

**FINANCIAL  
REPORT AND  
STATEMENT OF  
ACCOUNTS  
2023-24**

# CONTENTS

INFORMATION ACCOMPANYING THE FINANCIAL STATEMENTS .....	3
NARRATIVE REPORT .....	3
SERVICE MEASURES .....	22
ANNUAL GOVERNANCE STATEMENT 2023/24 .....	23
STATEMENT OF RESPONSIBILITIES.....	32
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HASTINGS BOROUGH COUNCIL.....	33
CORE ACCOUNTING STATEMENTS .....	37
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT.....	37
MOVEMENT IN RESERVES STATEMENT .....	38
BALANCE SHEET .....	40
CASH FLOW STATEMENT .....	41
NOTES TO CORE FINANCIAL STATEMENTS (including accounting policies) .....	42
NOTE 1. CHANGES TO ACCOUNTING POLICIES AND TO PREVIOUS YEARS FIGURES .....	42
NOTE 2. ACCOUNTING POLICIES .....	42
NOTE 3. CRITICAL JUDGEMENTS.....	52
NOTE 4. ASSUMPTIONS MADE ABOUT FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION AND UNCERTAINTY .....	52
NOTE 5. EVENTS AFTER THE BALANCE SHEET DATE .....	53
NOTE 6. EXPENDITURE AND FUNDING ANALYSIS .....	54
NOTE 7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS ..	56
NOTE 8. EXPENDITURE AND INCOME ANALYSED BY NATURE .....	58
NOTE 9. FEES, CHARGES AND OTHER SERVICE INCOME .....	58
NOTE 10. GRANTS AND CONTRIBUTIONS .....	59
NOTE 11. DEFINED BENEFIT PENSION SCHEMES.....	59
NOTE 12. EARMARKED RESERVES.....	64
NOTE 13. UNUSABLE RESERVES.....	66
NOTE 14. CAPITAL EXPENDITURE AND CAPITAL FINANCING.....	69
NOTE 15. NON-CURRENT ASSETS AND ASSETS FOR SALE.....	71
NOTE 16. DEBTORS AND CONTINGENT ASSETS .....	74
NOTE 17. LIABILITIES .....	74
NOTE 18. FINANCIAL INSTRUMENTS.....	75
NOTE 19. RECONCILIATION BETWEEN THE SURPLUS/DEFICIT ON THE PROVISION OF SERVICES AND THE CASH FLOWS FROM OPERATING ACTIVITIES.....	82
NOTE 20. EMPLOYEE REMUNERATION.....	82
NOTE 21. TERMINATION BENEFITS AND EXIT PACKAGES.....	83
NOTE 22. LEASES.....	84
NOTE 23. EXTERNAL AUDIT COSTS .....	84
NOTE 24. MEMBERS ALLOWANCES .....	84
NOTE 25. RELATED PARTY TRANSACTIONS .....	85
NOTE 26. EXCEPTIONAL ITEMS.....	85

GROUP ACCOUNTS .....	86
INTRODUCTION.....	86
GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT .....	86
GROUP MOVEMENT IN RESERVES STATEMENT .....	88
GROUP BALANCE SHEET .....	90
GROUP CASHFLOW STATEMENT.....	90
GROUP NOTE 1. INVESTMENT PROPERTIES.....	92
COLLECTION FUND INCOME AND EXPENDITURE STATEMENT AND NOTES. 93	
COLLECTION FUND INCOME & EXPENDITURE ACCOUNT .....	93
NOTE 1. INCOME FROM BUSINESS RATES (NNDR).....	95
NOTE 2. COUNCIL TAX BASE.....	95
NOTE 3. SURPLUSES & DEFICITS.....	96
NOTE 4. BALANCES HELD FOR EACH AUTHORITY .....	97
GLOSSARY .....	98

**Published by :-**

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

**Kit Wheeler, Chief Finance Officer**

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

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

# INFORMATION ACCOMPANYING THE FINANCIAL STATEMENTS

## NARRATIVE REPORT

The Statement of Accounts for Hastings Borough Council for the year ended 31st March 2024 has been prepared in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the United Kingdom 2023-24 (“the Code”) issued by the Chartered Institute of Public Finance and Accountancy. The Code is based on International Financial Reporting Standards, as adapted for the UK public sector under the oversight of the Financial Reporting Advisory Body.

The Council's accounts for the year of 2023-24 are set out on the following pages. The information contained in these accounts can be technical and complex to follow. This narrative report provides a brief explanation of the financial aspects of the Council's activities and draws attention to the main characteristics of the Council's financial position and performance for the year and opportunities and risks for the years ahead. The narrative report is broken down into the following areas:

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

### 1. Introduction to Hastings

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

In addition to the blue flag beach and award-winning pier the over 92,600 residents of Hastings enjoy a large country park, award winning galleries, museums and theatres that regularly host events through the year.

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

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

### GENERAL INFORMATION

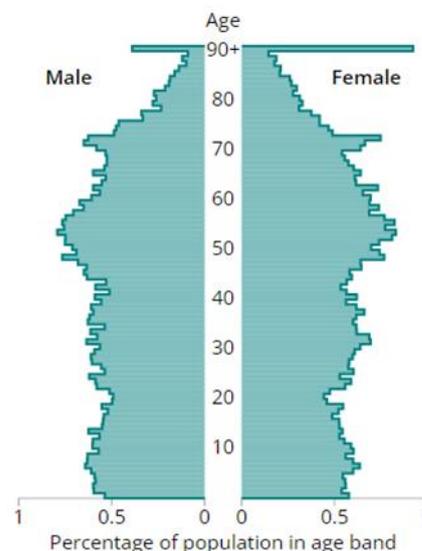
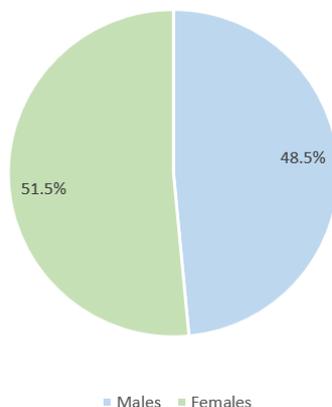
#### PHYSICAL FEATURES

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

#### POPULATION

The Town's estimated population taken from the 2021 Mid-year Population Estimate produced by the Office for National Statistics was 90,622 and is broken down as follows:

	Population	Percentage
Males	44,146	48.5%
Females	46,850	51.5%
<b>Total</b>	<b>90,996</b>	<b>100%</b>



The split of the population between male and female by age is shown in the charts above

The registered electorate in March 2022 was 65,196.

### COUNCIL TAX & BUSINESS RATING INFORMATION

Rateable value of business premises at 31 March 2024	£65,220,816
Council Tax Base (31 March 2024)	26,473
Council Tax at Band D - includes all preceptors (2023/24)	£2,328.17

### EMPLOYEES

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

	NUMBER OF EMPLOYEES	
	2022-23	2023-24
Full time	243	253
Part time (full time equivalents)	41	44
Total	<u>284</u>	<u>297</u>

The direct cost of employment during the year was:

	2022-23	2023-24
	£'000	£'000
Wages and Salaries	10,256	10,938
National Insurance	999	1,048
Pension Contributions	1,627	2,097
Total	<u>12,882</u>	<u>14,083</u>

## 2. Governance

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

The Council has 7 Lead Councillors who are the leads for areas of strategy and work undertaken by council officers. Their roles include:

- Having a clear understanding of the relevant service areas objectives and performance against targets/project plans.
- Developing/maintaining positive working relationships with relevant senior officers (but not managing or directing the service staff).
- Developing/maintaining effective partnership relationships with relevant organisations e.g., businesses, voluntary, community groups or other public bodies.
- To keep abreast of good practice and national thinking/policy development related to their portfolio.
- To work with the Leader and Deputy Leader and other Lead Councillors team to give effective political leadership to HBC and its communities.

### Full Council

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

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

### Cabinet

There are currently 7 members of cabinet (as at 31st March 2024), all of whom are from the Green Party. Each Cabinet member has a portfolio of responsibilities related to council services.

Cabinet is the main decision-making committee of the council. It also makes recommendations to Full Council on the adoption of the budget and other key documents and policies, including the Corporate Plan, Capital Strategy and Treasury Management Strategy.

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

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

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

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

The Charity Committee meets every three months.

### **Appointments committee**

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

### **Overview and Scrutiny Committee**

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

### **Audit Committee**

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

### **Environment and Safety Committee**

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

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

### **Licensing Committee**

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

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

### **Planning Committee**

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

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

### **Standards Committee**

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

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

### **Employment Committee**

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

### **Museums Committee**

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

The committee has fourteen members, which includes eight councillors and six members of the Museums Association.

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

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

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

### **Joint Waste and Recycling Committee**

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

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

### **Hastings Housing Company Ltd**

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

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

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

To date the company has purchased 7 properties which are mainly residential, comprising of self-contained flats and rooms with shared facilities. There are also some elements of commercial lettings. These properties are managed by a letting agent and let at market rents. The company is not present actively acquiring additional properties.

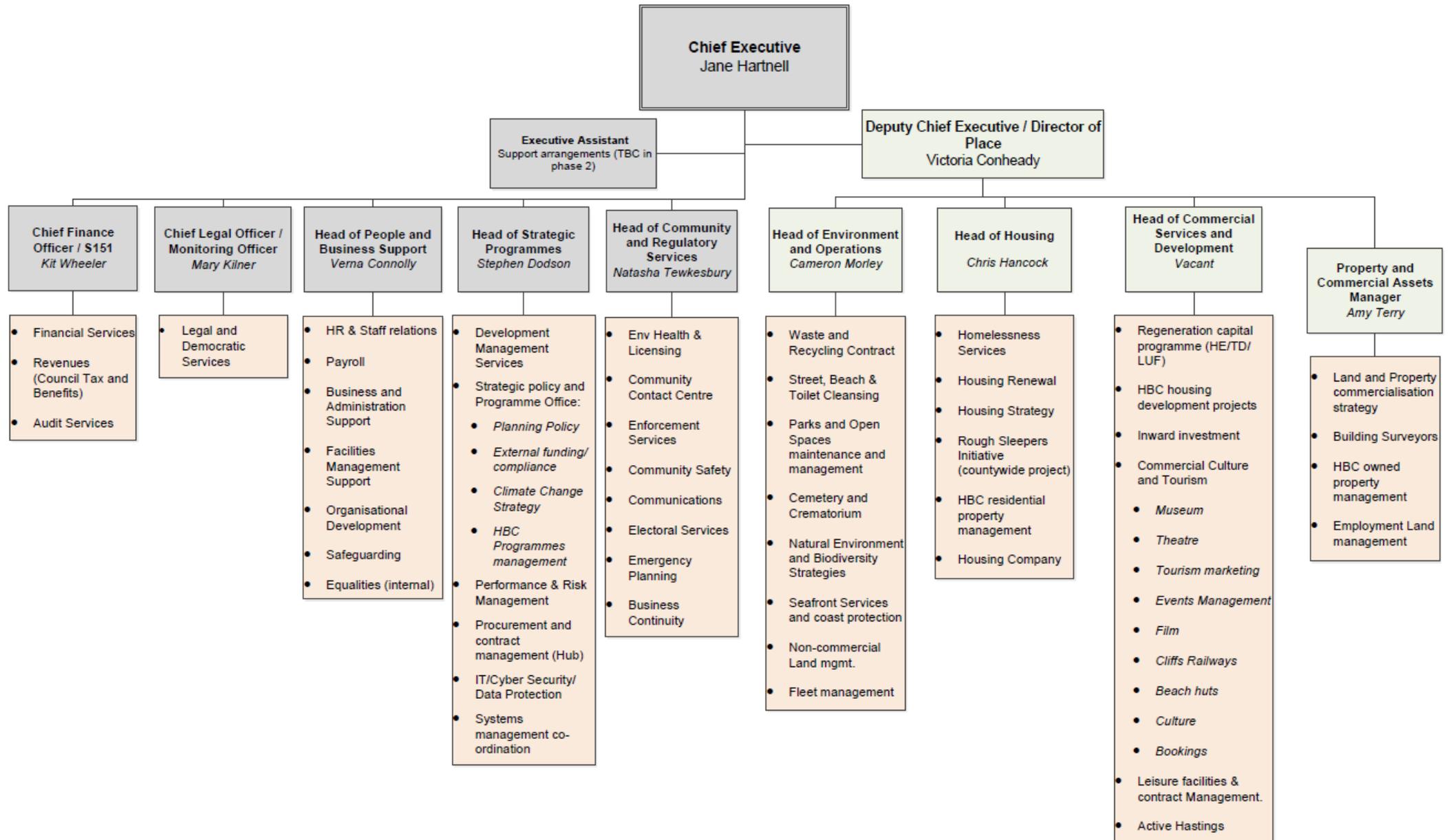
### **Hastings and St Leonards Foreshore Charitable Trust**

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

### **Management Structure of the Council**

A partial senior management restructure was undertaken during 2020/21 which was concluded in the 2022/23 financial year. The delay in concluding the restructure was mainly due to the Covid-19 Pandemic. The senior management structure as at 31st March 2024 is shown on the next page.

Phase 2 of the restructure has commenced in 2023/24. The new Heads will be working with colleagues to restructure their teams and ensure that where changes have been made, that we are clear when and where current duties and responsibilities are best re-allocated.



### 3. Strategy, Risk and Resource Allocation

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

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

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

Over the past decade our funding from the government has significantly decreased, making our job harder. Despite this challenge The Council remains as determined as ever to continue delivering the best services possible and the Corporate Plan reflects that determination. Full details of the [Corporate Plan](#) are available on the Council's website. The following section outlines the main areas within the plan:

#### Our Vision...

"Hastings and St Leonards is a happy, welcoming place with a vibrant, unique culture where everyone has their needs met and is supported and encouraged to live their best lives"

Our town will:

- Be a 'green' town with zero carbon footprint
- Celebrate diversity, individuality and eccentricity
- Recognise and meet people's needs
- Have warm affordable homes for all
- Ensure good standards of healthcare
- Provide the best possible education
- Have rewarding jobs with a decent wage
- Protect our historic built and natural environment
- Welcome developments that excite and enrich
- Be a hub of creativity and culture

We can't do this alone so we will continue to work with our partners across all sectors to achieve our vision and promote our town. So that we can work towards our vision, we have priorities which we will be concentrating on:

- Tackling homelessness, poverty and ensuring quality housing
- Keeping Hastings clean and safe
- Minimising our environmental impact
- Making the best use of our land and buildings
- Changing how we work to meet the future
- Delivering responsible regeneration for the town

#### Medium Term Financial Strategy

The Council looks to forecast its financial position over the medium term in order to ensure it can align corporate objectives with available resources. This Medium-Term Financial Strategy (MTFS) seeks to identify the financial risks that will affect the annual budgets for the current year and each of the next 3 years, and the anticipated resources that will be available to the Council. The MTFS is a key document in setting out the Council's approach to establishing a financial base to enable the Council's policies and priorities to be delivered.

Good financial management requires councils to properly plan for the future in order to match longer term ambitions and plans with anticipated resources. At present with increased inflation, spiking interest rates, the threat of a recession looming and delays to the government's spending review and the Fair Funding Review there are an even greater number of financial uncertainties than normal. This causes problems when seeking to accurately forecast available resources for the years ahead. The MTFS seeks to identify these uncertainties, and where possible make an informed view of the likely resource implications. Where there is no clarity as yet, generally, a prudent approach is adopted.

Expenditure on homelessness continues to rise and is a key area of concern for the council. The council has setup a homelessness taskforce to identify the drivers of the increased expenditure and to try and alleviate the impact. The leader of the council has written to advise the Government and seek additional income. In parallel to this action, the Council needs to address the ongoing budget deficits - however difficult this is after many years of funding reductions.

For financial planning purposes, the assumption in this MTFS was for no overall reduction in Settlement Funding Assessments (government funding and retained business rates) for 2024/25 i.e., a standstill settlement. The years thereafter assume continued funding levels (business rates) of similar amounts and increasing annually by inflation, but this may well be overly optimistic given the state of the country's finances.

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

The [Medium Term Financial Strategy](#) approved by Cabinet in November 2023, provided a projected MTFS position and action plan to ensure members were in a position to reduce the current year projected deficit and to produce a balanced budget for 2024/25. The MTFS was then subsequently updated within the [Budget Report](#) to Council in February 2024.

Given the need to plan for future years, the MTFS, identifies key principles to be followed when compiling the budget as well as identifying the financial risks and opportunities more closely. The Financial Strategy integrates the financial and policy planning procedures of the Council. The robustness of the Strategy is built upon a foundation of key principles:

**(i) Ensure the continued alignment of the Council's available resources to its priorities**

All key decisions of the Council relate to the Corporate Plan. Priorities are determined and reviewed in the light of any changes to the Plan. However, the spiralling homelessness costs are necessitating a wholesale review of what is actually deliverable in the future given the statutory burdens being placed on the Council.

**(ii) Maintain a sustainable revenue budget**

This means meeting recurring expenditure from recurring resources. Conversely non-recurring resources such as reserves and balances can generally be used to meet non-recurring expenditure providing sufficient reserves and balances exist.

Whilst the principle remains sound the Council had consciously strengthened its reserves in previous years, knowing that these will be required to ease the transition to a lower spending Council and to meet key corporate priorities. The Council has required the use of these reserves to achieve balanced budgets in every year since 2018/19 and will need to do so again in 2024/25.

**(iii) Adequate Provisions are made to meet all outstanding liabilities**

**(iv) Continue to identify and make efficiency savings**

Each year there is a thorough examination of the Council's "base budgets" to identify efficiency savings and to ensure existing spend is still a Council priority (Priority Income and Efficiency Reviews – PIER)

**(v) Review relevant fees and charges comprehensively and identify Income generating areas as a means of generating additional funding for re-investment in priority services.**

**(vi) Capital receipts and reserves will primarily be available for new investment of a non-recurring nature thereby minimising the overall financial risk**

Resources will be allocated to invest in the Council's assets to ensure they support the delivery of corporate and service priorities.

**(vii) Ensure sufficient reserves are maintained**

The Council has needed to use its reserves in the last couple of years to balance its budget following reductions in government funding and ever-increasing costs. Volatility within business rates and the Council Tax Support scheme resulted in the establishment of a separate reserve to smooth some of the impact of income fluctuations. The useable earmarked reserves are reducing rapidly, as are General Reserves and this will impact significantly on Council priorities in future years and its ability to provide services or undertake new projects – let alone meet unforeseen costs.

A detailed review of Earmarked Reserves is planned for 2024/25 as part of a council wide approach to its financial management and to ensure that all funds are appropriately resourced moving forwards.

**(viii) Ensure value for money is achieved in the delivery of all services and that the Council seeks continuous improvement of all services.**

It should be noted that the latest report from the External Auditors based on the 2020/21 financial year highlighted some areas of improvement and many of the recommendations included in the report have already been implemented in 2023/24 with the rest set to be finalised in 2024/25.

**(ix) Maintain affordable increases in Council Tax whilst accepting that such an objective is linked to the amount of annual Government grant, inflation, and new legislative requirements.**

The Council is increasing Council Tax by the maximum permitted without a costly referendum, while supporting the most vulnerable through the Council Tax Support/ Reduction scheme.

**(x) Recognise the importance of partners in delivering cost effective solutions for services.**

The level of risk that the Council is facing from fluctuations in income streams has increased significantly particularly where there is reliance on commercial property income. This is recognised by the government and Chartered Institute of Public Finance Accountants (CIPFA) resulting in new codes of practice and government regulations. These have been introduced to help ensure that Councils do not over-extend themselves in this challenging environment.

Key prudential indicators are included in the Treasury Management Strategy, Additional guidance was received in November 2019 from CIPFA – “Prudential Property Investment” and a whole new Code of Practice was introduced for 2022/23 – as detailed in the Treasury Management Strategy.

The MTFs and Corporate Plan are regularly reviewed to ensure that the Council is well-placed to react to the new challenges it faces. The budget for 2023/24 was balanced by the use of reserves and more work is needed to identify further savings and efficiencies to balance the budget for future years – particularly given the impact of inflation and the increased cost of living on income levels, expenditure pressures and the additional impact on the Council’s limited reserves.

The table below, included with the 2024/25 budget report, shows the projected deficits in the years ahead.

Revenue Budget Forward Plan	2023-24 Projection	2024-25 Projection	2025-26 Projection	2026-27 Projection	2027-28 Projection
	£000's	£000's	£000's	£000's	£000's
Direct Service Expenditure	17,077	17,671	18,201	18,747	19,310
<b>Less Planned Savings</b>					
Additional Growth Items	0	0	300	300	300
Identified Savings / Reductions (Appendix K)	0	(1,266)	(2,820)	(1,688)	(1,688)
Fees and Charges		(344)	(289)	(208)	(208)
<b>Direct Service Expenditure (Net)</b>	<b>17,077</b>	<b>16,061</b>	<b>15,392</b>	<b>17,151</b>	<b>17,713</b>
<b>Funding Commitments:-</b>					
<b>Other:</b>					
Contingency Provision	0	300	300	300	300
Gross Interest Payable	2,435	1,817	1,817	1,817	1,817
Gross Interest Received	(1,330)	(1,300)	(1,300)	(1,300)	(1,300)
Minimum Revenue Provision (excl. Inc Gen Adj)	904	966	1,021	1,125	1,179
Contribution to Reserves	760	607	607	607	657
Use of Earmarked Reserves	(4,094)	(3,665)	(3,743)	(3,577)	(3,037)
<b>Net Council Expenditure</b>	<b>15,752</b>	<b>14,786</b>	<b>14,093</b>	<b>16,122</b>	<b>17,329</b>
Taxbase	26,473	26,728	27,062	27,400	27,743
Council Tax	290.09	298.76	307.69	316.89	326.37
<b>Funding</b>					
From Collection Fund - Council Tax	(7,680)	(7,933)	(8,327)	(8,683)	(9,054)
Council Tax - Additional Premiums	0	(52)	(178)	(183)	(188)
From Collection Fund - Business Rates	(2,624)	(2,354)	(2,401)	(2,449)	(2,498)
Revenue Support Grant	(1,309)	(1,395)	(1,300)	(1,300)	(1,300)
Lower Tier Services Grant	(154)	(315)	0	0	0
New Homes Bonus	(16)	(89)	(89)	(89)	(89)
Council Tax Support Admin Grant	(237)	(237)	(237)	(237)	(237)
Housing Benefit Admin Grant	(425)	(437)	(437)	(437)	(437)
NNDR (Surplus) / Deficit	1,619	1,208	0	0	0
NNDR Pooling	(80)	(65)	(65)	(65)	(65)
Business Rates Section 31 Grant	(3,009)	(2,065)	(1,500)	(1,530)	(1,561)
Council Tax Surplus	(207)	(255)	(255)	(255)	(255)
<b>Contribution To General Fund</b>	<b>(14,121)</b>	<b>(13,989)</b>	<b>(14,789)</b>	<b>(15,228)</b>	<b>(15,685)</b>
<b>Funding Shortfall / (Surplus)</b>	<b>1,630</b>	<b>796</b>	<b>(695)</b>	<b>894</b>	<b>1,645</b>
<b>(Use of) / Trf to General Reserve</b>	<b>(1,630)</b>	<b>(796)</b>	<b>695</b>	<b>(894)</b>	<b>(1,645)</b>
<b>Net Funding Shortfall / (Surplus)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>General Reserve Balance (31st March)</b>	<b>6,793</b>	<b>5,997</b>	<b>6,692</b>	<b>5,798</b>	<b>4,154</b>

## Capital Strategy

The Chartered Institute of Public Finance and Accountancy (CIPFA) revised 2021 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report, which seeks to provide the following:

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

The Council’s [Capital Strategy for 2023/24](#) was approved by Full Council in February 2023 and is available on the Councils website. The aim of this capital strategy is to ensure that all elected members on the Full Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

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

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

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

The objectives of the process are as follows:

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

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

The scale of the budget savings required to balance the budget on a sustainable basis for years ahead is large. The time between the identification and the achievement of savings, as well as income generation, can be significant. The Council has been prepared to use a proportion of its reserves to balance the budget and for future invest to save initiatives. The impact of Covid-19, the level of future government funding along with predicted increased levels of demand e.g., homelessness will require the Council to further prioritise services and preserve reserves; if reserves fall below minimum levels these will need to be restored as soon as practical.

## **Income Generation**

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

The Council stepped up the level of income it is receiving from property in recent years and continues to seek to diversify its income streams further e.g., from energy.

## **Churches, Charities and Local Authorities (CCLA) - Property and Diversified Income Fund**

CCLA manage investments for charities, religious organisations, and the public sector. In February 2017, the Council invested £2,000,000 of its reserves in the CCLA Local Authority Property Fund with an aim to diversify its investments and seek to generate a better return. During the 2019/20 financial year the council invested £3,000,000 in the CCLA Diversified Income Fund (DIF). These are longer term investment (5 years plus) as the capital value can go up as well as down.

The objective of the Property Fund is to provide investors with a high level of income and long-term capital appreciation. The fund is considered suitable for the long-term funds of any local authority seeking exposure to UK commercial property. An advisory board for the fund has been established to represent the interests of investors and the public sector as a whole. The advisory board meet quarterly with the manager of the fund, CCLA, to provide guidance and monitor the management and development of the fund.

## **4. Performance Review**

### **Revenue**

The Council has continued to perform well despite continued budget cuts and pressure on services.

The summary table below shows the outturn for the year. The total direct service expenditure is £15.786m.

The 2023/24 Financial monitoring Quarter 4 outturn position was reported to Overview and Scrutiny Committee on 18<sup>th</sup> July 2024.

The following table compares the major elements of the budget against the outturn for General Fund services in 2023/24:

	2023-24 Original Budget	2023-24 Actual Outturn	Variance
	£000	£000	£000
<b>Directorates</b>			
Chief Finance Officer / S151 Officer	2,222	4,234	2,012
Chief Legal Officer / Monitoring Officer	986	813	(173)
Commercial Services & Development	928	339	(589)
Community and Regulatory Services	862	935	73
Environment and Operations	4,991	4,849	(142)
Housing	6,426	7,320	894
People and Business Support	726	813	87
Strategic Programmes	2,375	1,974	(401)
Property and Commercial Assets Manager	(4,990)	(5,491)	(501)
Contingencies	300	0	(300)
<b>Direct Service Expenditure</b>	<b>14,826</b>	<b>15,786</b>	<b>960</b>
Net Interest Payments	1,933	(104)	(2,037)
Loss on Investments	0	(133)	(133)
Covid Grants	0	(944)	(944)
CTR - Energy Rebate	0	0	0
Other operating costs	995	904	(91)
<b>Net Council Expenditure</b>	<b>17,754</b>	<b>15,509</b>	<b>(2,245)</b>
Less Government Grant	(2,061)	(3,941)	(1,880)
Less retained business rates	(5,668)	(3,143)	2,525
Collection Fund Surplus	1,412	1,412	0
Council Tax	(7,679)	(7,679)	0
<b>Net expenditure excluding reserve movements</b>	<b>3,758</b>	<b>2,158</b>	<b>(1,600)</b>
Contributions to reserves	689	1,355	666
Revenue use of earmarked reserves	(1,916)	(1,406)	510
Transfer to/(from) Specific Reserve	(2,531)	(2,108)	423
Rounding	0	1	1
<b>Net budget (surplus)/deficit transferred to General Reserve</b>	<b>0</b>	<b>0</b>	<b>0</b>

The 2023/24 Total Service Expenditure budget agreed by Council was £14,826,000. This figure includes the contingency budget which was initially set at £300,000.

Direct service expenditure is showing an overspend of £960,000. The expenditure within Direct Service Expenditure is categorised by the Head of Service that manages that area. Whilst there are numerous under and overspends the most significant variances were as follows:

#### Chief Finance Officer / S151 Officer

- This area is showing an overspend of £2,011,836. The contingency budget of £300k is separated out in the table above so the variance on direct service expenditure is £1.7m.
- The Senior Leadership Team budget area is showing an overspend of £835,557. This does not relate to the staff costs of the SLT but rather it is largely due to the inclusion in this budget line of a PIER savings target of £1m set when the budget was originally agreed in February 2023. Savings were not originally forecast to be achieved until Q4 once the initiatives of the Housing and Homelessness Taskforce started to take effect. The achievement of this saving has been made harder due to temporary accommodation providers increasing their fees in line with inflation and delays in the delivery of social housing units. (*Note: Savings are budgeted centrally under the SLT heading until they are confirmed, and budget reductions are made in the relevant service areas*).
- Accountancy and Exchequer Services is showing an underspend of £34,799. Of this, £140,000 is due to vacant posts, pending restructure outcomes. There is also an overspend of £105,000 due to changes in the way actuaries calculate employer pension charges, which were calculated differently in previous years. The overspend will be offset by savings on salaries within individual cost centres. However, this saving may not be realised due to other overspends within departmental salary budgets.

- Revenues and Benefits had an overspend of £188k which is mainly due to an underspend of £(276)k on salaries to a delay in the planned restructure of the service. The vacant posts led to the continuation of the temporary staffing structure and reliance on additional agency members of staff for longer periods than anticipated, coupled with additional demand being placed on the team to deal with extra grant schemes throughout the financial year which resulted in an overspend of £492k on agency staff. New Burdens Income of £(73)k reduces the overspend in this area and mailing billing, legal fees, audit & systems account for £45k of the overspend.
- Dangerous Structures stabilisation work accounts for £184k of the total overspend in this area.

### **Chief Legal Officer / Monitoring Officer**

- This area is showing an underspend of (£172,629).
- The Legal Division is showing an underspend of (£126,512), this is mainly due to the savings made on salaried vacant positions in the legal team. Active monitoring of spend on the engagement of agency lawyers created a variance of (£86,398.64). This cost centre also received an additional income from recovery of costs incurred which created a variance of (£37,830.10)
- The Cost of Democratic Processes showing an underspend of (£48,825), this is related to an error on the Councillors allowances which was corrected in the forecast in the first quarter of 2023/24 budget saving from Democratic services.
- The remainder of the variance is made up of other minor variations and support service recharges.

### **Head of Commercial Services and Development**

- This area is showing an underspend of (£589,054).
- The Cliff Railway is showing an overspend of £113,771 due to loss of income because of the East Hill Cliff Railway being closed for an extended period through the year.
- White Rock Theatre is showing an overspend of £29,877 mainly due to the costs of marketing to advertise for the new leaseholder.
- The Museum & Art Galleries is showing an underspend of (£46,280) this is mainly due to staff restructure savings as well as a significant refund received for Business Rates paid in previous years.
- Cultural Activities is showing an underspend of (£35,910), this is due to the savings achieved from reduction in use of agency staff and grants made.
- Regeneration Activity is showing an underspend of (£58,943), first identified in the third quarter as a contribution to the in-year savings process. Chart CLLD is showing an underspend of (£49,129) this was the percentage of the council's costs for supporting delivery of the programme.
- Community Cohesion is showing an underspend of (£20,842) which is savings on the grants made.
- 1066 Country Campaign is showing an underspend of (£21,208) savings from the salaries budget.
- Tourist Information Centre is showing an underspend of (£20,312) savings from the salaries budget.
- Chalet and Private Hut Sites is showing an underspend of (£18,489), savings as part of the financial controls regimen where officers were required to focus solely on health and safety measures only. In addition, more income was received from fees and charges than budgeted.
- Seafront is also showing an underspend of (£20,698), savings made from repairs to premises (non-health and safety) and more incomes received from rents.
- The rest of the variance is made up of minor overs and under across the services and support service recharges.

### **Head of Community and Regulatory Services**

- This area is showing an overspend of £72,947.
- Off Street Parking is showing an overspend of £47,946. This is mainly due to an increase in electricity costs for car parks of £99,090. This figure is partly offset by a reduction in fuel costs for warden vehicles £3,627 and income from the EV charging in car parks of £28,353. There were lower costs on business rates for some of our car parks, these have been re-evaluated and refunds were received giving an underspend of £10,390.
- The rest of the variance is made up of minor overs and under across the services and support service recharges.

### **Head of Environment and Operations**

- This area is showing an underspend of (£141,874).
- Greenwaste is showing an additional £54,344 income due to an increase in customers from a budgeted 7,120 to 7,861.
- The Cemetery and Crematorium is showing an overspend of £119,289. This is largely due to expected income coming in lower than forecast by £51,797 and additional repairs required for the cremators costing £33,025. There were also increased electricity costs of £21,261 due to price rises.
- The rest of the variance is made up of minor overs and under across the services and support service recharges.

### **Head of Housing**

- This final outturn is an overspend of £893,925.
- Homelessness (Temporary Accommodation) has an overspend of £1,545,188 despite the number of households in privately procured emergency accommodation remaining broadly stable. The key driver of additional spend has been an increase in provider costs linked to inflation, which had not been budgeted for.
- The above is partially offset by HBC Owned properties which has a favourable variance of £155,831, primarily due to Housing Benefit income now being received for these units.
- Housing Renewal achieved a favourable variance of £112,607 with the main driver being £75,000 DFG funding being utilised to contribute to the costs of 2 posts, which was not budgeted.

- We have also received an unexpected one-off favourable variance of £166,791 for Social Lettings, which is primarily due to Rough Sleeper Accommodation Programme Leasing funding contributions totalling £209,976 (£64,960 in 21/22, £61,096 in 22/23 & £83,930 in 23/24). Funding for 21/22 & 22/23 had not previously been allocated to Social Lettings, although the service had a net expenditure cost to the Council in both financial years.
- The rest of the variance is made up of minor overs and under across the services and support service recharges.

### **Head of People and Business Support**

- This area is showing an overspend of £86,712.
- The overspend is mainly created from the cost of the Electricity at Muriel Matters which has a variance of £39,804.
- This overspend was reduced mainly by the savings made in the cost centre of Personnel and Business Support which from a vacant post (£18,468), and the saving made in Corporate POD Expenses due to a reduced spend on the training budget (£16,217).
- The rest of the variance is made up of minor overs and under across the services and support service recharges.

### **Head of Strategic Programmes**

- This service area is showing a underspend of (£401,336).
- Local Land Planning Management and Admin is showing an underspend of (£35,947) due to additional income from a major application for naming and numbering of streets.
- Development Management is showing an overspend of £44,299. The service budget is predicated on the assumption that we would receive major applications during the year which require significant work which is funded in part by the fee paid by the applicant. The trend has been that the council has received at least one major application in each of the last few years.
- Dangerous structures overspend is £183,751 for the financial year. The majority of this spend is for Battle Road though we are not expecting any further expenditure here. Cost recovery for this year, and previous years is now underway. (NB the Council took the action to remedy the dangerous structure in default following court action requiring the owners to undertake the works).
- Also included in this area are various other emergency works including activity around recent landslides in the borough that have incurred professional costs.
- The rest of the variance is made up of minor overs and under across the services and support service recharges.

### **Property and Commercial Assets Manager**

- This area is showing an underspend of (£501,182). This is a positive picture demonstrating the vitality of our factory rentals and work of colleagues in securing advantageous rent reviews.
- Unit Factories are showing an underspend of (£95,786) due to additional income from the new factory micro units at Churchfields (£67,800) and a combination of positive rent reviews and renewed leases which have taken place in the last few months.
- The Properties and Estates cost centre is showing an underspend of (£381,798) mainly due to rent reviews.
- Unforeseen additional repairs of £50,000 have also been required. The share of Priory Meadow income is expected to be £78,500 more than anticipated (this is a settlement covering the last three years). The rest of the balance is made up of other rent reviews that have occurred and a couple of write offs.
- St Mary in the Castle is showing an overspend of £31,521 due to essential costs while the building is vacant.
- The rest of the variance is made up of minor overs and under across the services and support service recharges.

### **Council Tax**

The balance on the Council Tax Collection Fund at 31 March 2024 was a surplus of £3,340,053, of which the Council's share was £413,542.

### **NNDR**

The rateable value of business premises at 31 March 2024 was £65,220,816 compared to £61,029,781 at 31 March 2023. This is as a result of the Valuation Office Agency revaluation of rateable values in 2023.

Excluding multiple appeals there were 30 appeals outstanding, with a potential rateable value loss of £2.7m. There are a number of multiple appeals for the same property, making an accurate estimate of the liability very difficult.

The net collectable sum for the year was £18,799,988, which is £4,042,368 less than original forecast (NNDR1) of £22,842,356. The NNDR element of the Collection Fund has a deficit balance of £2.3m (the Council's share is £0.9m of the overall deficit).

### **Material Assets/Liabilities**

The Council did not purchase any significant assets during the year:

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

## Pension

The net long term pension liability decreased slightly during the year, moving from a liability of £2.032m to a liability of £1.827m. The prescribed method for measuring the liability in accounting terms relates to investment values as at 31 March each year, and discounts liabilities according to the low rates of interest currently prevailing. Changes in discount rates can trigger wide fluctuations in values from year to year, but these do not therefore necessarily correspond with the longer-term view of contribution rates required to maintain the Council's need to provide for pension payments over the longer term. The valuation at the 31 March has been impacted by the McCloud judgement.

## 2024/25 Budget

The table below summarises planned net expenditure on services for 2024/25, compared to 2023/24, 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 to income from fees, charges, government grants, council tax and non-domestic rates and use of reserves. The sum of £3,758,068 is identified within the budget as being required from reserves to fund the 2023/24 deficit.

	<b>2023-24 Original Budget</b>	<b>2024-25 Original Budget</b>	<b>Variance 2023-24 to 2024-25</b>
	£000	£000	£000
<b>Directorates</b>			
Chief Finance Officer / S151 Officer	2,222	3,467	1,245
Chief Legal Officer / Monitoring Officer	986	1,005	19
Commercial Services & Development	928	705	(223)
Community and Regulatory Services	862	957	95
Environment and Operations	4,991	5,539	548
Housing	6,426	6,563	137
People and Business Support	726	853	127
Strategic Programmes	2,375	2,304	(71)
Property and Commercial Assets Manager	(4,990)	(5,332)	(342)
Contingencies	300	300	0
Direct Service Expenditure	14,826	16,361	1,535
Net interest payments	1,933	517	(1,416)
MRP	995	966	(29)
Revenue contribution to capital	0	0	0
Net Contribution to / (from) Reserves	(3,758)	(3,854)	(96)
<b>Net Council Expenditure</b>	<b>13,996</b>	<b>13,990</b>	<b>(6)</b>
Less Government Grant :-			
Revenue Support Grant	(1,309)	(1,395)	(86)
Other general Grants	(752)	(1,078)	(326)
Retained business rates	(5,668)	(3,276)	2,392
Collection Fund Surplus	1,412	(255)	(1,667)
<b>Amount to be met by Council Tax Payers</b>	<b>7,679</b>	<b>7,985</b>	<b>307</b>

## End of Year Performance 2023/24

As part of our continuous improvement to provide the latest information to stakeholders, during 2020/21 we changed the way that we report our performance measures. These are now much more user intuitive, and interactive and can be found online to allow users to better understand how we have performed throughout the financial year.

All the information can be found at the following website address:

<https://www.hastings.gov.uk/my-council/performance>

As in previous years target for all the indicators included in the reports are discussed with Heads of Services and Senior Officers and are regularly discussed with Councillors throughout the financial year. The targets are reviewed each year and changed according to the requirements of the Council and therefore may increase or decrease in number.

Key extracts from the performance management system are shown below. The graphs represent how progress is going against the 132 key activities and performance indicators targets that the council has set. A RAG (Red, Amber, Green) system is used to show if performance is on target or not.

# HASTINGS BOROUGH COUNCIL PERFORMANCE



2023/2024

Number of measures

132

Overall performance per quarter



## BREAKDOWN BY SERVICE AREA

### ENVIRONMENT & PLACE

Cemetery & Crematorium



Seafront Services and Coast Protection



Parks & Open Spaces



Waste



### FINANCIAL SERVICES

Audit



Finance

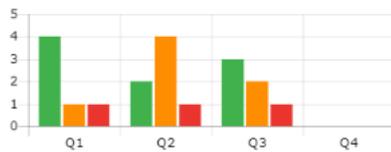


Revenue and Benefits



### HOUSING & BUILT ENVIRONMENT

Homelessness Services



Housing Renewal



Strategic Housing



### LEGAL & DEMOCRATIC SERVICES

Democratic Services



Legal



## PEOPLE & BUSINESS SUPPORT

### Business & Admin Support



### HR & Staff Relations



## COMMERCIAL SERVICES AND DEVELOPMENT

### Regeneration Capital Programme



### Leisure Services



### Commercial Culture & Tourism



## STRATEGIC PROGRAMMES

### Strategic Programmes



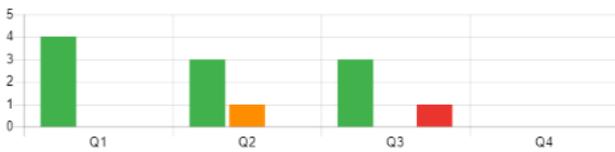
### ICT



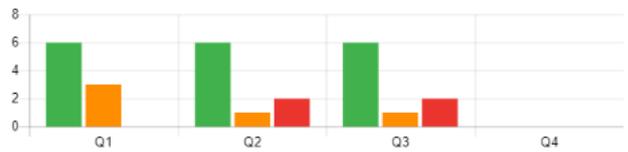
### Tackling Climate Change



### Planning Policy



### Planning Services



## COMMUNITY & REGULATORY SERVICES

### Environmental Health



### Licensing



### Contact Centre



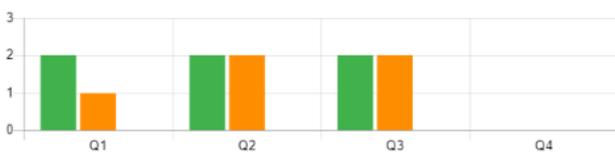
### Enforcement Services



### Community Safety



### Communications



### Electoral Services



## PROPERTY AND COMMERCIAL ASSETS

Property and Commercial Assets



Building Surveyors



### Capital Expenditure

The Council spent £13,037,415 on capital projects during 2023/24, as summarised below:

Scheme	2023-24 Revised Budget £'000	2023-24 Outturn £'000	2023-24 Variance £'000
Private Sector Renewal Support	1	9	8
Disabled Facilities Grant	2,056	1,762	(294)
Empty Homes Strategy	50	0	(50)
Restoration Pelham Crescent/ Pelham Arcade	20	0	(20)
Road above Pelham Arcade	60	0	(60)
Groyne Refurbishment	35	0	(35)
Work on Harbour Arm and New Groynes	234	10	(224)
Playgrounds Upgrade Programme	44	0	(44)
Conversion of 12/13 York Buildings	27	27	0
Energy - Solar Panels	500	0	(500)
Buckshole and Shornden Reservoirs	43	43	0
Priory Meadow Contribution to Capital Works	250	0	(250)
Energy Generation - Unallocated	500	0	(500)
Churchfields Business Centre	396	376	(20)
Development / Furbishment of Lacuna Place	114	16	(98)
Cornwallis Street Development	272	116	(156)
Harold Place Restaurant Devt	1	0	(1)
Priory Street Works	41	0	(41)
Next Steps Accommodation Pathway	886	692	(194)
Castleham Industrial Units	204	181	(23)
MUGA Refurbishments	49	3	(46)
TFC - Green low carbon skills & economy	1,279	327	(952)
TFC - Hastings Castle world heritage destination	500	0	(500)
TFC - Town to sea creative quarter	1,068	246	(822)
TFC - Town centre core	13	0	(13)
TFC - Town centre public realm & green connections	800	124	(676)
TFC - Town living	90	0	(90)
UK Shared Prosperity Fund (Capital)	40	9	(31)
Grounds Maintenance Equipment	626	427	(199)
East Hill Cliff Railway	774	768	(6)
Housing Acquisition Programme	5,933	7,659	1,726
Hastings Retail Park	0	4	4
Bexhill Road Retail Park	238	238	0
<b>Total</b>	<b>17,144</b>	<b>13,037</b>	<b>(4,107)</b>

This capital expenditure was financed as shown below:-

	£'000
Capital receipts	3,891
Government grants and other contributions:	
towards assets	2,593
towards REFCUS	1,762
Borrowing	4,791
	<hr/> <b>13,037</b> <hr/>

### **Borrowing Facilities**

Total loans outstanding owed to external sources for capital spending amount to £64.8m as at 31st March 2024. Under the Prudential Code for borrowing the Council's Capital Financing Requirement is £74.989m. The difference relates to the use of existing financial resources (internal borrowing) until such time as external borrowing is undertaken.

### **Reserves**

The Council has set aside reserves for a number of purposes, including provision for the renewal and repair of equipment, maintenance of buildings, yet to be spent Government Grants and the financing of capital expenditure.

The balance on these reserves at 31st March 2024 is £17.02 million compared with £19.18 million at 31st March 2023. The movement on Earmarked Reserves is detailed in Note 12 of the accounts.

### **Non-Domestic Rates**

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

The Council collects National Non-Domestic Rates (NNDR) and retains 40% of it, for its own use, the remainder being passed on to the Government (50%), East Sussex County Council (9%); and East Sussex Fire and Rescue Authority Service (1%). This activity involves the usual risk of non-payment, mitigated by managing the allowance for impairment of debt. There is also the risk of losses from appeals against the values determined by the Valuation Offices. Prior to 31 March 2015 appeals could be backdated to 1 April 2010, when the 2010 list came into operation. Appeals relating to the 2010 list after the start of 2015/16 can only be backdated to 1 April 2015. At 31st March 2024, the Council's provision for losses on appeal stood at £3.4m which is a reduction of £.4m on the March 2023 provision. This Council's share of the total potential liability is £1.36m (40% of the total).

### **Conclusion**

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

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

### **Annual Financial Report**

The annual financial report is made up as follows:

#### (i) Expenditure summaries

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council on the basis of budget reports analysed across directorates.

These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

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

#### (ii) Annual Governance Statement

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

#### (iii) Statement of Responsibilities

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

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

(v) Statement of Accounts.

The Statement of Accounts consists of the following:

a) The Core Accounting Statements

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

*Movement in Reserves Statement*

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

*Comprehensive Income and Expenditure Statement*

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

*Balance Sheet*

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

*Cash Flow Statement*

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

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

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

**Accounting Policies**

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

**Going Concern**

These accounts have been prepared on a going concern basis. The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. The Code confirms that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Hastings Borough Council has taken over Management of Hastings Housing Company properties and are currently assessing future options. A full independent external review has been commissioned and is being carried out by the Council.

A paper on the potential options will be taken to Cabinet and this will include a range of options concerning the future of Hastings Housing Company.

**6. Further Information**

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

Kit Wheeler - Chief Finance Officer

## SERVICE MEASURES

<b>2022-23</b>		<b>2023-24</b>
	Numbers of:	
27,556	Museum visitors	30,523
75,616	East Hill Cliff Railway users	4,087
80,471	West Hill Cliff Railway users	93,449
19	Public Conveniences	19
201	Burials	146
81,661	Grave spaces	81,734
1,472	Cremations	1,368
3,679,983	Dustbins Emptied (Bin Equivalents)	3,933,901
9,616	Recycling tonnage	8,987
839	Planning Applications	778
2	Conservation Area Projects	2
232	Building Regulation Applications	259
622	Local Land Charges (full searches only)	521
2,103	Car Parking Spaces (Off-Street)	2,103
4,546	Penalty Charge Notices issued	4,911
1,489	Licences Issued	1,546
247	Food Hygiene Inspections	350
139	Health & Safety Inspections	139
64,720	Local Electorate	65,263
129	Number of Factory Units	129
270	Kilometres of Streets maintained within the Borough	270
1,750,061	Rental Income from Factory Units (£)	1,919,139

# ANNUAL GOVERNANCE STATEMENT 2023/24

## 1.0. Scope of responsibility

- 1.1 Hastings Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Hastings Borough Council also has a duty under the Local Government Act 1999 to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Hastings Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk. Hastings Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE framework "Delivering good governance in local government" (2016 Edition).
- 1.3 This statement explains how Hastings Borough Council has complied with the code and meets the requirements of regulation 4 (2) of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

## 2.0 Scope of responsibility

- 2.1 The governance framework, whilst not currently set out in a single document 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 as well as cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and agreed level. It cannot eliminate all risks to the achievement of policies, aims and objectives and therefore provides a reasonable rather than 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, delivery of our statutory duties, and to evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them efficiently, effectively and economically.

## 3.0 Review of effectiveness

- 3.1 Hastings Borough Council reviews the effectiveness of its governance arrangements, including its system of internal control, on an ongoing basis. This review of effectiveness is informed by:
  - i. the work of Councillors through the Cabinet, Committees including, Audit Committee, Overview and Scrutiny Committee, and full Council;
  - ii. the work of the Senior Leadership Team and managers within the Council, who have primary responsibility for the development and maintenance of the internal control environment;
  - iii. the work of the Chief Executive/ Head of Paid Service, Monitoring Officer, Chief Finance Officer in fulfilling their specific statutory duties;
  - iv. the work of the Senior Information Risk Officer (SIRO) and Senior Data Protection Officer;
  - v. the risk management arrangements, including the maintenance and regular review of strategic risks by the Senior Leadership Team and service risks by management teams;
  - vi. the work of the internal audit service including their quarterly progress reports, on-going action tracking arrangements and overall annual report and opinion;
  - vii. the Auditor Annual report and Audit Findings report.
  - viii. the judgments of a range of external inspection and other statutory bodies including the Local Government Ombudsman, the Information Commissioner, and Investigatory Powers Commissioners Office.

## 4.0 Key elements of the governance and internal control environments

- 4.1 The key elements that comprise the Council's governance arrangements are a [Corporate Plan](#) that sets out our vision for the community and the outcomes we intend to achieve:
- i. an established medium-term plan including the procedure for reconciling policy priorities with financial resources, which takes account of performance and the need to improve both customer needs and efficiency;
  - ii. a business planning and performance management framework which includes setting clear objectives and targets, covering both financial governance and risk assessment;
  - iii. regular reporting of performance against the Council's key objectives, as set out in the [Corporate Plan](#), to senior officers and councillors;
  - iv. established budgeting systems, clear budget management guidance and regular reporting of financial performance against budget forecasts to officers and councillors;
  - v. financial management structures which promote ownership of financial issues within service departments;
  - vi. compliance with the Chartered Institute of Public Finance and Accountancy's Statement on the Role of the Chief Finance Officer;
  - vii. the Council's Constitution which sets out clear arrangements for decision making, scrutiny, communication and the delegation of powers to officers;
  - viii. a code of conduct for councillors and employees which set out clear expectations for standards of behaviour;
  - ix. a clear framework for financial governance based on the agreed Financial Operating Procedures;
  - x. a risk management framework, which takes account of both strategic and operational risks and ensures that they are appropriately considered, managed, controlled and reported.
  - xi. committees with responsibilities for audit and standards;
  - xii. established arrangements for dealing with complaints and whistleblowing, and combating fraud and corruption;
  - xiii. schemes for identifying the development needs of councillors and officers, supported by appropriate training and development opportunities;
  - xiv. strategies for communication engagement and consultation with local people and our key stakeholders;
  - xv. clear guidance that promotes good governance in our partnership working;
  - xvi. a range of policies and processes designed to ensure best practice and legal compliance for personnel matters, ICT security, access to information, data protection and programme and project management.

## 5.0 Assurance and Significant Governance Issues

- 5.1 The council has recognised that a significant weakness was identified in the Authority's governance arrangements to ensure its financial sustainability. This has been reviewed and controls were set in place to closely monitor and manage spending. Improvement of internal Controls will continue into 2024/25.
- 5.2 During 2023/24, the Senior Leadership Team (SLT) commissioned a service review of the Internal Audit function from Orbis Internal Audit. The review found a number of areas of non-compliance with the Public Sector Internal Audit Standards.
- 5.3 In response to an initial report, Hastings Borough Council (HBC) Cabinet agreed to Orbis Internal Audit providing resources to fulfil the role of Chief Internal Auditor and to support improvements to the Internal Audit service.

- 5.4 As this arrangement was established part-way through the financial year, the usual level of audit planning activity, including formal consultation with senior officers and councillors was not possible and therefore a full audit plan was not produced. Instead, an indicative programme of audit work was prepared and agreed by the Audit Committee. It was agreed that this indicative programme of work would be delivered alongside the development and improvement work scheduled for the internal audit service.
- 5.5 Whilst, for the reasons set out above, it has not been possible for Internal Audit to complete a full programme of work for the 2023/24 year, there has been sufficient audit and assurance activity within the year to enable an annual audit and opinion for the Council to be formed.
- 5.6 Based on the internal audit work completed, the Chief Internal Auditor can provide partial assurance that the council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2023 to 31 March 2024.
- 5.7 The Chief Internal Auditor noted a common theme arising from the work they have undertaken during this period, is the lack of policies and procedural guidance within the areas reviewed. These are considered essential for helping to ensure the consistent operation of internal controls and maintaining business continuity. Guidance on producing policies and procedures has been shared with SLT and Internal Audit will continue to work with the Authority to pro-actively make improvements within this area.
- 5.8 Improvements to the operation of HBC Internal Audit arrangements have been made in the year with a range of improvements implemented with the established arrangements and processes in place across Orbis IA now being applied to Hastings Borough Council, with a recent self-assessment confirming excellent progress in complying with the Public Sector Internal Audit Standards. Plans are in place to undertake a full external assessment against the Standards in the next 2-3 years, once processes and ways of working have been fully embedded.
- 5.9 The Council has undertaken a senior management restructure with a new Senior Leadership Team in post from April 2023. This Team is responsible together with the Statutory Officers for good governance and internal control arrangements under review to ensure that they continue to operate effectively and meet changing needs and reflect best practice. This Team will be monitoring implementation and effectiveness of the new measures and improvements identified along with the support and advice of the newly appointed Internal Auditors.

## **6.0 Resource allocation – Corporate Plan**

- 6.1 The council agreed its four-year Corporate Plan in 2020 and set out its vision and objectives for the period up to the end of 2023/24.
- 6.2 While these ambitions remain, the global, national and local landscape has changed significantly, and the council is now working in a very different social, economic, financial and political context.
- 6.3 The council takes these challenges very seriously and has had to change the way it works since the pandemic and continued to address these through work in 2023/24, starting new conversations about the council's role and how it can continue to deliver its key statutory and local priorities in the significantly reduced funding envelope which the council is now operating within.
- 6.4 The corporate plan is an important document that sets out the council's vision and priorities. The council publishes a full corporate plan every four years with an update published annually. It tells residents, businesses and staff about the progress made to pursue key opportunities and some of the projects and activities that are being delivered to continue to improve and regenerate the town.
- 6.5 Since 2010/11 funding from the government has significantly reduced. In addition the costs of supporting those entitled to emergency and temporary accommodation has pushed the council to Despite this challenge, the Council remains as determined as ever to continue delivering the best services possible and the Corporate Plan reflects that determination.
- 6.6 Our Vision, Mission and Values, and the full 2023/24 update can be found at <https://www.hastings.gov.uk/my-council/corp-plan-2023-update/>

## **7.0 Our position – for 2023/24**

- 7.1 The corporate plan update for 2023/24 states that:
- 7.2 We remain passionate about Hastings, ambitious for the town, and determined to find new and effective ways of delivering for all our residents. One of the positive aspects of COVID-19 has been the effective new partnerships which bring together the council with our innovative voluntary sector, as well as key agencies such as the NHS, East Sussex College and local business.
- 7.3 Increasingly we recognise that councils can only deliver transformation through these partnerships, and so as we focus more on enabling, new platforms that provide ways for local expertise in different fields to be heard are needed.
- 7.4 Having less funding each year to deliver services which cost more to provide is challenging. We need to address a budget deficit. To achieve this we must:
- i. prioritise the resources we do have on what we legally must do;
  - ii. invest our resources where they will deliver the best outcomes for our residents;
  - iii. continue to implement new ways of working to meet our vision and priorities;
  - iv. continue to reduce our operational costs, further improving efficiency by getting more services online;
  - v. continue to realise opportunities to generate income in creative, fair and sustainable ways;
  - vi. continue to take opportunities to tackle climate change;
  - vii. our corporate plan guides our work to help meet these challenges and realise our opportunities.

## 8.0 Our priorities

- 8.1 The Council's corporate plan continues to remain ambitious when set against the background of reductions in annual grant settlements and financial pressures arising from the costs of temporary accommodation and the cost of living crisis.
- 8.2 The council continued to deliver the programme in 2023/24 with significantly reduced resources and continuing financial pressures which will inevitably impact on service delivery in the years ahead.
- 8.3 The council sought the assistance of the Local Government Association in March 2023 to undertake a Finance Peer Review and to assist the council in ensuring its plans to address the housing crisis were robust and deliverable.
- 8.4 The council developed an action plan and worked hard to focus on the recommendations of the Peer Review Team during the remainder of 2023/24.
- 8.5 Full details can be found here: <https://www.hastings.gov.uk/news/latest/peer-review/>

## 9.0 Internal Audit, Risk and Performance Management

- 9.1 The refreshed Internal Audit function from June 2023 has meant that the role of Chief Internal Auditor has been provided by the Orbis IA shared service partnership. The focus has been on developing the service to meet the expectations of the PSIAS professional standards, alongside delivering a preliminary programme of work. The Internal Audit function continues to be in dialogue with the appointed External Auditors, who review compliance with policies, procedures, laws and regulations within their remit.

- 9.2 In order to continue to enhance and strengthen internal control environment, Internal Audit performed an audit of HBC's risk management procedures in 23/24, which has resulted in the implementation across the organisation of a more robust risk management process, effective from Q4 23/24.
- 9.3 The new risk management and internal control policy statement was published internally initially and will be published in a report to Cabinet in 2024/25. (NB delayed until July as a result of the local and Parliamentary election restrictions)
- 9.4 The Risk Champion is the Chief Executive.
- 9.5 The Council has a Whistle Blowing Policy based on the British Standards model that enables staff, contractors, councillors or members of the public to confidentially raise with the council any suspicions they may have. There is also a dedicated fraud hotline. The council also has a customer compliments, comments and complaints system that is overseen by senior management, including the Chief Legal Officer.
- 9.6 The Internal Audit function is supporting managers at all levels to give a better understanding of how to enhance risk management in their area of responsibility. The high-level risk management methodology was designed to assist councillors and senior officers to focus and manage risks in a robust and thorough way.
- 9.7 Whilst improvements have already been made around reporting and management of risk, further improvements will be made in 2024/25 in partnership with the new internal auditors.
- 9.8 The Strategic Risk Register and the Operational Risk Registers are reviewed by the Senior Leadership Team and by managers at their Service Management Team meetings. Risk management is also being embedded within the performance and financial performance system operated by HBC to support decision makers and reviewers with comprehensive information.
- 9.9 The Audit Committee perform an annual rigorous review of the Strategic and Operational Risk Registers and when new emerging risks arise.
- 9.10 Financial management in Hastings Borough Council and the reporting of financial standing is undertaken through a general ledger and management information system, which integrates the general ledger function with those of budgetary control, payments, income and Human Resources (HR) System.
- 9.11 Finance Operating Procedures (FOPs) are held on the council's intranet and support the council's constitution. The FOPs contain information on financial and business procedures and processes that must be followed in all areas of the council. These are currently in the process of being reviewed and updated in line with the changes underway throughout the organisation to ensure they are as up to date and relevant as possible.
- 9.12 A scheme of delegation - sets out the authority levels for the Chief Executive and Senior Leadership Team, 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.
- 9.13 Performance management - the reporting of performance management is focussed on quarterly reporting of data on Key Indicators that can be used to assess the 'health' of the organisation, and as per the advice of the LGA Finance Peer Review team, is focussed on the council's financial position and addressing the housing crisis. This, together with the reporting on each of the service's commitments set out in the Corporate Plan, enables a rounded view of how the Council is performing against key issues of concern to local people. Performance indicators are recorded, monitored and shared publicly using an in-house developed Dashboard system.
- 9.14 The Chief Executive Officer assumes the role of Senior Information Risk Owner (SIRO) who has overall responsibility for the council's information risk policy.
- 9.15 Hastings Borough Council is the sole Trustee for the Hastings and St Leonards Foreshore Charitable 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 allocates responsibilities of the Cabinet to include the appointment of the Chair of the Charity Committee.
- 9.16 Councillor Development – A full induction programme and on-going training supports councillors to undertake their roles. Some of the training is compulsory training to ensure councillors can fulfil their roles on regulatory committees and understand the legal context within which they make decisions and operate. Leadership training

where appropriate provided in conjunction with the Local Government Association (LGA). Councillor training and development is planned, monitored and evaluated quarterly via the training and development group.

- 9.17 Consultation – The council undertakes a range of consultation and engagement throughout the year subject to activities identified in the corporate plan. The council also consults annually on its corporate plan and budget with the residents and businesses at large and with a variety of stakeholders.
- 9.18 The Hastings and St. Leonards Local Strategic Partnership (LSP) Board is a body that brings together key representatives from the private/business, community/voluntary and public sector and has a rotating chair from the different sectors represented. 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. The key role of the Local Strategic Partnership (LSP) is to:
- i. identify and report on 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;
  - 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;
  - iv. act as the oversight body for Government initiatives e.g. the Town Deal Board is a sub-board of the Local Strategic Partnership
- 9.19 Due to government announcement of a long-term endowment style fund for Hastings in December the decision was made in March 2024 that the LSP would be hibernated, and reviewed in Autumn 2024, so that a new governance board to manage the 10 year plan for Hastings could be created. This was due to several factors:
- a. Lack of secretariat and senior officer capacity to drive the LSP agenda and manage the administration of the partnership whilst developing a new town board.
  - b. The new town board includes some of the same attendees (and organisations) as the LSP and given town capacity it felt prudent that we hibernate the LSP until the long-term plan was submitted and the new Hastings board was established.
- 9.20 It is expected by government that the town deal and long-term plan programmes will work closely together.
- 9.21 The hibernation of the LSP has not resulted in a reduction of partnership communication, rather the opposite, and it is hoped that we can reinvigorate partnership structures through the purpose to create more meaningful opportunities regarding resource sharing and capacity building.

## 10.0 Changes to the Council's Structure and Governance Arrangements

- 10.1 A full restructure of the council's senior management team was confirmed in March 2023. The Senior Leadership Team (SLT) consists of the Chief Executive, Deputy Chief Executive/Director of Place, Chief Finance Officer/Section 151, Chief Legal Officer/Senior Monitoring Officer, Head of People and Business Support, Head of Strategic Programmes, Head of Community and Regulatory Services, Head of Environment and Operations, Head of Housing, and the Property and Commercial Assets Manager. Further details can be found on the council's website: [Senior officer structure | My council | Hastings Borough Council](#).
- 10.2 Following the borough elections in May 2022, the council moved to the position of No Overall Control. A minority Labour Administration was established at the Annual Council. The full Council in December 2022 agreed to undertake a Governance Review to explore governance arrangements that would enable all political parties to share in the shaping and directing the future of the council through the decision-making process. The work of this review was paused due to the focus required by the whole council to determine a balanced budget in December 2023 to avoid the issuing of a Section 114 notice but is expected to complete its work and bring forward recommendations in 2024/25.
- 10.3 The council's administration changed in January 2024, with a new interim Administration, led by the Green Party Leader and Deputy with Hastings Independent members on the Cabinet. The Leader took the opportunity to implement changes to pilot collaborative decision making and invited all Group Leaders to attend previously restricted pre-Cabinet and other officer briefings. Following the local elections in May 2024, when the Leader

now leads a minority Green administration these pilots and other new governance arrangements will be implemented.

#### 10.4 Other assurances:

- a. 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)'.
  - b. The Council's Chief Finance Officer and Section 151 Officer who leads and directs the Finance function that continues to be sufficiently resourced and fit for purpose and is also professionally qualified and suitably experienced.
  - c. The role of the Chief Auditor at Hastings Borough Council complies with the CIPFA 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 (2019)'.
- 10.5 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 Chief Executive and Senior Leadership Team 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.
- 10.6 The Council's [Constitution of the Council \(hastings.gov.uk\)](http://hastings.gov.uk) sets out the responsibilities of both Councillors and their senior managers. In particular, the Council has; Head of Paid Service - Chief Executive Officer; Monitoring Officer - Chief Legal Officer; Section 151 officer – Chief Finance Officer.
- 10.7 The Council continues to assess how its overall corporate governance responsibilities are discharged. The Council has adopted the CIPFA/SOLACE guidance and has developed a local code of corporate governance. This code is currently being reviewed.
- 10.8 The arrangements for the provision of internal audit are contained within the Council's Financial Rules, which are included within the Constitution. The Chief Finance Officer is responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting and other systems of internal control as required by the Accounts and Audit Regulations 2015.
- 10.9 The new Internal Audit service, delivered through Orbis Internal Audit, is managed, independently and operates in accordance with the Public Sector Internal Audit Standards.
- 10.10 Future improvements to Internal Audit arrangements will include delivery of an audit plan that is prioritised by a combination of the key internal controls, assessment and review based on 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 Chief Finance Officer and the Audit Committee and shared with the Council's external auditor.
- 10.11 Regular meetings between the internal and external auditors 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.

### **Hastings Housing Company**

- 10.12 Hastings Borough Council is the majority shareholder in Hastings Housing Company Limited. The company was established for buying and selling real estate and letting and operating own or leased real estate. It is a limited company that was incorporated on 1 September 2017 and its registered office address is Muriel Matters House, Breeds Place, Hastings, TN34 3UY.
- 10.13 It has a minimum of 3 Directors who each have senior roles within the council, and one Councillor. It was set-up by Hastings Borough Council primarily to meet a need for affordable rental properties in the Borough and to generate an income for the council. An update report on the HHC will be presented to Cabinet in early

2024/25 (post local election) and a full review of the company is being commissioned and likewise underway and will be reported to the Cabinet and Audit Committee.

- 10.14 Group Accounts - The council is required to produce Group Accounts alongside its own financial statements where it has material interests in subsidiaries, associates and/or joint ventures. The Group Accounts included as part of the Statement of Accounts fully incorporate Hastings Housing Company Ltd.
- 10.15 Other entities which fall within the group boundary, but which are not consolidated into the Group Accounts as they are not considered to be material, are detailed within the Related Parties note within the Statement of Accounts, there were no related parties to report.

## 11.0 Chief Internal Auditor's Opinion

- 11.1 As noted above, it has not been possible for Internal Audit to complete a full programme of work for the 2023/24 year.
- 11.2 However, there has been sufficient audit and assurance activity within the year for the Chief Internal Auditor to provide partial assurance that the council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2023 to 31 March 2024.
- 11.3 The CIPFA Code of Practice on Managing the Risk of Fraud and guidance suggests it is good practice to make a statement on the adequacy of an authority's counter fraud arrangements in the annual governance statement. This code contains five principles:
- i. acknowledge responsibility;
  - ii. identify risks;
  - iii. develop a strategy;
  - iv. provide resources;
  - v. take action.
- 11.4 As a full programme of work was not completed during the year, the newly appointed Chief Internal Auditor was unable to provide assurance on the above area specifically as they were only appointed in May 2023.
- 11.5 However, the council will continue to work with the Internal Auditors to ensure robust arrangements are put in place for future years, which will include regular updates on progress to Audit Committee, Overview and Scrutiny and Senior Leadership Team.

## 12.0 Significant governance issues

- 12.1 The Council follows the CIPFA/SOLACE guidance entitled 'Delivering Good Governance in Local Government (Guidance Note for English Authorities)'.
- 12.2 In the last Annual Governance Statement, it was reported that there was still a significant risk relating to the reduction in Government grant funding. A balanced budget for 2022/23 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.
- 12.3 This year the council has continued to use Reserves to balance the budget for 2023/24 and is having to focus its attention on core areas of work as outlined in the corporate plan update, with critical attention aimed at reducing the deficit and tackling the housing emergency.
- 12.4 The Council has a statutory responsibility for tackling Homelessness, but the costs in meeting its duties has increased significantly both because of increased demand due to an increasing lack of affordable homes in the town and the increasing cost of emergency accommodation. A Housing taskforce has been set-up to identify and find savings and efficiencies around reducing costs which continue to be a real threat to the financial stability and long-term sustainability of the council.
- 12.5 The taskforce is overseeing an ambitious property acquisitions programme which is buying property within the town for use as temporary accommodation provided directly by the Council as an alternative to costly privately procured accommodation. This programme is already leading to a reduction in costs and combined with other preventative measures leading to a stabilising of numbers of households (following 5 years of sharp increases) moving into expensive emergency accommodation.

- 12.6 The Task force provides regular updates to the Senior Leadership Team and has direct involvement of all political group leaders to take immediate action where needed and speed up the process of decision making.
- 12.7 Climate Change Emergency – The actions the Council will need to take to meet its Climate Change Emergency commitments may limit some service provision or increased costs, particularly around electric vehicles and utility costs. A Climate Change Group has been set-up led by the Sustainability Policy Manager and Energy Development and Delivery Project Manager and the first action is to integrate Climate Change into the service areas.
- 12.8 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:

Signed:

Councillor Julia Hilton  
Leader

Robert Cottrill  
Chief Executive

# 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 Chief Finance Officer.
- (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 FINANCE OFFICER

The chief finance 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 Finance 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 Finance 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 in this document give a true and fair view of the financial position of the Council as at 31st March 2024 and its income and expenditure for the year ended 31st March 2024.

Signed on behalf of Hastings Borough Council:

Kit Wheeler  
Chief Finance Officer

Councillor Danuta Kean  
Chair of the Audit Committee

Date: 28/02/2025

Date: 28/02/2025

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

## Report on the audit of the financial statements

### Disclaimer of opinion

We were engaged to audit the financial statements of Hastings Borough Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2024, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Collection Fund Income and Expenditure Account and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include Notes to the Core Financial Statements, Group Notes and Collection Fund 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 2023/24.

We do not express an opinion on the accompanying financial statements of the Authority or the group. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2024 by 28 February 2025 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements.

On 12 December 2024, we issued a disclaimer of opinion on the Authority's and the group's financial statements for the year ended 31 March 2023, as we had not been able to obtain sufficient appropriate audit evidence by 13 December 2024, the previous backstop date, that the financial statements were free from material misstatement. We were therefore unable to obtain sufficient appropriate audit evidence over the corresponding figures or whether there was any consequential effect on the Authority and group Comprehensive Income and Expenditure Statement for the year ended 31 March 2024 for the same reason.

As a result of the limitations imposed by the backstop date, we have been unable to obtain sufficient appropriate audit evidence over the Authority's and group's opening balances reported in the financial statements for the year ended 31 March 2024. Consequently, we have been unable to satisfy ourselves over the in-year movements in the net pension liability and property, plant and equipment. This has also resulted in uncertainty over the closing balance of property, plant and equipment of £173,582,000 as at 31 March 2024. Similarly, we have not been able to obtain assurance over the Authority's (£149,724,000) and group's (£150,723,000) closing reserves balance as at 31 March 2024, also due to the uncertainty over their opening amount.

In addition, our audit identified significant control deficiencies in the Authority's financial accounting and record keeping. The Authority was not able to provide sufficient appropriate audit evidence to support the balances of receivables of £9,196,000, fees, charges and service income of £24,272,000 and associated disclosures reported in the financial statements as at 31 March 2024.

We have concluded that the possible effects of these matters on the financial statements could be both material and pervasive. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement of the Regulations to publish the financial statements for the year ended 31 March 2024 by the backstop date.

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

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

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

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Financial Report and Statement of Accounts, other than the Authority's and group's financial statements and our auditor's report thereon. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which we are required to report by exception**

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

## **Responsibilities of the Authority and the Chief Finance Officer**

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Financial Report and 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 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

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

Our responsibility is to conduct an audit of the Authority's and the group's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority and group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matter described in the basis for disclaimer of opinion section of our report.

**Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

**Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in respect of the above matter except on 25 November 2024 we identified:

- three significant weaknesses in the Authority's arrangements for governance. This was in relation to:
  - lack of formal reports to either the Audit Committee regarding the strategic risk register and assurance about the Council's risk management arrangements. We recommended:
    - the Authority should ensure that strategic risks are reported to the Cabinet on a quarterly basis, enabling the Cabinet to assess and review risks and mitigation measures.
    - The Audit Committee should receive a report on strategic risk management on at least an annual basis which enables the Audit Committee to form a view on the assurance the Council can have about the approach to identifying and managing strategic risks.
  - lack of performance management arrangements in place for the Chief Executive. We recommended arrangements for performance management of the Chief Executive and senior officers should be put in place as a high priority; and
  - inadequate action taken to hold the Council's subsidiary to account to sufficiently safeguard the financial liabilities which ultimately fall on the Council. We recommended the Cabinet should:
    - consider reports on the financial position of the subsidiary on a quarterly basis until it is achieving a level of profitability which is envisaged in the business plan and has made satisfactory progress on debt recovery; and
    - conclude a review of the purpose and future of the subsidiary by January 2025 so it can resolve how and whether the company continues to operate.

**Responsibilities of the Authority**

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

### **Report on other legal and regulatory requirements – Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate for Hastings Borough Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to consolidation returns, including Whole of Government Accounts (WGA), and the National Audit Office has concluded their work in respect WGA for the year ended 31 March 2024. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2024.

### **Use of our report**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Darren Wells, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

28 February 2025

# CORE ACCOUNTING STATEMENTS

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2022-23 Restated			2023-24		
Gross	Income	Net	Gross	Income	Net
£'000	£'000	£'000	£'000	£'000	£'000
3,998	(2,397)	1,601	3,644	(2,567)	1,077
34,611	(30,770)	3,841	37,138	(33,652)	3,486
1,166	(64)	1,102	908	(78)	830
938	(252)	686	1,187	(281)	906
2,846	(673)	2,173	2,823	(728)	2,095
5,772	(3,407)	2,365	4,646	(2,955)	1,691
8,340	(3,298)	5,042	8,499	(3,424)	5,075
18,530	(11,870)	6,660	17,901	(10,437)	7,464
2,111	(5,936)	(3,825)	3,074	(6,836)	(3,762)
<b>78,310</b>	<b>(58,667)</b>	<b>19,643</b>	<b>79,820</b>	<b>(60,958)</b>	<b>18,862</b>
0	586	586	0	(67)	(67)
0	586	586	0	(67)	(67)
1,862	0	1,862	1,842	0	1,842
776	0	776	(635)	0	(635)
0	(1,141)	(1,141)	0	(1,858)	(1,858)
0	629	629	0	(61)	(61)
(1)	(68)	(69)	67	(79)	(12)
<b>2,637</b>	<b>(580)</b>	<b>2,057</b>	<b>1,274</b>	<b>(1,998)</b>	<b>(724)</b>
0	(7,517)	(7,517)	0	(7,838)	(7,838)
5,896	(7,097)	(1,201)	6,369	(8,486)	(2,117)
0	(1,282)	(1,282)	0	(2,100)	(2,100)
6,429	(12,428)	(5,999)	(2)	(1,838)	(1,840)
0	(8,694)	(8,694)	0	(5,051)	(5,051)
5,464	(1,560)	3,904	(6)	(937)	(943)
<b>17,789</b>	<b>(38,578)</b>	<b>(20,789)</b>	<b>6,361</b>	<b>(26,250)</b>	<b>(19,889)</b>
<b>98,736</b>	<b>(97,239)</b>	<b>1,497</b>	<b>87,455</b>	<b>(89,273)</b>	<b>(1,818)</b>
	(7,297)				(3,520)
	(31,297)				1,164
<b>(38,594)</b>					<b>(2,356)</b>
<b>(37,097)</b>					<b>(4,174)</b>

During 2023/24 there was a departmental restructure, which included the creation of a new directorate, therefore the 2022/23 cost of services has been adjusted to reflect the new structure so that it is comparable to 2023/24. The table below shows how the Cost of services would look if the restructure had not taken place.

2022-23 Restated				2023-24		
Gross	Income	Net		Gross	Income	Net
£'000	£'000	£'000		£'000	£'000	£'000
40,538	(36,974)	3,564	Corporate Services and Governance	45,142	(41,188)	3,954
37,772	(21,693)	16,079	Operational Services:	33,809	(19,344)	14,465
<b>78,310</b>	<b>(58,667)</b>	<b>19,643</b>	<b>Cost of Services</b>	<b>78,951</b>	<b>(60,532)</b>	<b>18,419</b>

Prior Year figures were restated to reflect the impact of the asset ceiling \*See Note 11 Defined Pension Scheme Prior Year adjustments. There was also a late correction to the Non-Domestic Rates Income

## MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Ear-marked Reserves	Total General Fund	Capital Receipts reserve	Capital grants unapplied	Total usable reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>2023-24</b>								
1 April 2023	(500)	(19,179)	(19,679)	(2,117)	(9,917)	(31,713)	(113,827)	(145,540)
<b>Movement in Reserves in 2023-24</b>								
(Surplus)/deficit on the provision of services (accounting basis)	(1,818)	0	(1,818)	0	0	(1,818)	0	(1,818)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(2,356)	(2,356)
Total Comprehensive Income and Expenditure	(1,818)	0	(1,818)	0	0	(1,818)	(2,356)	(4,174)
Adjustments between accounting and funding basis under regulation - note 7	3,976	0	3,976	2,777	(1,097)	5,656	(5,666)	(10)
Net increase/decrease before transfers to Earmarked reserves	2,158	0	2,158	2,777	(1,097)	3,838	(8,022)	(4,184)
Transfers to/from Earmarked reserves - note 12	(2,158)	2,159	1	0	0	1	0	1
(Increase)/Decrease in Year	0	2,159	2,159	2,777	(1,097)	3,839	(8,022)	(4,183)
<b>Balance at 31 March 2024</b>	<b>(500)</b>	<b>(17,020)</b>	<b>(17,520)</b>	<b>660</b>	<b>(11,014)</b>	<b>(27,874)</b>	<b>(121,849)</b>	<b>(149,723)</b>

	General Fund Balance	Ear-marked Reserves	Total General Fund	Capital Receipts reserve	Capital grants unapplied	Total usable reserves	Unusable Reserves	Total Authority Reserves
<b>2022-23</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1 April 2022	(500)	(30,604)	(31,104)	0	(5,747)	(36,851)	(71,558)	(108,409)
<b>Movement in Reserves in 2022-23 (Restated)</b>								
(Surplus)/deficit on the provision of services (accounting basis)	1,497	0	1,497	0	0	1,497	0	1,497
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(38,594)	(38,594)
Total Comprehensive Income and Expenditure	1,497	0	1,497	0	0	1,497	(38,594)	(37,097)
Adjustments between accounting and funding basis under regulation - note 7	9,930	0	9,930	(2,117)	(4,170)	3,643	(3,674)	(31)
Net increase/decrease before transfers to Earmarked reserves	11,427	0	11,427	(2,117)	(4,170)	5,140	(42,268)	(37,128)
Transfers to/from Earmarked reserves - note 7	(11,425)	11,425	0	0	0	0	0	0
Other adjustments	(2)	0	(2)	0	0	(2)	(1)	(3)
(Increase)/Decrease in Year	0	11,425	11,425	(2,117)	(4,170)	5,138	(42,269)	(37,131)
<b>Balance at 31 March 2023</b>	<b>(500)</b>	<b>(19,179)</b>	<b>(19,679)</b>	<b>(2,117)</b>	<b>(9,917)</b>	<b>(31,713)</b>	<b>(113,827)</b>	<b>(145,540)</b>

*Prior year restated due to an adjustment to correct Surplus/Deficit on the Provision of Services & adjustment for Pension asset ceiling*

## BALANCE SHEET

31 March 2023 Restated		31 March 2024
£'000		£'000
162,749	Property, Plant and Equipment	173,582
16,650	Heritage Assets	16,669
378	Investment Properties	310
257	Intangible Assets	215
4,556	Long Term Investments	4,617
7,351	Long Term Debtors	7,313
<b>191,941</b>	<b>LONG TERM ASSETS</b>	<b>202,706</b>
28,000	Short Term Investments	5,000
450	Assets Held for Sale	0
90	Inventories	46
8,597	Short Term Debtors	9,196
5,023	Cash and Cash Equivalents	10,576
<b>42,160</b>	<b>CURRENT ASSETS</b>	<b>24,818</b>
(659)	Short Term Borrowing	(676)
(17,243)	Short Term Creditors	(8,160)
(1,704)	Provisions	(1,552)
(69)	Capital grants received in advance	(58)
<b>(19,675)</b>	<b>CURRENT LIABILITIES</b>	<b>(10,446)</b>
(2,091)	Long Term Creditors	(1,437)
(64,763)	Long Term Borrowing	(64,090)
(2,032)	Net Pension Liability	(1,827)
<b>(68,886)</b>	<b>LONG TERM LIABILITIES</b>	<b>(67,354)</b>
<b>145,540</b>	<b>NET ASSETS</b>	<b>149,724</b>
(500)	General Fund	(500)
(19,179)	Earmarked reserves	(17,020)
(2,117)	Capital Receipts Reserve	660
(9,917)	Capital grants and contributions	(11,014)
<b>(31,713)</b>	<b>USABLE RESERVES</b>	<b>(27,874)</b>
(72,069)	Revaluation Reserve	(74,710)
151	Pooled Investment Funds Adjustment Account	225
(44,790)	Capital Adjustment Account	(49,925)
2,032	Pensions Reserve	1,827
(219)	Accumulated Absences Account	210
1,068	Collection Fund Adjustment Account	523
<b>(113,827)</b>	<b>UNUSABLE RESERVES</b>	<b>(121,850)</b>
<b>(145,540)</b>	<b>TOTAL RESERVES</b>	<b>(149,724)</b>

## CASH FLOW STATEMENT

<b>2022-23</b>		<b>2023-24</b>
£'000		£'000
(14,901)	Taxation	(14,293)
(55,367)	Grants and Contributions	(40,322)
(6,446)	Sales of goods and rendering of services	(24,513)
(1,141)	Interest received	(1,855)
565	other receipts from operating activities	(98)
<b>(77,290)</b>	<b>Cash inflows generated from operating activities</b>	<b>(81,081)</b>
11,880	Cash paid to and on behalf of employees	12,191
29,849	Housing benefit payments	32,694
5,667	NNDR Tariff and levy payments	6,111
11,655	Cash paid to suppliers of goods and services	32,101
1,863	Interest paid	1,842
23,651	Other operating cash payments	7,104
<b>84,565</b>	<b>Cash outflows generated from operating activities</b>	<b>92,043</b>
<b>7,275</b>	<b>Net cashflows from operating activities</b>	<b>10,962</b>
(5,895)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,114)
8,320	Purchase of property, plant and equipment, investment property and intangible assets	11,266
17,752	Purchase of short-term and long-term investments	(17,866)
0	Proceeds from the sale of short-term and long-term investments	(5,000)
(8,430)	Other receipts from investing activities	(5,185)
<b>11,747</b>	<b>Net cashflows from investing activities</b>	<b>(17,899)</b>
642	Repayments of short term and long-term borrowing	658
(7,854)	Changes in National Non-Domestic Rates balances held for preceptors	(243)
(921)	Changes in Council tax balances held for preceptors	969
<b>(8,133)</b>	<b>Net cashflows from financing activities</b>	<b>1,384</b>
<b>10,889</b>	<b>Net (Increase) / decrease in cash and cash equivalents</b>	<b>(5,553)</b>
15,912	Cash and Cash Equivalents 1 April	5,023
(10,889)	Change during the year	5,553
<b>5,023</b>	<b>Cash and Cash Equivalents 31 March</b>	<b>10,576</b>
31 March 2023		<b>31 March 2024</b>
117	Cash in hand	40
406	Bank balances	1,131
4,500	Cash equivalents	9,405
<b>5,023</b>	<b>Totals</b>	<b>10,576</b>

# NOTES TO CORE FINANCIAL STATEMENTS

## NOTES TO CORE FINANCIAL STATEMENTS (including accounting policies)

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

#### Changes to 2023-24 Code of Practice

The Code of Practice is based on International Financial Reporting Standards (IFRSs) and has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board.

The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Financial Reporting Council where these provide additional guidance.

The Code has been prepared on the basis of accounting standards and interpretations in effect for accounting periods commencing on or before 1 January 2023. This is with the exception of IFRS 16 Leases. While the CIPFA/LASAAC Code Board is strongly of the view that IFRS 16 is the best form of reporting local authority leases, it has made a decision to defer mandatory implementation of IFRS 16 as a pragmatic response to severe delays in the publication of audited local authority financial statements in England. The decision should not be viewed as a commentary on the usefulness of the information derived from the implementation of the standard. While mandatory implementation has been deferred until 2024/25, adoption in earlier accounting periods (i.e., 2022/23 or 2023/24) is permitted on a voluntary basis.

The key accounting changes principally introduced by the Code in 2023/24 are:

- a) Amendments to Section 3.3 of the Code reflecting amendments to IAS 8, which clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.
- b) Amendments to Section 3.4 of the Code reflecting changes to IAS 1, which help preparers to provide more focused and proportionate information on accounting policies.
- c) Amendments to Section 4.1 of the Code, which provide a temporary relief so that local authorities are not required to report the gross book value and accumulated depreciation for infrastructure assets. Where a local authority chose to apply this temporary relief, the Code requires that additional information is provided to explain an authority's rationale for this decision.
- d) A new Annex to Section 4.1 of the Code that sets out the prescriptions of the Code for infrastructure assets in predecessor Codes.
- e) Confirmation in Appendix C (Changes in Accounting Policies: Disclosures in the 2022/23 and 2023/24 Financial Statements) of the transitional reporting requirements of the new standards introduced in the 2023/24 Code, while also having regard to requirements in relation to voluntary adoption of IFRS 16.
- f) Confirmation in Appendix D (New or Amended Standards Introduced to the 2023/24 Code) of the new standards introduced to the 2023/24 Code.

In England and Wales, the Code constitutes a 'proper accounting practice' under the terms of Section 21(2) of the Local Government Act 2003.

### NOTE 2. ACCOUNTING POLICIES

#### 2.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2023-24 financial year and its position at the end of 31 March 2024. 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 2023-24, 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.

The accounts have been prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future.

#### 2.2 Accruals of Expenditure and Income

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, and where the amounts are significant, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received, rather than when the payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

# NOTES TO CORE FINANCIAL STATEMENTS

- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.
- Accruals for income are offset by allowances for the impairment of debt where it is determined that recovery is unlikely, although the Council continues to attempt to recover sums legally due. This policy applies to contractual debt as well as to statutory debt for Council Tax, Non-Domestic Rates, and overpayments of Housing Benefit.

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

## 2.3 Cash and Cash Equivalents

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

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

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

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

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

## 2.5 Contingent Assets and Liabilities

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

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

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

## 2.6 Employee Benefits

### Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g., cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. 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.

The Code of Practice stipulates that a council need not comply with it, if the information is not material to the “true and fair” view of its financial position, financial performance, and cash flows, and to the understanding of users of the financial statements and notes. This provision applies to both the disclosures and to accounting principles. In line with this dispensation the Council omits a number of disclosures specified by the Code however this accrual is still undertaken.

### 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 accrual's basis to the relevant service in the Comprehensive Income and Expenditure Statement at the earlier of the dates

# NOTES TO CORE FINANCIAL STATEMENTS

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.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

## **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 is accounted for as a defined benefit scheme.

- 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 based on the indicative rate of return on high quality corporate bond (iBoxx Sterling Corporates AA Over 15 years Index).

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 appropriate service segment in the CIES for which the employees worked;
- Past service cost: the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years, debited to the central costs segment in the CIES; and
- Net interest on the net defined benefit liability (asset) – the change during the period in the net defined benefit liability (asset) that arises from the passage of time.

### **Remeasurements comprising:**

- The return on plan assets: excluding amounts included in net interest on the net defined benefit liability, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
- Actuarial gains and losses: changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions reserve as Other Comprehensive Income and Expenditure.
- Effect of the Asset Ceiling – the limitation on the Council's ability to realise pensions assets through reductions in future employer's contributions as a result of minimum funding requirements.
- Contributions paid to the East Sussex pension fund: cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pensions fund or directly to pensioners in the year, not the amount calculated according to relevant accounting standards.

In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

## **Discretionary Benefits**

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

## **2.7 Events after the Balance Sheet date**

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

- If they provide evidence of conditions that existed at the end of the reporting period, the Statement of Accounts is amended to reflect these events.

# NOTES TO CORE FINANCIAL STATEMENTS

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

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

## 2.8 Exceptional Items

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

## 2.9 Fair Value

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

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

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

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

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

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

## 2.10 Financial instruments

### Financial Liabilities

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

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:

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- Amortised Cost;
- Fair Value through Profit or Loss ("FVPL"); and
- Fair Value through Other Comprehensive Income ("FVOCI").

The Council's business model is to hold investments to collect contractual cashflows. Financial assets are therefore classified as either:

- Amortised cost: financial assets whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (e.g. debtors, loans to other local authorities); or

# NOTES TO CORE FINANCIAL STATEMENTS

- FVPL: financial assets whose contractual cash flow characteristics do not resemble a basic lending agreement because the cash flows don't arise on specified dates or comprise solely payments of principal and interest (e.g. The Council's investments in strategic pooled funds).

## **Financial assets measured at amortised cost:**

Financial assets at amortised cost are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of the 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 CIES 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 CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the financing and investment income and expenditure line in the CIES.

## **Expected credit loss model:**

"The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to the Council's lease receivables. Only lifetime losses are recognised for the Council's trade receivables (i.e. debtors).

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

## **Financial assets measured at FVPL:**

"Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised in the Surplus or Deficit on the Provision of Services as they arise.

The fair value measurements of these financial assets are based on the following techniques:

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

Inputs to fair value measurement techniques are categorised in accordance with the following three levels:

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

Any gains or losses that arise on 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 .

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

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

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

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

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

# NOTES TO CORE FINANCIAL STATEMENTS

## 2.12 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, because of the historic nature of the assets and lack of comparable market values the Council does not consider that reliable cost or valuation information can be obtained for the castle and caves. Consequently, the Council does not recognise the value of these Heritage Assets on the Balance Sheet, other than the capitalisation of annual expenditure to enhance the assets.

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

### Valuation

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

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

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

### Impairments

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

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

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

## 2.14 Investment Properties

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

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

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

## 2.15 Leases

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

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

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

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

# NOTES TO CORE FINANCIAL STATEMENTS

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

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

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

## 2.16 Prior period adjustments

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

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

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

## 2.17 Property, Plant and Equipment

### Definition and Categories

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

- Land and buildings – properties owned by the Council, other than those in another category shown below, or Investment Properties.
- 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 accrual's basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that secures but does not add to an asset's potential to deliver future economic benefits or service potential (e.g., repairs and maintenance) is charged to the Comprehensive Income and Expenditure Account as an expense when it is incurred. Assets valued at less than £50,000 are not included on the balance sheet, provided that the total excluded has no material impact.

### Measurement

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

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

### Revaluation

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

## NOTES TO CORE FINANCIAL STATEMENTS

account. Reductions in value are charged to the Revaluation Reserve, up to the amount held for that asset in the Revaluation Reserve, or otherwise to the Comprehensive Income and Expenditure Statement.

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

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

### Impairment

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

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

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

### Disposals

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

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

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

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 (between 15 and 60 years).
- Vehicles, plant, and equipment – is depreciated on a straight-line basis over the expected life of the asset as advised by a suitably qualified officer (between 5 and 20 years).
- 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 (35-40 years).
- 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.

# NOTES TO CORE FINANCIAL STATEMENTS

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

## 2.18 Provisions

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

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

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

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

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

## 2.19 Reserves

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

Usable reserves comprise the following:

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

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

- 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.

# NOTES TO CORE FINANCIAL STATEMENTS

- Accumulated Absences Reserve: this contained the difference between the statutory and accounting liability for the cost of accumulated absences: the cost was properly chargeable to the Comprehensive Income and Expenditure Statement, but not to the General Fund.
- 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.
- Pooled Investment Fund Adjustment Account: this contains the gains made by the Council arising from increases in the value of its pooled investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:
  - revalued downwards or impaired and the gains are lost.
  - disposed of and the gains are realised.

## 2.20 Revenue Expenditure Financed from Capital Under Statute

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

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

## 2.21 Value Added Tax (VAT)

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

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

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

## 2.23 Intangible Assets

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

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

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

## 2.24 Write-off policy

As a general rule, except in cases of hardship, low value debt or cases where recovery is prevented by law, all recovery processes will be attempted before a debt is considered for write-off. The Council recognises that there will be cases where it is not practical for the recovery process to continue because either the debtor has absconded, or the costs of recovery are greater than the value of the debt outstanding.

## 2.25. Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2023/24 Code.

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would, therefore result in an impact on disclosures spanning two financial years. The code requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

Accounting changes that are introduced by the 2024/25 Code where disclosures are required in the 2023/24 financial statements are:

# NOTES TO CORE FINANCIAL STATEMENTS

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020. The amendments:
  - specify that an entity's right to defer settlement must exist at the end of the reporting period,
  - clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement,
  - clarify how lending conditions affect classification, and
  - clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions.
- Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022. The amendments improved the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants.
- International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023. Pillar Two applies to multinational groups with a minimum level of turnover. The amendments introduced:
  - a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, and
  - targeted disclosure requirements for affected entities.
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023. The amendments require an entity to provide additional disclosures about its supplier finance arrangements. The IASB developed the new requirements to provide users of financial statements with information to enable them to:
  - assess how supplier finance arrangements affect an entity's liabilities and cash flows, and
  - understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

These above changes are not expected to have a material impact on the Council's single entity statements or group statements.

CIPFA/LASMC have deferred implementation of IFRS 16 for local government to 1 April 2024, and the Council is not adopting the Standard earlier (as permitted by the Code). The changes to be introduced by IFRS 16 will mean that operating leases where the Council is lessee, will be reflected in the Balance Sheet based on the concept of 'right of use'. Whilst work is currently underway to assess the impact on the Council, at the current time the impact is not known.

## NOTE 3. CRITICAL JUDGEMENTS

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

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

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

### 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, Barnett Waddingham, is engaged to provide the Council with expert advice about the assumptions to be applied. Details of these assumptions are included in Note 11. The effect on the liability for changes to assumptions are summaries in the table below:

Sensitivity analysis	£000s	£000s	£000s	£000s	£000s
<b>Adjustment to discount rate</b>	<b>+0.5%</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>	<b>-0.5%</b>
Present value of total obligation	122,754	129,521	131,312	133,144	140,921
Projected service cost	1,579	1,787	1,843	1,900	2,150
<b>Adjustment to long term salary increase</b>	<b>+0.5%</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>	<b>-0.5%</b>
Present value of total obligation	131,937	131,435	131,312	131,189	130,707
Projected service cost	1,849	1,844	1,843	1,841	1,836
<b>Adjustment to pension increases and deferred revaluation</b>	<b>+0.5%</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>	<b>-0.5%</b>
Present value of total obligation	140,444	133,055	131,312	129,607	123,161
Projected service cost	2,159	1,901	1,843	1,786	1,571
<b>Adjustment to life expectancy assumptions</b>	<b>+ 1 Year</b>		<b>None</b>		<b>- 1 Year</b>
Present value of total obligation	137,221		131,312		125,686
Projected service cost	1,911		1,843		1,776

# NOTES TO CORE FINANCIAL STATEMENTS

These assumptions are listed in Note 11 and are re-assessed every year. Changes in any one assumption would be affected by changes in others, so that the effect of a number of changes would be a complex calculation.

## Property, Plant and Equipment

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

Valuations of property depend on various assumptions, as set out in detail in Note 2.17 above. In particular, the valuers have to determine:

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

The Gross Book Value (GBV) of the Land and Buildings at 31 March 2024 was £146.1m. If the valuation estimate was 10% higher on those assets it would mean a GBV figure of £160.7m on the Balance Sheet. If the valuation estimate was 10% lower it would mean a GBV figure of £131.5m. If the valuation was 10% higher it would mean a GBV figure of £160.7m.

## Investment Properties

The Council's external valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property.

## 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 debts: At 31 March 2024, the Council had a balance of sundry debtors of £1.8m. A review of balances indicated that an allowance for credit losses of 31.9% (£0.575m) was appropriate. However, in the current economic climate it is not fully certain whether such an allowance may be sufficient. If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts, for example, would require an additional £0.575m to be set aside as an allowance.

The economic impact of the Covid-19 pandemic, cost of living crisis and recently spiralling inflation has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.

## Allowance for the impact of rating appeals

The Council maintains a provision for the impact of outstanding rating appeals. There are two elements to this provision relating to the 2010 list and the 2017 list of appeals. Outstanding appeals are assessed on the basis of reductions in rateable value on appeals already settled.

Allowance for the impact of rate appeals: The business rates rateable value at 31<sup>st</sup> March 24 was £65.2m. For every 1% successful reduction in the rateable value, it is equal to a cost of £652k multiplied by 40% (£261k) to the Council (for a single year).

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

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

# NOTES TO CORE FINANCIAL STATEMENTS

## NOTE 6. EXPENDITURE AND FUNDING ANALYSIS

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

2022-23			2023-24		
Net expenditure chargeable to the General Fund	Adjustments between funding and accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net expenditure chargeable to the General Fund	Adjustments between funding and accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000	£'000	£'000	£'000
					Head of Community and Regulatory Services
1,101	499	1,600	935	142	1,077
					Chief Finance Officer / S151 Officer
4,539	(698)	3,841	4,234	(748)	3,486
					Chief Legal Officer / Monitoring Officer
976	126	1,102	813	16	829
					Head of People and Business Support
751	(65)	686	813	93	906
					Head of Strategic Programmes
1,812	360	2,172	1,974	122	2,096
					Head of Commercial Services and Development
1,389	968	2,357	339	1,352	1,691
					Head of Environment and Operations
4,484	557	5,041	4,849	226	5,075
					Head of Housing Property and Commercial Assets
6,206	445	6,651	7,320	144	7,464
					Manager
(4,736)	929	(3,807)	(5,491)	1,729	(3,762)
16,522	3,121	19,643	15,786	3,076	18,862
					Other Income and Expenditure
(5,097)	(13,049)	(18,146)	(13,627)	(7,053)	(20,680)
			(Surplus) or Deficit before reserve movements		
11,425	(9,928)	1,497	2,159	(3,977)	(1,818)

*Prior Year restated to reflect correction on other income & expenditure re: Non-Domestic Rates Income adjustment*

General Fund	Earmarked Reserves	Total		General Fund	Earmarked Reserves	Total
(500)	(30,604)	(31,104)	Opening balances	(500)	(19,179)	(19,679)
11,425	0	11,425	(Surplus) or Deficit	2,159	0	2,159
			Transfer to (from) earmarked reserves	(2,159)	2,159	0
(11,425)	11,425	0	Closing balances	(500)	(17,020)	(17,520)
(500)	(19,179)	(19,679)				

## NOTES TO CORE FINANCIAL STATEMENTS

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

	Adjustments between Funding and Accounting Basis			
	Capital and Assets	Pensions	Other	Total
	£'000	£'000	£'000	£'000
<b>2023-24</b>				
Head of Community and Regulatory Services	67	31	44	142
Chief Finance Officer / S151 Officer	52	(890)	90	(748)
Chief Legal Officer / Monitoring Officer	0	5	11	16
Head of People and Business Support	68	6	19	93
Head of Strategic Programmes	9	25	88	122
Head of Commercial Services and Development	1,284	20	48	1,352
Head of Environment and Operations	148	32	46	226
Head of Housing	44	32	68	144
Property and Commercial Assets Manager	1,719	5	5	1,729
Cost of Services	<b>3,391</b>	<b>(734)</b>	<b>419</b>	<b>3,076</b>
Other income and expenditure from the Expenditure and Funding Analysis	(5,956)	(635)	(462)	(7,053)
Rounding	1	0	(1)	0
<b>Net Difference</b>	<b>(2,564)</b>	<b>(1,369)</b>	<b>(44)</b>	<b>(3,977)</b>

	Adjustments between Funding and Accounting Basis			
	Capital and Assets	Pensions	Other	Total
	£'000	£'000	£'000	£'000
<b>2022-23</b>				
Corporate Services and Governance	719	(122)	16	613
Operational Services:	800	1,672	36	2,508
Cost of Services	<b>1,519</b>	<b>1,550</b>	<b>52</b>	<b>3,121</b>
Other income and expenditure from the Expenditure and Funding Analysis	(8,979)	776	(4,846)	(13,049)
Rounding	0	0	0	0
<b>Net Difference</b>	<b>(7,460)</b>	<b>2,326</b>	<b>(4,794)</b>	<b>(9,928)</b>

*Prior Year restated to reflect correction on other income & expenditure re: Non-Domestic Rates Income adjustment*

## NOTES TO CORE FINANCIAL STATEMENTS

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

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

	<b>General Fund Balance £'000</b>	<b>Capital Receipts reserve £'000</b>	<b>Capital grants unapplied £'000</b>	<b>Unusable Reserves £'000</b>	<b>Total £'000</b>
<b>2023-24</b>					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Amortisation Intangible Assets	(53)	0	0	53	0
Depreciation and impairment of non-current assets	(3,329)	0	0	3,329	0
Movements in value of Investment Properties	(67)	0	0	67	0
Gain or (loss) on disposal of non-current assets	(1,047)	0	0	1,047	0
Capital receipts to Usable Capital Receipts Reserve	1,114	(1,114)	0	0	0
Capital grants and contributions to Capital Grants Unapplied Reserve	5,051	0	(5,051)	0	0
Difference between accounting and statutory credit for Council Tax	(48)	0	0	48	0
Difference between accounting and statutory credit for Non-Domestic Rates	593	0	0	(593)	0
Revenue Expenditure Financed from Capital under Statute	(8)	0	(1,762)	1,770	0
Accumulated Absences	(429)	0	0	429	0
Movement in the fair value of financial instruments	(72)	0	0	72	0
Difference between accounting and statutory charge for pension costs	1,369	0	0	(1,369)	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory provision for the financing of capital investment	904	0	0	(904)	0
Capital expenditure financed from revenue	0	0	0	0	0
Other adjustments					
Capital expenditure financed from Capital Receipts	0	3,891	0	(3,891)	0
Capital expenditure financed from Capital grants and contributions	0	0	5,726	(5,726)	0
Other adjustments	(2)	0	0	0	(2)
<b>Total for 2023-24</b>	<b>3,976</b>	<b>2,777</b>	<b>(1,087)</b>	<b>(5,668)</b>	<b>(2)</b>

## NOTES TO CORE FINANCIAL STATEMENTS

	General Fund Balance £'000	Capital Receipts reserve £'000	Capital grants unapplied £'000	Unusable Reserves £'000	Total £'000
<b>2022-23</b>					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Amortisation Intangible Assets	(57)	0	0	57	0
Depreciation and impairment of non-current assets	(1,449)	0	0	1,449	0
Movements in value of Investment Properties	1	0	0	(1)	0
Gain or (loss) on disposal of non-current assets	(6,480)	0	0	6,480	0
Capital receipts to Usable Capital Receipts Reserve	5,894	(5,894)	0	0	0
Capital grants and contributions to Capital Grants Unapplied Reserve	8,694	0	(8,694)	0	0
Difference between accounting and statutory credit for Council Tax	79	0	0	(79)	0
Difference between accounting and statutory credit for Non-Domestic Rates	5,141	0	0	(5,141)	0
Revenue Expenditure Financed from Capital under Statute	(13)	0	(1,328)	1,341	0
Accumulated Absences	(61)	0	0	61	0
Movement in the fair value of financial instruments	(365)	0	0	365	0
Difference between accounting and statutory charge for pension costs	(2,326)	0	0	2,326	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory provision for the financing of capital investment	870	0	0	(870)	0
<b>Other adjustments</b>					<b>0</b>
Capital expenditure financed from Capital Receipts	0	3,777	0	(3,777)	0
Capital expenditure financed from Capital grants and contributions	0	0	5,884	(5,884)	0
<b>Total for 2022-23</b>	<b>9,928</b>	<b>(2,117)</b>	<b>(4,138)</b>	<b>(3,673)</b>	<b>0</b>

*Prior Year restated due to correction of Difference between accounting and statutory credit for Non-Domestic Rates*

## NOTES TO CORE FINANCIAL STATEMENTS

### NOTE 8. EXPENDITURE AND INCOME ANALYSED BY NATURE

<b>2022-23</b>		<b>2023-24</b>
<b>£'000</b>		<b>£'000</b>
17,518	Employee benefits expenses	14,597
71,955	Other service expenses	61,198
1,505	Depreciation, amortisation, impairment	3,448
1,862	Interest payments	1,842
5,896	NDR Tariff and levy	6,369
98,736	<b>Total expenditure</b>	<b>87,455</b>
586	(Gain) or loss on disposal of assets	(67)
(19,710)	Fees, charges and other service income	(24,272)
(512)	Interest and investment income	(1,919)
(14,614)	Income from taxation	(16,323)
(62,989)	Government grants and contributions	(46,692)
(97,239)	<b>Total income</b>	<b>(89,273)</b>
1,497	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(1,818)</b>

*Prior Year restated due to correction of Income from taxation re: Non-Domestic Rates income*

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

<b>2022-23</b>		<b>2023-24</b>
<b>£'000</b>		<b>£'000</b>
0	Head of Community and Regulatory Services	(3,214)
0	Chief Finance Officer / S151 Officer	(3,834)
0	Chief Legal Officer / Monitoring Officer	(78)
0	Head of People and Business Support	(281)
0	Head of Strategic Programmes	(591)
0	Head of Commercial Services and Development	(1,699)
0	Head of Environment and Operations	(2,630)
0	Head of Housing	(5,030)
0	Property and Commercial Assets Manager	(6,836)
(7,024)	Corporate Services and Governance	0
(12,618)	Operational Services:	0
(68)	Investment Properties	(79)
(19,710)	<b>Total fees, charges and other service income</b>	<b>(24,272)</b>

# NOTES TO CORE FINANCIAL STATEMENTS

## NOTE 10. GRANTS AND CONTRIBUTIONS

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

2022-23				2023-24		
Grants	Contribs.	Total		Grants	Contribs.	Total
£'000	£'000	£'000		£'000	£'000	£'000
(29,101)	0	(29,101)	DWP benefits and other grants	<b>(29,033)</b>	<b>0</b>	<b>(29,033)</b>
(13,040)	0	(13,040)	DCLG grants	<b>(3,888)</b>	<b>0</b>	<b>(3,888)</b>
0	0	0	Contributions from other local authorities	<b>0</b>	<b>0</b>	<b>0</b>
(1,328)	0	(1,328)	Grants for revenue financed from capital under statute	<b>(1,762)</b>	<b>0</b>	<b>(1,762)</b>
0	(3,304)	(3,304)	Other Grants and Contributions	<b>(142)</b>	<b>(1,541)</b>	<b>(1,683)</b>
<b>(43,469)</b>	<b>(3,304)</b>	<b>(46,773)</b>	<b>Total within Cost of Services</b>	<b>(34,825)</b>	<b>(1,541)</b>	<b>(36,366)</b>
(1,041)	0	(1,041)	Revenue Support Grant	<b>(1,309)</b>	<b>0</b>	<b>(1,309)</b>
(91)	0	(91)	New Burdens Grant	<b>(144)</b>	<b>0</b>	<b>(144)</b>
(197)	0	(197)	Lower Tier Services Support Grant	<b>(920)</b>	<b>0</b>	<b>(920)</b>
(579)	0	(579)	Benefits Administration Grant and Council Tax admin support	<b>(673)</b>	<b>0</b>	<b>(673)</b>
(158)	0	(158)	New Homes Bonus	<b>(16)</b>	<b>0</b>	<b>(16)</b>
(5,275)	0	(5,275)	Section 31 Grant Income	<b>(872)</b>	<b>0</b>	<b>(872)</b>
(8,694)	0	(8,694)	Grants and contributions towards capital expenditure	<b>(5,051)</b>	<b>0</b>	<b>(5,051)</b>
<b>(16,035)</b>	<b>0</b>	<b>(16,035)</b>	<b>Total within Taxation and non-specific grant income</b>	<b>(8,985)</b>	<b>0</b>	<b>(8,985)</b>
<b>(59,504)</b>	<b>(3,304)</b>	<b>(62,808)</b>	<b>Total grants and contributions</b>	<b>(43,810)</b>	<b>(1,541)</b>	<b>(45,351)</b>

## NOTE 11. DEFINED BENEFIT PENSION SCHEMES

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

The Council participates in the Local Government Pension Scheme (LGPS), administered locally by East Sussex County Council (ESCC): The scheme is a funded defined benefit scheme, meaning that the employees and council pay contributions into a Fund, calculated at a level intended to balance the pension liabilities with investment assets

Within the responsibilities of the scheme administrator is the requirement to liaise and communicate with employing authorities that participate in the fund, ensure adequate record keeping in respect of each member of the fund, to calculate and pay appropriate benefits to members and to produce the required information to comply with disclosure requirements.

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

Barnett Waddingham LLP, an independent firm of actuaries, provides the financial assessment of the council's Pension Fund. The calculations and advice given by Barnett Waddingham LLP in their actuarial report has been carried out in compliance with Technical Actuarial Standard 100: General Actuarial Standards (TAS 100) as issued by the Financial Reporting Council (FRC).

### Transactions relating to Post-Employment Benefits

The cost of post-employment benefits in the reported cost of services is recognised when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge the council is required to make to its General Fund is based on the cash payable in the financial year rather than the earned post-employment benefits, so the real cost of post-employment benefits is reversed out of the General Fund balance to the pensions reserve via the MiRS. The following transactions have been made in the CIES and MiRS during the financial year in relation to the scheme.

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

## NOTES TO CORE FINANCIAL STATEMENTS

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

2022-23		2023-24
£'000		£'000
<b>Comprehensive Income and Expenditure Statement</b>		
3,846	Current Service Cost	1,642
0	Curtailments	18
3,846	Cost of Services	1,660
776	Net interest expense	(635)
776	Financing and Investment Income and Expenditure	(635)
4,622	Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services	1,025
7,732	Return on plan assets, less included in interest expense	(3,608)
	Actuarial gains & losses:	
(972)	Changes in demographic assumptions	(1,571)
(66,953)	Changes in financial assumptions	(1,610)
3,336	Impact of Asset Ceiling *	7,431
25,560	Other	522
(31,297)	Re-measurement of the net defined benefit liability	1,164
<b>(26,675)</b>	<b>Total Comprehensive Income and Expenditure Statement</b>	<b>2,189</b>
<b>Movement in Reserves Statement</b>		
4,622	Reversal of items relating to retirement benefit debited or credited to the Comprehensive Income and Expenditure Statement	1,025
(2,296)	Employer's pension contributions and direct payments to pensioners payable in the year	(2,394)
2,326	<b>Total taken to Note 6</b>	<b>(1,369)</b>
<b>Reconciliation of Fair Value of Employer Assets (scheme Assets):</b>		
2022-23		2023-24
£'000		£'000
146,523	Value of Assets at 1 April	134,189
3,756	Interest income on plan assets	6,974
602	Contributions by Members	637
2,296	Contributions by the Employer	2,394
(7,732)	Return on assets excluding amounts recognised in Other Comprehensive Income	3,608
(11,256)	Benefits Paid	(7,550)
134,189	<b>Value of Assets at 31 March</b>	<b>140,252</b>

## NOTES TO CORE FINANCIAL STATEMENTS

2022-23		2023-24
£'000	<b>Reconciliation of Defined Benefit Obligation (scheme Liabilities):</b>	£'000
(177,526)	Value of Liabilities at 1 April	(132,885)
(3,846)	Current Service Cost	(1,642)
(4,532)	Interest Cost	(6,339)
(602)	Contribution by Members	(637)
	Actuarial Gains and (Losses):	
972	Change in demographic assumptions	1,571
66,953	Change in financial assumptions	1,610
(21,321)	Other experience gains and (losses)	(407)
0	(Losses) and Gains on Curtailments	(18)
7,017	Benefits Paid	7,435
<u>(132,885)</u>	<b>Value of Liabilities at 31 March</b>	<u>(131,312)</u>
	<b>Pensions Assets and Liabilities recognised in the Balance Sheet</b>	
(132,885)	Present value of the scheme liabilities	(131,312)
134,189	Fair value of scheme assets	140,252
<u>1,304</u>	<b>Net Asset(Unadjusted)</b>	<u>8,940</u>
(3,336)	Asset ceiling adjustment for economic benefit	(10,767)
<u>(2,032)</u>	<b>Net Liability at 31st March</b>	<u>(1,827)</u>

### \*Prior Period Adjustments

The Prior year figures have been restated to include the asset ceiling adjustment which is measured according to the requirements of accounting standard IFRIC 14. The fact that the Council has a commitment under the current funding strategy for the Scheme to fund a deficit means that the asset ceiling has reduced what would otherwise be the net pensions asset of 1.304m to a liability of £2.032m in the prior year. The Council's net Pension Liability valued on an IAS 19 for the 2022/23 financial Statements decreased by £3.336m as a result of this amendment.

The impact on the Re-measurement of the net defined liability was reduction of £3.336m from £34,633k to £31.297k and the total Comprehensive Income & Expenditure from £30.011k to £26,675k.

### Asset Ceiling

The asset ceiling is the present value of any economic benefit available to the Employer in the form of refunds or reduced future employer contributions.

The council's net liability for future pension payments, after the asset ceiling adjustment and as estimated by the pension fund actuary, is £1.827 million 31 March 2024 (compared to a £2.032 million net liability 31 March 2023).

The closing position at 31 March 2024 is a net asset of £8.94 million (net asset of £1.3 million at 31 March 2023) before any adjustment for the asset ceiling. The council's chosen methodology, as advised to the actuary, assumes that it has no unconditional right to a refund from the Fund and therefore there is no economic benefit available in this form. The methodology assumes that economic benefit is available to the council as a reduction in future contributions; the asset ceiling therefore reflects the economic benefit that may be achieved through future contributions and has been calculated on this basis. The economic benefit available as a reduction in future contributions cannot be negative and is therefore restricted to the size of the net asset. The prior year position has been amended to reflect the impact of the asset ceiling.

The impact of the asset ceiling is shown in the table below:

2022-23		2023-24
£'000		£'000
0	Opening Impact of Asset Ceiling	3,336
3,336	Actuarial losses/(gains)	7,431
<u>3,336</u>	<b>Closing Impact of asset ceiling</b>	<u>10,767</u>

The actuaries calculation of the asset ceiling is as follows:

- There is no prospect of the council having an unconditional right to a refund of surplus on the basis that such a

## NOTES TO CORE FINANCIAL STATEMENTS

payment would be at the discretion of the Fund.

- The council is a scheduled body and assumed to participate indefinitely
- Primary contributions are considered to be a minimum funding requirement (MFR). The actuary has assumed the council can benefit from its negative secondary contributions. The appropriate period of assessment for the present value of the negative secondary contributions is the lesser of their expected participation period and the surplus spreading period.
- The MFR exceeds the current cost of accrual then the potential economic benefit from future contribution reductions is nil
- The value of the asset ceiling is therefore nil. The impact of the asset ceiling is shown above.

### Annual Contribution to fund

The estimated contribution for 2024-25 is £2,150,330 compared with the actual contribution of £2,394,000 for 2023-24.

### Plan Assets

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

31 March 2023		Asset Breakdown	31 March 2024	
£'000	%		£'000	%
94,723	71%	Equities	96,281	69%
16,289	12%	Bonds	20,872	15%
21,573	16%	Property	21,120	15%
1,604	1%	Cash	1,979	1%
<b>134,189</b>	<b>100%</b>	<b>Total</b>	<b>140,252</b>	<b>100%</b>

We received the following information from the East Sussex Pension Fund regarding the detail of their assets as at 31 March, representing the percentages of the total Fund held in each asset class (split by those that have a quoted market price in an active market, and those that do not).

31 March 2023			31 March 2024	
Quoted Prices in Active Markets	Prices Not Quoted in Active Markets		Quoted Prices in Active Markets	Prices Not Quoted in Active Markets
%	%		%	%
<b>Index Linked Government Securities</b>				
0.0%	2.0%	UK	0.0%	5.0%
0.0%	0.0%	Overseas	0.0%	0.0%
<b>Corporate Bonds</b>				
0.0%	9.0%	UK	0.0%	9.0%
0.0%	0.0%	Overseas	0.0%	0.0%
<b>Equities</b>				
0.0%	0.0%	UK	0.0%	0.0%
5.0%	39.0%	Overseas	8.0%	36.0%
<b>Property</b>				
0.0%	7.0%	All	0.0%	7.0%
<b>Others</b>				
0.0%	18.0%	Absolute return portfolio	0.0%	16.0%
0.0%	8.0%	Private Equity	0.0%	8.0%
0.0%	9.0%	Infrastructure	0.0%	9.0%
0.0%	1.0%	Other	0.0%	0.0%
0.0%	1.0%	Private Debt	0.0%	1.0%
1.0%	0.0%	Cash/Temporary Investments	1.0%	0.0%
<b>Net Current Assets</b>				
0.0%	0.0%	Debtors	0.0%	0.0%
0.0%	0.0%	Creditors	0.0%	0.0%
<b>6.0%</b>	<b>94.0%</b>	<b>Total</b>	<b>9.0%</b>	<b>91.0%</b>

# NOTES TO CORE FINANCIAL STATEMENTS

## 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 Barnett Waddingham LLP, an independent firm of actuaries, being based on the latest full valuation of the scheme as at 31 March 2024. The main assumptions used in their calculations are:

2022-23	2023-24
Mortality assumptions:	
Longevity at 65 for current pensioners:	
21.1 Men	<b>20.9</b>
24.1 Women	<b>23.8</b>
Longevity at 65 for future pensioners:	
22.2 Men	<b>21.9</b>
25.6 Women	<b>25.4</b>
2.90%	<b>2.90%</b>
2.90%	<b>2.90%</b>
4.80%	<b>4.90%</b>

The estimation of the defined benefit obligation is sensitive to the actuarial assumption set out in the table above. The sensitivity analyses above have been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e., on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis did not change from those used in the previous period.

### **Projected pension expense for the year to 31 March 2025**

The following table is the projected amount to be charged to the CIES for the financial year to 31 March 2025 and the expected employer contributions in 2024/25:

	<b>31 Mar 2025</b>
	<b>£'000</b>
Service cost	1,843
Net interest on the defined liability / (asset)	34
Administration expenses	111
<b>Total loss / (profit)</b>	<b>1,988</b>
<b>Employer Contributions</b>	<b>2,150</b>

These projections are based on the assumptions as at 31 March 2024. The figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2024.

# NOTES TO CORE FINANCIAL STATEMENTS

## NOTE 12. EARMARKED RESERVES

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

	Balance at 1 April 2022	Movement 2022-23	Balance at 1 April 2023	Movement 2023-24	Balance at 31 March 2024
	£'000	£'000	£'000	£'000	£'000
(1) General Reserve	(9,698)	1,275	(8,423)	1,207	(7,216)
(2) Capital Reserve	(150)	0	(150)	0	(150)
(3) Renewal and Repairs Reserve	(1,471)	(185)	(1,656)	19	(1,637)
(4) Risk Management Reserve	(315)	0	(315)	5	(310)
(5) Information Technology Reserve	(206)	(68)	(274)	131	(143)
(6) On-Street Car Parking Surplus Reserve	(40)	0	(40)	0	(40)
(7) Section 106 Reserve (Revenue)	(418)	(8)	(426)	53	(373)
(8) Revenues & Benefits Reserve	(394)	139	(255)	140	(115)
(9) Local Authority Parks Improvement	(6)	6	0	0	0
(10) Countryside Stewardship Reserve	(21)	(7)	(28)	9	(19)
(11) Monuments in perpetuity	(46)	0	(46)	0	(46)
(12) Ore Valley Reserve	(250)	0	(250)	0	(250)
(13) Invest to save and efficiency Reserve	(127)	40	(87)	63	(24)
(14) Resilience and Stability Reserve	(1,000)	100	(900)	900	0
(15) Redundancy Reserve	(665)	100	(565)	0	(565)
(16) Safer Hastings Partnership Reserve	(100)	2	(98)	22	(76)
(17) Carry-forwards	(933)	933	0	0	0
(18) Revenue Hardship Fund	(80)	80	0	0	0
(19) Disabled Facilities Grant	(1,374)	0	(1,374)	0	(1,374)
(20) Syrian Resettlement Programme	(17)	17	0	0	0
(21) Selective Licensing Reserve	(144)	144	0	0	0
(22) Housing Licensing reserve	(390)	113	(277)	0	(277)
(23) Community Housing Reserve	(55)	44	(11)	0	(11)
(24) Controlling Migration	(116)	0	(116)	0	(116)
(25) Towns Fund	(236)	0	(236)	(128)	(364)
(26) Section 31 - Grant Reserve	(12,352)	8,700	(3,652)	162	(3,490)
(27) Tennis Courts Reserve	0	0	0	(10)	(10)
(28) Green Investment Fund	0	0	0	(177)	(177)
(29) Local Forward Plan	0	0	0	(237)	(237)
<b>Total</b>	<b>(30,604)</b>	<b>11,425</b>	<b>(19,179)</b>	<b>2,159</b>	<b>(17,020)</b>

For Reserves with a balance as at 31<sup>st</sup> March 2024 the reasons for maintaining these earmarked reserves are shown below:

1. The General Reserve is used to support revenue spending.
2. The Capital Reserve is earmarked to support capital spending.
3. The Renewal and Repairs Reserve is maintained for the purchase of vehicles, plant, equipment and the repair and redecoration of property.
4. The Risk Management Reserve is used to cover excesses on claims and certain small risks. The object is to minimise insurance premiums providing sufficient cover. It is also a reserve in respect of future MMI insurance liabilities.
5. The Information Technology Reserve is for the purpose of financing the purchase of computing equipment and computer systems required by the Council.
6. On-street car parking surpluses are shared with East Sussex County Council. Shares will be spent on traffic management and transportation issues within the borough.
7. Section 106 Reserve – these are the developers' contributions to be used to finance various projects.
8. Revenues & Benefits Reserve contains grants provided by the Government that will not be used to finance expenditure until after the end of the financial year.
9. Local Authority Parks Improvement Reserve contains grants provided by the Government that will be used to finance expenditure in future years.
10. Countryside Stewardship Reserve contains grants provided by the Government that will be used to finance expenditure in future years.

## NOTES TO CORE FINANCIAL STATEMENTS

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. Invest to save Reserve - To provide future funding for projects which will delivery savings but require upfront funding.
14. Resilience and Stability Reserve- To cushion the impact of fluctuations in business rates income and costs of Council tax reduction scheme.
15. Redundancy Reserve - sum put aside to help meet expected redundancy costs arising in future years.
16. Safer Hastings Partnership - is specifically earmarked to reduce crime, disorder, and anti-social behaviour in neighbourhoods and on the streets.
17. Carry-forwards - To fund specific Revenue expenditure originally budgeted for in the current year.
18. Revenue Hardship Fund - To support cases of Hardship relating to Council Tax.
19. Disabled Facility Grant - Funding for disabled adaptations.
20. Syrian Resettlement Programme Reserve - Funding received to support Syrian resettlement programme.
21. Selective Licensing – To smooth the impact of non-refundable license income received up-front but covering several years.
22. Housing Licensing - To smooth the impact of non-refundable license income received up-front but covering several years.
23. Community Housing – Government grant covering more than one year.
24. Controlling Migration – To support the impact of migration.
25. Towns Fund – To fund and support the Towns Deal.
26. Section 31 Grant Reserve – Grant received that will be needed in future years to fund deficits on the Collection Fund caused by government policy changes granting new reliefs.
27. Tennis Courts Reserve – A reserve contributed to annually from fees collected at the tennis courts with the purpose of covering the expense of periodic resurfacing and repair costs when they occur.
28. Green Investment Fund – Funds set aside to fund future green initiatives and projects.
29. Local Forward Plan Reserve – To cover the cost of the Local Plan which needs refreshing at regular intervals and takes several years to update and renew.

# NOTES TO CORE FINANCIAL STATEMENTS

## NOTE 13. UNUSABLE RESERVES

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

2023-24	Opening Balance	Comp- rehensive I&E	Accounting - Financing Adjust.	Balance 31 March 2024
	£'000	£'000	£'000	£'000
(i) Revaluation Reserve	(72,069)	(3,520)	879	(74,710)
(ii) Capital Adjustment Account	(44,790)	0	(5,135)	(49,925)
(iii) Pensions Reserve	2,032	1,164	(1,369)	1,827
(iv) Pooled Investment Funds Adjustment Account	151	73	1	225
(v) Accumulated Absences Account	(219)	0	429	210
(vi) Collection Fund Adjustment Account	1,068	0	(545)	523
<b>Total</b>	<b>(113,827)</b>	<b>(2,283)</b>	<b>(5,740)</b>	<b>(121,850)</b>

2022-23	Opening Balance	Comp- rehensive I&E	Accounting - Financing Adjust.	Balance 31 March 2023
	£'000	£'000	£'000	£'000
Revaluation Reserve	(71,631)	(7,297)	6,859	(72,069)
Capital Adjustment Account	(36,727)	0	(8,063)	(44,790)
Pensions Reserve	31,003	(31,297)	2,326	2,032
Pooled Investment Funds Adjustment Account	(212)	363	0	151
Accumulated Absences Account	(279)	0	60	(219)
Collection Fund Adjustment Account	6,288	0	(5,220)	1,068
<b>Total</b>	<b>(71,558)</b>	<b>(38,231)</b>	<b>(4,038)</b>	<b>(113,827)</b>

*Prior year restated due to an adjustment to correct Surplus/Deficit on the Provision of Services & adjustment for Pension asset ceiling*

### (i) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of Property, Plant and equipment and Heritage assets. 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.
- 

2022-23	Revaluation Reserve	2023-24
£000		£000
(71,631)	Balance 1 April	(72,069)
(7,297)	Comprehensive Income & Expenditure: (Gain) or Loss on revaluation of assets	(3,520)
	Accounting / Financing Adjustments:	
6,480	Gain or (loss) on sale of non-current assets	473
380	Depreciation charged to Revaluation Reserve	405
(1)	Rounding	1
<b>(72,069)</b>	<b>Balance 31 March</b>	<b>(74,710)</b>

## NOTES TO CORE FINANCIAL STATEMENTS

### (ii) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisation are charged to the Comprehensive Income & Expenditure Statement with reconciling postings from the Revaluation reserve to convert current value in existing use figures to a historical cost basis. The account is credited with amounts set aside by the Council as finance for the costs of acquisition, construction or enhancement.

The account contains accumulated gains and losses on Investment Properties. It also contains revaluation gains on Property, Plant & Equipment accumulated before 1 April 2007, the date when the Revaluation Reserve was created to hold such gains.

<b>2022-23</b>	<b>Capital Adjustment Account</b>	<b>2023-24</b>
£000		£000
(36,727)	Balance 1 April	(44,791)
	Accounting / Financing Adjustments:	
57	Write down Intangible Assets	52
1,449	Depreciation and impairment of non-current assets	3,329
(1)	Movements in value of Investment Properties	67
0	Gain or (loss) on sale of non-current assets	574
1,341	Revenue Expenditure Financed from Capital under Statute	1,770
(870)	Statutory provision for the financing of capital investment	(904)
(3,777)	Capital expenditure financed from Capital Receipts	(3,891)
(5,883)	Capital expenditure financed from Capital grants and contributions	(5,726)
(380)	Depreciation charged to Revaluation Reserve	(405)
<b>(44,791)</b>	<b>Balance 31 March</b>	<b>(49,925)</b>

### (iii) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and the funding of benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income & Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Council makes employer contributions to the pension fund, or eventually pays any pensions for which it is directly responsible.

<b>2022-23</b>	<b>Pensions Reserve</b>	<b>2023-24</b>
£000		£000
31,003	Balance 1 April	2,032
	Comprehensive Income & Expenditure:	
(31,297)	Re-measurement of the net defined benefit liability	1,164
	Accounting / Financing Adjustments:	
2,326	Difference between accounting and statutory credit for pension costs	(1,369)
<b>2,032</b>	<b>Balance 31 March</b>	<b>1,827</b>

*Prior Year restated due to IFRIC 14 Asset Ceiling adjustment*

### (iv) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise on the General Fund Balance from accruing for compensated absences earned but not taken at the year end date of March 31<sup>st</sup>.

<b>2022-23</b>	<b>Accumulated Absences Account</b>	<b>2023-24</b>
£000		£000
(279)	Balance 1 April	(219)
	Accounting / Financing Adjustments:	
60	Difference between accounting and statutory employment benefit	429
<b>(219)</b>	<b>Balance 31 March</b>	<b>210</b>

## NOTES TO CORE FINANCIAL STATEMENTS

### (v) **Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income and non-domestic rates income in the Comprehensive Income & Expenditure Statement as it falls due from the council tax payers and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

<b>2022-23</b>	<b>Collection Fund Adjustment Account</b>	<b>2023-24</b>
£000		£000
6,288	Balance 1 April	1,068
	Accounting / Financing Adjustments:	
(79)	Difference between accounting and statutory credit for Council Tax	48
(5,141)	Difference between accounting and statutory credit for Non-Domestic Rates	(593)
<b>1,068</b>	<b>Balance 31 March</b>	<b>523</b>

### (vi) **Pooled Investment Funds Adjustment Account**

In compliance with IFRS 9, the cumulative variance between the nominal value and the fair value of pooled investments held at the end of each year is taken to the reserve account.

<b>2022-23</b>	<b>Pooled Investment Funds Adjustment Account</b>	<b>2023-24</b>
£000		£000
(212)	Balance 1 April	152
	Accounting / Financing Adjustments:	
365	Movement in fair value of financial instruments	72
(1)	Rounding	1
<b>152</b>	<b>Balance 31 March</b>	<b>225</b>

# NOTES TO CORE FINANCIAL STATEMENTS

## NOTE 14. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

2022-23			2023-24			
Fin. Lease £'000	Other £'000	Total £'000		Fin. Lease £'000	Other £'000	Total £'000
254	71,716	71,970	Opening Capital Financing Requirement 1 April	254	70,847	71,101
<i>Capital Investment</i>						
0	8,320	8,320	Property, Plant and Equipment	0	11,258	11,258
0	0	0	Investment Properties	0	0	0
0	0	0	Intangible Assets	0	10	10
0	0	0	Assets Held for Sale	0	0	0
0	0	0	Heritage assets	0	0	0
0	0	0	Long and short term loan - Housing Company	0	0	0
0	1,341	1,341	Revenue Expenditure Funded from Capital under Statute	0	1,770	1,770
<i>Sources of finance</i>						
0	(3,777)	(3,777)	Capital receipts	0	(3,891)	(3,891)
Government grants and other contributions:						
0	(4,555)	(4,555)	towards assets	0	(3,965)	(3,965)
0	(1,328)	(1,328)	towards REFCUS	0	(1,762)	(1,762)
0	0	0	Sums set aside from revenue and reserves	0	0	0
0	0	0	Rounding	0	0	0
0	1	1	Financed from loan	0	3,420	3,420
0	0	0	Repayments from debtors	0	0	0
0	(870)	(870)	Minimum Revenue Provision	0	(904)	(904)
254	70,847	71,101	Closing Capital Financing Requirement 31 March	254	73,363	73,617

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

31 March 2023			31 March 2024			
Fin. Lease £'000	Other £'000	Total £'000		Fin. Lease £'000	Other £'000	Total £'000
242	162,508	162,750	Property, Plant and Equipment	242	173,340	173,582
0	378	378	Investment Properties	0	310	310
0	257	257	Intangible Assets	0	215	215
0	450	450	Assets Held for Sale	0	0	0
0	16,650	16,650	Heritage assets	0	16,669	16,669
0	7,415	7,415	Long Term Debtors	0	7,313	7,313
0	58	58	Short Term Debtors	0	164	164
0	(72,069)	(72,069)	Revaluation Reserve	0	(74,710)	(74,710)
11	(44,801)	(44,790)	Capital Adjustment Account	11	(49,936)	(49,925)
0	0	0	Rounding	0	(1)	(1)
253	70,846	71,099		253	73,364	73,617

## NOTES TO CORE FINANCIAL STATEMENTS

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

The CFR includes some long- and short-term debtors, as the advances have been financed from capital resources. The CFR is reduced as repayments are made. The closing values of outstanding loans to long-term debtors are shown below:

<b>31 March 2023</b>		<b>31 March 2024</b>
£'000		£'000
5,489	Hastings Housing Company Ltd	5,489
1,788	Amicus Horizon / Optivo	1,788
8	The Source	5
95	Foreshore Trust	64
<u>7,380</u>		<u>7,346</u>

The annual and cumulative figures set aside are as follows:

<b>2022-23</b>							<b>2023-24</b>		
Fin. Lease £'000	Other £'000	Total £'000		Fin. Lease £'000	Other £'000	Total £'000			
			Set aside to date						
953	10031	10,984	Balance 1 April	953	10,901	11,854			
0	870	870	MRP for the year	0	904	904			
<u>953</u>	<u>10,901</u>	<u>11,854</u>	Balance 31 March	<u>953</u>	<u>11,805</u>	<u>12,758</u>			
			Repaid to date						
(953)	(2,810)	(3,763)	Balance 1 April	(953)	(2,810)	(3,763)			
0	0	0	Net debt movement against set aside	0	0	0			
<u>(953)</u>	<u>(2,810)</u>	<u>(3,763)</u>	Balance 31 March	<u>(953)</u>	<u>(2,810)</u>	<u>(3,763)</u>			
<u>0</u>	<u>8,091</u>	<u>8,091</u>	<b>Net set aside</b>	<u>0</u>	<u>8,995</u>	<u>8,995</u>			

## NOTES TO CORE FINANCIAL STATEMENTS

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

#### PROPERTY, PLANT AND EQUIPMENT

2023-24	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 2023	134,946	3,650	19,402	14,939	4,515	83	177,534
Additions	9,300	428	708	822	0	0	11,258
Disposals	(606)	(94)	0	0	0	0	(700)
Impairment losses	(1,205)	0	0	0	0	0	(1,205)
Impairment loss reversals	300	0	0	0	0	0	300
Reclassifications	121	0	0	(38)	0	(83)	0
Revaluations	3,153	0	0	0	(555)	0	2,598
<b>Value 31 March 2024</b>	<b>146,009</b>	<b>3,984</b>	<b>20,110</b>	<b>15,723</b>	<b>3,960</b>	<b>0</b>	<b>189,785</b>
Cumulative Depreciation:							
Opening value 1 April 2023	(1,455)	(2,224)	(10,817)	(289)	0	0	(14,785)
Adj Accum Depreciation	0	0	0	0	0	0	0
Charge for the year	(1,369)	(221)	(834)	0	0	0	(2,424)
Disposals	8	94	0	0	0	0	102
Impairment loss reversals	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Revaluations	904	0	0	0	0	0	904
<b>Balance 31 March 2024</b>	<b>(1,912)</b>	<b>(2,351)</b>	<b>(11,651)</b>	<b>(289)</b>	<b>0</b>	<b>0</b>	<b>(16,203)</b>
<b>Net book value 31 March 2024</b>	<b>144,097</b>	<b>1,633</b>	<b>8,459</b>	<b>15,434</b>	<b>3,960</b>	<b>0</b>	<b>173,582</b>

2022-23	Land & Buildings	Vehicles Plant etc	Infra-structure	Comm. Assets	Surplus Props.	Under Construct.	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost:							
Opening value	126,774	3,642	16,945	13,690	8,512	83	169,645
Additions	4,606	8	2,457	1,249	0	0	8,320
Disposals	0	0	0	0	(6,480)	0	(6,480)
Impairment losses	(566)	0	0	0	0	0	(566)
Impairment loss reversals	781	0	0	0	135	0	916
Reclassifications	(450)	0	0	0	0	0	(450)
Revaluations	3,801	0	0	0	2,348	0	6,149
<b>Value 31 March 2023</b>	<b>134,946</b>	<b>3,650</b>	<b>19,402</b>	<b>14,939</b>	<b>4,515</b>	<b>83</b>	<b>177,534</b>
Cumulative Depreciation:							
Opening value	(1,022)	(2,087)	(10,408)	(289)	1	0	(13,805)
Adj Accum Depreciation	0	0	0	0	(1)	0	(1)
Charge for the year	(1,254)	(137)	(409)	0	0	0	(1,800)
Disposals	0	0	0	0	0	0	0
Impairment loss reversals	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Revaluations	821	0	0	0	0	0	821
<b>Balance 31 March 2023</b>	<b>(1,455)</b>	<b>(2,224)</b>	<b>(10,817)</b>	<b>(289)</b>	<b>0</b>	<b>0</b>	<b>(14,785)</b>
<b>Net book value 31 March 2023</b>	<b>133,491</b>	<b>1,426</b>	<b>8,585</b>	<b>14,650</b>	<b>4,515</b>	<b>83</b>	<b>162,749</b>

## NOTES TO CORE FINANCIAL STATEMENTS

The Council's properties categorised as Other Land and Buildings and Surplus Properties are subject to regular revaluations, which are phased over 5 years, but with an annual review to ensure that there are no material understatements or overstatements. The revaluations at both 31 March 2024 and 31 March 2023 were carried out by Wilkes Head & Eve LLP, a professional firm of valuers, in line with the principles set out in Note 2.17.

The assets were valued over financial years as follows:

	Land & Buildings	Vehicles Plant etc	Infra-structure	Comm. Assets	Surplus Props.	Under Construct.	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Valued in:							
2019-20	7,801	0	0	0	0	0	7,801
2020-21	30,927	0	0	0	0	0	30,927
2021-22	6,767	0	0	0	0	0	6,767
2022-23	9,673	0	0	0	0	0	9,673
2023-24	80,102	0	0	0	3,960	0	84,062
Historic Cost	8,827	1,633	8,459	15,434	0	0	34,352
<b>Net book value 31 March 2024</b>	<b>144,097</b>	<b>1,633</b>	<b>8,459</b>	<b>15,434</b>	<b>3,960</b>	<b>0</b>	<b>173,582</b>

The Council's surplus properties consist of various parcels of land which are surplus to operational requirements, but which are not yet being actively marketed. There are no quoted prices for identical assets, but there are values available for similar assets, so it has been possible to value them at Level 2 of the Fair Value hierarchy (see Note 2.9 above), both at the start and end of the financial year.

### INVESTMENT PROPERTIES

Income and expenditure on Investment Properties was as follows:

<b>2022-23</b>	<b>2023-24</b>
£'000	£'000
(68) Rental income from investment property	<b>(79)</b>
0 Direct operating expenses arising from investment property	<b>0</b>
(1) Net (gains)/losses from fair value adjustments	<b>67</b>
(69) Total	<b>(12)</b>

The Council's Investment Properties consist of commercial properties let at market rents. There are no quoted prices for identical properties, and no significant observable values for similar properties. Values have therefore been assessed under Level 3 of the Fair Value hierarchy (see Note 2.9 above), both at the start and end of the financial year. They are measured using the income approach, by means of the discounted cash flow method, where the discounted cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. In all cases the highest and best use for these assets is their current use.

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

<b>2022-23</b>	<b>2023-24</b>
£'000	£'000
377 Balance at start of the year	<b>378</b>
0 Purchases	<b>0</b>
1 Net gains/ (losses) from fair value adjustments	<b>(67)</b>
0 Reclassified	<b>0</b>
0 Other	<b>(1)</b>
378 Balance at end of the year	<b>310</b>

# NOTES TO CORE FINANCIAL STATEMENTS

## INTANGIBLE ASSETS

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

2022-23				2023-24		
Gross £'000	Amortised £'000	Net Total £'000		Gross £'000	Amortised £'000	Net Total £'000
			Balance			
831	(523)	309	1 April	831	(575)	257
0	(52)	(52)	Amortised for the year	0	(52)	(52)
0	0	0	Added during year	10	0	10
<u>831</u>	<u>(575)</u>	<u>257</u>	Balance at 31 March	<u>841</u>	<u>(627)</u>	<u>215</u>

## HERITAGE ASSETS

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

2022-23		2023-24	
£'000		£'000	
16,322	Balance at start of the year	16,650	
0	Additions	0	
327	Revaluations	19	
1	Rounding	0	
<u>16,650</u>	Balance at end of the year	<u>16,669</u>	

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

31 March 2023		31 March 2024	
£000's		£000's	
452	Turner Painting of Old Town	452	
2,342	Art Collection - General	2,342	
8,237	Art Collection - Other	8,237	
646	Ceramics Glass & Porcelain	646	
3,874	Misc. - Silver, books, manuscripts etc.	3,880	
658	Machinery, Equipment & other	658	
224	Civic Regalia	233	
103	Hastings Castle	103	
114	Coins	118	
<u>16,650</u>		<u>16,669</u>	

## Assets Held For Sale

2022-23		2023-24	
£'000		£'000	
0	Balance outstanding at start of year	450	
0	Additions	0	
450	Reclassified from Property Plant and Equipment	0	
0	Assets sold	(450)	
<u>450</u>	Balance at end of the year	<u>0</u>	

# NOTES TO CORE FINANCIAL STATEMENTS

## NOTE 16. DEBTORS AND CONTINGENT ASSETS

### DEBTORS

The table below analyses the balance sheet figures between different types of debt. The Council has made an allowance for impairment of £575,000, for doubtful debts for trade accounts receivable, compared to £363,000 as at 31 March 2023.

31 March 2023		31 March 2024
£'000		£'000
	Amounts falling due within one year:	
1,736	Council taxpayers	1,931
1,528	NNDR taxpayers	1,068
4,625	Trade debtors	3,301
4,443	Other debtors	6,707
444	Prepayments	707
(4,179)	Allowance for Credit Losses	(4,520)
8,597	<b>Total short term debtors</b>	<b>9,196</b>
0	NNDR preceptors and government	0
1,788	Amicus Horizon Loan	1,788
64	Foreshore Trust - Long term Loan	32
5	Long term Loan - Receivable	3
5,489	Hastings Housing Company long term debtor	5,489
4	Cycle 2 Work Scheme	0
7,351	<b>Amounts falling due after one year (all other bodies)</b>	<b>7,313</b>
15,948	<b>Total Debtors</b>	<b>16,509</b>

No Group Debtors note has been provided with the Group Accounts. This is because the only material difference between the Council's Debtors and the Group is the debtor relating to Hastings Housing Company Ltd.

### CONTINGENT ASSETS

There are no contingent assets.

## NOTE 17. LIABILITIES

### CREDITORS

31 March 2023		31 March 2024
£'000		£'000
	Amounts falling due within one year:	
71	NNDR - preceptors	31
356	NNDR - government	154
(260)	NNDR taxpayers	(111)
(1,012)	Council tax - preceptors	(697)
(241)	Council tax taxpayers	(218)
(11,739)	Trade creditors	(2,380)
(965)	Other creditors	(2,911)
(3,453)	Received in advance	(2,028)
(17,243)	<b>Total short-term creditors</b>	<b>(8,160)</b>
	Amounts falling due after one year:	
(1,790)	Council Tax preceptors share long term	(1,136)
(253)	Deferred Liability - Finance Leases	(252)
(48)	Other creditors	(48)
(2,091)	<b>Total Long-Term Creditors</b>	<b>(1,437)</b>
(19,334)	<b>Total Creditors</b>	<b>(9,597)</b>

*Prior Year restated due to reclassifications between Debtors and Creditors*

# NOTES TO CORE FINANCIAL STATEMENTS

## PROVISIONS

Due to the localisation of Business Rates, which became effective from 1 April 2013, the Council has set aside a provision for any potential liabilities as a result of Business Rate payers' appeals against rateable valuations. The Council is responsible for a 40% share of this liability, the Department of Levelling Up, Housing and Communities 50%, East Sussex County Council for 9% and the East Sussex Fire and Rescue Authority for 1%. The provision includes an amount for appeals lodged to date but yet to be determined by the Valuation Office Agency (VOA) plus an amount for appeals expected but not yet lodged with VOA which has been estimated. It is expected that the majority of appeals will be settled by the VOA by 2023/24, but the Council cannot be certain as to when the appeals will be resolved because the timing of resettlement depends on the VOA.

The Council has not made any further provisions in 2023-24 for the legal fees relating to the Compulsory Purchased Order property claims.

	Balance at 1 April 2023	Additional Provisions made	Amounts used	Reversals	Balance at 31 March 2024
	£'000	£'000	£'000	£'000	£'000
Compulsory purchase order provision	(138)	0	0	0	(138)
Insurance Claim	(50)	0	0	0	(50)
NNDR provision for appeals - HBC element	(1,516)	(1,364)	1,516	0	(1,364)
	<u>(1,704)</u>	<u>(1,364)</u>	<u>1,516</u>	<u>0</u>	<u>(1,552)</u>

## CONTINGENT LIABILITIES

### Municipal Mutual Insurance Limited

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

## NOTE 18. FINANCIAL INSTRUMENTS

### NATURE AND EXTENT OF RISKS

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

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

### Overall procedures for managing risk.

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

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

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines

## NOTES TO CORE FINANCIAL STATEMENTS

the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council on 16<sup>th</sup> February 2022 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2023-24 was set at £140m. This is the maximum limit of external borrowings or other long-term liabilities.
- The Operational Boundary for 2023-24 was set at £135m. This is the limit beyond which external debt is not normally expected to exceed.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 100% based on the Council's net debt.

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

### 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 criterion is applied. The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Council is low in order to give priority to security of its investments. The key elements are the security of capital and the liquidity of investments.

This Council uses the creditworthiness service provided by Link Group. 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.

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 2024 that this was likely to crystallise. The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions.

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

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

31 March 2023				31 March 2024		
Amount	Expected Credit Loss	Estimated maximum exposure to default	Category	Amount	Expected Credit Loss	Estimated maximum exposure to default
£'000	£'000	£'000		£'000	£'000	£'000
3,315	(136)	3,179	Other trade debtors	2,329	(575)	1,754
1,621	0	1,621	Trade receivables	2,255	0	2,255
<u>4,936</u>	<u>(136)</u>	<u>4,800</u>	Total	<u>4,584</u>	<u>(575)</u>	<u>4,009</u>

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.

# NOTES TO CORE FINANCIAL STATEMENTS

## Expected Credit Loss

	12 month expected credit loss	Lifetime expected credit losses – simplified approach	Total
	£'000	£'000	£'000
Opening Balance as at 1 April 2023	0	(136)	<b>(136)</b>
Financial assets that have been derecognised	0	136	<b>136</b>
New financial assets originated or purchased	0	(575)	<b>(575)</b>
<b>As at 31 March 2024</b>	<b>0</b>	<b>(575)</b>	<b>(575)</b>

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

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

The Council has the following exposure to credit risk at 31 March 2024:

Credit Risk Approach	Analysis	Credit risk	Gross carrying amount £'000	Credit Risk Impairment Allowance £'000	Net carrying amount £'000
12-month expected credit losses	Fitch, Moody's and Standard & Poor's Credit Ratings Service	A	1,057	0	1,057
	Assets held with other public sector bodies - no credit risk	N/A	14,400	0	14,400
Simplified approach	Trade debtors and other receivables	N/A	4,584	(575)	4,009
Other	Assets held at fair value through profit and loss	N/A	4,617	0	4,617
Simplified approach	Other loans to counterparties with no expected credit risk	N/A	7,312	0	7,312
	Cash balances	N/A	119	0	119
			<b>32,089</b>	<b>(575)</b>	<b>31,514</b>

## Liquidity risk

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

The maturity analysis of financial assets is as follows:

31 March 2023 £'000		31 March 2024 £'000
37,613	Less than 1 year	<b>19,575</b>
11,902	Less than 5 years greater than 1 year	<b>11,929</b>
<u>49,515</u>	Total	<u><b>31,504</b></u>

## Refinancing and Maturity risk

## NOTES TO CORE FINANCIAL STATEMENTS

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 2023 £'000		31 March 2024 £'000
(658)	Less than 1 year	<b>(674)</b>
(674)	Between 1 and 2 years	<b>(1,691)</b>
(3,059)	Between 3 and 5 years	<b>(5,078)</b>
(14,235)	Between 6 and 10 years	<b>(11,329)</b>
(46,795)	More than 10 years	<b>(45,990)</b>
(65,421)	Total	<b>(64,762)</b>

### Market Risk

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

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

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

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

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

	£'000
Increase in interest payable on variable rate borrowings	<b>0</b>
Increase in interest receivable on variable rate investments	<b>(156)</b>
Impact on Surplus or Deficit on the Provision of Services	<b>(156)</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.

## NOTES TO CORE FINANCIAL STATEMENTS

**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

#### Financial Assets:

Financial assets are investments, cash equivalents and some debtors both long and short term.

Debtors not classified as financial instruments are statutory debtors, grant debtors and payments in advance.

<b>31 March 2023</b>			<b>31 March 2024</b>	
Book Value	Fair Value		Book Value	Fair Value
£'000	£'000		£'000	£'000
4,556	4,556	Fair Value through Profit and Loss	4,617	4,617
<b>4,556</b>	<b>4,556</b>	<b>Long term Investments</b>	<b>4,617</b>	<b>4,617</b>
		Short Term Investments - at amortised cost		
28,000	28,000		5,000	5,000
0	0	Provision for impairment	0	0
0	0	Less accrued interest	0	0
<b>28,000</b>	<b>28,000</b>	<b>Short term Investments</b>	<b>5,000</b>	<b>5,000</b>
1,621	1,621	Trade accounts receivable	2,255	2,255
3,315	3,315	Other debtors	2,329	2,329
(346)	(346)	Provision for impairment	(585)	(585)
<b>4,590</b>	<b>4,590</b>	<b>Short Term Debtors - at amortised cost</b>	<b>3,999</b>	<b>3,999</b>
1,788	1,788	Amicus Horizon loan	1,788	1,788
64	64	Foreshore Trust	32	32
5	5	The Source	3	3
5,489	5,489	Hastings Housing Company	5,489	5,489
<b>7,346</b>	<b>7,346</b>	<b>Long Term Debtors at amortised cost</b>	<b>7,312</b>	<b>7,312</b>
<b>5,023</b>	<b>5,023</b>	<b>Cash and Cash Equivalents at amortised cost</b>	<b>10,576</b>	<b>10,576</b>
<b>49,515</b>	<b>49,515</b>	<b>Total Financial Assets</b>	<b>31,504</b>	<b>31,504</b>

#### Financial Liabilities:

Financial liabilities are borrowing, creditors and long-term liabilities (excluding the pension fund liability). Creditors which are not classified as financial instruments are statutory creditors, grant creditors and receipts in advance.

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

## NOTES TO CORE FINANCIAL STATEMENTS

31 March 2023			31 March 2024	
Book Value	Fair Value		Book Value	Fair Value
£'000	£'000		£'000	£'000
(64,763)	(49,737)	Public Works Loan board	(64,090)	(46,574)
(253)	(253)	Long Term Creditors	(252)	(252)
<u>(65,016)</u>	<u>(49,990)</u>	<b>Long Term Liabilities</b>	<u><b>(64,342)</b></u>	<u><b>(46,826)</b></u>
(659)	(658)	Short Term Loans	(676)	(674)
(202)	0	Adjust for interest on long term loans	200	0
(13,066)	(13,066)	Short Term Creditors	(4,511)	(4,511)
<u>(13,927)</u>	<u>(13,724)</u>	<b>Short Term Liabilities</b>	<u><b>(4,987)</b></u>	<u><b>(5,185)</b></u>
<u>(78,943)</u>	<u>(63,714)</u>	<b>Total Financial Liabilities</b>	<u><b>(69,329)</b></u>	<u><b>(52,011)</b></u>

### Non-Financial Assets

Non-Financial Assets include Property, Plant and Equipment, Investment Properties and statutory debtors and payments in advance.

2022-23		2023-24
£'000		£'000
162,749	Property, Plant and Equipment	173,582
16,650	Heritage Assets	16,669
378	Investment Properties	310
257	Intangible Assets	215
450	Assets Held for Sale	0
90	Inventories	46
4,011	Short Term Debtors	5,198
<u>184,585</u>	<b>Total Non-Financial Assets</b>	<u>196,020</u>

<b>Non-Financial Liabilities</b>		
(4,177)	Short Term Creditors	(3,649)
(1,704)	Provisions	(1,552)
(69)	Capital grants received in advance	(58)
(1,636)	Long Term Creditors	(1,385)
1,304	Net Pension Liability	(1,827)
<u>(6,282)</u>	<b>Total Non-Financial Liabilities</b>	<u>(8,471)</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:

2022-23		2023-24
£'000		£'000
<b>Interest receivable</b>		
(1,077)	Interest from loans and receivables	(1,858)
(64)	Other interest receivable	0
<u>(1,141)</u>	<b>Total Interest receivable</b>	<u>(1,858)</u>
<b>Interest payable</b>		
1,862	Other interest payable and similar charges	1,843
0	Rounding	(1)
<u>1,862</u>	<b>Total Interest payable</b>	<u>1,842</u>

# NOTES TO CORE FINANCIAL STATEMENTS

## **Valuation Techniques for Fair Value**

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

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

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

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

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

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

## **Financial Instruments within the Group**

No Financial instruments note has been provided with the Group Accounts. This is because the only material difference between the Council's Financial Instruments and the Group is the debtor relating to Hastings Housing Company Ltd.

## NOTES TO CORE FINANCIAL STATEMENTS

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

2022-23		2023-24
£'000		£'000
1,497	(Surplus) or deficit on the provision of services	(1,818)
(1,801)	Depreciation of Property Plant and Equipment	(2,425)
350	Impairment of Property Plant and Equipment	(905)
(57)	Amortisation of Intangible Assets	(52)
(2,326)	Pension Fund adjustments	1,369
(264)	Revaluation Gains on Investments	133
1	Movements in the market value of Investment Properties	(67)
(6,480)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,047)
(365)	FVPL Financial Instrument Reversal	(72)
	Changes in level of revenue accruals:	
0	Long Term Debtors	(4)
12	Inventories	(44)
(1,179)	Short Term Debtors	(459)
2,782	Short Term Creditors	10,036
0	Short Term Borrowing	0
(115)	Provisions	152
5,894	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,114
8,694	Capital Grant & Contributions	5,051
3	Other items	0
<b>6,646</b>	<b>Net cash flows from Operating Activities</b>	<b>10,962</b>

### NOTE 20. EMPLOYEE REMUNERATION

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

Post holder information (Post title)	Salary (Inc. fees & Allowances)	Benefits in Kind (e.g. lease cars)*	Pension Contributions**	Total Remuneration
	£	£	£	£
<b>Financial Year: 2023-24</b>				
Chief Executive	120,729	7,611	26,017	154,357
Chief Finance Officer (S151 Officer)	82,994	0	16,958	99,952
Deputy Chief Executive/Director of Place	77,822	0	16,019	93,841
Chief Legal Officer - Solicitor to the Council	80,657	0	16,455	97,112
Property and Commercial Assets Manager	68,404	0	13,814	82,218
Head of People and Business Support	65,734	0	0	65,734
Head of Environment and Operations	72,730	0	14,746	87,477
Head of Housing	45,795	0	9,301	55,096
Head of Community and Regulatory Services	72,730	0	14,746	87,477
Head of Strategic Programmes	72,730	0	14,746	87,477
<b>Total</b>	<b>760,325</b>	<b>7,611</b>	<b>142,804</b>	<b>910,740</b>
<b>Financial Year: 2022-23</b>				
Chief Executive	116,645	7,611	21,404	145,660

## NOTES TO CORE FINANCIAL STATEMENTS

Assistant Director of Finance and Revenues (Section 151 Officer) P. Grace	31,201	0	4,674	35,875
Chief Finance Officer (S151 Officer) K. Wheeler	63,047	0	10,936	73,982
Assistant Director of Regeneration	80,591		14,053	94,644
Assistant Director of Housing	80,516	0	14,015	94,531
Chief Legal Officer (Monitoring Officer)	77,645	0	13,488	91,133
<b>Total</b>	<b>449,645</b>	<b>7,611</b>	<b>78,570</b>	<b>535,826</b>

The titles of the senior Officers was assessed during the year and amended to reflect their directorate.

\* 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.

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

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

2022-23		2023-24
6	£50,000 - £54,999	8
4	£55,000 - £59,999	7
5	£60,000 - £64,999	2
2	£65,000 - £69,999	3
4	£70,000 - £74,999	5
2	£75,000 - £79,999	2
3	£80,000 - £84,999	2
0	£85,000 - £89,999	0
0	£90,000 - £94,999	0
0	£95,000 - £99,999	0
0	£100,000 - £104,999	0
0	£105,000 - £109,999	0
0	£110,000 - £114,999	0
0	£115,000 - £119,999	0
1	£120,000 - £124,999	0
0	£125,000 - £129,999	1
<b>27</b>		<b>30</b>

### 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 0 employees in 2023-24, incurring costs of £0. In comparison it terminated the contracts of 5 employee in 2022-23, incurring costs of £247,503. Termination costs are charged to the Council's Comprehensive Income and Expenditure Statement in the year when the employment was terminated.

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

2022-23		2023-24	
Number of exit packages	Cost	Number of exit packages	Cost

## NOTES TO CORE FINANCIAL STATEMENTS

Compuls. Redund.	Other departures	Total exit packages	Total £	Banding	Compuls. Redund.	Other departures	Total exit packages	Total £
2	0	2	11,001	£0 - £20,000	0	0	0	0
0	0	0	0	£20,001 - £40,000	0	0	1	20,747
0	0	0	0	£40,001 - 60,000	0	0	0	0
1	0	1	63,182	£60,001 - 80,000	0	0	0	0
2	0	2	173,320	£80,001 - £100,000	0	0	0	0
5	0	5	247,503		0	0	1	20,747

There were no redundancies made in the 2023/24 financial year. The total severance payment made in 2023/24 is £257,249 out of which £236,502 is shown in 2022-23 as it was already recognised on accrual basis and the remaining £20,747 is shown in 2023/24.

### 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:

<b>2022-23</b>		<b>2023-24</b>
£'000		£'000
4,288	Not later than one year	5,867
13,501	Later than one year and not later than five years	14,845
79,752	Later than five years	85,043
97,541		105,755

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 2023-24 contingent rents of £399,940 were receivable by the Council (£231,380 in 2022-23).

### 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. A Government grant of £21k was received for the financial year 2023/24 and £17k for 2022/23 to assist with local audit fees.

<b>Restated</b>		
<b>2022-23</b>		<b>2023-24</b>
£'000		£'000
39	External audit services	166
12	Other services	40
(17)	Local Audit Fees Grant received	(21)
34		185

### NOTE 24. MEMBERS ALLOWANCES

2022-23		2023-24
£'000		£'000
316	Members Allowances	306
8	Conferences, Training and Travelling Expenses	14
324		320

# NOTES TO CORE FINANCIAL STATEMENTS

## NOTE 25. RELATED PARTY TRANSACTIONS

### Definition

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

### Central Government

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

### East Sussex Pension Scheme

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

### Hastings Housing Company Ltd

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

### Members and Senior Officers

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

Members of the Council have direct control over the Council's financial and operating policies. The Council also nominates members to sit on outside bodies. Six current members are also members of East Sussex County Council. A sum of £609,800 (£553,100 2022-23) was paid to Hastings and St Leonards Foreshore Charitable Trust of which some members are Trustees. Repayments were made on the remaining annuity loan which was advanced as £300,000 during 2015/16, £32,000 of which was outstanding at 31 March 2024. There were no other interests in any related party transactions during the year. The register of Member's Interest is held at the Town Hall and is open to public inspection. For all the organisations listed in the table below the relationship to the organisation was that the member or senior officer was in a position of general control or management.

2022-23		Organisation	2023-24	
Paid to (Supplier)	Received From (Customer)		Paid to (Supplier)	Received From (Customer)
£,000	£,000		£,000	£,000
274	9	Education Futures Trust	N/A	N/A
1	29	St Marys in the Castle	N/A	N/A
189	0	Love Hastings	N/A	N/A
7	0	In 2 Play CIC	N/A	N/A

### Hastings and St Leonards Foreshore Trust

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

During the year 2023/24 the Trust accrued net income resulting from the activities recorded in the Council's accounts. The net results of the Trust were made up of income of £1,438,100 and expenditure of £828,300, giving a net figure of £609,800 within the council's own accounts (£553,100 in 2022/23). The net income was mainly in respect of car parking and seafront entertainment.

### Hastings Housing Company Ltd

Hastings Housing Company Ltd (HHC Ltd) is a wholly owned subsidiary of the Council.

During the year, the Council recharged HHC Ltd £19,783 (£6,183 2022/23) in relation to officer time spent working on Housing Company business and £285,933 (£280,068 2022/23) in relation to interest on outstanding loans.

As at the 31<sup>st</sup> March 2024 HHC Ltd owed the Council £5,489,000 (£5,489,000 2022/23) resulting from a number of long-term market rate capital loans granted by the Council. HHC Ltd also owed the Council £285,933 (£280,068 2022/23) in relation to interest payments on the capital loan.

## NOTE 26. EXCEPTIONAL ITEMS

There were no exceptional items in this financial year.

## GROUP ACCOUNTS

### INTRODUCTION

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

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

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

### GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2022-23(Restated)				2023-24		
Gross	Income	Net		Gross	Income	Net
£'000	£'000	£'000		£'000	£'000	£'000
40,538	(36,974)	3,564	Corporate Services and Governance	0	0	0
37,772	(21,693)	16,079	Operational Services:	79,820	(61,271)	18,549
78,310	(58,667)	19,643	Cost of Services	79,820	(61,271)	18,549
0	586	586	(Gain) or loss on sale of assets	0	(67)	(67)
0	586	586	Other operating expenditure	0	(67)	(67)
1,862	0	1,862	Interest payable and similar charges	1,842	0	1,842
776	0	776	Net interest on defined pension liabilities	(635)	0	(635)
0	(861)	(861)	Interest receivable and similar income	0	(1,596)	(1,596)
264	365	629	Movement in the fair value of financial instruments	0	(61)	(61)
26	(380)	(354)	Income and expenditure in relation to investment properties and changes in their fair value	130	(381)	(251)
2,928	(876)	2,052		1,337	(2,038)	(701)
0	(7,517)	(7,517)	Council Tax Income	0	(7,838)	(7,838)
5,896	(7,097)	(1,201)	Non domestic rates	6,369	(8,486)	(2,117)
0	(1,282)	(1,282)	Revenue Support Grant	0	(2,100)	(2,100)
6,430	(12,428)	(5,998)	Other non-ringfenced government grants	(3)	(1,838)	(1,841)
0	(8,694)	(8,694)	Capital grants and contributions	0	(5,051)	(5,051)
5,464	(1,560)	3,904	Covid Grants	(6)	(937)	(943)

<u>17,790</u>	<u>(38,578)</u>	<u>(20,788)</u>		<u>6,360</u>	<u>(26,250)</u>	<u>(19,890)</u>
<u>99,028</u>	<u>(97,535)</u>	<u>1,493</u>	(Surplus) or Deficit on Provision of Services	<u>87,517</u>	<u>(89,626)</u>	<u>(2,109)</u>
	(7,297)		(Surplus) or Deficit on revaluation of non-current assets			<b>(3,520)</b>
	(31,297)		Remeasurement of the net defined benefit pension liability			<b>1,164</b>
	<u>(38,594)</u>		Other Comprehensive Income and Expenditure			<u><b>(2,356)</b></u>
	<u>(37,101)</u>		Total Comprehensive Income and Expenditure			<u><b>(4,465)</b></u>

*Prior year restated due to an adjustment to correct Surplus/Deficit on the Provision of Services & adjustment for Pension asset ceiling*

## GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Ear-marked Reserves	Total General Fund	Capital Receipts reserve	Capital grants unapplied	Total usable reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Reserves of Subsidiary	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>2023-24</b>										
Balance at 1 April 2023	(500)	(19,179)	(19,679)	(2,117)	(9,917)	(31,713)	(113,825)	(145,538)	(717)	(146,255)
Movement in Reserves in 2023-24										
(Surplus)/deficit on the provision of services (accounting basis)	(1,558)	0	(1,558)	0	0	(1,558)	0	(1,558)	(553)	(2,111)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(2,356)	(2,356)	(4)	(2,360)
Total Comprehensive Income and Expenditure	(1,558)	0	(1,558)	0	0	(1,558)	(2,356)	(3,914)	(557)	(4,471)
Adjustments between group accounts and authority accounts	(262)	0	(262)	0	0	(262)	0	(262)	262	0
Adjustments between accounting and funding basis under regulation - note 7	3,976	0	3,976	2,777	(1,097)	5,656	(5,667)	(11)	11	0
Net increase/decrease before transfers to Earmarked reserves	2,156	0	2,156	2,777	(1,097)	3,836	(8,023)	(4,187)	(284)	(4,471)
Transfers to/from Earmarked reserves - note 12	(2,159)	2,159	0	0	0	0	0	0	0	0
Other adjustments	0	0	0	0	0	0	1	1	0	1
(Increase)/Decrease in Year	(3)	2,159	2,156	2,777	(1,097)	3,836	(8,022)	(4,186)	(284)	(4,470)
<b>Balance at 31 March 2024</b>	<b>(503)</b>	<b>(17,020)</b>	<b>(17,523)</b>	<b>660</b>	<b>(11,014)</b>	<b>(27,877)</b>	<b>(121,847)</b>	<b>(149,724)</b>	<b>(1,002)</b>	<b>(150,726)</b>

	General Fund Balance	Ear-marked Reserves	Total General Fund	Capital Receipts reserve	Capital grants unapplied	Total usable reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Reserves of Subsidiary	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>2022-23</b>										
Balance at 1 April 2022	(500)	(30,604)	(31,104)	0	(5,747)	(36,851)	(71,559)	(108,410)	57	(108,353)
<b>Movement in Reserves in 2022-23(Restated)</b>										
(Surplus)/deficit on the provision of services (accounting basis)	1,777	0	1,777	0	0	1,777	0	1,777	(311)	1,466
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(38,596)	(38,596)	(772)	(39,368)
Total Comprehensive Income and Expenditure	1,777	0	1,777	0	0	1,777	(38,596)	(36,819)	(1,083)	(37,902)
Adjustments between group accounts and authority accounts	(280)	0	(280)	0	0	(280)	0	(280)	280	0
Adjustments between accounting and funding basis under regulation - note 7	9,930	0	9,930	(2,117)	(4,170)	3,643	(3,672)	(29)	29	0
Net (increase)/decrease before transfers to Earmarked reserves	11,427	0	11,427	(2,117)	(4,170)	5,140	(42,268)	(37,128)	(774)	(37,902)
Transfers to/from Earmarked reserves - note 12	(11,427)	11,425	(2)	0	0	0	2	0	0	0
(Increase)/Decrease in Year	0	11,425	11,425	(2,117)	(4,170)	5,140	(42,266)	(37,128)	(774)	(37,902)
<b>Balance at 31 March 2023</b>	<b>(500)</b>	<b>(19,179)</b>	<b>(19,679)</b>	<b>(2,117)</b>	<b>(9,917)</b>	<b>(31,711)</b>	<b>(113,825)</b>	<b>(145,538)</b>	<b>(717)</b>	<b>(146,255)</b>

Prior Year restated due to correction on the Surplus/Deficit on provision of services

## GROUP BALANCE SHEET

Group 31 March 2023		Group 31 March 2024
	£'000	£'000
162,749	Property, Plant and Equipment	173,582
16,650	Heritage Assets	16,669
6,886	Investment Properties	6,810
257	Intangible Assets	215
4,556	Long Term Investments	4,617
1,861	Long Term Debtors	1,824
<b>192,959</b>	<b>LONG TERM ASSETS</b>	<b>203,717</b>
28,000	Short Term Investments	5,000
450	Assets Held for Sale	0
90	Inventories	46
8,521	Short Term Debtors	9,341
5,087	Cash and Cash Equivalents	10,685
<b>42,148</b>	<b>CURRENT ASSETS</b>	<b>25,072</b>
(629)	Short Term Borrowing	(643)
(17,304)	Short Term Creditors	(8,226)
(1,964)	Provisions	(1,786)
(69)	Capital grants received in advance	(58)
<b>(19,966)</b>	<b>CURRENT LIABILITIES</b>	<b>(10,713)</b>
(2,091)	Long Term Creditors	(1,437)
(64,763)	Long Term Borrowing	(64,089)
(2,032)	Net Pension Liability	(1,827)
<b>(68,886)</b>	<b>LONG TERM LIABILITIES</b>	<b>(67,353)</b>
<b>146,255</b>	<b>NET ASSETS</b>	<b>150,723</b>
(500)	General Fund	(500)
(717)	Retained Earnings in Subsidiary	(998)
(19,179)	Earmarked reserves	(17,020)
(2,117)	Capital Receipts Reserve	660
(9,917)	Capital grants and contributions	(11,014)
<b>(32,430)</b>	<b>USABLE RESERVES</b>	<b>(28,872)</b>
(72,069)	Revaluation Reserve	(74,710)
151	Pooled Investment Funds Adjustment Account	225
(44,790)	Capital Adjustment Account	(49,924)
0	Deferred capital receipts	0
2,032	Pensions Reserve	1,827
0	Financial instruments Adjustment Account	0
(219)	Accumulated Absences Account	210
1,068	Collection Fund Adjustment Account	523
2	Rounding Difference	(2)
<b>(113,825)</b>	<b>UNUSABLE RESERVES</b>	<b>(121,851)</b>
<b>(146,255)</b>	<b>TOTAL RESERVES</b>	<b>(150,723)</b>

*Prior year restated due to an adjustment to the net pension liability & pension reserve as a result of IFRIC 14 asset ceiling.*

## GROUP CASHFLOW STATEMENT

Group 2022-23		Group 2023-24
£'000		£'000
(14,901)	Taxation	(14,293)
(55,367)	Grants and Contributions	(40,322)
(6,446)	Sales of goods and rendering of services	(24,343)
(1,141)	Interest received	(1,922)
565	other receipts from operating activities	(134)
<b>(77,290)</b>	<b>Cash inflows generated from operating activities</b>	<b>(81,014)</b>
11,880	Cash paid to and on behalf of employees	12,206
29,849	Housing benefit payments	32,694
5,667	NNDR Tariff and levy payments	6,111
11,684	Cash paid to suppliers of goods and services	31,947
1,863	Interest paid	1,842
23,651	Other operating cash payments	7,132
<b>84,594</b>	<b>Cash outflows generated from operating activities</b>	<b>91,932</b>
<b>7,304</b>	<b>Net cashflows from operating activities</b>	<b>10,918</b>
(5,895)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,114)
8,320	Purchase of property, plant and equipment, investment property and intangible assets	11,266
17,752	Purchase of short-term and long-term investments	(17,866)
0	Proceeds from the sale of short-term and long-term investments	(5,000)
(8,430)	Other receipts from investing activities	(5,185)
<b>11,747</b>	<b>Net cashflows from investing activities</b>	<b>(17,899)</b>
0	Cash receipts from short term and long term borrowing.	0
642	Repayments of short term and long term borrowing	658
(7,854)	Changes in National Non-Domestic Rates balances held for preceptors	(243)
(921)	Changes in Council tax balances held for preceptors	969
<b>(8,133)</b>	<b>Net cashflows from financing activities</b>	<b>1,384</b>
<b>10,918</b>	<b>Net (Increase) / decrease in cash and cash equivalents</b>	<b>(5,597)</b>
16,006	Cash and bank balances 1 April	5,088
(10,918)	Change during the year	5,597
<b>5,088</b>	<b>Cash and bank balances 31 March</b>	<b>10,685</b>
117	Cash in hand	40
471	Bank balances	1,240
4,500	Cash equivalents	9,405
<b>5,088</b>	<b>Totals</b>	<b>10,685</b>

## GROUP NOTES

The only note where there is a material difference between group and single entity is Investment Properties. This note is shown below:

### GROUP NOTE 1. INVESTMENT PROPERTIES

Income and expenditure on Investment Properties was as follows:

<b>Group</b>		<b>Group</b>
£'000		£'000
(395)	Rental income from investment property	(380)
180	Direct operating expenses arising from investment property	(2)
0	Net (gains)/losses from fair value adjustments	76
(215)	Total	(305)

Investment Properties consist of commercial properties let at market rents. There are no quoted prices for identical properties, and also no significant observable values for similar properties. Values have therefore been assessed under Level 3 of the Fair Value hierarchy (see Note 2.9 above), both at the start and end of the financial year. They are measured using the income approach, by means of the discounted cash flow method, where the discounted cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. In all cases the highest and best use for these assets is their current use.

The FV of Group Investment Properties at 31 March 2024 was £6.8m. If the valuation estimate was 10% higher on those properties it would mean a FV figure of £7.5m on the Balance Sheet. If the valuation estimate was 10% lower it would mean a FV figure of £6.1m.

The movement in the Fair Value of investment property is shown below:

<b>2022-23</b>		<b>2023-24</b>
<b>Group</b>		<b>Group</b>
£'000		£'000
6,894	Balance at start of the year	6,886
0	Purchases	0
(8)	Net gains/(losses) from fair value adjustments	(76)
6,886	Balance at end of the year	6,810

# COLLECTION FUND INCOME AND EXPENDITURE STATEMENT AND NOTES

## 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 an accrual's 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.

2022-23 £'000		2023-24 £'000
	<b><u>Council Tax</u></b>	
	<b>INCOME</b>	
<b>(61,126)</b>	Income from Council Taxpayers	<b>(64,269)</b>
	<b>EXPENDITURE</b>	
	Precepts and demands on Collection Fund	
42,329	East Sussex County Council	44,840
5,901	Sussex Police and Crime Commissioner	6,351
2,607	East Sussex Fire and Rescue Authority	2,763
7,390	Hastings Borough Council	7,679
	Apportionments of previous year surplus	
283	East Sussex County Council	1,349
41	Sussex Police and Crime Commissioner	191
18	East Sussex Fire and Rescue Authority	73
48	Hastings Borough Council	207
	Bad & Doubtful Debts	
87	Write offs of uncollectable income	94
1,611	Provision for uncollectable income-addition / (reduction)	1,410
(13)	S13 A(1)9 C)	(163)
<b>60,302</b>		<b>64,794</b>
<b>(824)</b>	Movement on Fund Balance - (surplus) / deficit	<b>525</b>
	<b>FUND BALANCE FOR COUNCIL TAX</b>	
(3,041)	Balance brought forward	(3,865)
(824)	(Surplus) / deficit for year	525
<b>(3,865)</b>	Balance carried forward	<b>(3,340)</b>

2022-23 £'000		2023-24 £'000
	<b><u>Non-Domestic Rates</u></b>	
	<b>INCOME</b>	
(18,214)	Income from Ratepayers	(19,663)
44	Transitional Protection payments	(2,146)
	Apportionments of previous year deficit	
(7,460)	Government	(2,024)
(1,343)	East Sussex County Council	(364)
(149)	East Sussex Fire and Rescue Authority	(40)
(5,968)	Hastings Borough Council	(1,620)
<b>(33,090)</b>	<b>Total</b>	<b>(25,857)</b>
	<b>EXPENDITURE</b>	
	Precepts and demands on Collection Fund	
9,906	Government	11,748
1,783	East Sussex County Council	2,115
198	East Sussex Fire and Rescue Authority	235
7,924	Hastings Borough Council	9,398
	Bad & Doubtful Debts	
3	Write offs of uncollectable income	26
(990)	Provision for uncollectable income-addition / (reduction)	267
	Impairments resulting from appeals	
271	Write offs	837
(266)	Provision for uncollectable income-addition / (reduction)	(382)
131	Transfer to General Fund - Cost of Collection Allowance	130
<b>18,960</b>		<b>24,374</b>
<b>(14,130)</b>	<b>Movement on Fund Balance - (surplus) / deficit</b>	<b>(1,483)</b>
	<b>FUND BALANCE FOR DON-DOMESTIC RATES</b>	
17,953	Balance brought forward	3,823
(14,130)	(Surplus) / deficit for year	(1,483)
<b>3,823</b>	<b>Balance carried forward</b>	<b>2,340</b>
	<b>COLLECTION FUND BALANCE</b>	
<b>2022-23</b>		<b>2023-24</b>
<b>£'000</b>		<b>£'000</b>
14,912	Balances brought forward	(41)
(14,953)	(Surplus) / deficit for year	(958)
<b>(41)</b>	<b>Balance - (surplus) / deficit carried forward</b>	<b>(999)</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 2023-24 was 51.2p, compared to 51.2p for 2022-23, and the small business multiplier was 49.9p compared with 49.9p in 2022-23. The rateable value of business premises at 31 March 2024 was £65,220,816 compared to £61,029,781 at 31 March 2023.

## NOTE 2. COUNCIL TAX BASE

Band & Value	Number of Chargeable Properties	Relationship to Band D	Annual Amount £
Band A - up to £40,000	8,839.79	6/9	5,895.60
Band B - over £40,000 up to £52,000	8,815.51	7/9	6,856.50
Band C - over £52,000 up to £68,000	6,416.45	8/9	5,703.50
Band D - over £68,000 up to £88,000	5,298.22	-	5,298.22
Band E - over £88,000 up to £120,000	1,805.49	11/9	2,206.70
Band F - over £120,000 up to £160,000	780.00	13/9	1,126.70
Band G - over £160,000 up to £320,000	189.75	15/9	316.30
Band H - over £320,000	29.00	18/9	58.00
	<b>32,174.21</b>		<b>27,461.52</b>
	<b>Collection Rate</b>		
Council Tax Base and amount originally expected for 2023-24	96.50%		<b>26,473</b>
East Sussex County Council share			<b>44,839,967</b>
Sussex Police and Crime Commissioner			<b>6,351,137</b>
East Sussex Fire and Rescue Authority			<b>2,762,987</b>
Hastings Borough Council share			<b>7,679,466</b>
			<b>61,633,557</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.

2022-23			2023-24	
Council Tax	NNDR		Council Tax	NNDR
£'000	£'000		£'000	£'000
		Balance brought forward		
0	9,076	Government	0	1,912
(2,209)	1,541	East Sussex County Council	(2,836)	344
(314)	0	Sussex Police & Crime Commissioner	(402)	0
(135)	171	East Sussex Fire Authority	(165)	38
(383)	7,166	Hastings Borough Council	(462)	1,529
<b>(3,041)</b>	<b>17,953</b>	<b>(Surplus) / Deficit</b>	<b>(3,865)</b>	<b>3,823</b>
		Movement on fund balance		
0	(7,164)	Government	0	(741)
(627)	(1,197)	East Sussex County Council	403	(133)
(88)	0	Sussex Police & Crime Commissioner	57	0
(30)	(133)	East Sussex Fire and Rescue Authority	16	(15)
(79)	(5,637)	Hastings Borough Council	49	(592)
<b>(824)</b>	<b>(14,130)</b>	<b>(Surplus) / Deficit</b>	<b>525</b>	<b>(1,481)</b>
		Balance carried forward		
0	1,912	Government	0	1,171
(2,836)	344	East Sussex County Council	(2,433)	211
(402)	0	Sussex Police & Crime Commissioner	(345)	0
(165)	38	East Sussex Fire and Rescue Authority	(149)	23
(462)	1,529	Hastings Borough Council	(413)	937
<b>(3,865)</b>	<b>3,823</b>	<b>(Surplus) / Deficit</b>	<b>(3,340)</b>	<b>2,342</b>

## NOTE 4. BALANCES HELD FOR EACH AUTHORITY

	Government £	ESCC £	Police £	Fire £	Hastings BC £	Total £
<b>Balances as at 31 March 2024</b>						
<b>1: Council Tax</b>						
Arrears	0	11,966,270	1,701,834	723,301	2,010,359	16,401,764
Impairment Allowance for doubtful debts	0	(9,287,404)	(1,320,848)	(561,377)	(1,560,304)	(12,729,933)
Overpayments	0	(1,299,403)	(184,800)	(78,542)	(218,303)	(1,781,048)
Prepayments	0	(470,546)	(66,921)	(28,442)	(79,053)	(644,962)
(Surplus)/deficit	0	(2,432,621)	(345,104)	(148,786)	(413,542)	(3,340,053)
Totals	0	(1,523,704)	(215,839)	(93,846)	(260,843)	(2,094,232)
<b>2: Non-Domestic Rates</b>						
Arrears	2,191,906	394,543	0	43,838	1,753,525	4,383,812
Impairment allowance for doubtful debts	(1,366,171)	(245,911)	0	(27,323)	(1,092,936)	(2,732,341)
Overpayments	(110,774)	(19,939)	0	(2,215)	(88,619)	(221,547)
Prepayments	(27,830)	(5,009)	0	(557)	(22,264)	(55,660)
Provision for losses on appeals	(1,704,631)	(306,834)	0	(34,093)	(1,363,705)	(3,409,263)
(Surplus)/deficit	1,171,056	210,790	0	23,421	936,845	2,342,112
Totals	153,557	27,640	0	3,071	122,846	307,114
<b>Balances as at 31 March 2023</b>						
<b>1: Council Tax</b>						
Arrears	0	10,803,582	1,530,220	665,704	1,850,284	14,849,790
Impairment Allowance for doubtful debts	0	(8,235,071)	(1,166,416)	(507,436)	(1,410,386)	(11,319,309)
Overpayments	0	(1,404,493)	(198,933)	(86,543)	(240,542)	(1,930,511)
Prepayments	0	(664,677)	(94,145)	(40,957)	(113,836)	(913,615)
(Surplus)/deficit	0	(2,836,479)	(401,905)	(164,770)	(461,630)	(3,864,784)
Totals	0	(2,337,138)	(331,179)	(134,002)	(376,110)	(3,178,429)
<b>2: Non-Domestic Rates</b>						
Arrears	1,909,928	343,787	0	38,199	1,527,942	3,819,856
Impairment allowance for doubtful debts	(1,245,627)	(224,213)	0	(24,913)	(996,502)	(2,491,255)
Overpayments	(283,150)	(50,967)	0	(5,663)	(226,520)	(566,300)
Prepayments	(41,880)	(7,538)	0	(838)	(33,504)	(83,760)
Provision for losses on appeals	(1,894,971)	(341,095)	0	(37,899)	(1,515,977)	(3,789,942)
(Surplus)/deficit	1,911,793	344,123	0	38,236	1,529,435	3,823,587
Totals	356,093	64,097	0	7,122	284,874	712,186

# 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, which have no determinable useful life, and which may have restrictions on their disposal.

## CREDITORS

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

## CONTINGENT

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

## CORPORATE AND DEMOCRATIC CORE

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

## CURRENT SERVICE COSTS (PENSIONS)

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

## CURTAILMENT

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

## DEBTORS

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

## DEFINED BENEFIT SCHEME

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

## DEPRECIATION

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

## EARMARKED RESERVES

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

## EXCEPTIONAL ITEMS

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

## FAIR VALUE

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

## FINANCIAL INSTRUMENTS

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

## GENERAL FUND

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

## GOVERNMENT GRANTS

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

## HERITAGE ASSETS

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

## IMPAIRMENT

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

## 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 need's basis.

#### UNUSABLE RESERVES

These are reserves, including those offsetting non-current assets and the negative reserve that offsets the long-term pension liability, which 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.