current assets	142
366	Depreciation charged to Revaluation Reserve	415
<b>(45,772)</b>	<b>Balance 31 March</b>	<b>(52,963)</b>

### Capital Adjustment Account

<b>2014-15</b>		<b>2015-16</b>
Re-stated £000		£000
(49,382)	Balance 1 April	(47,182)
	Accounting / Financing Adjustments:	
23	Amorisation Intangible Assets	23
2,005	Depreciation and impairment of non-current assets	2,421
(17)	Movements in value of Investment Properties	(176)
946	Gain or (loss) on sale of non-current assets	390
3,119	Revenue Expenditure Financed from Capital under Statute	2,993
(488)	Statutory provision for the financing of capital investment	(510)
(1,140)	Capital expenditure financed from revenue	(757)
(837)	Capital expenditure financed from Capital Receipts	(1,489)
(1,045)	Capital expenditure financed from Capital grants and contributions	(2,188)
(366)	Depreciation charged to Revaluation Reserve	(415)
<b>(47,182)</b>	<b>Balance 31 March</b>	<b>(46,890)</b>

### Pensions Reserve

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Financial Instruments Adjustment Account

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

## Accumulated Absences Account

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

## Collection Fund Adjustment Account

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

## NOTE 9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

## NOTE 11. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

Directorate Income and Expenditure	Corporate Services	Operational Services	Accounting-Financing Adjust.	Cost of Services	Corporate Items	Total
2015-16	£'000	£'000		£'000	£'000	£'000
Fees, Charges & Other Service Income	(6,433)	(7,066)	0	(13,499)	(76)	(13,575)
Proceeds from sale of non-current assets	0	0	0	0	(244)	(244)
Interest and Investment Income	0	0	0	0	(302)	(302)
Change in values, Investment Properties	0	0	0	0	(176)	(176)
Taxation:				0		
Council Tax	0	0	0	0	(6,068)	(6,068)
Non-domestic rates	0	0	0	0	(7,980)	(7,980)
Government Grants and contributions	(50,457)	(1,391)	(2,017)	(53,865)	(8,086)	(61,951)
<b>Total Income</b>	<b>(56,890)</b>	<b>(8457)</b>	<b>(2,017)</b>	<b>(67,364)</b>	<b>(22,932)</b>	<b>(90,296)</b>
Employee expenses	5,627	6,909	306	12,842	1,435	14,277
Interest payments	0	0	0	0	519	519
Disposal of non-current assets written out	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	0	0	2,994	2,994	0	2,994
Depreciation, impairment, amortisation	0	0	2,444	2,444	0	2,444
Taxation (NNDR tariff)	0	0	0	0	5,326	5,326
Support Services	(2,589)	2,589	0	0	0	0
Other service expenses	55,841	11,312	(9)	67,144	5	67,149
<b>Total operating expenses</b>	<b>58,879</b>	<b>20,810</b>	<b>5,735</b>	<b>85,424</b>	<b>7,285</b>	<b>92,709</b>
<b>Surplus or Deficit on provision of services</b>	<b>1,989</b>	<b>12,353</b>	<b>3,718</b>	<b>18,060</b>	<b>(15,647)</b>	<b>2,413</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 13. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

2014-15 (restated)				2015-16		
Fin. Lease	Other	Total		Fin. Lease	Other	Total
£'000	£'000	£'000		£'000	£'000	£'000
254	16,111	16,365	Opening Capital Financing Requirement 1 April	254	18,320	18,574
			<i>Capital Investment</i>			
0	409	409	Property, Plant and Equipment	0	1,041	1,041
0	0	0	Investment Properties	0	0	0
0	0	0	Intangible Assets	0	14	14
0	403	403	Assets Held for Sale	0	354	354
0	0	0	Heritage assets	0	31	31
0	1,788	1,788	Long Term Debtors	0	0	0
0	3,119	3,119	Revenue Expenditure Funded from Capital under Statute	0	2,993	2,993
			<i>Sources of finance</i>			
0	(837)	(837)	Capital receipts	0	(1,489)	(1,489)
			Government grants and other contributions:	0		
0	(1,045)	(1,045)	towards assets	0	(170)	(170)
0	0	0	towards REFCUS		(2,017)	(2,017)
0	(1,140)	(1,140)	Sums set aside from revenue and reserves	0	(757)	(757)
0	2,697	2,697	Financed from loan	0	0	0
0	(488)	(488)	Minimum Revenue Provision	0	(510)	(510)
254	18,320	18,574	Closing Capital Financing Requirement 31 March	254	17,810	18,064

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 14. NON-CURRENT ASSETS AND ASSETS FOR SALE

### PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings	Vehicles Plant etc.	Infra- structure	Comm. Assets	Surplus Props.	Under Construct.	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost:							
Opening value 1 April 2014	66,560	4,876	13,910	12,862	949	0	99,157
Additions	162	0	158	4	0	85	409
Disposals	(110)	(1,936)	(200)	0	(29)	0	(2,275)
Impairment losses	(1,379)	0	0	0	0	0	(1,379)
Impairment loss reversals	1,088	0	0	0	0	0	1,088
Revaluations	6,169	0	0	0	(461)	0	5,708
<b>Balance 31 March 2015</b>	<b>72,490</b>	<b>2,940</b>	<b>13,868</b>	<b>12,866</b>	<b>459</b>	<b>85</b>	<b>102,708</b>
Cumulative Depreciation:							
Opening value 1 April 2014	(2,960)	(3,219)	(6,714)	(289)	(19)	0	(13,201)
Charge for the year	(940)	(287)	(479)	0	(8)	0	(1,714)
Disposals	8	1,936	200	0	20	0	2,164
Revaluations	3,359	0	0	0	0	0	3,359
<b>Balance 31 March 2015</b>	<b>(533)</b>	<b>(1,570)</b>	<b>(6,993)</b>	<b>(289)</b>	<b>(7)</b>	<b>0</b>	<b>(9,392)</b>
<b>Net book value 31 March 2015</b>	<b>71,957</b>	<b>1,370</b>	<b>6,875</b>	<b>12,577</b>	<b>452</b>	<b>85</b>	<b>93,316</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Land & Buildings	Vehicles Plant etc	Infra- structure	Comm. Assets	Surplus Props.	Under Construct.	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost:							
Opening value 1 April 2015	72,490	2,940	13,868	12,866	459	85	102,708
Additions	54	309	88	65	0	525	1,041
Disposals	(131)	0	0	0	0	0	(131)
Impairment losses	(1,192)	0	0	0	(57)	0	(1,249)
Impairment loss reversals	64	0	0	0	71	0	135
Reclassifications	(29)	0	0	0	29	0	0
Revaluations	874	0	0	0	5,142	0	6,016
<b>Value 31 March 2016</b>	<b>72,130</b>	<b>3,249</b>	<b>13,956</b>	<b>12,931</b>	<b>5,644</b>	<b>610</b>	<b>108,520</b>
Cumulative Depreciation:							
Opening value 1 April 2015	(533)	(1,570)	(6,993)	(289)	(7)	0	(9,392)
Charge for the year	(825)	(276)	(492)	0	(7)	0	(1,600)
Disposals	8	0	0	0	0	0	8
Impairment loss reversals	293	0	0	0	0	0	293
Revaluations	573	0	0	0	14	0	587
<b>Balance 31 March 2016</b>	<b>(484)</b>	<b>(1,846)</b>	<b>(7,485)</b>	<b>(289)</b>	<b>0</b>	<b>0</b>	<b>(10,104)</b>
<b>Net book value 31 March 2016</b>	<b>71,646</b>	<b>1,403</b>	<b>6,471</b>	<b>12,642</b>	<b>5,644</b>	<b>610</b>	<b>98,416</b>

The assets were valued as follows:

	Land & Buildings	Vehicles Plant etc	Infra- structure	Comm. Assets	Surplus Props.	Under Construct.	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Valued in:							
2013/14	5,343	0	0	0	0	0	5,343
2014/15	3,194	0	0	0	0	0	3,194
2015/16	63,020	0	0	0	5,644	0	68,664
Historic Cost	89	1,403	6,471	12,642	0	610	21,215
<b>Net book value 31 March 2016</b>	<b>71,646</b>	<b>1,403</b>	<b>6,471</b>	<b>12,642</b>	<b>5,644</b>	<b>610</b>	<b>98,416</b>

The Council's surplus properties consist of various parcels of land which are surplus to operational requirements, but which are not yet being actively marketed. There are no quoted prices for identical assets, but there are values available for similar assets, so it has been possible to value them at Level 2 of the Fair Value hierarchy (see Note 2.23 above), both at the start and end of the financial year.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## INVESTMENT PROPERTIES

Income and expenditure relating to investment properties was as follows:

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

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

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

The Council's Investment Properties consist of commercial properties let at market rents. There are no quoted prices for identical properties, and also no significant observable values for similar properties. Values have therefore been assessed under Level 3 of the Fair Value hierarchy (see Note 2.23 above), both at the start and end of the financial year. They are measured using the income approach, by means of the discounted cash flow method, where the discounted cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. In all cases the highest and best use for these assets is their current use.

## HERITAGE ASSETS

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

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

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

<b>31 March 2015</b>		<b>31 March 2016</b>
£000's		£000's
318	Turner Painting of Old Town	400
1,667	Art Collection - General	1,640
6,679	Art Collection - other	7,416
817	Ceramics Glass & Porcelain	616
3,558	Misc. - Silver, books, manuscripts etc.	3,527
147	Machinery, Equipment & other	625

# NOTES TO THE CORE FINANCIAL STATEMENTS

<b>31 March 2015</b>	<b>31 March 2016</b>
£000's	£000's
194 Civic Regalia	201
0 Hastings Castle	31
0 Coins	100
13,380	14,556

## ASSETS HELD FOR SALE

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

## NOTE 15. DEBTORS AND CONTINGENT ASSETS

### DEBTORS

The table below analyses the balance sheet figures between different types of debt. The Council has made an allowance for impairment of £154,000, for doubtful debts for trade accounts receivable, compared to £180,000 as at 31st March 2015.

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

### CONTINGENT ASSETS

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

## NOTE 16. LIABILITIES

### CREDITORS

# NOTES TO THE CORE FINANCIAL STATEMENTS

31 March 2015		31 March 2016
£'000		£'000
	Amounts falling due within one year:	
(1,221)	Central government bodies	(1,056)
(610)	Other Local Authorities	(1,903)
(5,401)	All other bodies	(3,288)
(7,232)	Total short term creditors	(6,247)
	Amounts falling due after one year:	
(294)	Other entities and individuals	1,151
(981)	Other Local Authorities	0
(1,275)	Total Long Term Creditors	(1,151)
(8,507)	Total Creditors	(7,398)

## PROVISIONS

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

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

## CONTINGENT LIABILITIES

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

MMI (Municipal Mutual Insurance Ltd), a previous insurer of the Council and one that underwrote up to 95% of the insurance risks for local authorities in the early 1990's ceased underwriting in 1992 having suffered substantial losses. The Council and most of MMI's public sector members elected to participate in a 'Scheme of Arrangement' effectively becoming 'Scheme Creditors'. This potentially results in the Council having to pay back part of all claims that have been settled on behalf of Hastings BC since 1993 following the Scheme of Arrangement being triggered. There remains a risk that the costs could increase over time, and the remaining potential liability has been estimated at £374,000.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 17. DEFINED BENEFIT PENSION SCHEMES

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

The Council participates in the Local Government Pension Scheme, administered locally by East Sussex County Council: this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The Council also previously incurred some liabilities for unfunded pensions, resulting from the award of added years' entitlements to members of staff taking early retirement. This liability, which is included in the total net liability reported in the table below, stood at £2,559,000 at 31 March 2016, (£2,768,000 at 31 March 2015) and the Council made payments totalling £180,000 in 2015/16 (£181,000 in 2014/15), as part of the overall payments reported below.

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

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

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

## Annual Contribution to fund

The estimated contribution for 2016-17 is £2,224,000, compared with the actual contribution of £1,997,000 for 2015-16.

## Plan Assets

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

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

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

## Actuarial Assumptions

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

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 18. GRANTS AND CONTRIBUTIONS

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

2014-15				2015-16		
Grants	Contribs.	Total		Grants	Contribs.	Total
£'000	£'000	£'000		£'000	£'000	£'000
(51,410)	0	(51,410)	DWP benefits and other grants	(50,125)	0	(50,125)
(1,736)	0	(1,736)	DCLG grants	(204)	0	(204)
0	(226)	(226)	Contributions from other local authorities	0	(266)	(266)
0	0	0	Grants for revenue financed from capital under statute	(2,017)	0	(2,017)
(129)	(615)	(744)	Other Grants and Contributions	(1,096)	(157)	(1,253)
<b>(53,275)</b>	<b>(841)</b>	<b>(54,116)</b>	<b>Total within Cost of Services</b>	<b>(53,442)</b>	<b>(423)</b>	<b>(53,865)</b>
(3,886)	0	(3,886)	Revenue Support Grant	(3,727)	0	(3,727)
(360)	0	(360)	New Burden Grant	(233)	0	(233)
(803)	0	(803)	Benefits and Council Tax administration grants	(800)	0	(800)
(898)	0	(898)	New Homes Bonus	(1,017)	0	(1,017)
(70)	0	(70)	Council Tax Freeze Grant	0	0	0
(666)	0	(666)	Disabled Facilities Grant	0	0	0
(987)	0	(987)	Efficiency Support Grant	(102)	0	(102)
(649)	0	(649)	Section 31 Grant Income	(787)	0	(787)
(312)	0	(312)	Grants and contributions towards capital expenditure	(220)	0	(220)
(620)	0	(620)	Hastings and Rother Clinical Commissioning Group	(1,200)	0	(1,200)
<b>(9,251)</b>	<b>0</b>	<b>(9,251)</b>	<b>Total within Taxation and non-specific grant income</b>	<b>(8,086)</b>	<b>0</b>	<b>(8,086)</b>
<b>(62,526)</b>	<b>(841)</b>	<b>(63,367)</b>	<b>Total grants and contributions</b>	<b>(61,528)</b>	<b>(423)</b>	<b>(61,951)</b>

## NOTE 19. FINANCIAL INSTRUMENTS

### NATURE AND EXTENT OF RISKS

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

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

### Overall procedures for managing risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set

# NOTES TO THE CORE FINANCIAL STATEMENTS

out through a legal framework in the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

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

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

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

- The Authorised Limit for 2015-16 was set at £30m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £30m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 100% based on the Council's net debt.

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

## **Credit risk**

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

### Liquidity risk

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

The maturity analysis of financial assets is as follows:

31 March 2015		31 March 2016
£,000		£,000
25,668	Less than 1 year	<b>27,477</b>
3,864	Less than 5 years greater than 1 year	<b>3,239</b>
<hr/>		
29,532	Total	<b>30,716</b>
<hr/>		

## Refinancing and Maturity risk

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

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

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

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

31 March 2015		31 March 2016
£,000		£,000
(3,074)	Less than 1 year	<b>(7,750)</b>
(1,000)	Between 1 and 2 years	<b>(1,000)</b>
(3,000)	Between 3 and 5 years	<b>(2,000)</b>
0	Between 6 and 10 years	<b>(300)</b>
(10,197)	More than 10 years	<b>(10,451)</b>
<hr/>		
(17,271)	Total	<b>(21,501)</b>
<hr/>		

## Market Risk

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

### FINANCIAL INSTRUMENT BALANCES

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

31 March 2015			31 March 2016	
Book Value £,000	Fair Value £,000		Book Value £,000	Fair Value £,000
(14,197)	(18,414)	Public Works Loan board	(13,497)	(17,310)
(254)	(254)	Long Term Creditors	(254)	(254)
<u>(14,451)</u>	<u>(18,668)</u>	<b>Long Term Liabilities</b>	<u>(13,751)</u>	<u>(17,564)</u>
(3,074)	(3,074)	Short Term Loans	(6,092)	(6,092)
74	0	Adjust for interest on long term loans	92	0
(2,093)	(2,093)	Short Term Creditors	(1,750)	(1,750)
<u>(5,093)</u>	<u>(5,167)</u>	<b>Short Term Liabilities</b>	<u>(7,750)</u>	<u>(7,842)</u>
<u>(19,544)</u>	<u>(23,835)</u>	<b>Total Financial Liabilities</b>	<u>(21,501)</u>	<u>(25,406)</u>

### Interest Receivable and Payable

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

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Valuation Techniques for Fair Value

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

The fair value calculations for these financial instruments are in line with level 1 of the hierarchy outlines in accounting policy 2.23 above (Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the year end)

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

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

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

## NOTE 20. EMPLOYEE REMUNERATION

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

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

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

Post holder information (Post title)	Salary (Inc. fees & Allowances)	Expense Allowance	Com-pensation for loss of office	Benefits in Kind (e.g. Lease cars)*	Pension Cont-ributions**	Total Remun-eration
	£	£	£	£	£	£
<b>Financial Year: 2014-15</b>						
Head of Paid Service and Director of Corporate Resources	86,663	192	0	4,858	20,503	112,216
Head of Corporate Services and Monitoring Officer	64,304	0	0	4,858	13,966	83,128
Head of Finance and Section 151 Officer	75,369	0	0	0	15,610	90,979
Director of Regeneration	77,499	0	0	4,858	17,367	99,724
Director of Environmental Services	82,350	192	96,770	4,858	18,058	202,228

## NOTES TO THE CORE FINANCIAL STATEMENTS

Post holder information (Post title)	Salary (Inc. fees & Allow- ances)	Expense Allowance	Com- pensation for loss of office	Benefits in Kind (e.g. Lease cars)*	Pension Con- tributions**	Total Remun- eration
	£	£	£	£	£	£
<b>Financial Year: 2015-16</b>						
Director of Corporate Resources and Governance	79,585	0	0	4,671	17,363	101,619
Director of Operational Services	81,600	0	0	7,782	17,626	107,008
Assistant Director of Finance and Revenues (Section 151 Officer)	80,540	0	0	0	15,992	96,532
Assistant Director of Regeneration	68,097	0	0	0	13,285	81,382
Assistant Director of Environmental Services	68,740	0	0	0	13,424	82,164
Assistant Director of Housing	68,097	0	0	0	13,285	81,382

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

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

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

### NOTE 21. TERMINATION BENEFITS AND EXIT PACKAGES

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

The Council terminated the contracts of 5 employees in 2015-16, incurring costs of £165,214 (£325,740 relating to 12 employees in 2014-15). These costs are charged to the Council's Comprehensive Income and Expenditure Statement in the current year.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

- The curtailment figure is determined using accounting assumptions at the accounting date (in line with the requirements of the accounting standard). In addition, the methodology used to determine this figure differs slightly from that used to determine the strain contribution.
- The strain cash contribution due from the employer is based on the assumptions at the 2013 actuarial valuation and, as mentioned above, the methodology is slightly different than that applied for the curtailment figure. The strain costs are reflected in the figures below on a cash basis but in fact are paid into the fund on a monthly basis as a 1% enhanced charge to the employer.

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

2014-15			Banding	2015-16			Cost Total £
Number of exit packages				Number of exit packages			
Compuls. Redund.	Other departures	Total exit packages	Total £	Compuls. Redund.	Other departures	Total exit packages	Total £
5	0	5	42,271	£0 - 20,000	0	1	11,628
4	2	6	178,357	£20,001 - 40,000	1	2	78,920
0	0	0	0	£40,001 - 60,000	0	0	0
0	0	0	0	£60,001 - 80,000	0	1	74,666
1	0	1	105,112	£80,001 - 100,000	0	0	0
<b>10</b>	<b>2</b>	<b>12</b>	<b>325,740</b>		<b>1</b>	<b>4</b>	<b>165,214</b>

### NOTE 22. LEASES

#### COUNCIL ACTING AS LESSOR – OPERATING LEASES

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

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

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

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

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

## NOTE 23. EXTERNAL AUDIT COSTS

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

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

## NOTE 24. MEMBERS ALLOWANCES

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

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

## NOTE 25. RELATED PARTY TRANSACTIONS

### Definition

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

### Central Government

The central government provides much of the Council's funding and determines its statutory framework. Details of transactions with central government are shown in the Comprehensive Income and Expenditure Statement, the Cash Flow Statement, and notes 18 (grants and contributions), 15 (debtors) and 16 (creditors).

### East Sussex Pension Scheme

The Council participates in the East Sussex Pension Scheme, making annual contributions to the East Sussex Pension Fund as set out in Note 17. Although the scheme is administered by East Sussex County Council, the pension fund is a separate entity.

### Members and Senior Officers

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

Members of the Council have direct control over the Council's financial and operating policies. The Council also nominates members to sit on outside bodies. Seven members are also members of East Sussex County Council. £472,000 (£408,000 2014-15) was paid to Hastings and St Leonards Foreshore Charitable Trust of which some members are Trustees. The Council also advanced a loan of £427,000 during 2015/16, all of which was outstanding at 31 March 2016. There were no other interests in any related party transactions during the year. The register of Member's Interest is held at the Town Hall and is open to public inspection.

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

### Grant to Voluntary Organisations

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

### Hastings and St Leonards Foreshore Trust

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

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

During the year 2015-16 the Trust accrued net income resulting from the activities recorded in the Council's accounts. The net results of the Trust was made up of income of £1,224,000 and expenditure of £ 752,000, giving a net figure of £472,000 within the Council's own Accounts (net figure in 2014-15 was £408,000).

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

### NOTE 26. EXCEPTIONAL ITEMS

There were no exceptional items in this financial year.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## COLLECTION FUND INCOME & EXPENDITURE ACCOUNT

These accounts represent the transactions of the Collection Fund (accounting separately for income relating to council tax and Non-Domestic Rates) which is a statutory fund separate from the main accounts of the Council, although this Council's share of it is included in the Balance Sheet. The account has been prepared on the accruals basis. The costs of administering collection are accounted for in the General Fund, offset by a cost of collection allowance for rate collection, retained before allocating the net income between the precepting authorities.

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

### FUND BALANCE FOR COUNCIL TAX

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

2014-15 £'000		2015-16 £'000
	<b>Non-Domestic Rates</b>	
	<b>EXPENDITURE</b>	
	Precepts and demands on Collection Fund	
10,471	Government	10,643
1,885	East Sussex County Council	1,916
209	East Sussex Fire Authority	213
8,377	Hastings Borough Council	8,514
	Bad & Doubtful Debts	
97	Write offs of uncollectable income	238
26	Provision for uncollectable income-addition / (reduction)	73
	Impairments resulting from appeals	
2,192	Write offs	203
311	Provision for uncollectable income-addition / (reduction)	1,139
133	Transfer to General Fund - Cost of Collection Allowance	132
<b>23,701</b>		<b>23,071</b>
<b>1,344</b>	Movement on Fund Balance - (surplus) / deficit	<b>(707)</b>
	<b>FUND BALANCE FOR DON-DOMESTIC RATES</b>	
1,219	Balance brought forward	2,563
1,344	(Surplus) / deficit for year	(707)
<b>2,563</b>	Balance carried forward	<b>1,856</b>
	 <b>COLLECTION FUND BALANCE</b>	
<b>2014-15</b> £'000		<b>2015-16</b> £'000
(509)	Balances brought forward	(312)
197	(Surplus) / deficit for year	(609)
<b>(312)</b>	Balance - (surplus) / deficit carried forward	<b>(921)</b>

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

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

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 2. COUNCIL TAX BASE

Band & Value	Number of Chargeable Properties	Relationship to Band D	Annual Amount £
Band A - up to £40,000	7,696	6/9	5,129.50
Band B - over £40,000 up to £52,000	8,007	7/9	6,227.30
Band C - over £52,000 up to £68,000	5,923	8/9	5,264.80
Band D - over £68,000 up to £88,000	5,066	-	5,066.20
Band E - over £88,000 up to £120,000	1,703	11/9	2,081.50
Band F - over £120,000 up to £160,000	733	13/9	1,058.10
Band G - over £160,000 up to £320,000	176	15/9	292.90
Band H - over £320,000	21	18/9	41.00
	<b>29,325</b>		<b>25,161.30</b>
Council Tax Base and amount originally expected for 2015-16			Collection Rate 96.5% 24,281
East Sussex County Council share			29,232,624
Sussex Police and Crime Commissioner			3,494,279
East Sussex Fire Authority share			2,065,585
Hastings Borough Council share			5,835,486
			<b>40,627,974</b>

## NOTE 3. SURPLUSES & DEFICITS

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

2014-15		2015-16	
Council Tax £'000	NNDR £'000	Council Tax £'000	NNDR £'000
Balance brought forward :-			
0	610	0	1,282
(1,242)	110	(2,067)	230
(148)	0	(247)	0
(88)	12	(146)	26
(250)	487	(415)	1,025
<b>(1,728)</b>	<b>1,219</b>	<b>(2,875)</b>	<b>2,563</b>
(Surplus) / Deficit			
Movement on Fund Balance :-			
0	672	0	(354)
(825)	120	66	(63)
(99)	0	8	0
(58)	14	6	(7)
(165)	538	18	(283)
<b>(1,147)</b>	<b>1,344</b>	<b>98</b>	<b>(707)</b>
(Surplus) / Deficit			

# NOTES TO THE CORE FINANCIAL STATEMENTS

2014-15				2015-16	
Council Tax	NNDR			Council Tax	NNDR
£'000	£'000			£'000	£'000
		Balance carried forward :-			
0	1,282			0	928
(2,067)	230			(2,001)	167
(247)	0			(239)	0
(146)	26			(140)	19
(415)	1,025			(397)	742
(2,875)	2,563	(Surplus) / Deficit		(2,777)	1,856

## NOTE 4. BALANCES HELD FOR EACH COUNCIL

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

# GLOSSARY

## ACCRUALS

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

## ACTUARIAL GAINS & LOSSES

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

## AMORTISATION

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

## BALANCE SHEET

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

## BUDGET

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

## CAPITAL EXPENDITURE

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

## CAPITAL RECEIPTS

The proceeds from the sale of non-current assets.

## CASH EQUIVALENTS

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

## COMMUNITY ASSETS

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

## CREDITORS

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

## CONTINGENT

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

## CORPORATE AND DEMOCRATIC CORE

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

# GLOSSARY

## CURRENT SERVICE COSTS (PENSIONS)

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

## CURTAILMENT

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

## DEBTORS

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

## DEFINED BENEFIT SCHEME

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

## DEPRECIATION

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

## EARMARKED RESERVES

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

## EXCEPTIONAL ITEMS

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

## FINANCIAL INSTRUMENTS

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

## GENERAL FUND

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

## GOVERNMENT GRANTS

Central Government contributions towards local authority expenditure: examples include Revenue Support Grant and Housing Benefit subsidy.

## HERITAGE ASSETS

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

## IMPAIRMENT

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

# GLOSSARY

## INFRASTRUCTURE ASSETS

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

## INTANGIBLE ASSETS

Identifiable non-monetary assets such as software licences.

## INVESTMENT PROPERTIES

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

## LEASES

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

## PAST SERVICE COST

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

## PRECEPT

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

## PROVISIONS

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

## PROPERTY PLANT AND EQUIPMENT (PPE)

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

## PUBLIC WORKS LOAN BOARD (PWLB)

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

## REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

## REVENUE EXPENDITURE

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

## REVENUE SUPPORT GRANT

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

# GLOSSARY

## SETTLEMENT (PENSION)

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

## UNUSABLE RESERVES

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

## USABLE RESERVES

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